

MAY 15 1973

D+ Friedman
fg. grants

40428 ✓

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF ECONOMICS

1126 EAST 59TH STREET
CHICAGO • ILLINOIS 60637

May 14, 1973

Dr. Joshua Lederberg, Chairman
Department of Genetics
Stanford University School of Medicine
Stanford, California 94305

Dear Dr. Lederberg:

I appreciate your sending me your statement to the House Subcommittee on Public Health and Environment, presented on March 22, 1973, and your reference on page 3 to a so-called "Friedmanian" prescription plus your analysis of it.

I am afraid there is about as little relation between your analysis of consequences of those prescriptions and what would in fact follow from them as there would be between my analysis of the physiological aspects of some genetic problem and the correct conclusions about that problem.

Economics is a serious subject that requires application no less than physiology and genetics. The market is a far more sensitive and subtle mechanism than you apparently imagine. It would not in fact work out as you believe it would.

In particular, there obviously is no reason whatsoever to subsidize research training. This implies no implication whatsoever in and of itself about the desirability of subsidizing research output. A far more sensitive control system is obtained, as a purely technical matter, by subsidizing the output that is desired and letting this in turn produce the appropriate input.

Moreover, re external economies and diseconomies, governmental subsidization is far from the only way to handle it. On the contrary, I believe that the voluntary mechanisms that developed in earlier days were far more efficient in promoting the advancement of knowledge than the shift toward large-scale governmental financing with all of the irregularities and sudden emergencies that you are complaining about.

Sincerely yours,

Milton Friedman
Milton Friedman
(Dictated but not read)

MF:gv