During the late-1940s Milton Friedman favored a rule under which fiscal policy would generate changes in the money supply with the aim of stabilizing output at full employment. Anna Schwartz downplayed the role of monetary factors in business cycles and the role of monetary policy as a stabilization tool. We show how the joint work of Friedman and Schwartz from 1948 to 1958 underpinned Friedmanôs shift to a rule based on money growth. The decisive factor in the evolution of Friedmanôs thinking was the empirical confirmation that the Great Depression had been both initiated and deepened by the Fed.