The lagged stock-adjustment coefficient (that for $S/Y^p\ t-1$) was also consistently of the right sign (negative) and usually implying that between four-tenths and eight-tenths of a discrepancy between desired and actual stocks was eliminated during each semiannual period. This range appears quite believable because the statistical coefficient is an average, with unknown weights, of the separate reaction-speed coefficients of borrowers and lenders.[31] While bond buyers may be presumed to act fairly rapidly in adjusting their portfolios, many State and local potential borrowers prefer, or are forced, to move slowly because of constitutional and other requirements for bond referendums and lags in the administrative process.

In conclusion, the results presented in table 1 and others not shown are encouraging. They do indicate a significant interest rate impact on State and local borrowing, although more on the timing of issues than on total borrowing in the long run. And the hypothesis of sensitivity of borrowers and insensitivity of lenders to expectations would have interesting implications if it is supported by further research. Another suggestion of the findings—that State and local borrowers are insensitive to long-run, quasi-permanent changes in interest rates while lenders are not—also deserves further investigation.

[31] See technical appendix.