Time Series Plots

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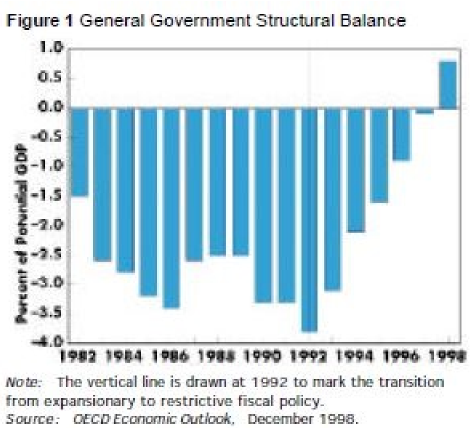
The plots in the Godley 99 paper are reproduced here. To facilitate comparison with the original paper, the same time span is used, but extended to 2015. Data are taken from the NIPA IMA tables.

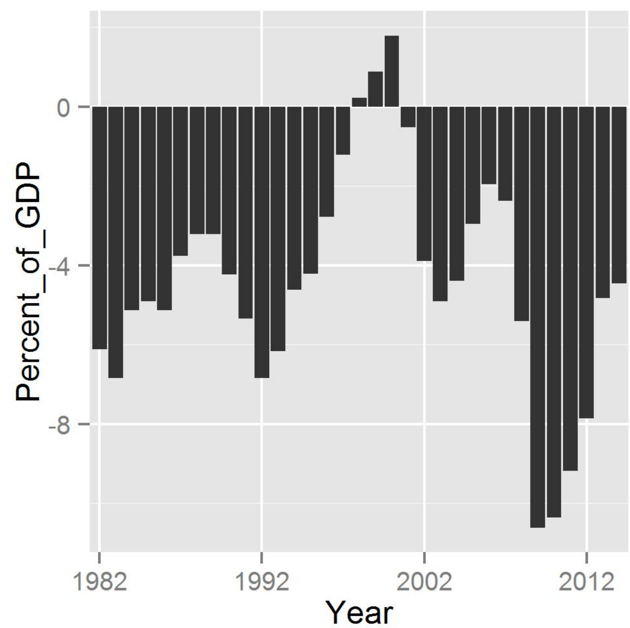
1. General Government Structural Balance

This is the gov't surplus/deficit as a percentage of GDP.

Plot 1



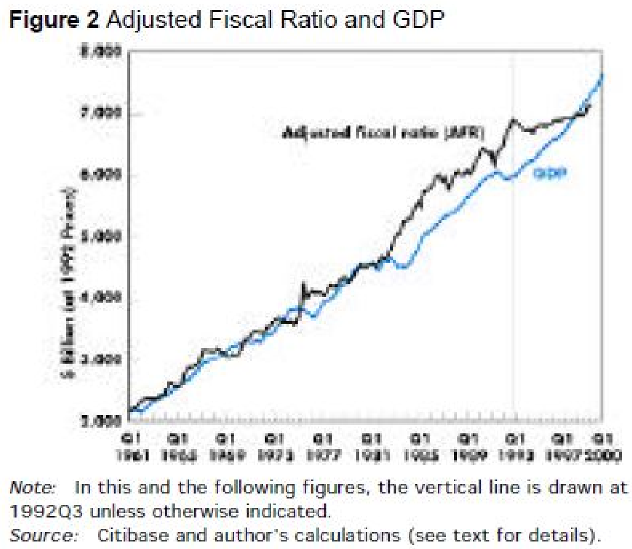
Plot 2

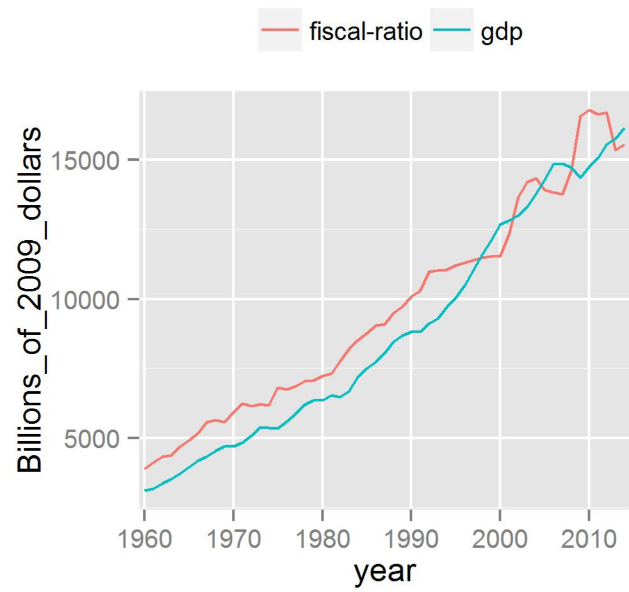


2. Adjusted Fiscal Ratio and GDP

This is a measure of the government's 'fiscal stance' - it is said to be neutral if the deficit is small and does not increase as a share of GDP through time. It is the ratio of Government Spending to the average rate of taxation. When the budget is balanced, this ratio will be exactly equal to GDP. $FR = G/\theta$ where G is gov't expenditure and θ is the average tax rate. It's the ratio of the injection from gov't expenditure to the leakage of taxation. In Godley's paper, the data are corrected for the business cycle and adjusted for inflation by appropriate deflation of both stocks and flows.

Plot 1	Plot 2





3. Adjusted Trade Ratio and GDP

The "adjusted trade ratio" (ATR) is constructed according to the same principles as the AFR, that is, it is the ratio of exports and foreign transfers to the average import propensity, with all variables corrected for inflation, relative prices, and the business cycle. It measures the rate at which exports inject demand into the economy compared to the demand leakages of imports. The ATR is X/μ where X is exports of goods and services plus all transfers corrected for price changes and μ is the average import propensity corrected for the business cycle.

Plot 1	Plot 2

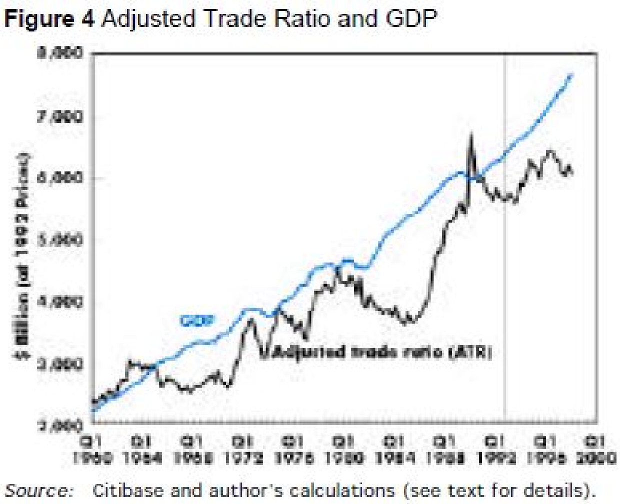
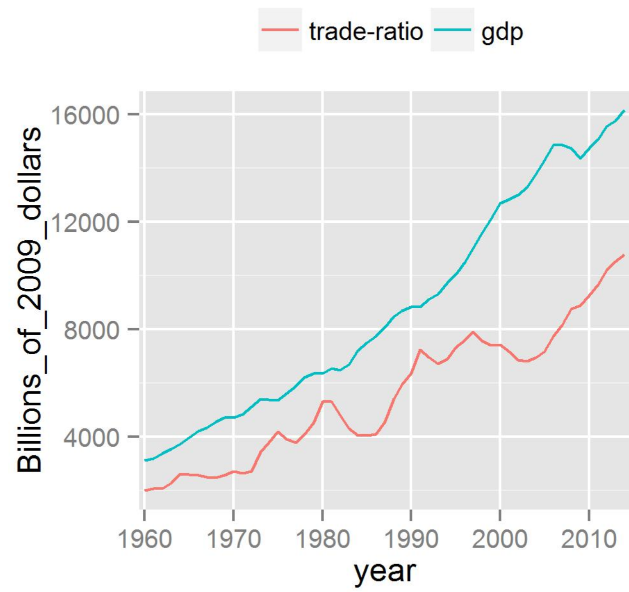


Figure 4 Adjusted Trade Ratio and GDP
$ Billion (at 1992 Prices)
8,000
7,000
6,000
5,000
4,000
3,000
2,000
GDP
Adjusted trade ratio (ATR)
Q1 1960
Q1 1964
Q1 1968
Q1 1972
Q1 1976
Q1 1980
Q1 1984
Q1 1988
Q1 1992
Q1 1996
Q1 2000
Source: Citibase and author's calculations (see text for details).


trade-ratio
gdp
Billions_of_2009_dollars
16000
12000
8000
4000
1960
1970
1980
1990
2000
2010
year