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# Quarterly Review

**The Statewide Economic  
Impact of Small-Issue  
Industrial Revenue Bonds (p. 2)**

Michael J. Stutzer

**International Coordination  
of Macroeconomic Policies:  
A Welfare Analysis (p.14)**

Preston J. Miller  
Neil Wallace

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## *In This Issue*

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### A Case Against Industrial Revenue Bonds

In "The Statewide Economic Impact of Small-Issue Industrial Revenue Bonds" (p. 2), Michael J. Stutzer argues that such bonds have not worked as intended. Because the interest on industrial revenue bonds is tax-exempt, issuers can borrow at below-market rates and in effect receive a subsidy. The subsidy is intended to promote growth in employment and local tax bases. Stutzer presents three conceptual arguments which cast doubt on the efficacy of these bonds in promoting such growth. He then reports the results from some statistical analyses which confirm the doubts.

### A Case for Coordinating Monetary Policies

In "International Coordination of Macroeconomic Policies: A Welfare Analysis" (p. 14), Preston J. Miller and Neil Wallace argue that such coordination may be desirable in the current economic environment. They identify some key characteristics of that environment, including floating exchange rates, individual country currencies, and a world capital market in which government borrowing affects interest rates. They construct a model that incorporates these characteristics, show that its predictions are broadly consistent with recent economic events, and then derive its implication that all countries can be better off if they jointly choose their monetary policies than if they continue to make those choices independently.