

June 14, 1976

Professor Milton Friedman  
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Dear Professor Friedman:

You were very kind to take the time to respond to my handwritten comments on my last letter to you. It is difficult to argue with a distinguished economist, particularly one whose views I share, especially when he chooses the high ground of practicality, "in the world as it is" as you say. Having spent my whole working life as a businessman, I am especially sensitive to practical arguments.

In your letter you rule out "self-denying ordinances on the part of individual countries." Surely, you are correct if you characterize the political behavior of most of the two hundred petty sovereignties throughout the world today. However, is it so unreasonable or impractical to expect the leading nation of the western world, let us call her the equilibrium leader, to ascertain and to enforce upon herself such a "self-denying ordinance," particularly when the ordinance of monetary discipline, if generalized "de facto" or by treaty arrangements, would have such beneficial effects throughout the world, not to mention that such a self-denying ordinance is the very essence of leadership?

Furthermore, I agree with you that "the facts dictate that the currency area must be limited by the area of political control." My short book, with which I have probably already

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burdened you, begins with this proposition as the axiomatic basis of an enduring global monetary system. It is true, as you imply, that a Floating System is the outcome of today's unwillingness of the major trading nations to discipline their monetary policies. It seems to me that this sovereign license is neither necessary nor permanent. In fact, is not indiscipline a defect of leadership which, we may hope, some day American statesmen will remedy?

May I say again how much I deeply appreciate your willingness to share your thoughts with me? We agree on so much that I hope you will indulge my presumption to take issue on this one point.

Best regards,

Lewis E. Lehrman

LEL/ms