

A B S T R A C T

*The main purpose of this study is to examine the inter-relationships between finance, economic growth and the balance of trade in the O.E.C.S. countries in the period 1972-82. It is hoped that this will provide us with important insights about macroeconomic behaviour in these economies. Specifically, the central hypothesis of the study is that monetary changes precipitates reactions in expenditures and prices which alter the balance of trade and ultimately the balance of payments.*

*We outline the salient features of the O.E.C.S. economies and review their economic performance in the period under consideration. We adopt a model-building approach to economic analysis so we formulate a simple, aggregative macro-economic model which we hope establishes our central hypothesis. Using ordinary least squares regression we estimate the behavioural equations of the model. In addition, we carry out some simple manipulations of the model using differential calculus which allows us to make certain qualitative judgements from our model about macroeconomic behaviour. Finally, we examine the significance of the implications of our model for short-run economic management and outline the broad parameters of a strategy of short-run economic management.*