Index

Note: Italicized page numbers indicate figure or table.

agent-structure debate, capital mobility and, 9–10
Alesina, Alberto, 29n12, 91, 95n27
Andrews, David M., 9n9, 19, 21, 22, 41n21
Annual National Accounts (1973–97, OECD), 64n9, 90n16
Apel, Hans, 128
Aschauer, David Allen, 29n12
Asia: Western European monetary policy convergence and governments in, 28. See also Japan
Austria, exchange rate stability and, 32
Axelrod, Robert, 127
Aylott, Nicholas, 32n4

Bank of England, 115, 116, 120, 123
Bank of Japan, 32n6
Banque de France, 105
Barnes, Ian, 31–32
Barre, Raymond, 107
Barro, Robert, 29n12
Bayne, Nicholas, 127n2
Bearce, David H.: on central bank independence and government spending, 92n22, 93n23, 93n24; on European Snake or EMS membership and currency variability, 45n23; on government spending and de facto fixed exchange rates, 71n13; on leftist and rightist parties as partisan agents, 80n5; on leftist governments with greater exchange rate variability vs. German mark, 91n21; on monetary policy divergence theory, 4n7; on use of common specification for divergence model, 89n15
Beck, Nathaniel, 41n20
Bell, D. S., 102–3
Bernanke, Ben S., 32n4
Bernhard, William, 84, 88n14, 91, 91n20
Bilger, François, 107
Blair, Tony, 121–23. See also British Labor Party

Blumenthal, W. Michael, 81, 129
Boix, Carles, 119
Bonn summit (1978), 127, 128–30
Bretton Woods system, 18–19, 26n7
Britain: central bank independence in, 88; domestic monetary policy autonomy of, 27; exchange rate stability and, 32, 32n5; neoliberal economic policy of Conservatives in, 82; Plaza Accord and, 130–31; spending choices by Conservative governments in, 8.
Britain (continued)
See also British Conservatives; British Labor Party; British pound sterling

British Conservatives: case study of, 1979–96, 112–23; on EMU membership, 122; exchange rate stability and, 116–21; as external policy convergence example, 100; monetary counterbalancing by, 123; partisan policy mix divergence, macroeconomic convergence and, 101; Thatcher’s neoliberal policy mix and, 113–16, 115.
See also Major, John; Thatcher, Margaret

British Labor Party: domestic policy autonomy and, 113, 135; governance by, 121–23

British pound sterling: fall in, and ERM membership, 117–18, 119; growth under Conservative government, 115; unofficial pegging of pound sterling to German mark, 118–19

Brooks, Clem, 79
Brown, Gordon, 122
Broz, J. Lawrence, 88n14, 137
Bryant, Ralph, 1n2
Budge, Ian, 90n19

budget deficits: fiscal and monetary policy mix and, 59; lack of partisan differences with regard to, 97–98; Maastricht Agreement, Stability and Growth Pact and, 71–72; monetary policy counterbalancing and, 63; Stability and Growth Pact and, 134

Bundesbank (German), 111

Burgoon, Brian, 2n4

Callaghan, James, 116
Calvo, Guillermo, 25, 40n18
capital interests: pressures on political parties and fiscal, monetary policy mix, 77–78. See also international exporters and investors
capitalism, focus of literature on, 24
capital mobility hypothesis, 20
capital openness (KOPEN) measure, 41–42, 42, 43, 93, 93n24
Cargill, Thomas F., 32n6, 82n10, 129
Carter administration (U.S.), 78, 81n8, 87n13, 128–30
Central and Eastern Europe, domestic monetary policy autonomy vs. exchange rate stability for, 136
central banks: economic policy divergence and independence of, 75, 91–93, 92; fiscal and monetary policy mix and independence of, 87–88; fiscal and monetary policy mix preferences, 60n6; French, Socialist government and, 105; Italian, national interest rates and, 86, 86n12; measures of monetary divergence and, 92n22; strategy options for fiscal and monetary policy, 60–62, 61. See also Bank of England; Banque de France; Bundesbank; European Central Bank

CERES group (French Socialists), fiscal and monetary policy goals of, 105
Cerny, Phil, 2n3, 22
Chevenement, Jean-Pierre, 105
Chirac, Jacques, 131, 133

Clark, William Roberts: on central bank independence credibility, 88n14; on international capital mobility at end of Bretton-Woods system, 41, 95; on monetary policy convergence theory, 3, 8n8, 24; on partisan differences on national interest rates, 98; on partisan divergence in use of fiscal and monetary policy instruments, 96–97; on partisan economic differences, 10, 74; on power-sharing and monetary expansion, 85

Clarke, Kenneth, 120
Cobham, David, 119, 123
Cohen, Benjamin J., 16, 16n2, 19, 73
Cole, Alistair, 103
Collins, Daniel, 114, 115
commercial policies on imports/exports, fiscal and monetary policy mix and, 58n4
comparative political economy (CPE) scholars, monetary policy convergence theory and, 8–9, 8n8
Cooper, Richard N., 127n2
cooperation, definition of, 127–28
Cooperation under Anarchy (Oye), 127
Criddle, Byron, 102–3
Cukierman, Alex, 91
currency benchmarks: uncovered interest parity condition and, 37, 37n14. See also external currency stability; national currency variability
Cusack, Thomas R., 2n4, 29

“Database of Political Institutions” (World Bank), 91n20
De Gregorio, Jose, 29n13
Delors, Jacques, 105, 106
democratizing governments, systematic monetary convergence theory and, 136–37
Denmark, domestic monetary policy autonomy of, 27
Denver, David, 121
discord: cooperation vs., 127; macroeconomic policy coordination and, 128
domestic interest rates: post–Bretton Woods world interest rates vs., 50–51; in uncovered interest parity, 34. See also interest rate decisions; interest rate differentials; interest rates, nominal; world interest rate
domestic monetary policy: exchange rate stability vs., 4; focus of literature on differences in vs. choices for, 24
domestic monetary policy autonomy: under British Labor Party, 123; definition of, 34n8; exchange rate regimes and, 6–7, 31–32; factors in national government choices for, 4–5, 20; under French Socialists, 105–6, 106; hypothesized relationship to domestic politics and, 89–93, 89; interest parity condition for measurement of, 5; lack of definition for, 33; MONAUT, as measure of, 40–41, 42, 90; Mundell-Fleming framework on, 14–15; of OECD countries at end of Bretton Woods era, 48; trade-off between exchange rate variability and, 55, 136; validating operational measures of, 40–46. See also national currency variability
domestic policy autonomy: democratizing governments and, 137–38; economic climate in the new century and, 133–34; in Europe, EMU future and, 131–36; French Socialists, British Conservatives and, 100; French Socialists and, 103; internal policy choices and, 68–69, 69; Italy’s realignments within EMS exchange rate mechanism and, 86; nondemocratic governments and, 137; shift from domestic monetary policy autonomy to, 69–70
Downsian theories of partisan convergence toward median voter, 95–96
Drezner, Daniel W., 24, 126n1

Eckstein, Harry, 8
Eckstein, Otto, 59n5
Economic and Monetary Union (EMU): Blair’s enthusiasm for, 121–22; British Labor Party and opt-out from, 122; as de facto fixed rate exchange regime, 25, 26, 26n7; French Socialists and, 111–12; inflation control and fixed exchange rates as goals for, 20; membership decisions in 1997, 133; membership requirements, 131–32; Mitterrand’s support for, 101–2, 111; uncertain future of, 131–36
Eichengreen, Barry, 32n3
electoral systems: measures of monetary divergence and, 90–91; national exchange rates and, 84–87. See also government partisanship
Elgie, Robert, 111
employment, economic growth and, 57
endogenous growth theory: leftist governments or parties and, 83; on state interventions in national economy, 29, 29n12
Esping-Anderson, Gosta, 78
Europe: economic diversity in, 134. See also specific institutions or countries
European Central Bank, 26, 27, 135
European Currency Unit (ecu), 119
European Monetary System (EMS): Britain and, 119; as de facto fixed rate exchange regime, 25; domestic monetary policy autonomy and, 6–7, 131; effects on national interest rates and interest rate differentials, 66n11; estimates of government spending on the policy interest rate and, 65, 66; flexibility of, 131, 131n4; French franc realignments within, 107–8; French Socialists, British Conservatives and, 100; inflation control and fixed exchange rates as goals for, 20; Mitterrand and French membership in, 101; national currency variability and, 45. See also exchange rate mechanism
European Snake: as de facto fixed rate exchange regime, 25–26; domestic monetary policy autonomy and, 6–7, 131; estimates of government spending on the policy interest rate and, 65, 66; inflation control and fixed exchange rates as goals for, 20; national currency variability and, 42, 44–45
European Union (EU): constitution ratification failure in 1995, 135–36; economic convergence criteria for, 68. See also Stability and Growth Pact; specific institutions
Evans, Geoffrey, 76
exchange rate crisis in Western Europe, 39
exchange rate instability: under French Socialists, 106; labor pressure on fiscal and monetary policy mix and, 77. See also exchange rate stability; exchange rate variability
exchange rate mechanism (ERM, of EMS): British Conservatives and, 116; British debate on, 117–18; British exit from, 120; early opposition of French Socialists to, 104; French Socialists’ commitment to, 100, 110. See also exchange rate regimes
exchange rate movements: in uncovered interest parity, 34, 36. See also exchange rate variability
exchange rate regimes: de jure and de facto, differences between, 15; de jure and de facto, observed gap between, 10–11; fiscal and monetary policy mix and, 11; as fiscal policy constraints after 1992, 71–72; monetary policy convergence, systematic, 31–32; monetary policy convergence and, 2. See also Economic and Monetary Union; European Monetary System; European Snake; exchange rate mechanism
exchange rate stability: Bonn summit and, 128–30; under British Conservatives, 116–21; costs of neoliberal policy mix and, 68–69, 69; degree of commitment to peg national currency to, 32, 44–45; democratizing governments and, 137–38; domestic monetary policy autonomy vs., 4; factors in national government choices for, 4–5, 19–20; fiscal and monetary policy mix and, 67–72, 70, 123; as goal for British Conservatives, 113; gold standard and, 17; high-opposition proportional representation and, 84–86; national interest rates and, 47; new growth theory and, 83; nondemocratic governments and, 137; research on, 54. See also exchange rate instability; exchange rate variability; national currency variability
exchange rate variability: under British Conservatives, 117–18, 118; domestic monetary policy autonomy and, 44;
French Socialists and, 109–11; hypothesized relationship to domestic politics and, 89–93, 89, 92; measures in uncovered interest parity condition, 38–39, 39; power-sharing and, 85–86; trade-off between domestic monetary policy autonomy and, 42, 55, 136; validating operational measures of, 40–46. See also exchange rate instability; exchange rate stability; national currency variability.

Export/import policies: fiscal and monetary policy mix and, 58n4. See also international exporters and investors.

External currency stability: Mundell-Fleming framework on, 14, 15. See also UNIPEG.

External interest rate: in uncovered interest parity, 34. See also world interest rate.

External monetary policy convergence: definition of, 34. See also monetary policy convergence.

External policy convergence: British Conservatives and, 112–13, 120–21; external monetary policy convergence vs., 69–70; French Socialists, British Conservatives and, 100; government spending, international capital mobility and, 93, 93n24; government spending choices and, 67–68, 68; joining exchange rate regimes and, 6; Mitterrand’s austerity programs as, 108–9. See also monetary policy convergence.

Fama, E. F., 36n12

Favero, Carlo, 62

“fear of floating” phenomenon, de facto fixed exchange rates and, 25, 120

Fielding, Steven, 121

Financial market integration: similarity to monetary integration, 13. See also monetary policy convergence.

Financial openness after Bretton Woods era: testing hypothesis about policy divergence and, 90, 92. See also capital openness measure.

Fiscal and monetary policy mix: central bank independence and, 87–88; continuum in post-Bretton Wood era, 54–55; EMU and, 131; exchange rate regimes and, 73–75; exchange rate stability and, 11, 67–72, 70; four possibilities for, 59–60, 60; French Socialists’ austerity programs and, 107–9, 107n2; government partisanship and, 75–76; government spending choices and, 5–6, 30; government spending choices relative to GDP, 58; interest group pressures on political parties and, 76–80; monetary counterbalancing and, 96, 96n29; partisan economic policy-making and, 95n28; policy ideas of political parties and, 80–83; power-sharing and, 84–87; strategic game illustrating, 60–62, 61; testing framework for, 62–67; Thatcher government’s experimentation with, 113–14; theoretical work on, 53–54

Fordham, Benjamin O., 78

France: central bank independence in, 88; effects on Europe with EMU exit by, 136; fiscal limits of Stability and Growth Pact and, 134n9; leftist governments of and EMU membership by, 132–33; neoliberal economic policy and, 82; Plaza Accord and, 130–31. See also French franc; French Socialists.

Frankel, Jeffrey A., 25, 36n12

Fratianni, Michele, 32n3

Freeman, John R., 84

French franc: EMS’s exchange rate mechanism and, 45; French Socialists on EMS membership and, 104; realignments within EMS from 1981–92, 102, 102n1, 109, 109n3. See also France.

French Socialists: case study of, 1981–85, 101–12; EMU and, 111–12; exchange rate variability and, 109–11; as exter-
French Socialists (continued)

.. contents::

   * Fiscal policy convergence example, 100; government spending relative to GDP, 1981–95, 108; monetary counterbalancing by, 123; partisan policy mix divergence, macroeconomic convergence and, 101; societal base, 102–5; spending choices by, 7, 31, 31n1; U-turn or New Left turn for, 105–9, 110. See also France; Mitterrand, Francois

Frieden, Jeffry A.: currency benchmarks in national currency variability measures by, 37; on domestic policy autonomy preferences of domestic sectors, 79; on domestic policy autonomy preferences of exporters and internationally-oriented sectors, 80; on European Snake or EMS membership and currency variability, 45n23; on international exporters and investors, 29; on monetary policy convergence theory, 3; on political pressure by international exporters and investors for exchange rate stability, 28, 28n11

Friedman, Milton, 81n9

Friedman, Thomas L., 2n3

Froot, Kenneth A., 32n3, 36n12, 50n27, 71n13, 131n4

Fukuda, Takeo, 129

Funabashi, Yoichi, 130

Gamble, Andrew, 112–13, 120

Garrett, Geoffrey, 2n3, 2n4; on expansion of government spending relative to GDP in OECD countries, 23n5; on fiscal and monetary policy mix, 96, 96n29; on internalization and national interest rates, 24n6; on loose fiscal policies and tight monetary polices, 79; on monetary policy convergence, 23, 126n1; on monetary policy divergence with greater openness, 74; on partisan economic differences, 10; on partisan economic goals and instruments, 94n25; on real interest rates and real growth in money supply, 35n10

German mark, 37n14, 45, 118–19, 120

Germany: effects on Europe with EMU exit by, 136; fiscal limits of Stability and Growth Pact and, 134n9; leftist governments of and EMU membership by, 132–33. See also West Germany

Gilpin, Robert, 29n12, 127n2, 138

Giovanni, Alberto, 29n13

Giscard d’Estaing, Valéry, 104

Globalization, economic: fiscal policy convergence in post–Bretton Woods era and, 29–30; literature on policy constraints imposed by, 22–23. See also international capital mobility; international exporters and investors

Gold standard: classic, 17; new, 17–18

Goodman, John B.: on fiscal and monetary policies of French Socialists, 104–5, 106; on Italian Communists’ support for government’s restrictive monetarism, 81n7; on Italy’s response to IMF’s requirements for balance-of-payment financing, 86n12; on Mitterrand’s austerity programs, 108; on monetary policy convergence theory, 20

government consumption: of French Socialists relative to GDP during austerity periods, 107, 108; spending on, 64. See also fiscal and monetary policy mix; government spending choices

government partisanship: capitalist global economy and, 9; fiscal and monetary policy mix and, 74, 75–76; framework for understanding international capital mobility and, 10; government spending choices and, 7; hypothesized relationship to exchange rate variability, policy instruments and, 89–93, 92; interest group pressures and, 76–80; measures of mone-
government spending choices: estimates of, 64–67, 65; external policy convergence and, 67–68, 68; fiscal and monetary policy mix and, 5–7, 75; fiscal and monetary policy mix preferences, 60n6; hypothesized relationship to domestic politics and, 89–93, 89, 92; labor pressure on fiscal and monetary policy mix and, 77; Maastricht Agreement, Stability and Growth Pact and, 71–72; monetary policy counterbalancing and, 63–64; partisan policy mix divergence and, 96–97, 97; political science literature on, 2; sources for, 90n16; strategy options for fiscal and monetary policy and, 60–62, 61. See also fiscal and monetary policy mix

Great Britain. See Britain

Greece: EMU membership and, 132, 132n7; fiscal limits of Stability and Growth Pact and, 134n9

Greider, William, 2n3

Grilli, Vittorio, 32n3, 91

Gros, Daniel, 31–32n2, 45n22

gross domestic product (GDP): British Conservatives’ spending relative to, 114–15; French Socialist spending relative to, 107; government spending choices relative to, 58, 67

Group of Five (G-5): average weighted interest rate for, 51; interest rate differentials for, 40n19; Plaza Accord and, 130–31; Special Drawing Right of reserve currency of, 38

Group of Three (G-3), Bonn summit and fiscal policy coordination among, 128–30

growth, economic, 90n16; as economic policy objective of OECD governments, 54; effects on interest rates and policy decisions, 90; estimates of government spending on the policy interest rate and, 65, 66; inflation control with international capital mobility and, 56–59; policy instruments for achievement of, 57; power-sharing and, 85. See also endogenous growth theory; fiscal and monetary policy mix; new growth theory

Hall, Peter A., 114, 115

Hallerberg, Mark, 8n8, 24, 85

harmony, cooperation vs., 127

Hayes, Jude C., 84

Hayward, Jack, 103

Healy, Conor, 71n13

Heckscher-Ohlin model, 76–78

Helleiner, Eric, 1n2

Henning, C. Randall, 32n6, 127n2, 129, 131

Himmelstein, Jerome L., 79

Hout, Michael, 79

Howarth, David J., 110, 111–12

Howe, Geoffrey, 113, 114

Hutchison, Michael M., 32n6, 82n10, 129

Iida, Keisuke, 128

import/export policies: fiscal and monetary policy mix and, 58n4. See also international exporters and investors

impossible trinity. See Mundell-Fleming framework

Inclan, Carla, 1n1, 35n11, 41, 48, 90

income inequalities, fiscal contraction and, 68–69

inflation: central bank independence and, 87; estimates of government spending on the policy interest rate and, 65, 66; expectations vs. actual rates for, 35, 52; sectoral concerns about, 79. See also stagflation
inflation control: economic growth with international capital mobility and, 56–59; as economic policy objective of OECD governments, 20, 54; fiscal policy manipulation of, 59n5; under French Socialists, 106; leftists and rightists on importance of, 95; as pragmatic Keynesianism, 81n6; testing hypothesis about policy divergence and, 90, 92. See also fiscal and monetary policy mix

interest groups: pressures on political parties by, 76–80. See also capital interests; international exporters and investors; labor interests; sectoral-partisan affiliations

interest parity condition: domestic monetary autonomy measures using, 5; external monetary convergence and domestic monetary autonomy measures using, 33–39

interest payments, government spending on, 64, 97

interest rate decisions: estimates of, 64–67, 65; fiscal and monetary policy mix and, 58; under French Socialists, 105–6, 106; inflationary expectations and, 47; monetary policy convergence and, 30; monetary policy counterbalancing and, 63–64; power-sharing and, 85–86; Thatcher’s preferences in, 116. See also domestic interest rates; interest rate differentials; world interest rate

interest rate differentials: Bretton Woods system and, 49–50; under British Conservatives, 117–18; central banks and, 87–88; fiscal and monetary policy mix and, 55; measures of international capital mobility using, 35, 45–46; monetary policy convergence and, 46–47, 47; nominal vs. real, 34–35; positive, in uncovered interest parity, 34; weak EMS effects on national interest rates and, 66n11. See also domestic interest rates; interest rates, nominal; world interest rate

interest rates, nominal: hypothesized relationship to domestic politics and, 89–93, 89; partisan policy mix divergence and, 96–97, 97

international capital mobility: agent-structure debate and, 9–10; domestic monetary policy autonomy and, 1, 18–19, 43–44, 44; at end of Bretton Woods era, 48; factors in national government choices for, 4–5; historical roots of, 16–18; inflation control with economic growth and, 56–59; Mundell-Fleming framework on, 14, 15–16; partisan economic policymaking with, 93–98; as structural feature of international monetary system, 19; as synonym for monetary policy convergence, 13; systematic monetary divergence and, 51; uncovered interest parity condition and, 35–36. See also fiscal and monetary policy mix

international cooperation theory, macroeconomic policy coordination and, 127–31

international exporters and investors: domestic policy autonomy preferences of, 79–80; growing political power of, 28–29; political pressure on monetary integration by, 3, 28. See also capital interests; globalization, economic

International Financial Statistics (IMF), 38, 38n15, 40n19

International Monetary Fund (IMF), Special Drawing Right of reserve currency of, 38

international monetary policy orientations: examples, 18; Mundell-Fleming framework on, 16, 17; predicted by systematic monetary policy convergence hypothesis, 21. See also national monetary policy

international political economy (IPE) scholars, systematic monetary conver-
gence theory and, 8–9, 8n8, 22–23n4, 22n3
Ireland, fiscal limits of Stability and Growth Pact and, 134n9
Italy: central bank independence in, 88; Communists on higher interest rates in 1970s, 81n7; European monetary institutions and, 86; fiscal limits of Stability and Growth Pact and, 134n9; French Socialists’ support for EMU and, 111
Ito, Takatoshi, 32n6, 82n10, 129
Iversen, Torben, 2n4, 29
Jankowski, Richard, 59n5
Japan: Bonn summit and, 128–30; exchange rate stability and, 32; neoliberal economic policy of Liberal Democrat Party in, 82, 82n10; as neoliberal political economy, 28, 28n10; Plaza Accord and, 130–31
Johnson, Peter A., 63n8
Jospin, Lionel, 133
Karier, Thomas, 81n8
Katz, Jonathan N., 41n20
Keele, Luke, 41n20
Kelly, Nathan J., 41n20, 120
Keman, Hans, 90n19
Kemp-Roth bill, Reagan’s electoral mandate and, 63n8
Keohane, Robert O., 21–22, 127
Kettl, Donald F., 81
Keynes, John Maynard, 19
Keynesian policy ideas: redistributive, Mitterrand’s use of, 104–5; shift of leftist parties from, 80–81; stagflation of 1970s and, 81–82
Kohl, Helmut, 130
KOPEN. See capital openness measure
Krugman, Paul, 16
Kurzer, Paulette, 2n3, 23
labor interests: classifications of, 78n4; on labor mobility, and pressures on political parties by, 76n1; pressures on political parties and fiscal, monetary policy mix, 76–77; Republican Party in U.S. and, 79
Lamont, Norman, 119–20
Lane, Jan-Erik, 90n19
Lange, Peter, 2n3, 23, 35n10, 79
Lawson, Nigel, 114, 116, 118–19
Leblang, David, 84, 91n20
Leertouwer, Erik, 59
leftist governments or parties: capital controls and, 77n3; central bank independence and, 88; domestic policy autonomy and, 79; EMU membership and, 132–33, 132n6; EMU membership in 1997 and, 133; in Europe, criticism of EMU by, 135; focus of fiscal and monetary policy mix for, 75–76, 96; government spending choices by, 7; greater exchange rate variability vs. German mark and, 91n21; interest group pressures on domestic policy autonomy and, 80, 80n5; Keynesian policy ideas and, 80–83; literature on policy constraints for, 23; sectoral-partisan affiliations and, 78–79; traditional partisan-ideological thesis on policy goals and instruments used by, 94–95. See also specific administrations or parties
Levine, Ross, 58
Levy-Yeyati, Eduardo, 15n1
Liberal Democrat Party (Japan), 82, 82n10, 128, 129
Lloyd’s Bank, 117–18
Loriaux, Michael, 106–7
Louvre Accord (1987), 39, 111, 131
Maastricht Agreement (1992), 26, 68, 132. See also Economic and Monetary Union; Stability and Growth Pact macroeconomic policy convergence: French Socialists, British Conservatives and, 101; hypothesis for, 2, 94; monetary convergence hypothesis and, 125–26; partisan character of, 95–96. See also monetary policy convergence, systematic
Maier, Philipp, 59
Major, John, 119–20, 123
majoritarian electoral systems: measures for powering sharing in, 91n20; power-sharing and, 86–87
Manheim, Jarol B., 40n16
Manza, Jeff, 79
Marston, Richard C., 45, 66n11
Masciandro, Donato, 32n3, 91
Matthoffer, Hans, 128
McDonnell, Lorraine M., 63n8
McKay, David, 90n19
McKeown, Timothy J., 78
McNamara, Kathleen R.: on academic monetarism and pragmatic monetarism, 81n6, 81n9; on conservative economic orthodoxy of leftist political parties since 1970s, 81–82; on EMS’s exchange rate mechanism, 26; on exchange rate stability and neoliberal policy, 68n12; on international exporters and investors, 29; on monetary policy convergence theory, 3; neoliberal economic theory on monetary policy consensus by, 24, 28, 28n11; on weakness of European Snake, 45n22
Medium Term Financial Strategy, of British Conservatives, 114
Melitz, Jacques, 65
Miller, G. William, 81, 81n8
Milner, Helen V., 21–22
Minford, Peter, 115–16
Mitterrand, François: austerity programs under, 107–8, 107n2; decision to remain in EMS, 110; domestic policy autonomy under, 7; EMS, EMU support by, 102; interest rate differentials under, 105–6; neoliberal economic policy and, 82; platform of French policy independence, 103–4; redistributive Keynesianism as initial policies of, 104–5. See also France; French franc; French Socialists
monetary policy, national. See national monetary policy
monetary policy autonomy: lack of definition for, 33; MONAUT, as measure of, 40–41, 42
monetary policy convergence, systematic, 1–2; average OECD nominal interest rate differentials and, 46–48, 47; definition of, 4; empirical observation of, 3–4, 31, 125–26; French Socialists, British Conservatives and, 99–100; hypothesis, 20–25; international monetary policy orientation predicted by, 21; measures of external sources for, 33–39; nondemocratic or democratizing governments and, 136–37; political science literature on, 3; problems with, 25–30; as synonym for international capital mobility, 13. See also external policy convergence; macroeconomic policy convergence
monetary policy divergence: EMU and, 134–35; evidence of, 31–33, 125, 126; fiscal and monetary policies of British Conservatives and French Socialists and, 123–24; measures in uncovered interest parity condition and, 33–39; post–Bretton Woods (1973), 2, 46–52; testing hypotheses about, 88–93, 89; validating operational measures of, 39–46. See also fiscal and monetary policy mix; national currency variability
Moses, Jonathon W., 20–21, 32n4, 35n9
Mosley, Layna, 3, 95
Mundell, Robert A., 57
Mundell–Fleming framework, 13; in context of domestic economy policymaking, 9; description of, 14–20; exchange rate policy relative to monetary policy and, 58n4; on exchange rate regimes, 11; external currency stability, domestic monetary policy autonomy and, 19–20; fiscal and monetary policy mix and, 70–71; monetary policy divergence theory and, 4; validating operational mea-
sures of monetary divergence and, 40, 45–46

national currency variability: absolute interest rate differentials and, 45–46; benchmark currency as measure for, 36–37, 36n13; as de facto capital control, 77n3; EXRCV, as measure of, 40–41, 42, 90; labor pressure on fiscal and monetary policy mix and, 77; relativity to Special Drawing Right of IMF’s reserve currency, 38; trade-weighted and capital-weighted measure of, 37–38. See also domestic monetary policy autonomy; exchange rate stability; exchange rate variability

national monetary policy: currency variability and exchange rate instability under, 36–37; effects of OECD monetary regimes on, 66; on interest rates and inflationary expectations, 47; international capital mobility constraints on, 2; policy interest rate vs. money supply measures and, 116n4. See also fiscal and monetary policy mix; international monetary policy orientations

neoliberal economic theory: EMU, Stability and Growth Pact and, 132; French Socialists’ austerity programs and, 108–9; leftist and rightist governments of 1970s and 1980s and, 81–82; on monetary policy consensus, 24, 28–29; rightist governments or parties and, 96; Thatcher’s application of, 113–16

new growth theory: leftist governments or parties and, 83; on state interventions in national economy, 29, 29n12

New Left policy mix: French Socialists and, 105–9, 110

Newton, Kennet, 90n19

New Zealand: central bank independence in, 88

Neyapti, Bilin, 91

nondemocratic governments: systematic monetary convergence theory and, 136–37

nontradable service sector: domestic monetary policy autonomy and, 29, 29n13

North America: Western European monetary policy convergence and governments in, 28

Notermans, Ton: on inflation control as primary macroeconomic policy, 56n2

Oatley, Thomas: on British membership in ERM, 117; on choices between exchange rate stability or domestic monetary policy autonomy, 22; on Italy’s domestic monetary autonomy within the EMS, 86; on monetary policy convergence theory, 3, 8n8, 24; on partisan economic goals and instruments, 94n25, 94n26

Obsteld, Maurice, 26n7

Ohmae, Kenichi, 2n3, 22

Organization for Economic Cooperation and Development (OECD) countries: average exchange rate variability, 1993–97, 39; average nominal interest rate differential, 1973–97, 49; exchange rate regimes of, 11; expansion of government spending relative to GDP in, 23–24; financial openness after Bretton Woods era, 42, 43; governments outside Western European monetary regimes, 28; interest rate differentials for, 48, 48n24, 48n25; IPE scholars on inflation convergence by, 22–23n4; monetary autonomy variations, 1973–97, 50; noninflationary growth during 1990s for, 27; policy decisions since 1973 by, 6; sample for calculating monetary divergence, 40n17; testing hypotheses about policy divergence on, 89–93

Oye, Kenneth A., 127

partisan character of government in power. See government partisanship
partisan economic interests: macroeconomic policy coordination and, 128
partisan policy mix divergence: French Socialists, British Conservatives and, 101; government spending, nominal interest rates and, 96–97, 97
Pauly, Louis W., 73
Perotti, Roberto, 29n12
Peyrelevade, Jean, 110
Philip, Alan Butt, 112
Phillips curve: on employment and inflation in Great Britain (1861–1957), 57
Pilkington, Colin, 122
Plaza Accord (1985), 130–31
Plaza Agreement (1985), 32n6; exchange rate instability and, 39; French role in, 111; international cooperation and, 127
policy mix framework. See fiscal and monetary policy mix
political parties: economic policy-making with international capital mobility and, 93–98. See also government partisanship; sectoral-partisan affiliations
political science literature: on fiscal and monetary policy mix, 53–54; measures of monetary divergence or convergence and, 2–3, 2
Portugal: fiscal limits of Stability and Growth Pact and, 134n9; leftist governments of and EMU membership by, 132n6
Posner, Alan R., 86, 86n11
Prodi, Romano, 134
producer groups, domestically-oriented: French Socialists and, 102
proportional representation: high-opposition, national exchange rates and, 84–86; measures for, 91n20
public goods: fiscal policy expansion and undersupply of, 79; undersupply of, with reduced government spending, 68–69
Putnam, Robert D., 127n2, 128
Quinn, Dennis P., 1n1, 95–96; on OECD financial market openness, 35n11, 41, 48, 90
Reagan administration: Carter administration’s domestic policy autonomy and, 87n13; Plaza Accord and, 130; view of tax cut plan, 63n8
recessions, economic: rightist economic policies and, 95n27
Reichert, Usha Nair, 41
Reinhart, Carmen M., 25, 40n18
Renelt, David, 58
research questions. See monetary policy convergence, systematic; monetary policy divergence
Ricardo-Viner model: on partisan fiscal and monetary policy differences, 78
Rich, Richard, 40n16
rightist governments or parties: capital controls and, 77n3; capital interests, fiscal and monetary policy mix and, 77–78; central bank independence and, 88; domestic policy autonomy and, 79–80; EMU formation and, 132; EMU membership in 1997 and, 133; in Europe, criticism of EMU by, 135; focus of fiscal and monetary policy mix for, 75–76, 96; government spending choices by, 7, 8; interest group pressures on external policy convergence and, 80, 80n5; literature on policy constraints for, 23; sectoral-partisan affiliations and, 78–79; traditional partisan-ideological thesis on policy goals and instruments used by, 94–95
Ringe, Nils F., 27n8
Rocchi, Michel, 105
Rogoff, Kenneth S., 40n18; on EMS’s flexibility, 131n4; on exchange rate mechanism under Bretton Woods vs.
EMS, 26n7; on government spending and de facto fixed exchange rates, 71n13; on Italian currency realignments of 1979–90, 32n3; on OECD monetary autonomy, 1973–97, 50n27
Romer, Paul M., 29n12
Rose, Andrew K., 33n7, 37, 40–41
Rosenthal, Howard, 85
Ross, George, 107n2, 111, 112
Roubini, Nouriel, 85
Rowen, Hobart, 129
Rudra, Nita, 2n5
Ruggie, John Gerard, 18
Sachs, Jeffrey, 85
Salá-I-Martin, Xavier, 29n12
Sawhill, Isabel V., 63
Scharpf, Fritz, 2n3
Scheve, Kenneth, 134
Schmidt, Helmut, 128
Schmukler, Sergio L., 25
Schroeder administration (Germany): EMU membership and, 133
Schultze, Charles, 81
Schulze, Gunther G., 76n1
Second Left, of French Socialists: fiscal and monetary policy goals of, 105
sectoral-partisan affiliations, 78–79;
British Conservatives and, 112–13;
British Labor Party and, 121; French Socialists and, 102–5
Seldon, Anthony, 114, 115
Serfen, Luis, 25
service sector: British Labor Party and, 121; French Socialists and, 102–3
Shambaugh, Jay C., 25, 36, 53n1, 67
Shapiro, Dennis P., 95–96
Simmons, Beth A., 1n1, 56n3
Smith, Iain Duncan, 120
Smyser, W. R., 129
Social Democratic government, West Germany: Bonn summit and, 128–30
social transfers: government spending on, 64
Spain: central bank independence in, 88
Special Drawing Right (SDR): as national currency variability measure, 38
Stability and Growth Pact (EU): budget deficits and membership in, 71, 132; exchange rate stability and, 71–72; fiscal policy controls under, 122; governments pushing fiscal limits of, 27, 134
stagflation: leftist governments need for inflation control and, 81; Phillips curve relationship and, 57–58; stagnat economies and high inflation of 1970s as, 27
statist actors: neoliberal policy ideas among, 28–29
Sterling-Folker, Jennifer, 87n13, 127, 129
Stewart, Potter, 33
Stix, Helmut, 84
Stockman, David A., 63n8
Stone, Charles F., 63
Strauch, Rolf R., 27
Sturznegger, Federico, 15n1
Summers, Lawrence H., 91
supply-side fiscal expansion: endogenous growth theory and, 83
Suzuki, Takaaki, 130
Sweden: domestic monetary policy autonomy of, 27; domestic policy autonomy under Social Democrats in, 135; exchange rate peg flexibility, 32n4; exchange rate stability and, 32
Switzerland: central bank independence in, 88
Tabellini, Guido, 32n3; measures of monetary divergence and, 91
Takenaka, Heizo, 82n10
Talani, Leila Simona, 115, 119
10–5–3 plan: Reagan’s electoral mandate and, 63n8
Thatcher, Margaret, 113, 116–17, 119, 123
Thompson, Helen, 111, 113, 116, 117
Thygesen, Niels, 31–32n2, 45n22
Tinbergen’s Law: on policy goals and policy instruments, 57
traditional partisan-ideological thesis: on policy goals and policy instruments, 94–95, 94
Turkey: interest rate differentials for, 48n24
uncovered interest parity: currency benchmarks and, 37, 37n14; equation for, 34, 36; exchange rate movements in, 34, 36; exchange rate variability measures in, 38–39, 39; international capital mobility and, 35–36
Ungerer, Horst, 26, 45n22, 102n1
unholy trinity. See Mundell-Fleming framework
unions, labor: French Socialists and, 103
UNIPEG, as measure of unilateral declaration to peg national currency, 44–45; estimates of government spending on the policy interest rate and, 65, 66
United Kingdom. See Britain
United States: Bonn summit and, 128–30; as Britain’s largest export market during 1980s, 117n5; divided government and power-sharing in, 86–87; dollar as benchmark currency, 37; neoliberal economic policy of Republicans in, 82; as neoliberal political economy, 28, 28n10; Plaza Accord and, 130–31; sectoral-partisan affiliations in, 78–79. See also Reagan administration
Ursprung, Heinrich W., 76n1
Van Hagen, Jurgen, 27
variation, coefficient of, 36n13; in hypothesis for monetary divergence, 90; uncovered interest parity condition and, 36
Vauber, Roland, 45
Volker, Paul A., 63n8, 81, 81n8
von Hagen, Jurgen, 32n3
Waltz, Kenneth N., 8n8
Weatherford, M. Stephen, 63n8
Webb, Michael C., 9n9; on capital mobility and domestic monetary policy autonomy, 21; on choices between exchange rate stability or domestic monetary policy autonomy, 22; on exchange rate system at end of Bretton Woods era, 48n26; on fiscal and monetary policy mix, 54; on international cooperation theory, 127n2; on monetary policy convergence theory, 23n4
Webb, Steven B., 91
West Germany: neoliberal economic policy of Christian Democrats in, 82; Plaza Accord and, 130–31; Social Democratic government, Bonn summit and, 128–30. See also German mark; Germany
Willnat, Lars, 40n16
Wleizen, Christopher, 59n5
Woldendorp, Jaap, 90n19
Wolf, Holger C., 29n13
Woolley, John, 32n3
World Development Indicators (World Bank), 66n10, 90n17, 90n18
world interest rate: definition of, 51; nominal domestic interest rates, inflationary expectations and, 52. See also domestic interest rates and, external interest rate; interest rate decisions; interest rate differentials; interest rates, nominal
Wren, Anne, 29