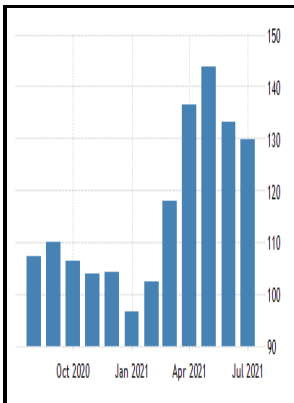


Current account surpluses and the interest rate island in Switzerland.

International Monetary Fund - Summary of WP/95/24: 'Current Account Surpluses and the Interest Rate Island in Switzerland' in: IMF Working Papers Volume 1995 Issue 080 (1995)



Description: -

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Gold Could Offer a Way out of Switzerland's Failing Inflationist Experiment

Appendix Current Account Surpluses, the Liquidity Trap, and World Demand: A Simple Model Consider the following simple two-country macroeconomic model. With the Swiss currency at the mountain summits, there would have been broad expectations of a long-run tendency for it to descend somewhat over the long run. Thus, in this case, higher desired saving in the foreign country leads to a decrease in output in the home country.

IMF Working Papers Volume 1995 Issue 024: Current Account Surpluses and the Interest Rate Island in Switzerland (1995)

Businesses there might well have cut overall wages as quoted in nominal francs sharply at first.

IMF Working Papers Volume 1995 Issue 024: Current Account Surpluses and the Interest Rate Island in Switzerland (1995)

This would have caused some pain to certain businesses in Switzerland concentrated in the export sector or import-competing areas. Looking forward, the SNB continues to expect GDP growth of 2. It is then in the interest of the country to remove those distortions and, in the process, reduce imbalances.

Accounts

The Swiss National Bank held its policy rate at -0. All regulatory restrictions on making gold-denominated loans would lapse.

(Why) Should Current Account Balances Be Reduced?

This paper revisits the uncovered interest parity relation. So how could Switzerland as a nation repent for its recent past and open a brighter

chapter in its history as a haven for freedom, in this case monetary? Authors of Working Papers are normally staff members of the Fund or consultants, although on occasion outside authors may collaborate with a staff member in writing a paper.

Switzerland Interest Rate

In a sample that includes both advanced countries and emerging markets, the evidence points to large precrisis current account deficits being associated with large output and demand declines. Under the hypothetical sound money regime, the franc might well have climbed to lofty summits amid much volatility—perhaps even above 1. Now consider an increase in desired saving in the foreign country.

(Why) Should Current Account Balances Be Reduced?

The SNB seeks to keep the secured short-term Swiss franc money market rates close to the SNB policy rate.

Gold Could Offer a Way out of Switzerland's Failing Inflationist Experiment

The SNB totally failed to build an alternative firmer foundation. .

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