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Milton Friedman Knew About Showers and Economies

David Wessel is wise to be "[Channeling Milton Friedman](#)" (U.S. News, Oct. 28) in respect to the question of whether the Federal Reserve should engage in another round of huge monetary stimulus, but Mr. Wessel misses a major part of Friedman's thinking. Friedman emphasized informational and policy-lag problems noting that, "the attempt to do more than we can will itself be a disturbance that may increase rather than reduce instability."

Friedman created the metaphor of the "fool in the shower" who is constantly tinkering with the hot and cold controls because he doesn't realize that there is a lag between the time he orders up a temperature change and when such a change occurs. Applied to the economy, the metaphor suggests that policy makers are prone to overshooting their target and making things worse rather than better.

The Fed erred in keeping interest rates too low for too long while the economy recovered from the recession of 2001, thus contributing to the housing bubble which brought about the current crisis. If inflation takes off in the next three to five years, or if another asset bubble arises, economists will no doubt look back at Federal Reserve Chairman Ben Bernanke's QE2 gambit as yet another application of Friedman's fool in the shower.

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Mr. Wessel argues that the logic of Milton Friedman favors another round of quantitative easing. But would Friedman really want to use the printing press to expand the size and scope of government? He understood that monetary stimulus doesn't create jobs or economic growth, but does increase government power and reduce individual freedom.

The reason we are in the mess we're in isn't because of a lack of stimulus but because of the refusal of policy makers to let markets determine prices and interest rates. Friedman certainly would be against holding interest rates at artificially low levels and would argue that what we need is smaller government, lower taxes and less regulation.

Micromanaging the economy through central bankers, who are allocating credit, isn't something he would be fond of. The absence of any rules constraining monetary or fiscal policy under a pure fiat money regime is something that he would warn against.

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