Federal Reserve Bank
of Minneapolis

Summer 1986

Quarterly Review

Federal Reserve Bank of Minneapolis

Quarterly Review

Vol. 10, No. 3 ISSN 0271-5287

This publication primarily presents economic research aimed at improving policymaking by the Federal Reserve System and other governmental authorities.

Produced in the Research Department. Edited by Preston J. Miller, Kathleen S. Rolfe, and Inga Velde. Graphic design by Phil Swenson and typesetting by Terri Desormey, Graphic Services Department.

Address questions to the Research Department, Federal Reserve Bank, Minneapolis, Minnesota 55480 (telephone 612-340-2341).

In This Issue

Examining for Monetary Breaks

It seems common knowledge that the relationship between money and the economy has broken down in the 1980s. But that common knowledge may be wrong. In "Money and the U.S. Economy in the 1980s: A Break From the Past?" (p.2), Lawrence J. Christiano carefully examines in two types of models the stability of the relationships in 1970–85 between several measures of money and several other economic measures. In the type of model which seems most in accord with the data, he finds surprisingly weak evidence of a break in the money-economy relationship in the 1980s.

Operating on Exchange Rates

A central bank buys and sells securities. When those operations affect its country's money supply, theory and evidence suggest they will affect the exchange rate of its country's currency relative to other currencies. But are exchange rates also changed by central bank operations that leave the money supplies of all countries unchanged—so-called sterilized interventions? In "Do Sterilized Interventions Affect Exchange Rates?" (p.14), Warren E. Weber argues that although theory does not provide a definitive answer, empirical evidence suggests the answer is no.