

THE  
MILTON  
FRIEDMAN  
PRIZE FOR  
ADVANCING LIBERTY

# Mart Laar Receives Milton Friedman Prize

In front of several hundred guests at a gala dinner at the Drake Hotel in Chicago on May 18, former Estonian prime minister Mart Laar was awarded a prize named for the man who made him believe that his country could achieve economic freedom. The Milton Friedman Prize for Advancing Liberty was presented by former Salvadoran president Francisco Flores, a member of the selection committee.

Laar was selected in recognition of his visionary work to rid Estonia of the vestiges of communism and to demonstrate to the world that limited government and free trade are the keys to prosperity. During his time as prime minister, Laar helped his country achieve record economic growth by instituting a low flat tax, abolishing tariffs to encourage international trade, and privatizing 90 percent of government-run industries. Laar's dedication to progress and economic freedom has allowed the former communist state to develop into one of the most dynamic economies in the world, ranking in the top 10 countries in the *Economic Freedom*

*of the World* index.

Mart Laar is not an economist, but he understood that his country would need drastic reforms to weather a post-Soviet financial crisis. He turned to Milton Friedman's seminal book, *Free to Choose*. Friedman's recommendations for privatization of government industries, a low flat tax, and the abolition of tariffs to encourage international trade struck Laar as a simple, practical way to spur his country's economy.

Laar remarked at the ceremony: "A lot of western countries, including the United States, gave us advice supporting a big state, big government, big expenditures, high taxes, and progressive taxation. And in this context, I must say it was very useful, again, to remember the Soviet time. Because the first time I heard the name Milton Friedman was in the deep Soviet time, when I read in the newspapers or in some propaganda newsletters of a very bad, dangerous western economist called Milton Friedman." By embracing the dangerous idea of liberty, Laar allowed his people to prosper just as millions of others have prospered in free societies.

The keynote address of the evening was given by political journalist George Will, who cited Friedman for helping to ensure "that economics is the only academic field in the last 30 or 40 years that has actually moved to the right." Of the honoree, Will said, "The moral of the story is liberty is an acquired taste. We have acquired it. We can lose it. But we won't lose it as long as we continue to honor people the way we are honoring one tonight and the way the Cato Institute honors our Founders by keeping their ideas vivid."

The Friedman Prize is awarded biennially to an individual who has made a significant contribution to advancing human liberty. Winners are selected by a distinguished panel of international judges. This year's panel included Anne Applebaum of the *Washington Post* editorial board, John Blundell of the Institute for Economic Affairs, Cato president Ed Crane, Francisco Flores, Rose D. Friedman, FedEx chairman Fred Smith, and *Newsweek International* editor Fareed Zakaria. The winner receives a \$500,000 cash prize made possible by generous earmarked donations.



1. *Mart Laar* 2. *Francisco Flores, former president of El Salvador* 3. *Juan José Daboub, former finance minister of El Salvador, with Cato adjunct scholar Richard Epstein*



4. *Cato Club 200 members Bill and Rebecca Dunn*  
5. *Chicago state senator James T. Meeks and master of ceremonies Brian Wesbury*



Dear friends, ladies and gentlemen, I am so honored to accept the Milton Friedman Prize. This prize is not only for me; it's also a prize for all the people who made the Estonian miracle possible. When you want to change your country, you can't do it alone, or even with the help of only your government. Only the people of a country can make real change possible. The task of government is to empower these people, to trust these people, to give these people the liberty to make their choices and make miracles happen.

I grew up in a society where there was no liberty. In free societies, it is hard to understand what liberty really means. You can understand what liberty is only when you have lost it. And when you're living in a society where liberty does not exist, only then can

you know how valuable it is.

Milton Friedman's *Free to Choose* is no longer the only economics book I've ever read, but it was the first book on economics that

I read. Marxist books about economics don't really count because they're all wrong. Ronald Reagan once said, when asked the difference between Marxists and anti-Marxists, that Marxists are those who have read the books of Karl Marx and anti-Marxists are those who have understood them. When you have lived in a

communist society, it is not hard to understand how wrong these theories were.

Estonia got a lot of advice from other nations about how to work toward freedom. A lot of western countries, including the United States, gave us advice supporting a big state, big govern-

REMARKS OF  
MART LAAR ON  
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ment, big expenditures, high taxes, and progressive taxation. And in this context, I must say it was very useful, again, to remember the Soviet time. Because the first time I heard the name Milton Friedman was in the deep Soviet time, when I read in the newspapers or in some propaganda newsletters of a very bad, dangerous western economist called Milton Friedman. At the time, I didn't know anything about Friedman's ideas, but I was quite sure that if they were so dangerous to communists, he must be a good man.

I still remember when I first saw an Estonian translation of Friedman's famous book. I remember looking at the name, *Free to Choose*, and thinking that the words "free" and "choose" were both absolutely unthinkable for the communists.

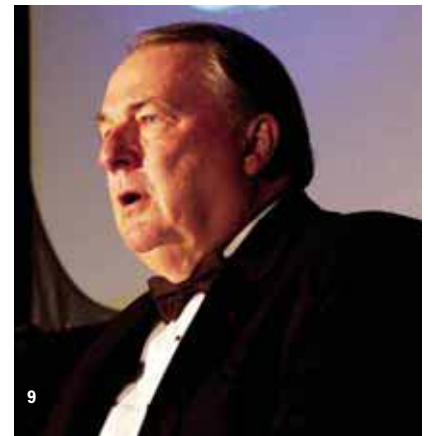
When I read the book, the ideas seemed very logical to me. At the time, I really didn't know that not very many countries had implemented those ideas. Friedman stressed that the best ways to

encourage economic progress were a flat-rate tax and free trade to open the economy. But what impressed me most in his writing was his trust in freedom and in people. It was very clear that only by removing power from government and empowering people can a country really achieve something. Because the government is not creating miracles; the people are. The government's only task is to give them the chance to succeed.

Thinking about economics in terms of human achievement was an idea I carried with me throughout the reform process in my country. Of course, when I started to introduce reforms, I met a lot of western experts who said that I was absolutely crazy because nobody had ever introduced any of the ideas of Milton Friedman. Many of them told me that Milton Friedman was a hokey, very right-wing economist who knew nothing about real economic theories.



6. June Arunga of the Inter-Region Economic Network in Kenya 7. Cato Club 200 member David Booth



8. Cato Board member Fred Young and Sandra Young 9. Cato founder and president Ed Crane 10. Brenda Wesbury and Cato Club 200 member Thomas Smith





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11. Milton Friedman addresses the dinner by video 12. George Will called Cato “the foremost upholder of the idea of liberty in the nation that is the foremost upholder of the idea of liberty.” His speech is available on *CatoAudio* and in *Cato’s Letter*. 13. Cato’s R. C. Hoiles fellow Jim Powell, Ed Crane, and Chicago Mercantile Exchange founder Leo Melamed



14. Cato Benefactor Peter Flinch and Kristina Crane  
15. Estonian ambassador Jüri Luik and Diane Smith



I had some doubts when these very good-looking, very well educated economic experts disparaged Friedman. Luckily, I was then only 32 years old, and at that age, you don’t trust older, cleverer experts who tell you that what you want can’t be achieved. To me, Milton Friedman looked like a very good man, especially when I remembered how much the communists hated him. And I found the courage to press for what I believed would lead my country to freedom.

These ideas have been highly successful. We have really empowered the people in Estonia. We have liberated them to make choices that help move the country forward. The results are astonishing. When you look at Estonia now, it’s hard to remember clearly how it was in 1992. The government isn’t responsible for that change; the people are. The government’s role is to give people the chance by opening the economy and by creating a tax system that does not punish people who work more and earn more money, but rather encourages people to do something with their lives. Good govern-

ment policy can give people the opportunity to create something, to be innovative, to look to the future, to dream, and to realize those dreams. I think this is what freedom is about.

The last Milton Friedman Prize was given to the brilliant economist Hernando De Soto, who argued so persuasively against the property confiscation championed by Karl Marx in the *Communist Manifesto*. I am so proud to receive this prize for arguing against another thesis of Karl Marx, the progressive income tax. Such a tax system is in opposition to what freedom is all about. I really support and encourage everybody to support the idea of having a tax revolution like the one we had in Estonia, not only in Central and Eastern Europe, where I think during the next five years all countries will move to the flat-rate income tax, but to move this to other parts of western civilization as well. If we do not, freedom will not succeed.

Progressive taxation was central to Karl Marx’s worldview. I

am so sorry to see that in the western world Marxist thinking is still so popular. Communism is not dead in the West. When I'm walking in the streets of New York, I see T-shirts printed with pictures of Che Guevara, Mao Zedong, and Lenin, the biggest murderers of the 20th century. I really don't understand it. Is this a free country? Is communism really dead?

There are still countries in the world where communism flourishes, and we're not doing enough to talk about what communism really means and what communists throughout history have done in the name of their ideology. China, even with its modest economic reforms, is still a dictatorship where the word "democracy" is forbidden, and we don't talk about that enough. I think one reason we keep seeing populist dictatorships in South America is that we have not yet taken a stand to declare that communism is just as evil as Nazism or any of the other truly evil ideologies of the 20th

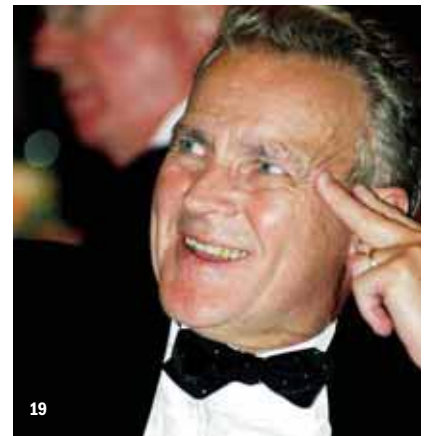
century. We have underestimated the power of these evil ideas.

President Ronald Reagan was widely criticized throughout the western world when he called communism an "evil empire." But I remember my own feelings when I heard him say those words; he was the first politician I had ever heard who was not afraid to speak the truth. We must all be brave enough to speak the truth.

I really congratulate the Cato Institute for the work you are doing around the world to deliver the truth about freedom and about liberty. I want to see this very difficult task of spreading liberty around the world progress. Without liberty, our lives are empty and meaningless. Liberty is what gives us the tools to achieve. Liberty is what raises our spirits. And in this context, I can only thank again Milton Friedman, the Cato Institute, and all of you who have supported this idea around the world. When we all move together in this direction, we can make the world a better place.



**16.** *Institute for Humane Studies president Marty Zupan and Cato Board member Ethelmae Humphreys* **17.** *Cato Club 200 members Donald Smith and Rebecca Dunn* **18.** *President Flores presents the Friedman Prize to Mart Laar*



**19.** *American Spectator editor R. Emmett Tyrrell Jr.* **20.** *Cato Club 200 members Harold J. Bowen Jr. and Jay Bowen*

