

# They Even Manage to Baffle Themselves

LAST week's announcement by the Board of Trade that the sharp increase in the level of imports on a seasonally adjusted basis in January was attributable to an ordinary month-to-month fluctuation gives special interest to a speech delivered at the Academy for Central Bankers at Hetheringstoke over the weekend by an important government official. Mr. Bagehot-Lowndes, the school's acting principal, points out in making this revealing document available that, as it was strictly an off-the-record affair, the identity of the speaker must be withheld. It begins:—

"Gentlemen: I would like to begin this short talk by paying tribute to the splendid work this institution is doing to promote all that is best in economic management throughout the world, especially through the stern fight it is waging to defeat the insidious efforts of the so-called reformers to undermine doctrines that, from time immemorial, have been our principal guide. We in official quarters in this country have particular cause to be grateful for the inspired lead the school has given in combating a challenge that might otherwise have spelled the doom of our antiquated but so beloved methods, with nothing to show for the sacrifice but a faster rate of growth.

## Bank Rate Envied

"And now to my real subject. You in central banking and we in government do not, as you are well aware, always see eye to eye. You are obsessed with the idea of keeping government spending down. We usually want to put it up. But there is one thing that we are in the fullest agreement upon. I refer, of course, to the need to keep what we are doing in the economic policy field shielded as far as possible from the prying eyes of outsiders of all types. The more successful we are here, the more free we are to do things in our own way and the less likely to be held to account for what we do decide to do. For what the newspapers do not clearly see, the public official does not get blamed for.

"It is no secret that we in government have always envied you central bankers that great illusion — the Bank Rate. Surely no other variety of economic mumbo-jumbo has ever exercised the influence this one has on an otherwise reasonably intelligent world. Its splendid rituals do not, let us face it, in these days command quite the respect they did in some countries. But in others they are

*"Lombard," of the Financial Times, likes to have his bit of fun at the expense of government economists. In a delightful bit of fiction, "They even manage to baffle themselves," February 26, he sails nearer the wind of truth than even he himself suspect.*

*Those familiar with the antics of government economists but unfamiliar with "Lombard" might be forgiven for being taken in with this very plausible and witty piece of writing. We reprint it here in full by courtesy of the Financial Times.*

observed more strictly than ever. And because the central banker is trusted by the financial Press to an extent that the government policy shaper can never hope to be, what we may call the dust-throwing potential of this instrument is simply enormous.

"But I would not like you to think that we are entirely helpless in the matter of obscurantism. We have always had our own processes. And in recent years Fate has come to our aid in a rather curious fashion. I refer to the onward march of the statistic. Thinking that the more figures they forced us to reveal, the better position they would be in to interfere in our affairs, the outside meddlers insisted that we should extend our statistical services. We complied. And with what splendid results!

## Simple Example

"Let me illustrate my point with a simple example. At one time the trade figures were published in a straightforward form that any moderately intelligent person would have had little difficulty in understanding. Now we issue the figures on a seasonally adjusted basis. But we do not leave it at that. We also point out at certain times that the figures have been distorted by what we describe as ordinary month-to-month fluctuations. At others, it is stressed that allowance must be made for extraordinary fluctuations. Then there is the good old dock strike with its potential for distorting annual comparisons over periods of many years. And, beyond all these complications of course, changes in basic trends.

"Imagine the trained outside observer, as he likes to call himself, trying to unravel the basic significance of the trade results in a month in which he is told that allowance has to be made not only for the fact that seasonal adjustments are suspect because there was a railway strike a year before but also for a combination of ordinary and extraordinary month-to-month fluctuations. You might say that he could always revert to the actual results. Fortunately, the fascination which the task of trying to discover a basic trend through this smoke-screen exercises is such that the poor dear never thinks of doing the obvious.

"Thank goodness for that! For, by placing suitable emphasis on this factor or that, we can create the kind of picture we want to. Indeed, I can tell you that the process is so effective that we often manage to baffle ourselves."