

In this paper we explore the celebrated Friedman rule monetary policy in the context of a laboratory economy based on the Lagos-Wright model. The rule that Friedman proposed can be shown to be optimal in a very wide variety of different monetary models, including the Lagos-Wright model. We explore two implementations of the Friedman rule. The first implementation is based on a deflationary monetary policy where money supply contracts to offset discounting. In the second implementation, we consider the payment of interest on money removing the marginal cost from holding money. We explore the behavioral implications of these two theoretically equivalent implementations of the Friedman rule. We also explore the impact of inflationary policies.