

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF ECONOMICS

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June 2, 1976

Mr. Lewis E. Lehrman  
The Lehrman Institute  
42 East 71st Street  
New York, New York 10021

Dear Mr. Lehrman:

In re your pencilled P.S. on your letter of April 22, 1976, I believe that implicitly misconceives the nature of the problem. The problem is not what it is possible to build in a hypothetical non-existent world but what will grow and develop in the world as it is.

In the world as it is with the political arrangements among countries there is simply no possibility in my opinion of the kind of self-denying ordinances on the part of the individual countries that would permit a satisfactory fixed exchange rate system to exist. You will get a system of pegged rates and not a truly unified currency. Willy-nilly, the facts dictate that the currency area must be limited by the area of political control. The problem is not one of constructing a floating system; the fact is that we have no alternative.

Cordially yours,

Milton Friedman

MF:gv

Dictated in Vermont  
Transcribed in Chicago and  
mailed without signature to  
expedite reply