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Volume Title: The Responsiveness of Demand Policies to Balance of Payments: Postwar Patterns

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Volume Publisher: NBER

Volume ISBN: 0-870-14221-6

Volume URL: <http://www.nber.org/books/mich71-1>

Publication Date: 1971

Chapter Title: Explanatory Note

Chapter Author: Michael Michaely

Chapter URL: <http://www.nber.org/chapters/c3437>

Chapter pages in book: (p. 73 - 75)

PART



COUNTRY PATTERNS



CHAPTER 3



EXPLANATORY NOTE

Each country chapter starts with a brief institutional description of the major variables used in the country's demand policy. This is followed by the statistical analysis, and a summary and interpretation of the main findings concludes the chapter.

The statistical analysis normally starts with a basic table, "Movements of Policy Variables during Subperiods of Imbalances." The table presents the division of the whole period under study into subperiods. These subperiods are also represented in a basic chart, which describes the movements of the balance-of-payments variables, of other potential target variables, and of the policy variables. In the chart, subperiods of downward imbalances are shaded by diagonal lines, subperiods of stability are shaded gray, and subperiods of upward imbalances are not shaded.

In the basic table, the policy variables are considered during each subperiod of imbalance. For convenience of observation and exposition, each such movement is given a sign. It is marked by a plus sign when the movement of the variable complies with the assumption that the variable is manipulated in the direction required for balance-of-payments adjustment (for brevity, this will be referred to as an "adjusting direction"), by a minus sign when the variable moves in a direction opposite to that which balance-of-payments adjustment would require, and by an asterisk when the variable does not move, although balance-of-payments adjustment would have justified an upward or a downward movement.¹ It should be clear, in line with the discussion in the former

¹ Similar use of plus and minus signs, in a context limited to the study of a single policy variable (the central bank's domestic assets), was made by Nurkse

part, that at this phase of the analysis each variable is examined by itself, and not yet as part of the general pattern; the method is simply to judge each one according to whether it moves in an "adjusting" direction or not.

The stage is then set for the observation of policy variables. If a variable moves consistently in the direction conforming to the need for balance-of-payments adjustment, it would be tentatively concluded that manipulation of this variable was indeed motivated by the purpose of adjustment. If no such consistent behavior is found—and, *a fortiori*, when a variable consistently behaves in the opposite fashion—it would be concluded that the variable under consideration did not serve as a tool of balance-of-payments adjustment.

Quite often, tables will be presented in which the positions of alternative target variables are described along with the movements of a given policy variable. If the direction of such a movement is consistent with the assumption that it was made in order to adjust a certain target variable, in view of the concurrent position of that variable, the latter is given a plus sign for the period of the movement under consideration; if the change in the discount rate is in the opposite direction, the variable is assigned a minus. It is thus possible to get an impression at a glance of whether an assumption that manipulation of the discount rate was intended to serve a certain target is justified or, rather, not contradicted by the data.

It may be in order to repeat here a qualifying note about the scope of the individual country studies, which has been more fully stated in Part I. Each country study is viewed primarily as raw material for the international comparisons and synthesis, which has been offered in Part I. This aim of the individual analyses imposed, necessarily, a given

and by Bloomfield in their aforementioned studies. See Nurkse, *International Currency Experience*, pp. 68–70, and Bloomfield, *Monetary Policy under the Gold Standard*, pp. 47–51.

It should be emphasized—indeed, this point could not be overstressed—that the use of such signs does *not* have any normative connotation. Giving, for instance, a plus mark to a certain movement does by no means indicate that this movement is considered desirable in general, or by some particular yardstick, or that a different policy would be somehow less desirable. If any convenient "neutral" symbols could be used for the purpose of identification, they would have been adopted. The plus and minus signs were selected because no other symbols are completely neutral, while these signs enjoy the advantages of having been used in distinguished and well-known precedents and of being visually convenient.

mold upon all of them. Each of these analyses would have been carried out in a different—and more intensive—fashion, had the purpose been simply to describe and investigate the experience of that country for its own sake. It is with this view in mind that the individual country chapters should be approached.