Index

Abeille, G. 124–5
academic discipline, restrictions in economics as 9–10, 305–6, 372
accounting arrangements and tricks 200–202, 221, 357–8
aggregate demand
stimulation proposals 322, 324, 352–4
and unemployment levels 97–8, 434, 441
Allers, R. 32
alternative visions of the economy 304–29
aggregate demand stimulation 322, 324
austerity programs, neo-liberal justification for 306, 323, 327
better options, moving towards 323–4
central bank as setter of interest rates 319
conservative economic construction, criticism of 309–10
currency issuing government, lack of financial constraints on pensions and healthcare 321
dominant metaphors in economic commentary 313–14
ECB deficit underwriting suggestion 315
ECB and federal fiscal authority, advantage of links between 319
ECB role clarification, need for 326
economics as an academic discipline, restrictions in 305–6
economy as our construction, policy intervention appraisal 310–12
fiscal outcome should be balanced over economic cycle 318
fiscal space (money) 320–21, 323, 327–8
fiscal surpluses contribution to national saving 317–18
and flawed macroeconomic framework, dealing with 304, 313–14
full employment, understanding of meaning of 324
functional finance principles 311
government spending, refutation of inflationary nature of 322
government stimulus as forced movement, concept of 326–7
government will run out of fiscal space (money), fallacy of claims 320–21, 323
Great Depression lessons 312
household budget analogy problems 315, 321, 326
inflation and ‘printing money’, fallacy of links between 326
intergenerational burdens 321
language use, importance of, and alternative suggestions for rewording 313–14, 324–7
mainstream economics and modern monetary theory 315–23
mainstream macroeconomic theory (MMT) and practice, need for rejection of 308, 310, 311
private spending effects on fiscal outcome 318
progressive language and metaphor 324–7
public awareness and understanding, need for increased 323–7
public discourse errors and ambiguities 305–6
public program costs and opportunity costs 328
social media input, problems with 305
social purpose of government policy, need for reinforcement of 323–5 sovereign issuer of currency, default risk 319
TINA (‘there is no alternative’) mantra 304–9
transparency need 323
unemployment relief as suggested term 327
alternative visions of the economy, fiscal deficits and government size 322–3 and interest rates 318–20 as misleading term 316–17, 325–6 as normal 327–8 and taxation levels 320 versus fiscal surpluses 316–17
alternative visions of the economy, global economic crisis and neo-liberal economics response 306–7, 313 fiscal stimulus packages 307 government spending cuts and private sector investment 307 ‘independent’ research findings to reinforce 313 public debt threshold imposition 307 sovereign debt crisis portrayal 307

Altman, J. 6–7, 11
Andrews, E. 200, 201
Argentina default comparison, see euro abandonment consideration, Argentina default comparison fixed exchange rate abandonment 397–8 IMF bailout package 396–7 international debt obligations and sovereignty restoration 390–91, 395–400, 403, 416 job creation program 398 real effective exchange rate (REER) 398–9

Ariyoshi, A. 417
asymmetric shocks, dealing with 182, 342–3
Athanassiou, P. 420

Ball, L. 165, 166
Balladur, E. 90
Balleix-Banerjee, C. 81
bank lending capacity 299 as creator of deposits 375–6, 382–3 and prior reserve holdings, lack of link between 361–2
bank reform opportunity, and euro abandonment consideration 418–19
bank reserves effects of drained 382–3 lack of consumer access to 376–7 monetary framework proposal for fiscal policy activism 298–300

William Mitchell - 9781784716660
Downloaded from Elgar Online at 02/12/2019 12:27:58AM via free access
bank transfers, Single European Payments Area (SEPA) 409
banks
  central, see central banks
  full banking union proposal 338–9
  nationalisation 246
Barbash, J. 10
Barber, L. and T. 244
Barre Report 21–2, 68–9, 82–3
Barro, R. 249, 291
Basel Accord (1972) 53–5
Basel–Nyborg Agreement 87, 89–90, 110
Basic Income Guarantees (BIG), see employment guarantees
Baun, M. 84, 87, 118, 130, 147
BBP (Blue Bond Proposal), problems with 347–8
Beder, S. 313
Bell, S. 291
Berg, A. 271
Bergman, M. 20
Bergmann, C. 385
Bernanke, B. 9, 208, 365–6
Beveridge, W. 142
Beyer, A. 70, 71
BIG (Basic Income Guarantees), see employment guarantees
Bindi, F. 136
Bini-Smaghi, L. 145
Bitsch, M.-T. 32
Black September, effects of 156–63; see also economic crisis and austerity convergence
Blanchard, O. 8, 292
Blinder, A. 12, 62, 116–17, 248, 250, 422–3
Blue Bond Proposal (BBP), problems with 347–8
Blyth, M. 10, 249, 251, 255, 384, 386
BNP Paribas hedge funds freeze 244–5
Boffinger, P. 198
Böll, S. 199–200, 202
bonds
  Blue Bond Proposal (BBP), problems with 347–8
  federal bonds, capacity to issue, federal solution 339
  German government bonds, Bundesbank purchase of 26
government deficit funding 212
interbank money market, ‘open market operations’ (OMOs) 300–301
market appeasement 255–7
market vulnerability, and Stability and Growth Pact (SGP) 195–6
Boone, P. 262
Bordo, M. 20
Bossone, B. 367, 383
Boughton, J. 45–6
Brett, A. 160, 161
Bretton Woods collapse 50, 51, 56
  and Werner Report, see Werner Report and collapse of Bretton Woods
Bretton Woods exchange rate system 21–2, 23, 25, 28, 30
Britain
  Basel Accord (1972) withdrawal 54–5
currency crisis and Soros’s Quantum Fund 158–9, 160, 341
devaluation against US dollar (1967) 24–5, 27, 28
employment guarantee scheme suggestion, limitations of 433, 435–6
ERM, joins 158
ERM membership suspended 159–61, 163
fiscal stimulus abandonment and austerity package 252
Hague Summit and Community enlargement 29–30
Northern Rock Building Society bank run 245–6
selective ‘opt out’ protocols 146
sovereignty concerns 137, 157
Brown, G. 251
budget deficit, see deficit
Buiter, W. 12, 190, 197, 198, 313, 351, 417
Bundesbank, see Germany, Bundesbank
Buti, M. 191–2, 227
Eurozone dystopia

Caliendo, M. 235
Cameron, D. 201, 290
Canada
export-led growth 278–9
federalism and transfer dependency 169
Cangelosi, R. 136
CAP, see Common Agricultural Policy (CAP)
Capie, F. 27
capital controls
abandonment of 90, 134, 154–5
and euro abandonment consideration 417–19
Germany (1970s) 47, 50
capital and foreign reserve contribution to the ECB, return of, euro abandonment consideration 409–10
Carchedi, G. 66
Carli, G. 133, 134, 136
Casey, B. 232
Cassidy, J. 250
central banks
and currency fluctuations, Werner Report and collapse of Bretton Woods 46–7
ECB, see European Central Bank
European System of Central Banks, formation of 105
and exchange rate controls, economic crisis and austerity convergence 155
extension of credit facilities 75, 76–7, 90
government transactions as source of non-government sector net financial assets 297–8
and Groupthink pressure 12, 94–5
hostility to revision, fiscal crisis (2003) 222
independence and ‘credibility bonus’ 166
independence and money supply targets 119
independent central bank, acceptance of, Maastricht Treaty 120–21
independent central bank proposal, Delors Report 99, 105–6
inflation concerns, Overt Monetary Financing (OMF) 358–9
interest rate adjustments, effects of 154
as interest rate setter 300–301, 319
liquidity management operations, Securities Markets Program (SMP) 281–3
money supply control, Overt Monetary Financing (OMF), ‘money multiplier’ myth 377
representation at Ecofin meetings 105
role, Werner Report and collapse of Bretton Woods 36, 39, 41, 43, 44
sovereignty restoration, see euro abandonment consideration, central bank sovereignty restoration and relationship with ECB
see also ‘bank’ headings
Chirac, J. 67, 69, 89, 181, 222
Christophersen Report 115, 116, 118–19, 123; see also Delors Report
Cochrane, J. 450
coinage replacement, euro abandonment consideration 402
Common Agricultural Policy (CAP) funding concerns 41, 42, 50, 51, 65–7, 74, 78, 81
‘green exchange rates’ and farm prices 66–7, 74
Monetary Compensatory Amounts (MCAs) and farm export levies 66–7, 78
monetary union, early attempts 23, 27, 29, 30, 31, 32
Connors, L. 304, 313
consumers and bank reserves, lack of consumer access to 376–7; see also ‘public’ headings
correlation criteria and austerity, Stability and Growth Pact (SGP) 179–80
economic crisis and austerity convergence 143–6, 150–51, 154–5
Maastricht Treaty, see Maastricht Treaty
convergence criteria understanding of, Maastricht Treaty 136–7
Courchene, T. 169
Cowan, B. 261
credit
central banks, extension of credit facilities 75, 76–7, 90
expansion and workers’ purchasing power, Germany 238–9
overdraft and credit facility restrictions, Maastricht Treaty 139–40
vulture funds (holdout creditors) 416–17
Crooks, E. 224–5, 226
currency
central banks and currency fluctuations, Werner Report 46–7
coinage replacement, euro abandonment consideration 402
ECU, see European currency unit (ECU)
euro abandonment consideration, see euro abandonment consideration
European Monetary Institute (EMI) and common currency introduction 143
Eurozone nations and nations with own currency, differences between 254, 256–7, 274
flotation concerns 50–51, 55–6, 412
fluctuation range, widening of allowable 162
German currency realignment considerations, early 28–9
governments always have capacity to spend own currencies 291, 293
international currency crisis (1973) 54–7
issuing government, lack of financial constraints on pensions and healthcare 321
mark as benchmark currency, see mark as benchmark currency and monetarism arrival, see
monetarism arrival and currency turmoil
‘money printing’ myths 326, 333–5, 360, 364
Overt Monetary Financing, see Overt Monetary Financing (OMF)
sovereign issuer of currency, default risk 319
sovereignty surrender 148
stability argument, Basel–Nyborg agreement 110
current account imbalances 64, 65, 240–3, 270–71
‘cyclical response’ capacity, problems with proposal for boosting 344–6; see also federal solution
Cyprus bailout 265
Dalsgaard, T. 192, 194–5
Danescu, E. 37, 39, 41, 42, 43, 58, 59, 94
Darvas, Z. 212
De Boissieu, C. 84
De Cecco, M. 136
De Gaulle, C. 28, 29, 30–31, 63
De Grauwe, P. 175, 197, 338, 346
De Serres, A. 192, 194–5
debt
bailout loans and sovereign debt 254
debt-to-GDP ratio 132, 136, 139, 266
Eurozone debt spreads 256–7
government debt management suggestions, federal solution 346–52
issuance by governments 334–5
‘Limited Debt Conversion Programme’ (LDCP), federal solution 348–9
and Maastricht Treaty 127, 201
mutualisation schemes, problems with 346–7
private debt obligations, euro abandonment consideration 415–16
sovereign debt crisis portrayal 307

William Mitchell - 9781784716660
Downloaded from Elgar Online at 02/12/2019 12:27:58AM
via free access
deficits
and alternative visions of the
economy, see alternative visions
of the economy, fiscal deficits
arbitrary ceilings, Maastricht Treaty
132
and automatic stabilisers, Stability
and Growth Pact (SGP) 183–5,
187, 189, 190–91
deficit-to-GDP ratio 132, 139,
200–202, 333
ECB underwriting suggestion 315
excessive, see excessive deficits
functional finance, basic principles
333
‘golden rule’ (government deficit
matching capital spending)
121–3, 125
government borrowing to match
fiscal deficit, Overt Monetary
Financing (OMF) 382
government deficit equalling non-
government surplus 294–5
government deficit spending effects
381–2
government deficits, funding, EMU
early years 212
government spending and fiscal
deficit 289–90
and inflation, Overt Monetary
Financing (OMF) 371–2
and interest rates, perceived link
between 301
Maastricht Treaty, 3 per cent deficit
rule 123–5, 132, 139, 200–202
as misleading term 316–17, 325–6
underwriting, Overt Monetary
Financing (OMF) 14
and unemployment, links between
301–2
deflation
concerns, Overt Monetary Financing
(OMF) 359
policies, effects of 425–6
and price stability 62–3
and unemployment rise, EMU early
years 212
see also inflation
Della Sala, V. 132, 134–5
DeLong, J. 301
Delors Report 5, 94–110
approval, Christophersen Report
115, 116, 118–19, 123
Basel–Nyborg agreement and
currency stability argument 110
Berlin Wall collapse, and concerns
about enlarged Germany
106–10
central bank representation at
Ecofin meetings 105
central bankers and Groupthink
94–5
convergence criteria, and Delors
Report, economic crisis and
austerity convergence 155
counter-stabilisation policy and
private spending fluctuations
98, 103
Ecofin ministers, exclusion of 94, 95
ECU as parallel currency debate 104
and European Reserve Fund (ERF) 104
European System of Central Banks,
formation of 105
and Exchange Rate Mechanism
(ERM) 104–5
federal fiscal function and solidarity
issues 99–101, 103–4
fiscal policy function at national
level 96–7, 105–6
fiscal rules and discretionary
government spending 98
fiscal rules, imposition of 101,
105–6
free market promotion 97
Groupthink confirmation bias 97
independent central bank proposal
99, 105–6
and Maastricht Treaty 111, 115,
118–19, 120–21, 123, 138
mark as benchmark currency 104–5,
109–10
monetarism arrival and currency
turmoil 87, 88
monetary union, plans for achieving
104–5
price stability 98, 99, 105
regional disparities in economic
performance, dealing with 99
single currency introduction 105–6
subsidiarity, and common good 103
subsidiarity, in Maastricht Treaty 102
subsidiarity, meaning of 101–3
subsidiarity misapplication 101–4
and unemployment levels 97–8, 99, 105
Werner Report, abandonment of 95–8
Werner Report, influence of 95–6
Werner Report, international changes since 96–7
Delpla, J. 347
democratic accountability concerns 126
democratic control of transfer of powers from member states to federal level 37
denial effects, and Groupthink, see Groupthink, and denial effects
Denmark
ratification process and referendum 147–8, 155
selective ‘opt out’ protocols 146
deposits, bank lending as creator of 375–6, 382–3
depreciation scaremongering, euro abandonment consideration 403, 404, 405–8, 414, 416, 417
deregulation
austerity and deregulation focus, EMU early years 211–12
underemployment 424
see also free markets
devaluation, internal devaluation strategy 272–5, 344–5
disadvantaged, job provision inclusive to most disadvantaged 431–2, 436, 443
discretionary fiscal policy 98, 115–16, 189
‘divergence indicator’, monetarism arrival and currency turmoil 76
Donadio, R. 264
Dostal, J. 231–2
Douzinas, C. 264–5
dual currency proposals, problems with, federal solution 355
Duchaussoy, V. 82
Duisenberg, W. 104, 222
Dynamic Stochastic General Equilibrium models 11–12
Dyson, K. 104, 134, 135
Easterly, W. 278
EC, see European Commission
ECB, see European Central Bank
ECJ, see European Court of Justice
Ecofin ministers, and Delors Report 94, 95, 105
economic crisis
excessive government spending claimed as cause of 254
failure to predict 248
liquidity crisis 244–7
neo-liberal economics response, see alternative visions of the economy, global economic crisis and neo-liberal economics response
neo-liberal attitudes prior to 8, 9–10, 12
recession, see recession
shock absorption scheme 172, 175–6
economic crisis and austerity
convergence 143–63
Black September, effects of 156–63
Britain, ERM membership suspended 159–61, 163
Britain joins ERM 158
British currency crisis and Soros’s Quantum Fund 158–9, 160, 341
British sovereignty concerns 157
capital controls, abolition of 154–5
central banks and exchange rate controls 155
convergence criteria 143–6, 150–51, 154–5
convergence criteria, and Delors Report 155
convergence criteria, time restrictions 146
currency allowable fluctuation range, widening of 162
currency sovereignty surrender and Stage III 148
Denmark, ratification process and referendum 147–8, 155
economic disparity and real effective exchange rate measures 151–4, 273–4
Emminger Doctrine 161, 163
European Monetary Institute (EMI) and common currency introduction 143
examination process 144–5
excessive deficit procedure (Maastricht Treaty) 144
exchange rate mechanisms (Maastricht Treaty) 144
France, ratification process and referendum 148–9
German Federal Constitutional Court, Treaty validity test 149
and Groupthink mentality 149–50
interest rate adjustments by central banks, effects of 154
interest rate mechanisms (Maastricht Treaty) 144
Italian lira crisis 156–7, 160
Maastricht Treaty transitional provisions 143, 145–6
mark as benchmark currency 157–8, 161, 162
price stability conditions (Maastricht Treaty) 144
price stability and natural rate of unemployment 144
public understanding, lack of 147–8
ratification problems 146–50
recession and German reunification spending 147, 155–6, 157–8
selective ‘opt out’ protocols for Britain and Denmark 146
speculative attacks, effects of 154–5
unemployment rate as adjustment variable 150–51
see also austerity; fiscal crisis (2003)
economic annual percentage rates (1970–2013) 207–8
EMU and ideological straitjacket 165–7
imbalances, EMU early years 210–11, 213–15
reduction, monetarism arrival and currency turmoil 87
slow, and unemployment, lack of concern over 210–11
economic models, use of flawed 164, 304, 313–14, 330
economic and monetary union, see ‘EMU’ headings
Economic Policy Committee principles on fiscal policy 114–15
economic policy surveillance, Stability and Growth Pact 182
economics as an academic discipline, restrictions in 305–6
economy, alternative visions, see alternative visions of the economy
ECU, see European currency unit
efficient markets hypothesis domination 249–50; see also free markets
Eichengreen, B. 67, 154, 155, 175, 182, 188, 417
Einaudi, L. 19
Elliot, L. 157, 158, 159, 258, 265
Emergency Liquidity Assistance (ELA) facility 367
Emminger, O. 161, 163
employment guarantees 422–44
austerity and deflationary policies, effects of 425–6
austerity effects 422
Basic Income Guarantees (BIG) comparison 440–44
Basic Income Guarantees (BIG) comparison, social impact 442–3
Basic Income Guarantees (BIG) comparison, technological change and definition of productive work 443
European Commission Youth Guarantee Initiative 436–40
European Commission Youth Guarantee Initiative, funding and austerity restrictions 439–40
European Commission Youth Guarantee Initiative, and lack of jobs 439–40
government choices 423–4
labour market deregulation and underemployment 424
Index

487

recessions and unemployment causes 425

training in paid work environment, advantages of 427, 436, 439–40

unemployment buffer stocks and price stability 423, 424–7

unemployment buffer stocks, skill levels and long-term unemployment 426

unemployment perceived as individual problem 426

employment guarantees, employment buffer stocks, price stability and Job Guarantee (JG) 423–4, 427–32

environmentally sustainable activities 432

job provision inclusive to most disadvantaged 431–2, 436, 443 and minimum wage 427–8, 441–2 as powerful automatic stabiliser 428–9

private sector spending effect 428–9, 431, 432, 440 as qualitatively superior inflation fighting approach 429

as safety net but not universal panacea 432

and socio-economic stability 429–30, 442, 443–4

unemployment benefits schemes, existence alongside 430

workfare, difference from 430

employment guarantees, in mainstream debate 432–6

British employment guarantee scheme suggestion, limitations of 433, 435–6

German ‘transfer companies’ 432–3

income support benefit cuts, effects of 435, 436

Job Guarantee (JG) as new (original) suggestion 435–6

Say’s Law and supply and demand fallacy 434–5

unemployed bottleneck claims, dealing with 436

employment levels

domestic spending to maintain 288 forecasts and GDP growth 247 full, see full employment

job creation, targeted schemes, Germany 235

labour mobility, see labour mobility mini- and midi-jobs, Germany 235–7

part-time work and ‘stepping stone’ hypothesis, Germany 236–7

see also unemployment

EMU (economic and monetary union), as new ‘nation’, Werner Report 35–6

EMU (economic and monetary union) early years 207–15

annual percentage economic growth rates (1970–2013) 207–8

austerity and deregulation focus 211–12

Brussels–Frankfurt consensus 211–13

budgetary surveillance recommendations 210

capital imbalances, effects of 212

deflation and unemployment rise 212

economic growth imbalances 213–15

economic growth, slow, and unemployment, lack of concern over 210–11

euro, birth of 207–8

export/import imbalances 212

free market triumphalism 208–9, 211–12

government deficits, funding 212

‘Great Moderation’ speech 208

public bonds to fund government deficits 212

real estate booms 212–13

recession problems claimed as solved 209–10

Sapir Report 210–11, 212

Washington Consensus comparison 208–9, 210–13

EMU (economic and monetary union) and ideological straitjacket 164–77

central bank independence and ‘credibility bonus’ 166

centralisation concerns 171

economic growth effects 165–7

economic growth effects, ‘sacrifice ratio’ 166–7
economic models, use of flawed federalism and transfer dependency
fiscal policy at national level
Groupthink attitude
inflation first strategy
MacDougall Report comparison
macroeconomic stability as price stability
microeconomic flexibility promotion
public choice theory
research papers to justify fiscal rules
shock absorption scheme
subsidiarity principle
unemployment and poverty levels
EMU (economic and monetary union)
environmentally sustainable activities,
Job Guarantee (JG)
ERF (European Reserve Fund)
Essen Strategy (European Employment Strategy)
euro
birth of
debt in euros, addressing problems with
abandonment consideration
bank reform opportunity
benefits versus costs
capital controls
capital controls, cross-border movements in deposits
catastrophe predictions
coinage replacement
depreciation scaremongering
‘internal depreciation’ and wage cuts
disorderly exit path
and EU expulsion
and EU expulsion, EU membership retention considerations
and EU expulsion, Italian status as example
exit process considerations
foreign exchange market pressures
Franco-German rivalry effects
free market and Groupthink restrictions
Greece case
hyperinflation scaremongering
Iceland comparison
import prices, costs of rising
Latvia, ‘internal devaluation’ comparison
MMT framework as the basis for analysis
national currency reintegration
and Overt Monetary Financing (OMF)
pegging and Exchange Rate Mechanism (ERM)
secrecy, need for
Single European Payments Area (SEPA) and bank transfers
single nation exit, effects of
transaction costs
unilateral exit path
Wolfson Economics Prize 2012
abandonment consideration,
Argentina default comparison
benefits versus costs
capital controls
capital controls, cross-border movements in deposits
catastrophe predictions
coinage replacement
euro abandonment consideration, central bank sovereignty restoration and relationship with ECB 400, 408–10
capital and foreign reserve contribution to the ECB, return of 409–10
ECB contributed reserves, return of 410
payments system, introduction of viable 408–9
euro abandonment consideration, redenomination options 401, 402–3
advantages 414–15
currency flotation and ‘rounding up’ problem 412
and default 413–17
and depreciation 414
legal status of liabilities outside of national legal system 415
and lex monetae (sovereign state has choice of currency) 411–13, 415
pegging 412, 414
private debt obligations 415–16
private sector debt 413
vulture funds (holdout creditors) 416–17
Eurofound, youth classified as NEETs (not in employment, education or training) report 437–8
European Central Bank (ECB)
central bank sovereignty restoration, see euro abandonment consideration, central bank sovereignty restoration and relationship with ECB
deficit underwriting suggestion 315
and federal fiscal authority, advantage of links between 319
monetary policy monopoly concerns 198
role clarification, need for 326
Troika (EU, ECB and IMF) austerity push 257–65
see also central banks
Youth Guarantee Initiative, see employment guarantees
European Court of Justice (ECJ) compliance powers 269
decision on suspension of action against France and Germany 225
European currency unit (ECU) introduction 75–7, 79, 83 as parallel currency 104
see also currency
European Federal Transfer Scheme (EFTS) proposal 113–14
European Financial Stability Facility (EFSF) 257
European Monetary Agreement, Werner Report 47
European Monetary Cooperation Fund (EMCF) 44, 58–9
European Monetary Fund (EMF), objections to 79–80
European Monetary Institute (EMI) 140–41, 143, 202–3
European Monetary System (EMS) 63–78, 80, 81 ‘second life’ 84–93
European Parliament involvement 339, 368–70
elections 13, 36
Maastricht Treaty 118–20, 141
European Project, aims of 1–2, 13, 22–4, 30
European Reserve Fund (ERF) 33, 43, 44, 104
European Stability Mechanism (ESM) 257
European Union expulsion, and euro abandonment consideration 419–21
Troika (EU, ECB and IMF) austerity push 257–65
Eurozone nations and nations with own currency, differences between 254, 256–7, 274
Evert, H. 433
Ewing, J. 282
excessive deficits criterion, Maastricht Treaty 199
Excessive Deficit Procedure 182, 266
government spending claimed as cause of crisis 254
Groupthink, and denial effects 253–4
importance of avoidance of 116 and Maastricht Treaty 116, 121, 139, 144 and recessions 191–2
Excessive Imbalances Procedure (EIP), Stability and Growth Pact (SGP) revision (Six-Pack) 266–7
exchange rate
Bretton Woods system 2–3
controls and central banks 155
economic disparity and real effective exchange rate measures 151–4, 273–4, 398–9
EMU and ideological straitjacket, optimal currency areas (OCA) 174, 175
fixed exchange rates and stabilisation policy, concerns over 113–14
flexible 288
German Bundesbank and exchange rate protection 70–71, 73, 79–80
mechanisms (Maastricht Treaty) 144
real effective exchange rate (REER) 151–4, 273–4, 398–9
systems, reasons for failure 25
Exchange Rate Mechanism (ERM) and Delors Report 104–5
monetarism arrival and currency turmoil 76
and pegging, euro abandonment consideration 402–3
exports
export-led growth focus and Groupthink, see Groupthink, and denial effects, export-led growth focus
export/import imbalances, EMU early years 212
trade imbalances and employment shifts, Germany 240–43
see also imports
Fama, E. 249, 250
Fauvet, J. 66
Featherstone, K. 134, 135
federal solution 337–56
aggregate demand stimulation proposal 352–4
asymmetric shocks, dealing with 342–3
Blue Bond Proposal (BBP), problems with 347–8
borrowing capacity to raise funds on behalf of Member States 339
‘cyclical response’ capacity, problems with proposal for boosting 344–6
debt in euros, addressing problems with 346
debt mutualisation schemes, problems with 346–7
default risk and insolvency, current risks of 344
dual currency proposals, problems with 355
European level unemployment benefit system suggestion 343
European Parliament, answerable to 339
federal bonds, capacity to issue 339
federal fiscal capacity, lack of 337–8 and full banking union 338–9
government debt management suggestions 346–52
hybrid proposals 341–52
hybrid proposals, automatic stabilisers within tax and transfer system, boosting 342–6
internal devaluation and increased labour mobility, problems with 344–5
‘Investment-led Recovery and Convergence Programme’ (IRCP) proposal 352–4
‘Investment-led Recovery and Convergence Programme’ (IRCP) proposal, US New Deal comparison 354
‘Limited Debt Conversion Programme’ (LDCP) 348–9
MacDougall Report findings 337, 340
‘Modest Proposal’ scheme assessment 348–9, 350, 351, 352
Monetary Financing (OMF) and SGP abandonment 338, 339
moral hazard debate 346
Outright Monetary Transactions (OMT) Program, German Constitutional Court (BVerfG) referral 350–51
Outright Monetary Transactions (OMT) Program in transition period 339–40, 349–50, 354
and Securities Markets Program (SMP) (buying government bonds in secondary bond market) 349–50, 354
stable social communities, benefits of 345
and subsidiarity principle belief 344
Werner Committee findings 337, 339
federal solution, federal fiscal authority (FFA)
common sense of purpose and togetherness, need for 341
economic thinking, need for change in 341
lack of cultural or political tenability 340–41
as replacement for European Stability Mechanism (ESM) 339–40
requirements 338–40
federal system
democratic control of transfer of powers from member states to federal level 37
ECB and federal fiscal authority, advantage of links between 319
fiscal function and solidarity issues, Delors Report 99–101, 103–4
and transfer dependency 169–71
understanding of, Maastricht Treaty 113
Feldman, G. 385
Ferguson, N. 256
Ferreira do Amaral, J. 262–3
fiat monetary systems 48, 288–9, 292–3, 297
finance, functional, see functional finance, basic principles
‘financial crowding out’ argument, Overt Monetary Financing (OMF) 380–81
fiscal balance, metaphors 314
Fiscal Compact (Treaty on Stability, Coordination and Governance) 267–9
fiscal constraints 182–3, 292–4
fiscal crisis (2003) 216–33
central banks’ hostility to revision 222
crisis point 223–5
Essen Strategy (European Employment Strategy) 229–33
European Court of Justice (ECJ) decision on suspension of action against France and Germany 225
Excessive Deficit Procedures (EDP) 216–17, 218–19, 220, 223–4, 226, 227
financial markets, threat to and lack of reaction 225–6
fiscal balances consistency and accounting tricks 221
French economic downturn effects 221–4, 225
full employment, understanding of 229–30
German dominance in EMU 216, 217
German economy slowdown effects 217–18
German Hartz reforms, concerns over 220
German prolonged stagnation concerns 220
German recession and high unemployment 218–20, 223–4, 225
Germany caught in trap of its own making 219–21
Greek deficits 226–7
income inequality 231
Lisbon Strategy and OECD Jobs Study similarities 232–3
OECD Jobs Study and unemployment 83, 229, 230–32
‘qualified majority’ voting system 223–4
Eurozone dystopia

Treaty of Nice and ‘blocking minority’ 223–4
unemployment attitude 229–31
see also economic crisis and austerity
convergence
fiscal crisis (2003), Stability and Growth Pact
alterations and data improvement 226–9
alterations and data improvement, and European Employment Strategy 229–33
‘corrective arm’ inflexibility concerns 227
failure 216–17, 218, 219, 224–5
fiscal rules ‘written in stone’ 221–2
medium-term budgetary objectives (MTO) 228
‘preventative arm’, criticism of 227
‘severe economic downturn’, definition change 228
fiscal deficits, see deficits
fiscal multipliers and IMF ‘modelling errors’, admission of 259–60
fiscal policy
activism, see monetary framework proposal for fiscal policy activism
decisions, Maastricht Treaty, see Maastricht Treaty, moving towards, fiscal policy decisions
effects 5, 8–9, 12–13
function at national level, Delors Report 96–7, 105–6
prominence, Werner Report 35, 41
fiscal rules, Delors Report 98, 101, 105–6
fiscal space (money), alternative visions of the economy 320–21, 323, 327–8
fiscal stimulus 248–53, 307
government stimulus as forced movement, concept of 326–7
fiscal surpluses 122, 183, 268, 294–5, 297, 302–3, 316–18
fiscal sustainability promotion 265–71
fiscal-monetary cooperation (FMC), and Overt Monetary Financing (OMF) 366

Fouchet Plan 30–31
France
Barre Plan 68–9, 82–3
BNP Paribas hedge funds freeze 244–5
civil unrest (1960s) 25–6
De Gaulle resignation effects 28
De Gaulle’s hostility towards US involvement 30–31
ECJ decision on suspension of action against France and Germany 225
economic downturn effects 221–4, 225
fiscal policy tightening requirements 83
France–Germany rivalry 2, 3, 4, 21, 23, 37–45, 87, 392–4
Juppé Plan 181–2
‘la tradition républicaine’ period of dominance 38–9
monetarist–economist struggle 37–45
monetary union position shift 117–18, 121, 130
ratification process and referendum 148–9
trade unions as targets 68
unemployment rise, blame culture 81–3
Frankel, J. 177
Fratianne, M. 136
free market
and austerity programs, flaws in argument 330
efficient markets hypothesis domination 249–50
Groupthink restrictions, euro abandonment consideration 392, 393–4
inflation concerns 116–17, 119, 126, 128–9
market self-regulation as neo-liberal myth 246
monetarism arrival and currency turmoil 61–3
promotion, Delors Report 97
and ‘representative households’ 275
triumphalism, EMU early years 208–9, 211–12
see also deregulation
Freiburg School, and Werner Report 39–40
Friedman, A. 136
Friedman, M. 62, 68, 364–5, 373
Friend, J. 181
Fuerxer, J. 68
full employment
abandonment of, Maastricht Treaty 141–2
concept, Stability and Growth Pact (SGP) 185, 186, 187–8, 193
and price stability as goals 332, 333
understanding of meaning, alternative visions of the economy 324
see also ‘employment’ headings; unemployment
Fuller, T. 222
functional finance, basic principles 330–36
alternative visions of the economy 311
debt issuance by governments 334–5
deficit-to-GDP ratio 333
fiscal deficits 333
free market and austerity programs, flaws in argument 330
full employment and price stability as goals 332, 333
functional finance and sound finance, differences between 331–2, 333–6
government borrowing effects 334–5
household budget analogy problems 334
inflation risk and spending growth rate 335
‘money printing’ myths 333–5
progressives presenting arguments in conservative way, problems with 335–6
public understanding of economy, lack of, and fear tactics 331, 333, 336
‘steering wheel’ metaphor of government fiscal and monetary policy 331
taxation role 333–4
unemployment, neo-liberal reasoning for causes of 332
G20 Leaders’ Statement (2009) 251
Galbraith, J. 348
Garton Ash, T. 108
GDP
debt-to-GDP ratio 132, 136, 139, 266
deficit-to-GDP ratio 132, 139, 200–202, 333
Genscher, H.-D. 92, 93, 98
Gerbet, P. 121
Germany
austerity package 252
Berlin Wall collapse, and concerns about enlarged Germany 106–10
capital controls (1970s) 47, 50
captured in trap of its own making, fiscal crisis (2003) 219–21
currency realignment considerations, early 28–9
Customs Union (Zollverein) 19
deficit prohibition 267–8
dominance in EMU 216, 217
ECJ decision on suspension of action against France and Germany 225
employment ‘transfer companies’ 432–3
Federal Constitutional Court, Treaty validity test 149
Financial Reform Act (1969) 122–3
France–Germany rivalry 2, 3, 4, 21, 23, 37–45, 87, 392–4
Freiburg School 39–40
Eurozone dystopia

Greek bailouts from Troika, German reaction to 260–61, 264–5
Hartz reforms, concerns over 220
income inequality 271
instability of strong currency 72–3
interest rate changes, Werner Report 46
Italy's entry into EMU, German concerns over 199–200, 201, 203
mark as benchmark currency, see mark as benchmark currency
mark undervaluation, and monetary union, early attempts 26–7, 28
monetarist–economist struggle 37–45
monetary sovereignty surrender considerations, Maastricht Treaty 118
Ordoliberalism 39–40
Outright Monetary Transactions (OMT) Program 350–51
public concern over price stability 178, 179–80
recession and high unemployment 218–20, 223–4, 225
recession, and reunification spending 147, 155–6, 157–8
reunification concerns, Maastricht Treaty 130
Social Market economy 40
stagnation concerns, fiscal crisis (2003) 220
trade unions and participatory management 71
‘transfer companies’ and employment guarantees 432–3
unemployment levels 71–2
Weimar Republic and hyperinflation 384–9
Germany, Bundesbank
Bundesbank Act 69
as central bank for EEC 84, 87–93
and exchange rate protection 70–71, 73, 79–80
foreign exchange market closure 47–8
government bonds, purchase of 26 intervention, suspension of 28–9
monetary targets 78–9
‘Opinion’ on Maastricht Treaty convergence criteria 203
Germany, unemployment levels 234–43
‘Agenda 2010’ and Lisbon Strategy 234
benefit cuts 235
Bundesbank and mark undervaluation 234
credit expansion and workers’ purchasing power 238–9
current account imbalances 240–43
domestic demand suppression 239–40
Hartz reforms 234–5, 271
and jobs miracle 235–6
labour market policy and OECD Jobs Study 235
mini- and mid-jobs 235–7
part-time work and ‘stepping stone’ hypothesis 236–7
pay differentials 237
privatisation of public employment agencies 235
redistribution of national income to profits 237–9
targeted job creation schemes 235
trade imbalances and employment shifts 240–43
workers’ purchasing power and wage differentials 238–9
Giavazzi, F. 133, 154
Giovannini, A. 154
Giscard d’Estaing, V. 4, 44, 51, 67, 68, 69, 72, 73–5, 78, 81, 82, 88, 124
global economic crisis, see economic crisis
gold reserves, US 45, 46, 47
convertibility abandonment 287–8, 291
gold standard 20, 21, 22, 23, 25
‘golden rule’ (government deficit matching capital spending) 121–3, 125
González-Páramo, J. 281, 283
Good, K. 88
Goodhart, C. 390, 402
Gordon, D. 9
government borrowing capacity 298, 334–5, 339, 382
Government Budget Constraint (GBC) 380
government debt management suggestions, federal solution 346–52; see also debt
government deficit, see deficits
government size, and fiscal deficits 322–3
government spending cuts and private sector investment 307
and fiscal deficit 289–90
government transactions as source of non-government sector net financial assets 295–8, 302–3
government will run out of fiscal space (money), fallacy of claims 320–21, 323
governments always have capacity to spend own currencies 291, 293
metaphors 314
refutation of inflationary nature of 322
government stimulus, see fiscal stimulus
Grafe, C. 197
Graham, B. 423
Granitsas, A. 264
Grassi, V. 136
Great Depression 2, 5, 62, 293, 312, 330, 331, 362
Great Moderation, and monetary policy 9, 208
Greece
bailouts from Troika 257–61, 263–5, 272–3, 280, 282
euro abandonment consideration 403, 413–14, 417, 418
Eurozone exit effects 14, 279–80
Groupthink criticism of 255
‘green exchange rates’ and farm prices 66–7, 74; see also Common Agricultural Policy (CAP)
Gregg, P. 431, 433, 435, 436
Grewal, B. 169
Grice, A. 251
Grim, R. 12
Gros, D. 90, 112, 163, 225
Groupthink attitude 1, 4, 5, 6
alternative thinking suppression 11, 12
breaking out of, and fiscal policy activism 287–8
and central bankers, Delors Report 94–5
and confirmation bias 4, 97
economic crisis and austerity convergence 149–50
EMU and ideological straitjacket 175
European Parliament debate, Committee on Economic and Monetary Affairs (ECON) report 368–9
free market and Groupthink restrictions 392, 393–4
Groupthink, and denial effects 244–84
austerity packages and SGP rules 254–5
bailout loans and sovereign debt 254
bailouts 254, 257–65
BNP Paribas hedge funds freeze 244–5
bond market appeasement 255–7
Cyprus bailout 265
debt-to-GDP ratio 266
deficit-to-GDP ratio 266
ECJ compliance powers 269
economic crisis, failure to predict 248
efficient markets hypothesis domination (laissez-faire) 249–50
employment and unemployment forecasts and GDP growth 247
European Financial Stability Facility (EFSF) 257
European response 253–5
European Stability Mechanism (ESM) 257
Eurozone debt spreads 256–7
Eurozone nations and nations with own currency, differences
between (sovereignty levels) 254, 256–7, 274
Excessive Deficit Procedure, call for strengthening 266
excessive deficits, dealing with 253–4
excessive government spending claimed as cause of crisis 254
Fiscal Compact (Treaty on Stability, Coordination and Governance) 267–9
fiscal multipliers and IMF ‘modelling errors’, admission of (forecasting errors) 259–60
tax stimulus success 248–9
fiscal stimulus success, resistance to 249–53
fiscal sustainability promotion 265–71
free markets and ‘representative households’ 275
G20 Leaders’ Statement (2009) 251
Germany, deficit prohibition 267–8
global economic meltdown and liquidity crisis 244–7
Greece, criticism of 255
Greece, Eurozone exit effects 279–80
Greek bailouts from Troika 257–61, 263–5, 272–3, 280, 282
Greek bailouts from Troika, German reaction to 260–61, 264–5
Greek bailouts, private sector involvement (haircut) 263–5
Greek privatisation program 260–61
hedge fund collapses 244–5
Irish austerity and unemployment 262
Irish bailout from Troika 261–2
Irish growth ‘miracle’ as mirage 262
Irish net outward migration 262
Keynesian ideas, re-emergence of 249
language of morality, use of 255
macroeconomics and ‘fallacy of composition’ 275–6
macroeconomics and ‘fallacy of composition’, wage cuts as solution to unemployment and low growth 276
macroeconomics and paradox of thrift 275–6
market self-regulation as neo-liberal myth 246
media response 250–51, 255
nationalisation of banks 246
Portuguese bailout from Troika 262–3, 269, 282
private debt build up as cause of crisis 254
Ricardian Equivalence Theorem (fiscal contraction expansion) promotion 252–3, 258
Spanish bailout 265
Troika (EU, ECB and IMF) austerity push 257–65
UK Northern Rock Building Society bank run 245–6
US sub-prime mortgage market crisis 244–5, 246
Groupthink, and denial effects, export-led growth focus 268, 272–9
Iceland, exchange rate depreciation and competitiveness gains 274
and internal devaluation strategy 272–5
poverty effects 277–8
real effective exchange rate changes 273–4
structural adjustment programs (SAPs) 276–8
sustainable growth strategy 274–5
Groupthink, and denial effects, Securities Markets Program (SMP) 253–4, 279–84, 339–40
central bank liquidity management operations 281–3
Outright Monetary Transactions (OMT) program 280
protest resignations 282
Quantitative Easing (QE), distancing from 283
sterilisation operations 284
Groupthink, and denial effects, Stability and Growth Pact (SGP) revision (Six-Pack) 266–7
balanced budget rule 267–9
current account deficits and surpluses 270–71
Excessive Imbalances Procedure (EIP) 266–7
expenditure benchmarks 266
Macroeconomic Imbalance
Procedure and anti-people
biases 270–71

Macroeconomic Imbalance
Procedure and anti-people
biases, national income or
wealth inequality 271

surveillance mechanisms (Two-Pack)
267, 268–9, 270–71

Guigo, P.-E. 83

Haas, P. 94
Hagemann, H. 39
Hague Summit (1969) and Community
enlargement considerations
29–33

Hargreaves, D. 226
Hartz, P. 234–5
hedge fund collapses 244–5

Heipertz, M. 179
Henning, C. 110
Henrikson, I. 20
Herman, M. 119–20
Hetz, R. 73, 77, 84
Hiepel, C. 31, 32
Higgins, B. 163
Hoffmeyer, E. 48, 80
Holland, S. 348, 349
Holtferich, C.-L. 19
Houben, A. 73

household budget analogy problems
290–92, 315, 321, 326, 334

households, free markets and
‘representative households’ 275

housing market
real estate booms, EMU early years
212–13
US sub-prime mortgage market
crisis 244–5, 246
Howarth, D. 37, 39, 41, 54, 82, 94, 130,
222
hyperinflation concerns 375–6, 384–9,
403, 404–8; see also inflation

Iceland
comparison, and euro abandonment
consideration 404–5, 406, 418, 420
exchange rate depreciation and
competitiveness gains 274

ideological straitjacket and EMU, see
EMU and ideological straitjacket

IMF (International Monetary Fund)
Argentina bailout package 396–7
creation of 21
economic policy criticism 231
fiscal multipliers and IMF
‘modelling errors’, admission of
259–60
on income distribution and
economic growth 271
Independent Evaluation Office
(IEO) on GFC 11–12
macroeconomic stability as price
stability 164
Multimod model 164
neo-liberal ideological biases, claims
of 11–12, 13, 231, 276–7
origins and change in focus 276–7
on Quantitative Easing 360
Special Drawing Rights (SDRs) 45–6
Troika (EU, ECB and IMF)
austerity push 257–65
world poverty, effects on 277–8

imports
export/import imbalances, EMU
early years 212
prices, costs of rising, and euro
abandonment consideration
406
restrictions, monetarism arrival and
currency turmoil 74
trade imbalances and employment
shifts, Germany 240–43
see also exports
income inequality 231, 271; see also
wage levels
income redistribution, Germany 237–9
income support
benefit cuts, effects of 435, 436
metaphors 314
independent central bank proposal 99,
105–6, 120–21; see also central
banks
inflation
avoidance and raised taxation,
misunderstandings over 291,
292–3
central bankers’ concern over 358–9
concept, understanding of, Overt
Monetary Financing (OMF) 370–71
control, European Parliament debate 369–70
and fiscal deficits 371–2
and free market ideology 116–17, 119, 126, 128–9
government spending, refutation of inflationary nature of 322
hyperinflation concerns 375–6, 384–9, 403, 404–8
inflation fighting approach, and employment guarantees 429
inflation first strategy 165–7, 169
money spent can buy goods and services rather than cause inflation 378–9
and Overt Monetary Financing (OMF) 14, 358–9, 369–72, 378–84
and ‘printing money’, fallacy of links between 326
rates, comparative, 1970–80 64
risk 335, 379–84
Securities Market Program 358–9
and spending, links between 335, 383–4
stagflation 61–2, 73
and unemployment rises 61–2, 73
see also deflation
Inman, P. 159
insolvency, default risk and insolvency, current risks of 344
interest rates
and alternative visions of the economy, fiscal deficits 318–20
central bank adjustments, effects of 154
central bank as setter of interest rates 300–301, 319
differentials, Werner Report 45, 46
and government deficits, perceived link between 301
mechanisms, Maastricht Treaty 144
intergenerational burdens 321
Intergovernmental Conferences (IGC), Maastricht Treaty 111–12, 115, 120–25, 130
internal devaluation strategy 272–5
International Labour Conference, youth employment resolution 436–8
International Monetary Fund, see IMF
‘Investment-led Recovery and Convergence Programme’ (IRCP) proposal 352–4
Ireland, bailout from Troika 261–2
Italy
convergence criteria concerns 132–3, 136–7
EMU entry, German concerns over 199–200, 201, 203
EU expulsion, Italian status as example 420–21
external ties concept (‘vincolo esterno’) and Italian support for EMU 134, 135–6
fiscal deficits and high interest rates 133–4
import deposit 74
lira crisis 156–7, 160
political party machines’ dominance 134–5
role of, Maastricht Treaty 132–8
Thatcher’s attitude towards 136–7
Jacobson, K. 78
James, B. 136
Janis, I. 4
Jauer, J. 345
Jeffries, S. 67
Jenkins, R. 63
Jilch, N. 282
job creation, targeted schemes, Germany 235; see also employment levels
Job Guarantee (JG), see employment guarantees, employment buffer stocks, price stability and Job Guarantee (JG)
Johnson, H. 296
Johnson, M. 326
Johnson, S. 262
Jonung, L. 20
Judt, T. 108
Kaelberer, M. 75
Kaergard, N. 20
Kahan, D. 308
Kahn, G. 78
Kaldor, N. 237
Kaletsky, A. 160
Keegan, W. 160, 161
Kenen, P. 172, 173, 174
Keynes, J.M. 103, 275, 276, 330, 362, 381, 406
Keynesianism 38, 39, 40, 174–5
Neo-Keynesian economic models 189–90
policy abandonment 62, 69, 70
re-emergence of 249
Kinzer, S. 130, 146–7
Kitsantonis, N. 264
Krugman, P. 9, 12
Kuhn, T. 7
labour mobility
increased, and internal devaluation 344–5
optimal currency areas (OCA) 173–4, 175, 176
see also employment levels
Lagarde, C. 253, 261, 360
Lagayette, P. 90–91
Lakatos, I. 7
Lakoff, G. 308, 324, 326
Lamfalussy, A. 100, 140, 141
Lamont, N. 156–7, 159, 160–61
language use
importance of, and alternative visions of the economy 313–14, 324–7
language of morality, use of 255
Larosière, J. de 104
Latin Monetary Union (LMU) 19, 20
Latvia, ‘internal devaluation’ effects 407–8
Lawson, D. 108–9
Layard, R. 431, 433–6
Leigh-Pemberton, R. 160
Leparentier, A. 218
Lerner, A. 311, 330–36, 364, 367
lex monetae (sovereign state has choice of currency), and euro abandonment consideration 411–13, 415
‘Limited Debt Conversion Programme’ (LDCP) 348–9
Lind, J. 107, 108
Lindenlaub, D. 93
Lisbon Strategy, ‘Agenda 2010’ 234
Lisbon Strategy, OECD Jobs Study similarities 232–3
Loedel, P. 37, 39, 41, 54, 82, 94, 222
Longworth, R. 109
Loríaux, M. 73
Lübke, A. 123
Lucas, R. 8–9, 209, 306
Ludlow, N. 32
Maastricht Treaty 131–42
3 per cent deficit rule 132, 139
agreement details 138–41
arbitrary ceilings on deficits and public debt ratios 132
debt-to-GDP ratio 132, 136, 139
deficit-to-GDP ratio 132, 139
Delors Report acceptance 138
Economic Policy, multilateral surveillance 139
European Monetary Institute (EMI), establishment and location 140–41
European Parliament hearings 141
excessive deficit procedure (Maastricht Treaty), economic crisis and austerity convergence 144
excessive deficits rule 139
exchange rate mechanisms (Maastricht Treaty), economic crisis and austerity convergence 144
fiscal convergence criteria, understanding of 136–7
fiscal policy decisions, ‘golden rule’ (government deficit matching capital (infrastructure)) spending 131–2
full employment, abandonment of 141–2
interest rate mechanisms (Maastricht Treaty), economic crisis and austerity convergence 144
Italy and convergence criteria concerns 132–3, 136–7
Italy, effects of Thatcher’s attitude towards 136–7
Italy, external ties concept (‘vincolo esterno’) and Italian support for EMU 134, 135–6
Italy, fiscal deficits and high interest rates 133–4
Italy, political party machines’ dominance 134–5
Italy, role of 132–8
Monetary Policy and price stability objective 140
overdraft and credit facility restrictions 139–40
price stability conditions (Maastricht Treaty), economic crisis and austerity convergence 144
subsidiarity, in Maastricht Treaty, Delors Report 102
Title VI – Economic and Monetary Policy protocols 138–9
transitional provisions 140–41, 143, 145–6
UK sovereignty concerns and anti-European sentiment 137
Maastricht Treaty convergence criteria 199–203
3 per cent deficit rule and financial manipulation 200–202
Bundesbank ‘Opinion’ on 203 concerns, Stability and Growth Pact (SGP) 179–80
debt-to-GDP ratio 201
deficit-to-GDP ratio and financial manipulation 200–202
EMI Convergence Report 202–3
excessive deficit criterion 199
Italy’s entry into EMU, German concerns over 199–200, 201, 203
political decisions on 202–3
Maastricht Treaty, moving towards 111–30
3 per cent deficit rule 123–5
‘background studies’ 113–14
budget deficit rules, concerns over 112, 126–7, 128–9
central bank independence and money supply targets 119
Christophersen Report (approval of Delors Plan) 115, 116, 118–19, 123
debt-to-GDP ratio 127
deficit-to-GDP ratio 127
Delors Plan accepted 111, 115, 118–19, 120–21, 123
democratic accountability concerns 126
discretionary fiscal interventions by government, consideration of 115–16
Economic Policy Committee principles on fiscal policy 114–15
Economic and Social Committee of the European Community meeting 125–6
European Federal Transfer Scheme (EFTS) proposal 113–14
European Parliament position 118–20
European Parliament position, ‘Resolution on Economic and Monetary Union’ 119–20
excessive deficits, importance of avoidance of 116
failure concerns 129–30
federal system, understanding of 113
fixed exchange rates and stabilization policy, concerns over 113–14
French position shift on monetary union 117–18, 121, 130
German monetary sovereignty surrender considerations 118
German reunification concerns 130
Herman Report 119–20
independent central bank, acceptance of 120–21
independent criteria considerations 126–7
inflation concerns and free market ideology 116–17, 119, 126, 128–9
Intergovernmental Conferences (IGC) 111–12, 115, 120–25, 130
Monetary Committee of the Council 126–8
new EMS entrants, concerns over 128
price stability focus 115, 117, 120–21
public spending cuts, promotion of 128–9
public’s understanding, concerns over 126
Rome European Council summit 118
sovereignty surrender concerns 126
unemployment rates, lack of discussion on 114–15, 127–8
‘universality’ of viewpoint (‘there is no alternative’(TINA)) 116, 117
Maastricht Treaty, moving towards, fiscal policy decisions 112, 114–17, 121–2
binding fiscal rules, concerns over 121
Excessive Deficits rule 121
‘golden rule’ (government deficit matching capital (infrastructure)) spending 121–3, 125
as responsibility of Member States 121, 128
McAllister, R. 4, 60
MacCormick, N. 419
McCulley, P. 365, 366
MacDougall Report 3–4, 5, 168–9, 170–72, 182, 337, 340
McKinnon, R. 172, 173–4
macroeconomics
and ‘fallacy of composition’ 275–6
flawed framework, dealing with 304, 313–14
Macroeconomic Imbalance Procedure and anti-people biases 270–71
macroeconomic stability as price stability 164, 165, 171
Maes, I. 38, 40, 41, 57, 67
mainstream economics
as academic discipline 9–10, 305–6
and employment guarantees, see employment guarantees, in mainstream debate and modern monetary theory 315–23
Modern Monetary Theory (MMT), see Modern Monetary Theory (MMT)
need for rejection of 308, 310, 311
see also neo-liberalism
Major, S. 256
Mallaby, S. 156, 157, 158
mark as benchmark currency Delors Report 104–5, 109–10
economic crisis and austerity convergence 157–8, 161, 162
see also currency market, free, see free market
Marks, S. 385
Marsh, D. 163
Martens, W. 108
Mathews, R. 168, 169
Maurel, M. 19
media response 250–51, 255
social media input, problems with 305
Mendiábal, H. 410
metaphors, dominant metaphors in economic commentary 313–14
Miller, V. 200
Millon-Delsol, C. 012
mini- and midi-jobs, Germany 235–7; see also employment levels
minimum wage, and employment guarantees 427–8, 441–2; see also wage levels
Mishkin, F. 404–5
Mitterand, F. 108, 393
Modern Monetary Theory (MMT) and fiscal constraints 292–4
and fiscal policy activism 287, 292
framework as basis for analysis, euro abandonment consideration 395
see also mainstream economics ‘Modest Proposal’ scheme assessment 348–9, 350, 351, 352
Modigliani, F. 74, 97–8
monetarism arrival and currency turmoil 4–5, 6, 61–93
balance of payments deficits 74
Basel/Nyborg Agreement 87, 89–90 ‘bi-lateral parity grid’ 75–6
bilateral obligations on currency market intervention, call for 90–91
CAP concerns 65–7, 74, 78, 81
central banks, extension of credit facilities 75, 76–7, 90
Committee for the Monetary Union of Europe 88
currency realignments 80–81
current account balances, comparative, 1970–80 64, 65
Delors Report 87, 88
‘divergence indicator’ 76
economic growth reduction 87
European currency unit (ECU) introduction 75–7, 79, 83
European Monetary Fund (EMF), objections to 79–80
European Monetary System (EMS) 63–78, 80, 81
European Monetary System (EMS), ‘second life’ 84–93
Exchange Rate Mechanism (ERM) 76
fiscal austerity (public spending cuts and/or tax increases) 62
France, fiscal policy tightening requirements 83
France–Germany acrimony, recurrence of 87
free market ideology 61–3
French Barre Plan (tax increases, wage freezes and fiscal austerity) 68–9, 82–3
French unemployment rise, blamed on failure of individuals to be self-reliant 81–3
German Bundesbank as central bank for EEC 84, 87–93
German Bundesbank and exchange rate protection 70–71, 73, 79–80
German Bundesbank monetary targets 78–9
German unemployment rates 71–2
Germany, instability of strong currency 72–3
Germany’s price stability priority and fear of inflation 69–71, 72–3, 78, 79–80, 87
‘green exchange rates’ and farm prices 66–7, 74
import restrictions 74
inflation rates, comparative, 1970–80 64
inflation rates, comparison of annual 85–6
inflation and unemployment rises (stagflation) 61–2, 73
Italian import deposit 74
Keynesian policy abandonment 62, 69, 70
Monetary Compensatory Amounts (MCAs) and farm export levies 66–7, 78
natural rate of unemployment, concept of 62–3, 144
oil crisis effects 70, 71, 73
political class motivations and population wellbeing, divergence between 84
price stability and deflationary policies 62–3
single currency, call for 92–3
Single European Act 87, 88
technocrats as leaders, problems with 68
trade unions and participatory management (Germany) 71
trade unions as targets (France) 68
unemployment rates, comparison of annual 86–7
US dollar, effects of strengthening (1980s) 84–5
US dollar, effects of weakening 72, 73, 88–9
Very Short Term Financing (VSTF) facility 75, 76–7, 90
monetarist–economist (Franco-German) struggle 37–45
monetary cooperation, ‘snake in the tunnel’ 50–60
balance of payments equilibrium, need for 52–3
Basel Accord (1972) 53–4
Basel Accord (1972), UK withdrawal 54–5
and Bretton Woods collapse 50, 51, 56
CAP funding concerns 50, 51
European Monetary Cooperation Fund 58–9
flotation concerns 50–51, 55–6
international currency crisis 54–7
OPEC oil embargo effects 57
Smithsonian Agreement 50–53, 54, 55
William Mitchell - 9781784716660
Downloaded from Elgar Online at 02/12/2019 12:27:58AM via free access
sterling crisis 55
Théron Report 53, 54
US balance of payments
disequilibrium 51–2, 55, 56, 57
US dollar as fiat currency 52
Werner Plan, reasons for failure
59–60
Werner Plan reconsideration 53–4, 58
monetary financing, overt, see Overt Monetary Financing (OMF)
monetary framework proposal for fiscal policy activism 287–303
bank lending capacity 299
bank reserves 298–300
bank reserves, and fiscal policy outcomes, links between 300
bank reserves, zero return on excess reserves 299
central bank setting short-term interest rate, and government debt functions in support 300–301
domestic spending to maintain employment levels 288
fiat monetary systems, modern 288–9, 292–3, 297
fiscal constraints, reasons for 292–4
flexible exchange rates 288
government borrowing, reasons for 298
government deficit equalling non-government surplus 294–5
government spending and fiscal deficit 289–90
government transactions as source of non-government sector net financial assets 295–8, 302–3
government transactions as source of non-government sector net financial assets, central bank involvement 297–8
governments always have capacity to spend own currencies 291, 293
Groupthink, breaking out of 287–8
inflation avoidance and raised taxation, misunderstandings over 291, 292–3
interbank money market, ‘open market operations’ (OMOs) and buying and selling of bonds 300–301
interest rates and government deficits, perceived link between 301
Modern Monetary Theory (MMT) 287, 292
Modern Monetary Theory (MMT) and fiscal constraints 292–4
Modern Monetary Theory (MMT) and fiscal constraints, voluntary nature of 293
national government budgets and household budgets, false comparison between 290–92
Overt Monetary Financing (OMF) (‘printing money’ option) 292
taxation and private sector liquidity reduction 297
unemployment and government deficit levels, links between 301–2
US gold convertibility abandonment 287–8, 291
US social security system and voluntary restrictions 293–4
wage levels and unemployment 302
Monetary Policy and price stability objective, Maastricht Treaty 140
monetary union, early attempts 19–33
Barre Report on common monetary policy 21–2
Bonn Group of Ten meeting and contractionary policies 27–9
Bretton Woods exchange rate system 21–2, 23, 25, 28, 30
Commission bureaucrats and national politicians, tensions between 32
Common Agricultural Policy (CAP) 23, 27, 29, 30, 31, 32
common elements 20
De Gaulle resignation effects 28
De Gaulle’s hostility towards US involvement 30–31
Delors Report 104–5
Empty Chair Crisis and CAP 30
European Project, post World War II 22–4, 30
European recession (1960s) 24–5
Eurozone dystopia

European Reserve Fund (ERF) 33, 43, 44, 104
Fouchet Plan 30–31
and Franco-German rivalry 21, 23
French civil unrest (1960s), effects of 25–6
German Bundesbank intervention, suspension of 28–9
German currency realignment considerations 28–9
German government bonds, Bundesbank purchase of 26
German mark undervaluation 26–7, 28
and gold standard 20, 21, 22, 23, 25
Hague Summit (1969) and Community enlargement considerations 29–33
international speculation surge and closure of foreign exchange markets 26–7
political agreement, lack of 20
Triffin Paradox 21–2, 30, 45
UK devaluation against US dollar (1967) 24–5, 27, 28
US dollar as reserve currency 21–2
US inflation rise effects 22
US Marshall Plan 23
‘money multiplier’ myth, see Overt Monetary Financing (OMF), ‘money multiplier’ myth
‘money printing’ myths 326, 333–5, 360, 364; see also Overt Monetary Financing (OMF)
Mongelli, F. 175
moral hazard debate, federal solution 346
Moravcsik, A. 32, 91
Morris, N. 251
Morris, R. 221
Müller, M. 343
Münchau, W. 255, 268
Mundell, R. 172, 173, 174
Muysken, J. 78, 165, 166, 190, 197, 210, 232, 312, 313, 429, 433

national level
budgets, household budget analogy problems 290–92, 315, 321, 326, 334
budgets, and Werner Report 35, 36
currency reintroduction, and euro abandonment consideration 400, 402–3
currency realignment, considerations 28–9
fiscal policy function 96–7, 105–6, 164–5, 172
fiscal surpluses contribution to national saving 317–18
sovereignty concerns, Werner Report and collapse of Bretton Woods 39

see also individual countries
nationalisation of banks 246; see also ‘bank’ headings
natural rate of unemployment, concept of 62–3, 144; see also unemployment
Neo-Keynesian economic models 189–90; see also Keynesianism
neo-liberalism 4–5, 6, 8–10
as antidote to Marxism 10–11
and global economic crisis, see alternative visions of the economy, global economic crisis and neo-liberal economics response
models used for comparison, deficiencies in, Stability and Growth Pact (SGP) 189–91

see also mainstream economics
Neumann, P. 433
new EMS entrants, concerns over 128
New Zealand, Mayors Taskforce for Jobs 324
Nickell, S. 435
non-government sector, government transactions as source of non-government sector net financial assets 295–8, 302–3; see also private sector
Nugent, T. 294

Oates, W. 168, 191
OECD
Jobs Study 83, 229, 230–32, 433–4
output gap, Stability and Growth Pact (SGP) 192–4
oil industry

William Mitchell - 9781784716660
Downloaded from Elgar Online at 02/12/2019 12:27:58AM
via free access
OPEC oil embargo effects 57
price rises and inflation 61
‘opt out’ protocols for Britain and Denmark 146
optimal currency areas (OCA), see EMU and ideological straitjacket, optimal currency areas (OCA)
Ormerod, P. 427
Osborne, G. 261–2
Ostry, J. 271
Outright Monetary Transactions (OMT) program 280, 339–40, 349–51, 354
overdraft and credit facility restrictions, Maastricht Treaty 139–40; see also credit
Overt Monetary Financing (OMF) 357–89
accounting arrangements 357–8
austerity approach, arguments against 366–7
bank lending and prior reserve holdings, lack of link between 361–2
central bankers' concern over, and fear of inflation 358–9
definition and increasing support for 364–8
deflation concerns 359
and Emergency Liquidity Assistance (ELA) facility 367
and euro abandonment consideration 404
and European Parliament debate 368–70
and European Parliament debate, Committee on Economic and Monetary Affairs (ECON) report and Groupthink 368–9
and European Parliament debate, inflation control and price stability focus 369–70
and fiscal-monetary cooperation (FMC) 366
hyperinflation myth 384–9
hyperinflation myth, Zimbabwe and Weimar Republics as examples 384–9
‘money printing’ myths 326, 333–5, 360, 364
Securities Market Program and inflation 358–9
underwriting fiscal deficits 14
Overt Monetary Financing (OMF), criticism and taboo response reasons 370–84
drained bank reserves, effects of 382–3
‘financial crowding out’ argument 380–81
government borrowing to match fiscal deficit 382
Government Budget Constraint (GBC) 380
government deficit spending effects 381–2
inflation concept, understanding of 370–71
inflation and fiscal deficits 371–2
inflation risk 379–83
inflation risk, and spending, links between 383–4
money spent can buy goods and services rather than cause inflation 378–9
Quantity Theory of Money (QTM) 378–9
Overt Monetary Financing (OMF), 'money multiplier' myth 373–7
and bank lending as creator of deposits 375–6, 382–3
bank reserves, lack of consumer access to 376–7
central bank control of money supply, Monetarist claims 377
hyperinflation concerns 375–6
monetary base measurement 373–4
and quantitative easing 374–5, 376–7
Overt Monetary Financing (OMF), Quantitative Easing (QE) suggestion 359–64, 371, 374–5, 376–7
appraisal of 361–2
and net financial position of the private sector, lack of change in 362
and ‘printing money’ 360, 364
part-time work and ‘stepping stone’ hypothesis, Germany 236–7; see also employment levels
pay levels, see wage levels
pegging, and euro abandonment consideration 402–3, 412, 414
penalties, automatic penalties, concerns over, Stability and Growth Pact (SGP) 181
pensions, intergenerational burdens 321
Phillips, L. 269
Piodi, F. 76, 77, 91, 119, 120, 140
Piore, M. 425
Pisani-Ferry, J. 84, 112, 190–91, 212
Pöhl, K. 98, 100, 104, 109, 110, 159–60
policy intervention appraisal, alternative visions of the economy 310–12
Portugal, bailout from Troika 262–3, 269, 282
and unemployment 165–6, 167, 175, 176
Pozsar, Z. 365.366
price stability and deflationary policies 62–3
Delors Report 98, 99, 105
and employment guarantees, see employment guarantees, employment buffer stocks, price stability and Job Guarantee (JG)
European Parliament debate, Overt Monetary Financing (OMF) 369–70
full employment and price stability as goals 332, 333
Maastricht Treaty 115, 117, 120–21, 140, 144
macroeconomic stability as 164, 165, 171
and natural rate of unemployment 144
Stability and Growth Pact (SGP), see Stability and Growth Pact (SGP)
and unemployment levels 4–5, 144, 423, 424–7
‘printing money’ myths 326, 333–5, 360, 364; see also Overt Monetary Financing (OMF)
private debt obligations 254, 415–16
private sector debt, and euro abandonment consideration 413
Greek bailouts, private sector involvement 263–5
investment, and government spending cuts 307
spending effects 98, 103, 318, 428–9, 431, 432, 440
taxation and private sector liquidity reduction 297
see also non-government sector privatisation of public employment agencies, Germany 235
Proctor, C. 415
Prodi, R. 218, 222
public consumers and bank reserves, lack of consumer access to 376–7
debt, metaphors 314
debt threshold imposition 307
discourse errors and ambiguities 305–6
program costs and opportunity costs 328
social impact, see social impact understanding of economics, concerns over 126, 147–8, 323–7, 331, 333, 336
public bonds to fund government deficits 212
public choice theory 171
‘qualified majority’ voting system 223–4
Quantitative Easing (QE) distancing from, Securities Markets Program (SMP) 283
and Overt Monetary Financing
Index

(OMF), see Overt Monetary Financing (OMF), Quantitative Easing (QE) suggestion
Quantity Theory of Money (QTM) 378–9
Quatremer, J. 258
Quintini, G. 435
Quirk, V. 313

Raffarin, J.-P. 222
ratification problems, economic crisis and austerity convergence 146–50
real effective exchange rate (REER) 151–4, 273–4, 398–9; see also exchange rate
real estate booms, EMU early years 212–13
recession
European recession (1960s), monetary union, early attempts 24–5
and excessive deficit risk 191–2
and output gaps 194–5
problems claimed as solved, EMU early years 209–10
and unemployment causes 425
see also economic crisis
redenomination options, and redenomination options, and euro abandonment, see euro abandonment consideration, redenomination options
redistribution of national income to profits, Germany 237–9
Renard, F. 90
‘research programme’ concept 7–8, 9–10
justification for policies 168–71, 313
see also academic discipline
Rhein, T. 237
Ricardian Equivalence Theorem 252–3, 258
Richter, R. 89
Riding, A. 118
Rodrik, D. 209, 418
Rose, A. 177
Rueff, J. 63

Sachs, J. 123
Sapir, A. 210–11, 212
Saraceno, F. 197
Saul, J. 67
Say’s Law and supply and demand fallacy 434–5
Scandinavian Currency Union (SCU) 19–20
Schäuble, W. 252, 255, 279, 304, 413
Schellhorn, F. 282
Schiller, R. 12
Schmidt, H. 70, 71, 72–3, 74–5, 88, 91, 161, 393
Schönfelder, W. 132
Schröder, G. 200, 234, 235, 239, 244
Schuknecht, L. 225
Scott, H. 402, 414–15, 416, 420
secrecy, need for, euro abandonment consideration 400, 401
Securities Markets Program (SMP) and Groupthink, see Groupthink, and denial effects, Securities Markets Program (SMP) and inflation, Overt Monetary Financing (OMF) 358–9
‘severe economic downturn’, definition change 228
Shenker-Osorio, A. 308, 309–10, 311, 325
Sheridan, N. 165, 166
Shirai, S. 278
shock absorption scheme 172, 175–6; see also economic crisis
Sievert, O. 69, 70
Sigurgeirsdottrí, S. 405
single currency introduction 92–3, 105–6; see also ‘euro’ headings
Single European Act 87, 88
Single European Payments Area (SEPA) and bank transfers 409
single nation exit, effects of 392, 411; see also euro abandonment consideration
Sinn, H.-W. 266
Smith, A. 385, 386
Smithsonian Agreement 50–53, 54, 55
social impact
Basic Income Guarantees (BIG) comparison 442–3
Macroeconomic Imbalance Procedure and anti-people biases 270–71
political class motivations and
population wellbeing, divergence between 84
social purpose of government policy, need for reinforcement of 323–5
socio-economic stability, and employment guarantees 429–30, 442, 443–4
stable social communities, benefits of, federal solution 345
Social Market economy, Germany 40
social media input, problems with 305; see also media response
Soros, G. 158–9, 160, 341
Soutou, G. 30–31
sovereignty concerns, Werner Report 39
Eurozone nations and nations with own currency, differences between 254, 256–7, 274
sovereign issuer of currency, default risk 319
surrender concerns 126
Spain, bailout 265
spending inflation risk, and spending, links between 383–4
money spent can buy goods and services rather than cause inflation 378–9
Spiegel, P. 264
stability, European Stability Mechanism (ESM) 257
Stability and Growth Pact (SGP) 178–98
assessment of 196–8
asymmetric shocks, dealing with 182
dollar and convergence criteria 179–80
automatic penalties, concerns over 181
automatic stabilisers and fiscal deficit 183–5, 187, 189, 190–91
and bond market vulnerability 195–6
discretionary fiscal policy changes 189
ECB monetary policy monopoly concerns 198
economic policy surveillance (preventative arm) 182
excessive deficit procedure (corrective arm) implementation 182
fiscal constraints and price stability 182–3
and fiscal crisis (2003), see fiscal crisis (2003), Stability and Growth Pact
French Juppé Plan 181–2
full employment concept 185, 186, 187–8, 193
German public concern over price stability 178, 179–80
‘Growth’ inclusion decision 181–2
Maastricht convergence criteria concerns 179–80
MacDougall Report on fiscal function 182
neo-liberal models used for comparison, deficiencies in 189–91
Non-Accelerating Inflation Rate of Unemployment (NAIRU), unreliability of 185–6
OECD output gap 192–4
pro-cyclical fiscal policy choices 188–9, 194, 197–8
recessions and excessive deficit risk 191–2
recessions and output gaps 194–5
‘retrospective’ evaluation (1996) 191
revision, and Groupthink, see Groupthink, and denial effects, Stability and Growth Pact (SGP) revision (Six-Pack) rules and austerity packages 254–5
structural balance 185, 186–7
structural and cyclical fiscal balances 184–7
structural deficits 184–5
structural deficits and SGP fiscal rules 187–8
Treaty amendments 178
unemployment concerns 181–2, 188, 193–4
zero government debt, criticism of 186–7, 192–3, 193–4, 197–8
stagflation 61–2, 73; see also inflation
Stark, J. 181, 200, 282
Stevis, M. 264
Stiglitz, J. 198, 231
stimulus, see fiscal stimulus
Stock, J. 208, 306
Stoltenberg, G. 92–3
structural adjustment programs (SAPs) 276–8
subsidiarity
and common good, Delors Report 103
in Maastricht Treaty 102
meaning of, Delors Report 101–3
misapplication, Delors Report 101–4
principle 172, 344
surpluses, fiscal 122, 183, 268, 294–5, 297, 302–3, 316–18
surveillance
budgetary surveillance
recommendations, EMU early years 210
economic policy, Stability and Growth Pact (SGP) 182
Maastricht Treaty Economic Policy, multilateral surveillance 139
Stability and Growth Pact (SGP) revision (Six-Pack) 267, 268–9, 270–71
sustainable growth strategy 274–5
Sweden
export-led growth 278–9
‘new job guarantee scheme for young people’ 437
Szász, A. 129, 130, 131–2, 143, 145, 146, 147, 148, 149, 150, 157, 159–60, 203
taxation
automatic stabilisers within tax and transfer system, federal solution 342–6
levels, and alternative visions of the economy, fiscal deficits 320
and private sector liquidity reduction 297
raised, and inflation avoidance 291, 292–3
role 333–4
technocrats as leaders, problems with 68
technological change
and definition of productive work 443
social media input, problems with 305
Tempest, M. 160
Tepper, J. 404
Théron, M. 53, 54
Thieffry, G. 415
Thiel, E. 132
Thiel, H. 66
Thygesen, N. 90, 163
Tietmeyer, H. 43, 54, 95, 179, 200
TINA (there is no alternative) belief 6–7, 13, 116, 117, 304–9; see also austerity
Toniolo, G. 25, 26, 27
trade imbalances and employment shifts, Germany 240–43; see also exports; imports
trade unions 68, 71
training in paid work environment 427, 436, 439–40; see also ‘employment’ headings
Tran, M. 224
transaction costs, euro abandonment consideration 410–11
transitional provisions, Maastricht Treaty 140–41
transparency need, alternative visions of the economy 323
Treaty of Nice and ‘blocking minority’ 223–4
Trichet, J.-C. 210, 212–13, 252, 253, 256, 258, 282
Triffin, R. 21–2, 30, 45
Troika (EU, ECB and IMF) austerity push 257–65; see also European Central Bank; European Union; IMF
Tsomocos, D. 390, 402
Tsoukalas, L. 39, 44, 89
Turner, A. 365, 368
UK, see Britain
underemployment 424; see also ‘employment’ headings
unemployment levels
as adjustment variable 150–51
and aggregate demand 97–8, 434, 441
attitude to, fiscal crisis (2003) 229–31
and austerity proposals 5–6, 251, 
254–5, 256, 257–65, 269, 272–3, 
277–8
benefit cuts, Germany 235
benefits schemes and Job Guarantee (JG) 430
bottleneck claims, dealing with 436
buffer stocks and price stability 423, 
424–7
comparison of annual 86–7
concerns, Stability and Growth Pact (SGP) 181–2, 188, 193–4
deflation and unemployment rise, 
EMU early years 212
and Delors Report 97–8, 99, 105
and economic growth, slow 210–11
employment and unemployment 
forecasts and GDP growth, 
Groupthink, and denial effects 
247
European Commission Youth 
Guarantee Initiative, and lack 
of jobs 439–40
European level unemployment 
benefit system suggestion, 
federal solution 343
Germany, see Germany, 
unemployment levels
and government deficit levels, links 
between 301–2
individual problem, perceived as 426
inflation and unemployment rises 
stagflation) 61–2, 73
lack of discussion on, Maastricht 
Treaty 114–15, 127–8
natural rate of unemployment, 
concept of 62–3, 144
neo-liberal reasoning for causes of 
332
OECD Jobs Study 83, 229, 230–32
and poverty levels 165–6, 167, 175, 
176
and price stability 4–5, 144, 423, 
424–7
and recessions 425
relief as suggested term 327
wage cuts as solution, 
macroeconomics and ‘fallacy of 
composition’ 276

...and wage levels 302
see also ‘employment’ headings
Ungerer, H. 76, 87–8, 101, 141
unilateral exit path 394–5; see also euro 
abandonment consideration
United Nations Conference on Trade 
and Development (UNCTAD)
export-led growth strategies 272, 
279
Index of Openness and trade-to- 
GDP ratio 411
US
balance of payments disequilibrium 
51–2, 55, 56, 57
British devaluation against US 
dollar (1967) 24–5, 27, 28
De Gaulle's hostility towards US involvement 30–31
dollar, effects of strengthening 
(1980s) 84–5
dollar, effects of weakening 72, 73, 
88–9
dollar as fiat currency 52
dollar as reserve currency 21–2
Emergency Economic Stabilization 
Act 246
Federal Reserve Bank control 12
fiscal stimulus package 248
gold convertibility abandonment 
287–8, 291
gold reserves 45, 46, 47
inflation rise effects 22
interest rate changes 45, 46
Marshall Plan 2, 23
New Deal 354
social security system and voluntary 
restrictions 293–4
sub-prime mortgage market crisis 
244–5, 246
Washington Consensus 208–9, 
210–13
van der Harst, J. 30, 32
van der Ploeg, F. 113–14
Van Parijs, P. 441, 443
Van Rompuy, P. 113
Varoufakis, Y. 348–50, 352, 353, 354
Vedel, G. 36–7
Verde, A. 41
Verdun, A. 94, 104, 179
Very Short Term Financing (VSTF) facility 75, 76–7, 90
von Cramen-Taubadel, S. 66
von Hagen, J. 78
von Weizsäcker, J. 347
voting system, ‘qualified majority’ 223–4
vulture funds (holdout creditors),
euro abandonment consideration,
redenomination options 416–17
Wade, R. 209, 405
wage levels
cuts, and depreciation scaremongering 406–8
minimum wage, and employment guarantees 427–8, 441–2
pay differentials, Germany 237, 238–9
and unemployment 302
as unemployment solution, macroeconomics and ‘fallacy of composition’ 276
workers’ purchasing power and wage differentials, Germany 238–9
see also income inequality
Walsh, C. 169–70
Walsh, J. 133
Washington Consensus 208–9, 210–13
Watson, M. 208, 306
Watt, A. 232
Watts, M. 440–41
Weber, A. 282
Weidmann, J. 282, 283–4, 357–8, 359
Werner Report
abandonment of, Delors Report 95–8
Delors Report, influence on 95–6
Delors Report, international changes since 96–7
federal solution 337, 339
and monetary union 3, 4, 5
reasons for failure 59–60
reconsideration, and monetary cooperation 53–4, 58
Werner Report and collapse of Bretton Woods 34–49
Bretton Woods collapse 45–9
CAP funding 41, 42
central bank role 36, 39, 41, 43, 44
central banks and currency fluctuations 46–7
common currency 41, 44
currency flotations 48
democratic control of transfer of powers from member states to federal level 37
economic and monetary union as new ‘nation’ 35–6
European Monetary Agreement 47
European Monetary Cooperation Fund (EMCF) 44
European Parliament elections 36
European reserve fund 43, 44
fiat currencies, establishment of 48
fiscal policy prominence 35, 41
and Freiburg School 39–40
German Bundesbank foreign exchange market closure 47–8
German interest rate changes 46
IMF Special Drawing Rights (SDRs) 45–6
indispensable elements of Werner Report 34–6, 41–2
interest rate differentials 45, 46
international monetary systems tensions 45–6
and Keynesianism 39, 40
monetarist–economist (Franco-German) struggle 37–45
monetarist–economist (Franco-German) struggle, compromise agreement 44
monetarist–economist (Franco-German) struggle, intellectual disagreements, acrimonious nature of 42
national budgets, influence on 35, 36
national sovereignty concerns 39
and Social Market economy, Germany 40
Triffin paradox 21–2, 30, 45
US gold reserves 45, 46, 47
US interest rate changes 45, 46
Whitney, C. 157
Williamson, J. 208–9
Wolf, M. 176
<table>
<thead>
<tr>
<th>Name</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wolfson Economics Prize 2012</td>
<td>394</td>
</tr>
<tr>
<td>workfare, difference from Job Guarantee (JG)</td>
<td>430</td>
</tr>
<tr>
<td>Wray, L.</td>
<td>302, 308</td>
</tr>
<tr>
<td>Wrohlich, K.</td>
<td>235</td>
</tr>
<tr>
<td>Wyplosz, C.</td>
<td>114, 154, 155, 164, 172, 174, 226</td>
</tr>
<tr>
<td>Zandi, M.</td>
<td>248, 250</td>
</tr>
<tr>
<td>Zecchini, L.</td>
<td>218</td>
</tr>
<tr>
<td>zero government debt, criticism of</td>
<td>186–7, 192–3, 193–4, 197–8</td>
</tr>
<tr>
<td>Zettelmeyer, J.</td>
<td>414</td>
</tr>
<tr>
<td>Zimbabwe, hyperinflation</td>
<td>384–9</td>
</tr>
<tr>
<td>Zuckerman, E.</td>
<td>435</td>
</tr>
</tbody>
</table>