## Index

Abbott Liberal-National Federal Coalition government, Australia, 2013, 81
Act for Payment Guarantee for Foreign Loans, South Korea 280
adequate flow of credit to productive sectors
monetary policy, India 196
ADF (augmented Dickey-Fuller) test
null of a unit root, rejection 54
adjustable peg exchange rate system
Australia, with US dollar 63
administrative control
primary instrument of monetary policy 119
ageing population of Japan
life expectancy average of 84 years 231–2
aggregate demand and supply 325
influenced by interest rate 76
agricultural and manufacturing exports
Australia 81
agricultural and services sector, Japan
open for foreign investment and competition 233
agricultural output in India, 1950–70, 206
agriculture in USA, largest producer of corn and soybeans 494
agriculture, partial privatization of food production raising, China 113
Amended Federal Reserve Act
no single objective of monetary policy 499
American Economic Association, 2010
Bernanke on ‘monetary policy and the housing bubble’ 505
American war in Vietnam, financing for 495
anchor to inflation
broad money (M3) growth rate, India 202
ancient history and culture of South Korea
ethnically homogeneous society 274
appendices, specialist information 537
flexible inflation targeting and inflation persistence in Australia 92–5
interest rate response function under inflation targeting 95–8
ARDL and OLS regression results for long-run narrow money-demand relationships 484–5
Australia 104–5
China 144–5
Hong Kong 179–80
India 222–3
Japan 261, 262
New Zealand 342–3
Philippines 377–8
Singapore 399, 413–14
South Korea 305
Sri Lanka 446–7
United States 521–2
ARDL bounds-test approach 100
autoregressive distributed lag (ARDL) 103
ARDL bounds-test results among money, output and prices
China 147
Hong Kong 183
India 225
ARDL estimation technique, money-demand functions 143
ARDL model of long-run real narrow money-demand relationships in ‘Asian Tiger’ economy, Singapore 390
Asia-Pacific, low to moderate inflation 16
asset markets, bubble collapse 247–8
asset price build-up, neglect of 20
asset price channel, influences on South Korea
basic rate of interest change 290
asset prices and monetary policy, Greenspan doctrine 22–3
asset prices, Reserve Bank of Australia (RBA) 75
asset prices, sharp rises
housing and shares, New Zealand 329
assumptions and interpretation 570–71
auditor of Bank of Korea (BOK) 283
Australia
advanced country, Asia-Pacific 45
capital flow controls 46
conditional standard deviation of CPI inflation, 1949, 58
conditional standard deviation of real output growth 1960, 58
currency pegging to US dollar or UK pound 46
economy, open and efficient 45
embracing of financial globalization 77
fiscal policy stance of government, expansionary 68
fixed pegged exchange rate, 1950s and 1960s 46
immigrant society, European ethnicity 45
impressive economic performance, 1950s and 1960s 65
inflation transitions 45
major exporter of agricultural products 45
monetary policy objective of low inflation 50
recession, Hawke-Keating Labor government tight monetary policy 52
Robert Hawke, ALP, 1983, 48
unit root test results for CPI inflation 56, 57
Australia, Federal Budget, February 1985
discard of monetary forecasting 69
Australian competitiveness, low inflation 77
Australian dollar appreciation 81
Australian inflation, stationary 54
Australian Labor Party (ALP)
Prime Minister Gough Whitlam (1972–75) 48
Australian monetary policy
Reserve Bank of Australia (RBA) 21
Australian Prudential Regulation Authority’s (APRA) Executive Group 21
Australia’s monetary policy, mixed objectives 72
Australia’s monetary policy experimentation 1980s and 1990s 72
automatic collateralized lending 122
autonomy in conduct of monetary policy for price stability, 197
autonomy of the Reserve Bank of India, need for monetary policy for price stability 195
autoregressive distributed lag model 63
bad debts, Japan 240
balance between economic growth and price stability, difficulty 196
balance-of-payment, difficulties in Sri Lanka 424
constraint on economic growth 68
crisis 1990–91, India 206
problems 14, 17
theory, absorption conception 64
Bangko Sentral ng Pilipinas (BSP)
BSP Act 1993, Philippines 363
Central Bank of the Philippines 354–5
employment of short-term interest rate 361
establishment in 1993 Philippines 357
self-insurance against attacks on the peso 364
bank and corporate bankruptcies, Japan 248
bank credits
composition and volume control 124
quantity and composition, influence on ‘window guidance’ 124
bank failures in US eighteenth and nineteenth centuries absence of central bank 497
Bank for International Settlements (BIS), Japan 248
banking efficiency, financial reform 193–4
bank loan rates, ceiling, elimination, China 123
Bank Notes Issue Ordinance 160
Bank of Japan (BOJ) factors for 1997 revision 240
fall in discount rate 243
founding legislation, BOJ Act, June 1882 during Meiji restoration 239
independence, accountability, transparent communication 241
monetary policy autonomy in 1998, 237, 239–41
public well informed on monetary policy stance 241
reorganization during World War II under BOJ Law, 1942, 239
restrictive monetary policy in deflationary environment 267
Bank of Japan (BOJ), increased independence by Law of 1998, 239, 240
revision in 1997 under ‘independence’ and ‘transparency’ 239
Bank of Korea Act, June 1950, 282
Bank of Korea Act, June 1998, revision
inflation targeting for price stability 286
Bank of Korea (BOK) administrative control over credit distribution 280
Bank of Chosun August 1911, 282
base interest rate adjustment, effect on economy 289
money-growth rate lowering, early 1980s 286
organization and activities 282–4
Bank of Thailand (BOT), central bank 458, 460
roles and responsibilities 460
bank performance in India socio-economic objectives 193
banking sector of New Zealand domination by foreign banks 349
lowering inflation 290–91
Bernanke, Ben, Chairman of FRS Board of Governors on inflation targeting 503
BOJ’s discretionary approach to policy results 245
BOK Act of 1950, new role for MPC 283
boom-bust cycle danger, Japan and US 32
boom-bust cycles 13, 24–5, 142
borrowings of global savings to finance real sector investment 77
BOT Act 1942 responsible for all central banking activities 460
bounds-test results, long-run relation in India 221
Bretton Woods exchange rate system collapse 63, 495
fixed exchange rate arrangement 64
gold standard system, US 526–7
British tradition, subservient central bank under Treasury 64
broad monetary aggregate (M3) South Korea operational target 287
broad money-demand function instability in Hong Kong SAR 185
more stable than narrow money-demand function 344
broad money growth fall, Japan, 1995, 243
broad money growth strong causal impact on output growth 308
CPI inflation in China, 1953–2012, 130
Buddhism and Malay Muslims in Thailand 456
budget balance in South Korea, political landscape 275
budget deficit monetization
common source of inflation in developing countries 372
budget deficits and inflation, feedback relation 139
budget deficits, large, excessive money growth 33
bulk issues of government bonds, Japan 240
call rate of interest changes 288
Canada, inflation targeting, February 1991, 72
capital controls
India, imposition in late 1950s 198
Philippines 384
South Korea, 1950s to 1980s pegged exchange rate system 285
stabilization of exchange rate 18
capital flight, New Zealand 337
capital flowing uphill
developing to developed countries 35
capital flows
leading to financial crisis 35
monetary policy, boom-bust cycles 35
pro-cyclical 35
volume and composition control, China 124
Capital Issues (Control) Act, 1947, India 194
capital market liberalization 22
China 112
capital outflows, India
repatriation of capital for foreign institutional, non-resident Indians, investors 200–201
case-study approach for developing countries 16
cash rate ('target'), Australia, 1993–2013, 74
cash reserve ratio reduction, India 204
causes of Japan's recession 247–8
central bank
autonomy in Australia 45
independence 551
lending rate 123
responsibility, concerns 528–9

Central Bank of Sri Lanka (CBSL), 1950
autonomy to achieve defined monetary objective, Sri Lanka 427
instruments to conduct monetary policy 428
main functions 426
under Monetary Law Act (MLA) No 58 of 1949, 426–8
central banks 600, low and stable inflation 13
central bank’s accountability 12
Central Provident Fund, Singapore 398
Certificates of Deposit (CDs), ‘broad money’ 242
Certificates of Indebtedness (CIs) as cover for bank notes 161
legal backing for bank notes 160
Chartered Bank of India, Australia and China 160
cheap imports from East Asian countries, China US benefit 504
China 111–54
Banking Regulatory Commission 116, 118
economic reform policies in 1978, 118
Insurance Regulatory Commission 118
investment-led outward-oriented growth model 114
large, non-tradable goods sector 142
lowest cost manufacturing base in world 125
monetary policy regime transitional stage 115
rising income and asset inequality 113
second largest economy in world 112
Securities Regulatory Commission 118
China, yuan to US dollar, inflation in China and US 132
Chinese Communist Party Deng Xiaoping, leader, political power 119
Chinese economic growth sources 112
Chinese economy
flexible exchange rate arrangement 122
Chinese exchange rate policy, inflation volatile 136
Chinese fixed peg high volatility in three key variables 148
Chinese money-demand behaviour 150
Chinese Statistical Agency, exchange rate 120
Cholesky decomposition technique 588
Classical monetary theory 1, 16, 449, 541, 585
identification procedure 588
Classical monetary transmission mechanism 588
Classical orthodoxy 71
misapplication of monetary policy 70
coefficient of variation of CPI inflation Australia, 1953–2012, 53
cointegral-causal relation 135
US and China 133
cointegral test results among money, output and prices 108–9
Australia, 1970–2012, 110
Japan 265
New Zealand 346
Philippines 1958–2011, 381–2
Singapore 417
South Korea 309
Sri Lanka 450–51
Thailand 488–9
United States 524–5
commodity boom Australia 68, 77
commodity-standard currency 72
Commonwealth Bank of Australia (CBA), 1911, 49
Comprehensive Agricultural Reform programme Philippines 363
comprehensive monetary policy easing, BOJ 244
conditional standard deviation of CPI inflation
China, 1953–2012, 128
Hong Kong, 1981, 165
India, 1958, 210
Japan, 1958–2012, 249
New Zealand, 1958–2012, 330
Philippines 1958–2012, 366
Singapore, 1962–2012, 402
South Korea, 1971–2012, 293
Sri Lanka, 1977–2012, 434
Thailand, 1966–2012, 473
United States, 1958–2012, 510
conduct of monetary policy, China 122–4
conservative economic policy in Thailand 1950s throughout 1980s 490
conservative policymakers in India inflation high and volatile 227
constant money-growth rule Milton Friedman 591–3, 597
consumer durables, increasing availability, China 132
consumer price index (CPI) inflation rate 73
Australia, 1950–2012, 51
annual average 52
Australia and United States, 1958–2012
benchmark indicator for inflation targeting
China 1953–2012, 125, 128
South Korea 287
test results for equality of means and variances 65
contemporary issues, in monetary policy 19–30
control of foreign exchange, China 117
controls over debt-creating inflows since 1990s, India 198
controls over interest and exchange rates and inflation volatility 572–3
coordination of monetary policy with Ministry of Finance, RBI 197
corporate and financial sectors in Japan interlocking nature 248
cost-push view of inflation, Australia 55, 69
crawling peg system 63–4
credit aggregates, of importance, India 193
credit control in India 201
The evolution of central banking and monetary policy in the Asia-Pacific

credit demand and credit supply

Reserve Bank of Australia (RBA) 75

current account deficit 71

Australia 70–71

current account surpluses, Australia, 1972–73, 68

currency pegging to US dollar

smaller developing countries 24

currency appreciation, net effect on money demand 264

currency crisis in Thailand, late 1990s 490

currency depreciation in Japan 268

currency financial crisis, 1997–98, Asia-Pacific 17

current account transactions

RMB fully convertible for 120

currency stability in Australia 50

current account deficit 71

Australia 70–71

current account transactions

RMB fully convertible for 120

CUSUM and CUSUMSQ for residuals for real narrow money-demand relationships in Thailand

Thailand 487

CUSUM and CUSUMSQ of residuals for long-run real narrow money-demand relationships in the US

523

for real broad money-demand relationships in Singapore 415

of residuals for real narrow money-demand

Australia 107

China 146

Hong Kong 181

India 223

Japan 263

New Zealand 345

Philippines 380

South Korea 307

Sri Lanka 448

data deployed for estimation of the SVAR model for

China 138

Hong Kong 173

India 217


New Zealand 1982–2010, 336

Philippines 379

Singapore 408

South Korea, 1980 to 2010, 300

Sri Lanka 440

Thailand 479

United States 516

deepened securities markets, Australia 77

deflationary environment for Japan since early 1990s 232, 234, 243
deflation in early stages, 1997–99 considered good for consumers 237
demand growth stimulation monetary expansion in early 1970s, Australia 70
demand or supply factors, cause of Japan's deflation 237
demand-pull view of inflation, Australia 69
demographic problem of Japan population density, highest in world 231

Deng Xiaoping, leader of China economic development programme 125

Department of Housing an Urban Development, US home ownership 505
deployment of interest rate as policy instrument 26

deposit rates, floor on, elimination, China 123
deregulation of interest rates and bank credit, India 194
deregulation of interest rates, South Korea, December, 1988, 281
deregulation of the capital account in balance-of-payments from late 1980s 318
desire for self-sufficiency in India, ‘Fabian socialism’ 190
detente process with China, US President Richard Nixon 494
devaluation of baht, Thailand, 1957 pegged to British pound sterling and US dollar 462
devaluation of rupee, July 1991 balance-of-payments crisis in India 197
devaluation of won (Korea) under IMF-supported stabilization 279
devaluations, major, of Baht early 1980s 462
developing countries 3 expansionary fiscal policy 11
developing world, economic reforms, in 1980s and 1990s 6
Development Budget Coordinating Committee of Philippines, setting inflation target 358
development strategy in India since Independence from British Raj, 1947, 206
development strategy of China, outward-oriented 112
direct-lending programmes, termination in 1998, China 115 ‘discretionary’ exchange rate targeting in developing countries 23–4
discretionary monetary policy from early 1980s United States 504 Japan, inflation instability 254 output volatility increase 10 US, Alan Greenspan 503
disinflation programme, Chairman of FRS, Paul Volcker 527
domestic absorption decreasing function of real interest rate (RIR) 567–9 increasing function of real income 567–9
domestic currency, wealth-holders options 264
domestic shortage of basic products, South Korea high inflationary pressure, 1970s 281
domination of Japanese companies electronics, automobiles, heavy machinery, metals earthquake engineering, industrial robotics, 233
dual exchange rate system, Sri Lanka abolition 2001 for managed float 425
Dutch Disease-type problem pressure on tradable goods sector 319
dynamic OLS (DOLS) estimates 264 significance of broad money 344
East Asian industrializing economies Hong Kong, SAR, South Korea, Malaysia, Thailand 14
East-Southeast Asian financial crisis, 1990s 17, 34, 157, 458, 459
financial reform in Singapore 393 Philippines peso under pressure to depreciate 357
South Korea, major casualty 283, 311
economic and political history of Japan, recent 232–9
economic and political history, of South Korea 278–82
economic controls and regulations, India’s economy 205
economic crisis in India 209 after Russian sudden deregulation 191
economic difficulties in Japan since 1980s flaws in Japanese society 233
economic growth, expected 8, 31
economic growth in high-inflation environment social progress 278
economic growth in India, over price stability 203
economic growth over price stability, South Korea 286
key objective of South Korean policy 275
economic growth target each year Chinese central government 117–18
economic management, disciplined under Australia’s governments 77
The evolution of central banking and monetary policy in the Asia-Pacific

- Economic outlook of Philippines, bright possibilities
- Economic Planning Board, South Korea
- Economic policy shift, major, in South Korea, 1980s
- Economic productivity and capacity
  Reserve Bank of Australia (RBA)
- Economic prosperity for Australia
- Economic reform in China, early 1970s
- Economic reform policies, China, 1979
- Economic shocks vulnerability for China
- Economic slowdown of Japan since early 1990s
- Economic stabilization, monetary policy
- Economic stagnation of Japan since early 1990s
- Economic 'takeoff' of South Korea in mid 1960s
- General Park Chung-hee, power in 1961
- Economic turbulence in mid 1970s, Australia
- Economists, prominent in India, Jagdish Bhagwati
- Economy of Sri Lanka, open to trade and investment
- Efficient legal system in Singapore
- High accounting standards, best-practice corporate governance
- Empirical analysis, impact of money on output
- Employment boosting, monetary policy, ineffective
- Employment generation in China
- Employment generation in US
- Employment raising in US policy bias from cultural values
- Engle-Granger cointegration test
  Money, output and prices
- New Zealand
- Sri Lanka
- Weak form of cointegral relationship among money, output and prices
- Equation of exchange, \( MV = Py \)
- Equilibrium in the money market
- Equality between money demand and supply
- Equity-based financial products
- Equity capital flows, restriction, China
- Equity-type bubbles
- Error-correction model of real narrow money-demand relationships in Australia
- Error-variance decomposition of variables
- Estimates of coefficients of the interest rate response function in Australia, 1990–2012
- Ethnic conflict between Tamils and majority Sinhalese
- Civil war, 1980s
- Eurocurrencies in Singapore foreign commercial banks
- European colonization of United States
- Paleo-Indians migration from Asia
- Evolution of monetary policy framework
- India
- Japan
- Philippines
- South Korea
- Sri Lanka
- Thailand, exchange rate arrangements
- United States
- Exchange and capital flow controls abolition, Australia
- Exchange Control Act 1942
- Imposition on Thailand by Japanese
- Exchange control lifting, Japan
- Exchange Fund, backing, investment, strategic portfolios
- 1935 Ordinance, Hong Kong SAR
Exchange Fund Advisory Committee (EFAC) Hong Kong SAR 158–9
Exchange Fund Ordinance, 1935, 159 silver hoard depositing requirement 160
exchange rate 3, 63–4, 121 crises 14 flexibility 16, 21–2, 33–4
real, nominal or both 21–2 volatility 18 in New Zealand 321 exchange rate system Hong Kong SAR, stabilization of price level 185 mid 1970s, Australia 64–5 South Korea, multi-currency basket peg system 285 Exchange Settlement Account (ESA) 74 expansionary fiscal policies 70 expansionary monetary and fiscal policies Australia 69 Japan 270 Philippines 354 South Korea, IMF encouragement 278 United States, continuation 506 expansionary policy bias in US 533 export industries in New Zealand agriculture, horticulture, fishing, forestry, mining 319 export markets loss, New Zealand 344 export-oriented development strategy Japan 1960s, economic growth 234 South Korea 311 export-oriented industrialization 279 exports and imports, China, control of 120 exports of labour-intensive products to the West 279 external borrowing, Thailand 471–2 external commercial borrowing India commercial bank loans, Eurobonds 200 external debt, defence against 21 external debt level raising, New Zealand 319 external debt of China, low 122 external indebtedness, limited in India 205 failure of high-inflationary expectations Bank of Japan (BOJ) 238 ‘fear of deflation’ in US 533, 535, 536 Federal Deposit Insurance System (FDIS) 497
Federal Open Market Committee (FOMC) monetary policy decisions 498
Federal Reserve Bank Act 1959, Australia 49
Federal Reserve Banks and Federal Reserve System 497–9
Federal Reserve Districts
Federal Reserve Bank (FRB), New York, Chicago, San Francisco 497–8
Federal Reserve System (FRS) central bank of US 495–6
independence of 500
monetary policy and financial stability function 500
organization and activities 496–501
financial crisis, 1997–98
India, 1991, 192
South Korea, heavy suffering 286
Thailand 471
US-global, financial stability objective 20
US government housing, policy 505–6
financial deregulation and innovation
6, 465–6
China 112
financial deregulation, internationalization, computerization, Japan 242
financial firms, insolvent, closure by BOT, Thailand 466, 490
Financial Institutions Lending Rate Act BE2523 (190) 465–6
financial liberalization in Sri Lanka, 1977, 428–9
financial reform plan, Thailand, four components 466
financial reforms and government policy, India 192
financial reforms in China on nation’s monetary policy of People’s Bank 118–19
financial reforms, necessary, Japan 248
financial repression, India in 1980s 192
financial risk minimization, China for financial stability 118
financial risk-taking 28
financial sector deregulation, China 114
financial sector development rule-based monetary policy 21
financial sector, Japan 233, 259
financial stability, importance of 31
financial stability, Asia-Pacific 18
Financial Stability Bureau, China 118
financial stability, Japan 240
financial stability objective
role of regulatory and supervisory bodies 20–21
financial system, Japan, liberalization of 242, 270
financial system of India, underdevelopment
banks operation under government instructions 195
financial system of Singapore 392–4
financing bill rate in Japan
Treasury bill rate in United States 251, 252
fiscal accommodation of supply shocks, India 193
fiscal and monetary management practices
Singapore 390
fiscal and monetary policies, link in developing countries 11
fiscal consolidation, essential, India 194
fiscal consolidation, Philippines 364
fiscal deficits, in India, 8 per cent of GDP 194
threat to sustained macroeconomic stability 197
fiscal discipline, supporting, Australia 77
Fiscal Financial Stabilization Plan, South Korea
price stability for economic growth 284
fiscal incentives to import-substituting firms
Philippines 363
fiscal policy 31
accumulation of public debt, Japan 234
domination of monetary policy, Japan 267
expansionary, Rudd Labor
government, Australia 81
Philippines (BSP) until 1980s 357
fiscal prudence of South Korea,
inflation control 275
fiscal responsibility in New Zealand
Fiscal Responsibility Act, 1994,
317–18
fixed exchange rate regimes
Australia, late 1940s to mid 1970s 64
fixed exchange rate to floating
currency, Japan 240
fixed peg exchange rate, Sri Lanka 429
fixed peg exchange rate system 572
fixed peg exchange rate system, China
133, 150
restrictions on capital mobility 122
series of shocks 119
fixed peg exchange rate system, New
Zealand 335
currency floated after 1985, 321
fixed peg to the US dollar, China 114
fixed-rate commitments, insurance
companies 28
flexible economy in Hong Kong SAR
156–7
flexible exchange rate
advantage for China 14–15, 150
Australia since 1983, 77
India, need for 195
South Korea 281
flexible exchange rate system adoption
220
shock absorber 419–20
flexible exchange rate system, South
Korea
key role as shock absorber 292
cointegral relationships among
money output and prices 108–9
flexible inflation targeting 52, 550
Australia 1993, 64
floatation of exchange rate of won 286
floatation of the Baht, Thailand
monetary policy independence 459
float exchange rate policy, India 196
float exchange rate system, pegged or
managed 33, 34
floating exchange rate system 119, 142
shock absorbing 157, 391
floating exchange rate system, US 504
forecast-error-variance decomposition
of variables in the SVAR model,
217, 410
Australia 80
China, INFCN, RDRI, LREER,
DLRGDP 141
Hong Kong 176
India 219
Japan 258
New Zealand 337, 339
Philippines 375
Singapore 411
South Korea 302
Sri Lanka 443, 444
Thailand 482
United States 518
foreign and domestic firms entry, Sri
Lanka 432
foreign bank accessibility in Singapore
392, 393
foreign capital
beneficial for developing countries
35
inflows, from developed countries
problems in developing countries,
Thailand 491
inflows large, sterilization of, using
PBC bills, China 124
large-scale macroeconomic problems
35
foreign capital for lending in booming
housing sector 318
foreign currency-denominated deposits
and loans
strict controls in India 200
foreign currency dominated assets
sharp depreciation of the yen 269
foreign currency purchasing
operations, China 124
foreign direct investment
incentives for South Korean firms
292
in labour-intensive products 125
large-scale, Singapore 389
till 1992, suspicion of, in India 198
foreign-exchange intervention 29, 120
Japan, responsibility of Ministry of
Finance 269
Foreign Exchange Management Act
1999, India 198
The evolution of central banking and monetary policy in the Asia-Pacific

foreign exchange market and the exchange rates 199
foreign exchange market intervention, Singapore 396
foreign exchange policy and foreign reserve management, South Korea 283
foreign-exchange reserves accumulation South Korea 292
foreign-exchange reserves Hong Kong SAR 17, 157
foreign-exchange value destabilization by depreciating exchange rate 117
foreign interest rate (FIR) 412, 564 ‘Foreign Investment Act’, Philippines 363
foreign investment inflows to India regards of suspicion 191
foreign investment into the Philippines 354
Foreign Investment Promotion Board 198
foreign majority ownership, India consideration for 198
foreign nominal interest rate (FIR) 563
foreign portfolio investment, India pension funds, mutual funds investment in listed securities, since 1992, 200
foreign reserves, accumulated, Australia, 1972–73, 68
foreign trade and investment in Singapore tourism, education, health 388
four variable SVAR model, 1980–2012, 138–42
Fraser-Liberal-National Party Coalition government Australia (1975–82) 68
free capital mobility in Singapore to encourage foreign investment 390, 395
free market idea, resistance in India 201 ‘free reserves targeting’ 1951–70 US 501
Friedman and Schwartz A Monetary History of the United States, 1867–1960 1
Friedman-Ball hypothesis inflation raising inflation-uncertainty 59
Friedman, Milton constant money-growth rule 590, 591–3 ‘natural rate of unemployment’ 549
Nobel Memorial Lecture of December 1976, 59
Quantity Theory of Money 3, 5, 562
recognition of monetary roots of inflation 48
F-statistic value, estimated 63
full employment in Australia, almost since 2006, 50, 63, 77
full-fledged inflation targeting, South Korea 287–8
full peg exchange rate systems 21
funding for large state-owned enterprises, China 115
GARCH models 99, 249
for inflation and inflation volatility in Australia 1949, 60
Generalized Method of Moments (GMM) 96
global economic environment, turbulent change 48
global financial crisis 2007–09, 25
Australia’s policy 81
negative economic growth in Hong Kong 164
goal of capital account convertibility of Hong Kong SAR in mainland China 156
government bonds central bank selling 35
private assets purchases, large-scale purchases, Bank of Japan (BOJ) 239
government borrowing, rather than taxing 11
government controls, South Korea on interest rates, bank credits, capital flows 279
government of General Ramos, 1992 economic reforms in Philippines 363
government of Indira Gandhi
nationalization of commercial banks
and financial institutions, 1969, 197
government of Rajiv Gandhi, late
1980s 190
grain-support programme, South
Korea 285
Granger-causality
among LCPI, LNM, LBM and
LRGDP, 1950–2012, 226
Australia, 1950–2012, 111
between inflation and inflation
volatility in Australia 1949, 61, 62
China 149
effect on inflation volatility 63
Hong Kong 184
Japan, 1955–2012, 266
New Zealand, 1954–2012, 347
Singapore, 1963–2012, 418
South Korea, 1960–2012, 310
test results 150–51, 182
Great Depression of 1930s, bank
failures, US 1, 497
Greenspan era (1987–06) US 28, 496, 502
growth-oriented monetary policy of
China 129
growth paths of assets, distortion,
India 195
growth rate of broad money (M3) 68
Gulf War effect on India 209
Hawke Labor government, Australia, 1982
high rates of inflation and
unemployment 70
heavy and chemical industries
promotion in South Korea 280, 285
heavy industry sector building, India
206
high and volatile inflation in
Philippines
until early 2000s 366
high budget deficits, India 209
high employment generation in US
Greenspan objective 504
high household saving rate, China 124
high-inflation economies 150
high inflation or hyperinflation
monetary policy rules avoidance 590
high inflation persistence in Australia
92–3
high inflation volatility 22, 59
China 148
India 212
Japan, to real exchange rate 243
United States monetary policy 515
high real interest rate
reduced demand for credit, Japan
232
high remuneration for skilled labour,
Hong Kong SAR 158
high risk investments
high compensation for asset
managers 28
high standards of living, Singapore
rapid economic and social
development 388
high volatility of exchange rates, New
Zealand 349
Hong Kong and Shanghai Banking
Corporation 160
Hong Kong dollar depreciation,
1982–83, 161
Hong Kong dollar pegging to US
dollar, July 1972, 160
Hong Kong economy
fixed peg exchange rate system,
China 177
intermediary for mainland’s exports
and imports 155
rapid growth and rapid monetization
since 1960s 178
vulnerability to US discretionary
monetary policy changes 177
Hong Kong Monetary Authority
(HKMA)
Chief Executive 159
Hong Kong Mortgage Corporation
159
Hong Kong SAR
currency renminbi (RMB), yuan
and dollar (HKD) 155
economic integration with mainland
China 155
fixed peg to the US dollar (USD)
156
importing US monetary policy 167
low taxing, free market economy 156
major trade and international finance centre in Asia 155
service as gateway for foreign investment, professional services, technology transfer to mainland China 156
strong solvent banking sector 157
trade and service activity, minimal economic regulation 155
Hong Kong SAR economy integration with mainland China and rest of Asia 164
major structural adjustment and change 164
Hong Kong SAR, Exchange Fund monetary-financial system 158
Hong Kong SAR, international financial centre 159
increasing dominance 186
Hong Kong, Special Administrative Region (SAR) of People's Republic of China (PRC) 155
household income and wealth, rapid increase 132
‘household money’ demand for China 132
housing bubble, United States 505 hyperinflation 3, 549
Asia Europe, Latin America 15 economic stagnation 59
‘icon’ status of Alan Greenspan after leaving FRS 503
IMF-structural adjustment programmes
real exchange rate depreciation, South Korea 291
IMF-supported comprehensive stabilization programme 281
immigration, large, from Asian countries to New Zealand 318
house price rises 318
immigration policy expansion, New Zealand 318
import restriction, financial repression, South Korea 279
import-substituting and industrialization strategy, 1950s
Sri Lanka 424
Thailand 457
import suppression and external borrowing, India international financial institutions 192
impulse responses for variables in the SVAR model for
Australia, 1990, 78–9
China, 1980–2012, 140
Hong Kong 175
India 218
Japan 256
New Zealand 338
Philippines 373
Singapore 409
South Korea 299, 301
Sri Lanka 442
Thailand 480
United States 517
income and assets, inequalities, Hong Kong SAR productivity growth low 158
income and wealth inequality, China 113
income inequality in United States among highest of developed countries 494
increase in demand for money, China rapid growth rate 132
increase in government spending, New Zealand 318
Independence from Britain, 1948, Sri Lanka 423
independent monetary policy under flexible exchange rate, Singapore 391
India 190–229
‘Article IV’ agreement with International Monetary Fund 198
balance-of-payments crisis 191
belief of harmfulness of competition 190
China in 2000s, growth race, ‘no contest’ 191
development strategy, inward-oriented 206
economic reform 209

economy
  under pegged exchange rate system 220

independence from Britain in 1947
  economic and social progress 190

phobia against foreign investment 190

post-Independence economic history 190

rupee pegging to British pound sterling, 1947 to September 1975, 197

Indonesia, short-term interest rate 17

‘industrial policy’ 29–30

industrialization, forced, in India
  heavy industry, public ownership, import substitution 190

inflation 3, 4, 29, 166

inflation-adjusted interest rate 540

inflation and interest rates 132–6
  Hong Kong SAR 165

inflation and money growth in China 129

inflation and money supply growth 9

inflation behaviour 209–11
  in Australia since 1950s 47

inflation control measures 321–2
  Australia 54

inflation control of South Korea
  volatility diminishment 292

inflation control prioritization 316

inflation decline 290–91

inflation drivers, New Zealand 318

inflation expectations channel 290

inflation, high and volatile 12
  Philippines, 1970s 383

inflation, high rate of South Korea, early 1950s
  three-year long war with North Korea 292

inflation, Hong Kong
  feedback relation with real interest rate and real exchange rate 174

inflation in China 1985–86, 113, 125, 133

inflation in New Zealand, 316, 321

inflation, key source, money supply, excess 5

inflation, low and stable in US 133

inflation low in Singapore since 1980s unstable, external shocks 390–91

inflation, mean-shifts
  from policy regime transitions, Australia 54

inflation persistence 434–6, 551
  Australia 47, 53–4, 83, 92
  Hong Kong link with United States 166

India 194, 211

Japan 239, 246, 250

literature review 548–52

New Zealand 329

Philippines 366–7

Singapore 399

South Korea 294–5

Thailand 472–3

United States 510

inflation real interest rate, real exchange rate
  and real output 136, 211, 298–303, 332–40, 404–10, 439–43, 515–18

four variables 567–71

Japan 253–8

significant interrelations among 374

Thailand 475–82

inflation targeting 25, 27–30, 32, 203, 550–51
  after 1982, 502–3

Australia 46, 48, 49, 83, 84

developing countries 17–19

inflation volatility 26–7

India 228

Japan 245, 268

New Zealand 318, 319, 324

Philippines 353, 354, 361, 368

Singapore 391

South Korea 275, 303, 311–12

Sri Lankan question 425

Thailand 467, 483, 490

United States 1951–70, 501

inflation target setting

in consultation with government, South Korea 286

inflation uncertainty 1, 59

Australia 83

inflation volatility 249–50, 292–4, 365–6, 509, 572

Asia-Pacific 16
Australia 55, 84
bidirectional relationship 58–63
negative effect on money-demand, Latin America 565
output volatility 11
quarter-on-quarter, in New Zealand 329
Singapore 399
Sri Lanka 433
Thailand 472
inflation volatility and controls over interest rates and exchange rates 576
inflation volatility and economic growth
causal linkage, Australia 26, 32–3, 52–4, 63, 128–9, 168, 173
inflation volatility and money demand 561–6
inflation volatility and output volatility 557
inflation volatility decrease in Sri Lanka
from mid 1990s, to mid 2000s 439
inflation volatility, Hong Kong 164, 178
inflation volatility in movement of capital, Singapore 390
inflation volatility, not innocuous 257
inflows of foreign capital, major effects 205
problems for Indian monetary management 205
information and communication technologies (ICT) 238
information indicators
to review monetary policy settings 75
instability in the Phillips curve relationship
R.E. Lucas (1972) 582
institutional arrangements
exchange rate regime, India 197
instrument of required reserves
managing domestic liquidity, China 124
insurance sector of Singapore, profitable 392
interbank overnight rate (‘actual’) 73–4
Australia, 1993–2013, 74
interest rate 4, 25
adjustment under a money-growth rule 593–5
control, Sri Lanka 428
controls, PBC control of interest rates 123
effect exchange rates, import prices 76
instrument of monetary policy 7, 8, 9, 26
money demand function role 5–7
movements, manipulation to get inflation out of the economy 502
parity condition Singapore 395
response function under inflation targeting 95–8
rise, raising credit risk 290
rule, price level indeterminate 10
Sri Lanka 453–4
interest rates 167, 251–3, 399–404
China and the United States, 1980–2012, 133
effect on general saving, investment behaviour 76
effect on spending behaviour of households, supply of credit, exchange rates 76
flexibility in India 227
interest rates and exchange rates, New Zealand
nominal and Treasury bill rates of NZ and US 331
required and excess reserves 123
international best-practice standards, Singapore 393
international capital, China 124
international commodity price movements 319
international confidence, in exchange rate stability 24
international developments
Reserve Bank of Australia (RBA) 75
International Monetary Fund (IMF) publications
Articles of Agreement 466
Australia in good position 81
stabilization measures for Thailand 458
<table>
<thead>
<tr>
<th>Index</th>
<th>619</th>
</tr>
</thead>
<tbody>
<tr>
<td>international silver standard</td>
<td></td>
</tr>
<tr>
<td>Hong Kong SAR off in 1935, 160</td>
<td></td>
</tr>
<tr>
<td>interrelation among inflation, real interest rate (RIR), real exchange rate (RER), and real GDP growth 570</td>
<td></td>
</tr>
<tr>
<td>interrelations among four variables in SVAR model, New Zealand 337</td>
<td></td>
</tr>
<tr>
<td>interventionist policy stance in economic affairs</td>
<td></td>
</tr>
<tr>
<td>Philippine government 363</td>
<td></td>
</tr>
<tr>
<td>investment-export boom sustained economic growth in Asia 81</td>
<td></td>
</tr>
<tr>
<td>Islamic banking and finance promotion</td>
<td></td>
</tr>
<tr>
<td>Singapore 394</td>
<td></td>
</tr>
<tr>
<td>IS-LM-BP model and adjustment shocks 534</td>
<td></td>
</tr>
<tr>
<td>Japan 231</td>
<td></td>
</tr>
<tr>
<td>7000 islands off east coast of China</td>
<td></td>
</tr>
<tr>
<td>first Asian country gaining status of developed country</td>
<td></td>
</tr>
<tr>
<td>four ‘Asian Tigers’ South Korea, Taiwan, Hong Kong, Singapore 356</td>
<td></td>
</tr>
<tr>
<td>impressive economic progress, 1960s to 1980s 232</td>
<td></td>
</tr>
<tr>
<td>leadership role in Asia 231</td>
<td></td>
</tr>
<tr>
<td>low and negative rates of inflation economic stagnation 59</td>
<td></td>
</tr>
<tr>
<td>major investor in East Asia 233</td>
<td></td>
</tr>
<tr>
<td>real exchange rate, sharp depreciation raising trade surplus with US 237</td>
<td></td>
</tr>
<tr>
<td>recession since early 1990s, long and severe 247</td>
<td></td>
</tr>
<tr>
<td>stock and land prices high, 1980s decline 1990s 243</td>
<td></td>
</tr>
<tr>
<td>Japanese currency depreciation to slow economic recovery in East-</td>
<td></td>
</tr>
<tr>
<td>Southeast Asia 237</td>
<td></td>
</tr>
<tr>
<td>deflation, throughout 1990s 536</td>
<td></td>
</tr>
<tr>
<td>earthquake of 2010, 491</td>
<td></td>
</tr>
<tr>
<td>economy, tentative recovery in early 2000s 248</td>
<td></td>
</tr>
<tr>
<td>ethnic homogeneity, ageing population 233</td>
<td></td>
</tr>
<tr>
<td>government bonds purchase 244</td>
<td></td>
</tr>
<tr>
<td>occupation of Singapore, 1942, British repossession, 1945, 387</td>
<td></td>
</tr>
<tr>
<td>products overpricing 269</td>
<td></td>
</tr>
<tr>
<td>recession in early 1990s 234</td>
<td></td>
</tr>
<tr>
<td>society, homogeneous, socially conservative, cohesive 231</td>
<td></td>
</tr>
<tr>
<td>Japanese-style deflation, US prevention 504–5</td>
<td></td>
</tr>
<tr>
<td>Johansen approach 100–103</td>
<td></td>
</tr>
<tr>
<td>Johansen tests for cointegral real narrow money-demand relationships in Australia 101–2</td>
<td></td>
</tr>
<tr>
<td>Keating, Paul, Prime Minister, Australia 71</td>
<td></td>
</tr>
<tr>
<td>key monetary policy issue in South Korea</td>
<td></td>
</tr>
<tr>
<td>volatility of real exchange rate, real interest rate 298</td>
<td></td>
</tr>
<tr>
<td>Keynesian economists 1, 539–40, 562</td>
<td></td>
</tr>
<tr>
<td>fiscal policy 46</td>
<td></td>
</tr>
<tr>
<td>prescription of monetary policy 13</td>
<td></td>
</tr>
<tr>
<td>Keynesian orthodoxy 71</td>
<td></td>
</tr>
<tr>
<td>Keynesian prescription, monetary policy 46</td>
<td></td>
</tr>
<tr>
<td>Korean War (1950–53), commodity boom 51</td>
<td></td>
</tr>
<tr>
<td>KPSS ( Kwiatkowski, Phillips, Schmidt and Shin) test null hypothesis 54</td>
<td></td>
</tr>
<tr>
<td>KSS ( Kapetianos, Shin and Snell) test null of a unit root rejection 54 , 554–5</td>
<td></td>
</tr>
<tr>
<td>labour-and resource-intensive exports South Korean exports 279</td>
<td></td>
</tr>
<tr>
<td>labour-intensive exportable products of Japan</td>
<td></td>
</tr>
<tr>
<td>high demand in Europe and North America 234</td>
<td></td>
</tr>
<tr>
<td>labour-intensive product Japan’s, in Europe and North America 246</td>
<td></td>
</tr>
<tr>
<td>rapid export growth South Korea 280</td>
<td></td>
</tr>
<tr>
<td>labour market reform, Japan 233</td>
<td></td>
</tr>
<tr>
<td>Labour Party in New Zealand</td>
<td></td>
</tr>
<tr>
<td>financial reforms, 1984–85, 326</td>
<td></td>
</tr>
<tr>
<td>lag effects of monetary policy 593</td>
<td></td>
</tr>
</tbody>
</table>
land and real estate values, decline in Japan 248
land mass, forested mountains, Japan 231
large-scale capital inflows, 292, 491
Latin America, 1960s and 1970s, higher inflation rates 14
law of PRC on PBC, functions and responsibilities 116–17
Lee Kuan Yew, 1959 to 1989 leader of Singapore
compulsory national service for all able-bodied men 388
economic and social progress since 1960s 388
legal powers of PBC, instruments of credit control 124
legal structure of Central Bank of Sri Lanka 428
Lehman Brothers, collapse, 2008, 81
lender-of-last-resort service (LLR), United States 497
lending operations of China’s banks 115
liberal financial environment, Thailand, 1990s
problems in overheated economy 472
Liberal Party and National Party, Australia
government from 1949–72, 47
lifetime employment in Japan 233
Linked Exchange Rate System Hong Kong 161
exchange rate stability 159
outside government control 157
refining of 164
vulnerability to economic shocks 177
Liquidity Adjustment Facility (LAF) 203
liquidity maintenance in New Zealand 321
livestock epidemic, supply shock 324
loans, non-performing, Japan 248
long-run neutrality of money 1
long-term interest rates
under upward pressure, South Korea 289
long-term output growth reduced 9–10
low asset prices in Japan
corporate shares, and land 237
low average inflation in South Korea since financial crisis 275
low-growth, high-inflation economy to rapid-growth, low-inflation economy, Philippines, 2000s 383
low-inflation economy in India, 1950s and 1960s
high inflation 1970s, 1980s 206
highly volatile problem since 1950s 193
low-inflationary environment, Japan 238
low wage rates, China
manufacturing sector, unskilled workers 112–13
McCallum rule
monetary policy, growth rate of money base 598–9
macroeconomic development and inflation performance 506–14
China 125–32
Hong Kong SAR 161, 164
India 206–10
Japan 246–53
New Zealand 326
Philippines 362–8
Singapore 398–404
South Korea 291–8
Thailand 468–75
Sri Lanka 430–39
macroeconomic environment in Australia
change, 1970s 65
macroeconomic imbalances in late 1960s, Sri Lanka
OPEC oil price shocks 430
macroeconomic indicators
Hong Kong, 1969–2012, 162–3
Japan, 1950–2012, 235–6
New Zealand, 1951–2012, 327–8
Philippines, 1950–2012, 359–60
Singapore, 1951–2012, 400–401
South Korea, 1951–2012, 276–277
Sri Lanka 431
Thailand, 1961–2012, 469–70
United States, 1951–2012, 507–8
macroeconomic indicators, India, 1950–2012, 207–8
macroeconomic management
Australia 45
New Zealand, difficulty for four decades 319
Philippines, leading role 354
macroeconomic measurement in Hong Kong SAR
‘Linked Exchange rate System’ 156
macroeconomic performance
1986–2013, Australia 77–81
macroeconomic performance of New Zealand
mediocre after inflation targeting 348
sharp deterioration 1970s 344
macroeconomic policy package, China monetary policy before reform 119
macroeconomic populism culture in Indian politics 204
macroeconomic stability, China 129
major exports of Singapore electronics, chemicals, engineering, biomedical products 389
Malaya Islamic Bank (May Bank Singapore) other financial institutions, sales of Islamic products 394
managed exchange rate regimes
Australia, late 1940s to mid 1970s 64
managed float exchange rate systems 21
Philippines 354, 364, 383–4
Marcos government overthrow by ‘people-power’ revolution, Philippines 363
Market Average Exchange rate system, new, in South Korea 285
market-based capital controls 35 for stability of exchange rate, South Korea 312
market-determined interest rate
key monetary policy instrument 114
‘market-determined unified exchange rate’ regime
Indian government 197
market-driven outward-oriented model of development
India’s ‘look East policy’ 193
market-oriented sectors in China 114
means and variances of inflation in Hong Kong and the US 1980, 166
medium-term fiscal planning and consolidation
IMF framework, South Korea 278
Meiji restoration of 1868, Japan Japanese economy foundations 232
Menzies, Robert, Prime Minister of Australia (1949–66)
Coalition government 47
mercantile trade in Hong Kong’s economic structure, dominance 155
military regimes in Thailand 232
money-growth targets, China 129
monetarism 2, 4, 10
monetary activism
end of, India, as an anchor to price 202
financial crises in world, since 1990s 601
importance of 25, 7, 17
intermediate target to control inflation, US 501–2
price stability 7
role of, in monetary policy of transmissions mechanisms under inflation targeting 303
monetary and exchange rate policy issues 177–85
India 220–27
Japan 258–67
New Zealand 340
Philippines 375–83
Singapore 410–16
South Korea 303–10
Sri Lanka 443–9
Thailand 483–6
United States 518
monetary authority (HKMA) Hong Kong SAR banking functions 158–60
Monetary Authority of Singapore (MAS) 392, 394–5
Monetary Board Philippines has powers and functions of BSP 355–6
monetary contraction, BOJ 244
monetary control, loosening, China 125
monetary expansion 2
effect 9–10
in early 1970s, Australia 68
in Japan, undermining of BOJ policy credibility 237
Monetary Law Act
unanimous Board decisions in six – circumstances 427–8
monetary macroeconomics 1, 537
monetary measures, expansionary not contractionary 13
monetary operations of BOK in three ways 289
monetary policy transmission mechanisms in the Philippines 362
monetary policy 3, 7, 545–6
1983–85 Treasury-conducted monetary targeting 91
Asia-Pacific, changing behaviour 16–19
and the business cycle 2
buffering unemployment 556–7
China overview 148
for price stability 142
conducted by BSP in IMF financial programming framework 357
credibility, low 12–13
current account balances and macroeconomic adjustment in US 533–6
deflationary environment 27
design and implementation, New Zealand inflation targeting 323–4
developing countries, promoting economic growth 14–19
economic stabilization 582
evolution 118–24
exchange rate policy, fiscal discipline of Singapore appeal across the globe 389
Hong Kong SAR, description 161
independence, reduction, China 133
India economic growth and stability 193
 evolution of framework 196–7
managed float, capital controls, state banks 209
strategy for price stability 195
in transition 205–6
inflation in Australia 46–9
inflation targeting, New Zealand 317
instrument amendment, South Korea inflation target 287
Japan 238
change since mid 1970s 242
during high growth phase 241–2
historical perspective 267
restrictive until mid 2000s 267
need to focus on long-run price stability 537
neglect 1983–93, 70–71
New Zealand role of providing cheap credit, 316
structural change since inflation targeting in 1990, 326
Monetary Policy Committee (MPC) 460
China, macroeconomic management of PBC role 116
South Korea 282–3
Thailand objective to achieve financial stability 461
United States 30
monetary policy regime 1976–83 Treasury-conducted monetary targeting 91
1985–88 Treasury-conducted ‘checklist’ approach 91
1988–93 Treasury-conducted non-checklist (unfettered) discretionary monetary policy 91
1993 to date RBA-conducted rule-based monetary policy 91
Pre-1976 Treasury-conducted exchange rate targeting 91
monetary policy regimes since 1983, 70–81
monetary policy report from BOK to Congress every year 288
monetary policy research in Japan 232
Index

monetary policy stance in Japan 1970–2012, 247, 268
monetary policy strategy exchange rate arrangement 119 pre-reform period 201 for price stability 32 rule-driven 23–24

Akhand Akhtar Hossain - 9780857937810
Downloaded from PubFactory at 09/17/2023 06:45:16AM
via free access
The evolution of central banking and monetary policy in the Asia-Pacific

money-growth rule 29, 32, 594
and related issues 590–91
under flexible exchange rate regime, China 151
money-growth shock and the dynamic adjustment of the economy 580
money impact on output
John Maynard Keynes General Theory 578
money-market rate and the federal funds rate 474–5
money markets for government securities, India 194
money-market tools, Singapore 396
money, output and prices, relationships among 143, 148, 178, 181–2, 308–10, 486, 578–9
India, cointegral relationship 221
money, role of, in monetary policy 25
money stock 573–4
money supply
demand determined, not market determined 340
growth and inflation 6
growth linkage with inflation 259
weak in New Zealand after inflation targeting 350
moral hazard problems, Thailand 28, 472
mortgage interest rates 505
MPC of the Bank of Korea base interest setting monthly 288
microeconomic indicators, China, 1953–2012, 126–7
multinational corporations operating in Singapore, 7000 389
multiple exchange rate system, China 120
multiple-indicator approach to monetary policy, India 202–5, 204
objectives of 203

Napoleonic wars
money-induced financial crises 590
narrow and broad money-growth rates in China 1953–2012, 130
Japan, sharp fall since mid 2000s 244

narrow money-demand function
Hong Kong SAR, stability of 185
Japan 260
lowering 308
targeting 129
nationalist Chinese forces of General Chiang Kai-Shek, 1949 victory of Hong Kong 155
nationalization of banks
repressive financial environment, South Korea 279
National People's Congress, China 116
National Treasury of South Korea 282
'natural rate of unemployment' Milton Friedman (1968) 549
natural resources of Hong Kong, limited 155
near unit root test result
shock-induced higher inflation rate 54
negative interest rate target 29
negative real interest rates 206
net exports
declining function of real exchange rate (RER) 567–9
increasing function of foreign income 567–9
New Central Bank Act, Philippines
price stability for monetary policy 355
New Classicism 12
private sector efficiency 10
'New Economy' argument 237
New Federation of Malaysia
Singapore expelled, 1965, 387–8
New Keynesian paradigm 549
New Zealand, developed country 315
birthplace of inflation targeting, 1990, 316
currency floating, the NZ dollar (NZD), 1985, 319
decline in economic standing in Australasian region 315
dollar floated, March 1985
deregulation of interest rates and capital flows 322
economic expansion 329
high demand for its agricultural products mainly from UK and US 315
high inflation to mid 1990s 332
high interest rate policy competition in housing market 329
inflation targeting 72
membership in major international organizations 315
one of richest countries in world, 1950s and 1960s 344
population of largely European ethnicity indigenous Maori population 315
pride in being birthplace of A.W. Phillips discoverer of Phillips curve relation 315–16
sixth highest per capita income in world in 1959s and 1960s 315
small open economy in Southwestern Pacific Ocean 315
small, trade-oriented developed country 344
non-tradable goods price, sharp rise, Thailand 458
nominal exchange rate, real exchange rate 564
nominal and real effective exchange rates in India, 1970–2010, 212
New Zealand dollar 335
Philippines, 1975–2010, 371
South Korea, 1980–2010, 298
Thailand, 1980–2010, 478
nominal and real Treasury Bill Rates in the Philippines and the United States 367
nominal effective exchange rate (NEER) Singapore, instrument of monetary policy 395
nominal exchange rate relation with inflation, Singapore bidirectional relationship 390
nominal interest rate 28, 563
Japan 267
pegging, Australia 69
non-borrowed reserves US 502
non-linearity in inflation 554–5
non-resident Indians, bank deposits 200
nonstationary endogenous variables 100
non-tradable goods sector Hong Kong SAR 185
North Korea, China-backed invasion and subjugation attempts on US-backed South Korea 284
note-issuing mechanism, change in Hong Kong SAR 160–61
objectives and strategies of monetary policy 499–500
objectives of monetary policy, in developing countries 30–32
official interest rate, Reserve Bank of Australia (RBA) 75
offshore borrowings, Indian government control 201
offshore RMB business, Hong Kong SAR 159
offshore trading of rupee, prohibition 201
oil price shocks (OPEC), 1970s 4, 48
Okun’s law (1971) 556
oligarchic warlords in India 191
OLS estimation technique, money demand function 143
OPEC oil price shocks (OPEC), 1970s 68, 465–6
effect on Australia 68
effect on Sri Lanka 449
Japan 242, 247
recession in Western economies 234
South Korean switch to price stability 286
open-economy in Sri Lanka 425
open-economy money-demand function New Zealand specification 341
open-economy real exchange rate parity condition 215
New Zealand 337
open economy with freely mobile capital exchange rate impact 564
open-market operations, monetary policy 203
China, 1993 123
South Korea 288–9
Sri Lanka 433
The evolution of central banking and monetary policy in the Asia-Pacific

open trade and investment regime in Singapore 389
opportunistically, politically motivated
Cukierman-Meltzer hypothesis, 1986, 59
opportunity cost variables 260
Organizational Structure of the State
Council, China 116
Organization of Economic Co-
operation and Development
(OECD), recession of 68
Organization of the Petroleum
Exporting Countries (OPEC) 4
output growth, inflation 174
output volatility New Zealand 324
Overseas Investment Commission,
New Zealand 320
overview of monetary policy in the
United States since the 1950s
526

Pacific Ring of Fire
earthquakes, tsunami, volcanic
eruptions 231
the Philippines 352
partition of the Korean Peninsula post
World War II 274
lending operations 115
peak of India’s annual growth rate, mid
2005, 191
peg exchange rate system 1950s,
through late 1990s 18
and monetary targeting, 1976–85,
63–70
Australia 54
China, domination by US dollar 148
India exchange rate of rupee as
anchor to prices 201, 202
Singapore 391
South Korea, pegging of baht to
a world major currency until
1997, 461
Thailand 490
pegged exchange with US dollar, de
facto, 1950s to 1970s 284
People’s Bank of China (PBC) 114
central bank of China, 1983, 116–18
maintenance of price stability 113
reports to State Council for approval
118
People’s Congress of China
legal status to China’s central bank,
1995, 116
People’s Republic of China (PRC)
reclaim of sovereignty of Hong
Kong, from British, 1997
foreign exchange constraint, Hong
Kong 161
Philippines, formerly Republic of the
Philippines 1996–97
archipelago in Southeast Asia, 7000
islands 352
credit-led economic boom 357
European-influenced institutions
whether there is a stable
English and Spanish and local
languages 352
improvement in economic
performance since early 2000s
364
liberalization of capital account
balance-of-payments to
encourage foreign-capital
inflows 358
major economy in Southeast Asia
352
managed float exchange rate system
Bangko Sentral ng Pilipinas
(BSP) central bank 353
market economy from 1990s, crisis
management 356
money-demand function 376
US key role in economic, social and
political affairs 352
Phillips curve relationship 315, 316,
556–7
inflation and unemployment 59
Keynesian economics 542–3
Phillips curve theory 527
Phillips curve type models of Calvo
(1983) 548
plant and equipment, high corporate
investment in, Japan
post-World War II economy 246
policy activism, monetary discretion
600
policy credibility, central bank lack
26–7
policy-formulation process,
streamlining 15–16
policy-induced inflation 17
volatility 33
policy ineffectiveness proposition 582–3
policy measures for poor and vulnerable
Hong Kong SAR 158
policy target, New Zealand Agreement RBNZ Act 1989, Agreement target 323
Policy Targets Agreement (PTA) 323
definition of price stability, New Zealand 317
political change in New Zealand in 1984, 344
political economy of economic stabilization 11–13
political instability and polarization 45
India 209
Iraqi invasion of Kuwait 209
Philippines, impediment to land reform programme 363
Thailand 491
political leaders of Japan and BOJ’s views
economic stagnation and deflation 245–6
political motivation of monetary policy ‘surprises’ 11
political stability at cost of political freedom
Singapore 389
political stability in Australia 45
political upheaval of South Korea, twentieth century 274
politicalization of RBI during 1970s 197
population density in Sri Lanka, low 423
population density of South Korea, one of highest in world 274
population of Singapore, 3.3 million 387
portfolio approach to holding money 562
portfolio investment permission in government securities and Treasury bills, since 1997 India 200
post-industrial economy in United States dominant in manufacturing 494
post-World War II economic history of Japan 231
post-World War II monetary policy in Australia 63
pound sterling abandonment as anchor currency for India, September 1975, 197
poverty and socio-economic inequality, India
regulation-repressed 190
powers of the RBNZ 320
presidential democracy, South Korea hardest hit by East Southeast financial crisis, 1997–98, 274
price flexibility and wage flexibility Hong Kong SAR 156
price level decline in Japan, decrease in Output 238
price level equation 308
price-setting behaviour of firms 83
price stability 2, 14, 15, 18, 31, 34, 71, 92–5, 113, 119, 317, 537
below growth and employment macroeconomic policy 46
central bank’s objective 23
China 122
by monetary policy 148
definition for US monetary policy 519
exchange rate stability, Thailand 461
Hong Kong SAR 157
not ensured by pegged exchange rate system 186
Japan 240, 268
low and stable inflation 396
monetary targeting for 561
New Zealand economic objective of government 323
objective of monetary policy 2, 9, 19–20
Philippines 355
primary objective of monetary policy 529
pursuit, BOJ Law 1998, 240
Singapore 399
social dimension, India 194
Sri Lanka, primary objective of monetary policy 425
United States 499
price-stickiness, in Keynesian models of monetary non-neutrality 11
Prices and Incomes Accord 71
with Australian Council of Trade Unions (ACTU) 71
prices of goods and services 238
primary targets
prices and quantities of goods, services, assets, China 119
private consumption demand, weak in Japan 248
private housing increasing availability, China
preparatory savings 132
productive land, scarce in Japan 231
promotion of capital-intensive industries, Philippines 363
protectionist policies
import-substituting and export-oriented industries 311
public debt, budget deficits, massive in Japan 232
‘pull factor’ for India, economic growth of other East-Southeast Asian countries 193
purchasing power parity (PPP) condition
tradable prices 185
purchasing power parity (PPP) measure 573–4
Japan world’s third largest economy by gross GDP 232
purchasing power parity (PPP) proposition, Australia 54
quantitative-easing policy, BOJ 244
Quarter-on-quarter CPI inflation in
Australia 47
Hong Kong 165
India, 1958, 210
Japan, 1958–2012, 249
New Zealand, 1958–2012, 330
Philippines, 1958–2012, 365
Singapore, 1962–2012, 402, 403
Sri Lanka, 1977–2012, 434
Thailand, 1966–2012, 473
quarter-on-quarter CPI inflation in
South Korea 1971–2012, 293

rapid growth of Chinese economy from mid 1960s 125
rapid monetization of the Indian economy since 1960s 221
rate of CPI inflation, Australia, 1950 to 2012, 51
rate of inflation influence on real interest rate and real exchange rate 443
variables 76
rate of inflation, expected 8

determinant of money-demand 565
rate of inflation, Thailand 481
rational expectations proposition 10
mainstream macroeconomics 12
real appreciation of currency 139
real broad money balances (LRBM) 99
real call money rate in India, 1950–2010, 211
real call rate of interest in India and the real Treasure bill rate in the United States, 1950–2010, 213
real deposit rate of interest 138–42
real deposit rate of interest and real lending rate of interest in Japan, 1956–2010, 253
real deposit rate of interest, South Korea
volatility, 1969–2012, 295–7
real effective change rate of rupee, 1970–2010, 210
real effective exchange rate 138–42
South Korea, 1980–2010, 298
United States, 1975–2010, 514
volatility 297
real exchange rate 9, 24–5, 174, 215, 257
China 121, 136
New Zealand, instability 319, 337
Singapore 391
South Korea, stability, 1980s, 1990s 291, 299
real exchange rate and volatility influence on trade and capital flows, Singapore 390
real exchange rate appreciation trade and capital flows 139
real exchange rate parity condition Singapore 395
Thailand 481
real exchange rate, volatile 33
real Federal funds rate in the US, 1959–2012, 514
real financing bill rate and real Treasury bill rate in the United States 252
real income as core determinant of narrow money-demand in South Korea 304
real income in New Zealand core determinant of broad money demand 341
real interest rate (RIR) 8, 24, 28, 139, 174, 215
China 136
high volatility in Japan 251
highly volatile 13
Hong Kong and the US, on deposits and increase, investment raising 441
inflation 174
low or negative in Japan, 1970s 267
positive relation with inflation rate 95
reaction function 96
South Korea 289, 299
Treasury bills in Hong Kong, in the real Federal funds in the US 171
volatile 33
real lending rate of interest, capital flight 257
real loan rate of interest, variables 76
real money growth and output growth 541–2
real money-market rate in Thailand and the real Federal funds rate in the US, 1977–2010, 477
real narrow money balances (LRNM) 99, 100
real output 138–42, 567
supply shocks 575
real output growth and unemployment rate (Okun's Law) (1971) 541
real sector shocks, China 113
real share price index in Japan 269
real shocks 11
real time deposit rate of interest (RTDR) in South Korea, 1969–2010, 297
real Treasury bill rate in New Zealand and in the United States, 1978–2020, 334
real Treasury bill rates, Sri Lanka 436
real interest rate parity 436
real value of tax revenues 139
real variables, output, employment, real interest rates, real exchange rates 2
recession in Japan, position of Bank of Japan 241
recursive coefficient estimates, Australia 94
recursive estimates of the coefficient on the one-period lagged rate of CPI inflation in Australia 1949, 93
China 135
Hong Kong 167, 182
India 214
Japan 250
New Zealand 331
Philippines 367
Singapore 403
South Korea 294
Sri Lanka 435
Thailand 474
United States 511
reform agenda for India 1991
foreign trade, banking, exchange rate policy financial account transactions 191
reform measure, structures in Sri Lanka, 1987–90
rupee floated 2001, 432–3
reform processing 1990s, Sri Lanka 450–51
regulated interest rates and credit allocations, India 209
regulation of paper money 590
regulatory policies, repressive in India controls of bank credit 193
relationship between the rates of inflation and unemployment in the US, 1975–2010, 528
relationships among money, output and prices 264–7, 379–82, 416, 520–26
New Zealand 344
relative price distortions or stability 54, 59
Report of the Committee to Review the Working of the Monetary System, India 201
Republican Presidency of George Bush monetary policy goals 505
Reserve Bank Board, Australia monetary and banking policy 49 monetary policy decisions 73–4
Reserve Bank of Australia (RBA) conduct of monetary policy 49 inflation targets 72–3 major policy implications 83–4 monetary policy 49–50 objectives of monetary policy 50 organization and activities 320–21 secondary full-employment target 83
Reserve Bank of India (RBI) direct policy instruments holdings of non-marketable treasury bills 194 interest rate regulations, selective credit controls, cash reserve ratio, liquidity reserve ratio 203 ‘monetary targeting with feedback’, 1985, 201 monetarist view on inflation till 1991, 201
Reserve Bank of New Zealand (RBNZ) 317 central banking functions 320–21 economic stabilization, by deployment of monetary policy instruments 318 linkages between money growth and inflation 34–5 short-term market interest rates 324–5
Reserve Bank of New Zealand (RBNZ) Act 1989 72 price stability as single goal of monetary policy 317, 322
redefinition of monetary policy’s role (price stability) 348 reserve requirements foreign currency purchase operations 123 residual graph of the real cash rate response function in Australia, 1990–2012, 97 resilient economy in South Korea IMF complimentary 278 resource-based, oil-exporting economies Gulf region, high volatility inflation 25 resource misallocation (efficiency costs) inflation costly 9, 14 restrictions on foreign investment in India at state and local levels 198, 200 Ricardo, David, nineteenth century economist 590 rise in inflation result 58, 408 risk management, in monetary policy 26–7 risk-taking on financial markets 28 risk underestimation of asset managers 28 RMB (renminbi) currency of choice for international transaction, China 120 pegging to US dollar 121 role of money in monetary policy, 1990s 25 role of money in New Zealand under inflation targeting 349 role of money, downgrading 19 rolling sample estimates of the coefficient on the one-period lagged rate of CPI inflation in Australia 1949, 94 China 136 Hong Kong 168 India 215 Japan 251 New Zealand 332 Philippines 368–75 Singapore 404 South Korea 295 Sri Lanka 436
Thailand 475
United States 512
Roman Catholic population, varied
ethnicity
a political democracy Muslim
autonomy in some islands 352
routine official interventions in foreign
exchange market, end of, India 204
rule-based monetary policy 30, 32, 63,
600–601
Australia 77
China 150
India 205
major issue for Japan 259
such as inflation targeting, US 503
United States 496
rule-based, price-stabilizing monetary
policy
developing countries 15
rupee convertible for current account
transactions in 1994, 198
rupee pegged to US dollar until 1991,
197
rupee, Sri Lankan currency unit 428
rural-urban transfer of workers, China
113
Russia (Soviet Union) long historic ties
with India
influence on India 191

Schwarz Bayesian Criterion (SBC) 63
Securities and Exchange Board, India
194
Securities Industry Act 1973,
Singapore 395
self-sufficiency idea in India 191
seller concentration, Japan 241
seniority-based career advancement,
Japan 233
service-oriented economy n Hong
Kong SAR
tourism, retail trade, financial
services 164
service-oriented market economy,
Hong Kong SAR 158
services sector in Japan, three quarters
of GDP 233
shareholders’ equity raising 248
sharp depreciation of the yen in Japan
policy problem 269
shocks originating from external
sources
monetary policy in New Zealand,
ineffective 349
short-run adjustment of the economy
543–5
short-run causality 1
short-term interest rate 84, 325
demand management, India 203
instrument of monetary policy BOJ
243
New Zealand 340
short-term price rigidities 75
simple vector autoregressive analysis
(VAR) 76
Singapore
collaboration with Islamic financial
institutions across world 394
consolidation of local banks 393
deep and liquid fixed-income and
equity markets 393
development of bond markets
393–4
dominant ethnic groups, Chinese,
Malay and Indian 387
dominant religions, Buddhist,
Christian, Muslim, Tao,
‘secularism’ 387
economic success story 416–20
economy, small and open exchange
rate for price stability 396
ethnic and religious relations with
Muslim-majority neighbours
388
exchange rate policy, monetary
policy 396
‘financial hub’ of world 389–90
full political Independence in 1963
rapid economic growth, low
inflation healthy balance-of-
payments 416–20
internationalization of Singapore
dollar, liberation of restrictions
393
locational advantages, between
Malaysia and Indonesia 388
multi-ethnic, multi-religious
population 387
official languages, Mandarin,
English, Malay and Tamil 387
The evolution of central banking and monetary policy in the Asia-Pacific

multi-ethnic, multi-religious country 423
per capita income, middle-income country since mid-1990s 423
stringent trade and exchange controls 424
westerly ‘headland’ of Bay of Bengal European colonial possession from sixteenth century 423
‘stability of a currency’s value’, price stability 117
stability tests
narrow money-demand function, more stable than broad money-demand function 178
stabilization policy, case against 590–91
stabilization strategy, New Zealand followed Keynesian paradigm 315
stable real exchange rate for competitiveness 185
stagflation 68
1970s, Australia 70
New Zealand, economic reforms under centre-left Labour government 317
standards of living fall in Japan 267
standing facilities, PBC, two for commercial banks 122–3
state banks and Indian banking system inefficiency 227
state banks dominant in Indian banking 194
State Council, South Korea policy deliberation body of government 283
state-owned banks, inefficient, China non-performing loans 115
state-owned businesses and enterprises privatization 45
state ownership of the banking system unresolved in India 205
states with separate legislative and administrative bodies United States 494
statutory liquidity requirement ratio phased reduction in, India 204
‘sterilization bonds’, China 123
Sterling Exchange Standard
currency board system variant of 160
stock market changes in India share pricing liberalization 194
strict inflation targeting (price stability) 550
structural change in India’s economy powering of poverty 191
structural reform, New Zealand 319–20
Japan, variables 254
New Zealand 336
Sri Lanka 439–43
Thailand 478
structuralist tradition, moderate rate of inflation 193
supply shocks 27, 31 effect on inflation 4
India, pegged exchange rate system 192
inflation volatility 575–7
surplus labour, massive pool, China 112
sustained current account deficits in US main factors 533
sustained expansionary monetary policy of US matter of concern across the globe 527
sustained inflation volatility 33
SVAR model for money, output and prices 585–7 identification and estimation 587–9
targeted and actual growth rates of monetary aggregates in China, 1994–2011, 131
target growth rate, for employment generation 117–18
tax advantage removal from holding foreign currency deposits 161
country 590
Taylor curve, Taylor principle 8, 17, 25, 595–7, 599–600
for conduct of monetary policy

positive output gap 95–6
United States 504
technological innovation, Japan
lowering of relative prices of products 238
technological revolution benefit 237
technologies of macroeconomic management, advances
recommendations for less interventionist policy instruments 315
textiles, lumber, plywood, steel, metal products
South Korean exports 279
Thai currency, baht, pegged exchange rate system 457
Thai economy, decade-long boom, 1986–1995
exports growth, foreign-capital inflows from Japan, Taiwan, Hong Kong SAR 457
Thai economy, IMF-World Bank-supported structural adjustment programmes 462
Thai economy, non-oil producing effect of OPEC-induced global oil price shocks, 1970s 468
Thai economy, three major shocks, 2008–12 resilience under managed float exchange system 491
Thai financial system heavy regulation and control historically 465
Thai floods of 2011, 491
Thai National Banking Bureau, 1940 operations 460
status of Ministry of Finance 460
Thailand, a constitutional monarchy 456
financial assistance from IMF location of early civilization, now multi-ethnic society 456
loss of confidence in baht 466 major industrializing economies in Southeast Asia 486
managed float exchange rate system 465
one of largest economies in Southeast Asia 456
population number 456
regional centre for trade, investment and finance 471
under Japanese occupation early in World War II 461
political instability recurrent 456
tools of open market operations in Japan 247
tourism, retail trade, financial services economy of Hong Kong 155
tradable products sector, Sri Lanka 432
trade and investment promotion 24
trade barriers high in India 205
trade liberalization measure, South Korea 281
trade-oriented economy, New Zealand exchange rate movements effect 325
trade protection barriers tariff and non-tariff types 206
trade union militancy and industrial unrest 321
cost-push phenomenon, New Zealand 316
transitional (eclectic) monetary policy regime Australia, 1985 to 1992–93, 64
transmission mechanisms of monetary policy 543–4
monetary policy under inflation targeting 75–6
Philippines 361–2
South Korea 291
Treasury bill rate in Hong Kong plotted against the Federal funds rate in the US, 1993, 170
Philippines and in the United States, 1976–2010, 370
Treasury bills 29
Treasury bills 182-day, Certificates of Deposit supporting monetary targeting, India 194, 202
Treasury bonds, reverse-repo operations, China 123
trend rate of inflation, small changes 83
two-pillar monetary system of European Central Bank (ECB) 287
unemployment in advanced countries 316
Australia, mid 1970s 69–70
Hong Kong 164
New Zealand, 10 per cent peak in 1991–92, 317
unemployment rate and trend decline in Australia 81
New Zealand 317
(Okun’s Law, 1971) 542
Phillips curve relationship 543
Reserve Bank of Australia (RBA) 75 rise in New Zealand until 1993, 329
unemployment reduction, real wages cutting 71
unified exchange rate system, Sri Lanka
devaluation of rupee 432
unified floating exchange rate system from 1965, 284
unit root and co-integration test results for the Federal funds rate in the US 172
unit root test
China, 1980–2012, 134, 137
CPI inflation in Sri Lanka 437
Hong Kong 169, 178
real output as nonstationary 174
India 216
money-demand relationship 260
Philippines 376
results 133–5, 341
testing for co-integration 221
Singapore 399, 405, 412
South Korea 295, 296
Sri Lanka 445
Thailand 483, 476
United States 520
unit root test results for CPI inflation
New Zealand 333
Philippines 369
United States 513
United States budget deficits since 1980s
dollar, reserve currency across the globe 495
floating of Hong Kong dollar, sharp depreciation of in 1979–83, 160
GDP generation by services sector 494
government debt accumulation 495
inflation, high and volatile 495
mini-recession and dot-com bust 533
monetary and fiscal policies high relevance to other countries 495
major influence n Singapore economy 410
monetary policy and the global financial crisis 504–6
Treasury bill rate 143
under gold standard system 527
United States, Germany, United Kingdom, Switzerland and Japan
monetary targets to anchor inflationary expectations 68
multi-ethnic immigrant society diverse cultures and religions 494
third largest country by land area population density 494
world’s largest market-oriented economy highest per capita income in world 494
urbanization in China, rapid 113
US-global financial crisis, 2007–09, 30, 458, 491, 497
independence of central banks, diminishment, global 13
South Korean escape 275
Thailand affected by 459
variables
cash rate, nominal effective exchange rate 76
The evolution of central banking and monetary policy in the Asia-Pacific

real effective exchange rate, real output 76
vector error-correction (VEC) modelling framework 267
New Zealand 344
velocity of money 5, 32, 539, 597
instability 4
short-run volatility of 5 stationary or trend-stationary 4
volatile exchange rate 34, 50
volatile inflation 10–11
India 206, 227
volatility of both inflation and real output 558
volatility of Hongkongese inflation influence on real interest rate, real exchange rate and growth of real output to early 1980s 185
volatility of inflation
Singapore 420
volatility of output, lower 558
voter aversion to increased taxes 11
wage freeze, six-month, Australia 69
wage-indexation (implicit or explicit) 83
wage-price model, Tobin 543
Wages and Income Accord with Australian Council of Trade Unions (ACTU) 48
wages and incomes policy 70
wartime conditions in Japan 239
Whitlam government, Australian (1972–75)
loss of control over fiscal policy 68
Whitlam government dismissal, Australia, 1975, 48
‘work reports’ to Standing Committee of National People’s Congress, China
from People’s Bank of China 118
world commodities, sharp rise in 329
World War II 46
yen appreciation and depreciation 1987–89, 243
yen depreciation, Japan 243
pressure on Japanese government not to depreciate, US and IMF 237
yen pegging against US dollar, Japan 241
zero-bound interest rate 27–30
zero nominal interest rate, Taylor rule 29
Zivot-Andrews test
breakpoint test results 135
null of a unit root 54
for the unit root, Philippines 366