

# Friedman – Meiselman; a Reflection after 50 Years of the Single Equation Approach

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## **Abstract**

*Fifty years ago Milton Friedman and David Meiselman asked a simple question: what is the efficacy of monetary policy versus that of fiscal policy? Their equally simple answer was that fiscal policy was not a statistically significant policy variable in impacting aggregate private consumption, while monetary policy was. Their paper, its model, its results, and its meaning, set off a storm of controversy that has yet to abate. In the half-century interim there have been numerous papers, models, results, and interpretations, but no true consensus in the profession. This paper chronologically reviews the well-known controversy and the historical search for the proper answer to Friedman and Meiselman via the single-equation approach before giving it another empirical try. Right or wrong, unfortunately if history serves, this result will have no bearing on ending the controversy, but such is the state of our profession.*

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