

Similarly, we find sets of expenditure variables which give equivalent results. In each case, we must still look to other factors to account for the majority of changes that have occurred. This can be done with more complete models such as have been constructed at the Federal Reserve based upon the money-expenditure-income theories.

Our problem is not merely that of looking at a bottle that is half empty and also half full. The problem is a good deal more complex. In each case, we can by theoretical reasoning improve or dissipate the initial statistical results. Most of the models used in such tests tend to be too simple. As an example, some published studies have argued at length over the use of claimed misuse of the concepts of "turning points" to attempt to prove either theory.

A comparison of turning points in no way does justice to a model in which various factors other than money affect GNP. This is particularly true when monetary policy is expected to offset part of the expansionary force of autonomous expenditures or of a runaway in expected return on capital. The effectiveness of policy depends on the relative strengths of the two opposing forces, not on the point in time when policy changes. If a strong expansionary policy action were to be coupled with a weak downward movement in other forces, one would expect the policy's effect would be more swiftly felt than if the other forces were moving down rapidly. The necessary ceteris paribus conditions are not represented in some of the statistical work.