

The point of these various comparisons is not to prove that the lag in monetary policy is necessarily either very long or very short, but rather to illustrate how hard it is to settle the matter through the kind of evidence that has been offered by the money supply school. Similar difficulties, as well as others, beset attempts to measure the *variability* of the lag in the influence of money on business by comparisons of cyclical peaks and troughs in the two. However the turning points are measured, the resulting estimates may seriously overstate the true variability of the lag in the influence of money on business. The reason is that observed differences from cycle to cycle in the timing of turning points in money relative to turning points in business are bound to reflect a number of factors over and beyond any variability in the influence of money on business.¹⁷ These "other" sources of variability include purely statistical matters such as errors in the data and the arbitrariness involved in assigning precise dates to turning points in money and in business. More fundamentally, the fact that there exists a reverse influence of business on money, an influence that is probably uneven from one cycle to the next, imparts a potentially serious source of variability to the observed lags. Moreover, if there are important influences on the general level of business activity other than the behavior of money, these factors would also increase the variability of the observed timing relationships between turning points in money and in business. Taking all these possibilities into account, it seems fair to say that whatever the true variability in the impact of money on business, its size is overstated when it is measured in terms of the variability of the lags in cyclical turning points.

WAYS IN WHICH MONEY MAY INFLUENCE BUSINESS

If there is a broad conclusion to be drawn from a study of the historical pattern of relationships between cycles in money and cycles in business, it is that there are distinct limits to what can be learned about the influence of money on business from this kind of statistical analysis. Perhaps this should not be surprising. During the business cycle many factors of potential importance to the subsequent behavior of business activity undergo more or less con-

¹⁷ Other sources of variability are discussed in some detail by Thomas Mayer in "The Lag in the Effect of Monetary Policy: Some Criticisms", *Western Economic Journal* (September 1967), pages 335-42.