

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
- austerity
 - arguments against, Overt Monetary Financing (OMF) 366–7
 - and deflationary policies, effects on employment 422, 425–6, 439–40
 - and deregulation focus, EMU early years 211–12
 - and economic crisis, *see* economic crisis and austerity convergence
 - European Commission Youth Guarantee Initiative 439–40
 - free market and austerity programs, flaws in argument 330
 - Groupthink proposals, and unemployment and poverty 251, 254–5, 256, 257–65, 269, 272–3, 277–8
 - neo-liberal justification for 306, 323, 327
 - oil price rises and inflation, response to 61
 - and Stability and Growth Pact (SGP) 179–80, 254–5
 - TINA (there is no alternative) belief 6–7, 13, 116, 117, 304–9
- Australia, fiscal stimulus package 248
- automatic stabilisers 183–5, 187, 189, 190–91, 342–6
- 'background studies', Maastricht Treaty, moving towards 113–14
- bailouts 254, 257–65
- balance of payments deficits, *see* deficits
- balanced budget rule, Stability and Growth Pact (SGP) revision (Six-Pack) 267–9
- 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

- 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
- Bofinger, 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
 Securities Markets Program (SMP) 253–4, 279–84, 339–40, 349–50, 354
- 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

- 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
 convergence 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
zero government debt, criticism of, Stability and Growth Pact 186–7, 192–3, 193–4, 197–8

- 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
 - neoliberal 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 growth
 - 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

- 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 164
- federalism and transfer dependency 169–71
- fiscal policy at national level 164–5, 172
- Groupthink attitude 175
- inflation first strategy 165–7, 169
- MacDougall Report comparison 168–9, 170–72
- macroeconomic stability as price stability 164, 165, 171
- microeconomic flexibility promotion 167
- public choice theory 171
- research papers to justify fiscal rules 168–71
- shock absorption scheme 172, 175–6
- subsidiarity principle 172
- unemployment and poverty levels 165–6, 167, 175, 176
- EMU (economic and monetary union) and ideological straitjacket, optimal currency areas (OCA) 172–7
 - exchange rates 174, 175
 - Keynesian associations 174–5
 - labour mobility 173–4, 175, 176
 - reasons for EC ignoring 174–5
- Enderlein, H. 344, 345
- Endo, K. 102
- environmentally sustainable activities, Job Guarantee (JG) 432
- ERF (European Reserve Fund) 33, 43, 44, 104
- Essen Strategy (European Employment Strategy) 229–33
- euro
 - birth of 207–8
 - debt in euros, addressing problems with 346
- euro abandonment consideration 390–421
 - bank reform opportunity 418–19
 - benefits versus costs 395
 - capital controls 417–19
 - capital controls, cross-border movements in deposits 418
 - catastrophe predictions 390–91, 394–5
 - coinage replacement 402
 - depreciation scaremongering 403, 404, 405–7, 414, 416, 417
 - depreciation scaremongering, ‘internal depreciation’ and wage cuts 406–8
 - disorderly exit path 394–5
 - and EU expulsion 419–21
 - and EU expulsion, EU membership retention considerations 420
 - and EU expulsion, Italian status as example 420–21
 - exit process considerations 400–401
 - foreign exchange market pressures 417–18
 - Franco-German rivalry effects 392–4
 - free market and Groupthink restrictions 392, 393–4
 - Greece case 403, 413–14, 417, 418
 - hyperinflation scaremongering 403, 404–8
 - Iceland comparison 404–5, 406, 418, 420
 - import prices, costs of rising 406
 - Latvia, ‘internal devaluation’ comparison 407–8
 - MMT framework as the basis for analysis 395
 - national currency reintroduction 400, 402–3
 - and Overt Monetary Financing (OMF) 404
 - pegging and Exchange Rate Mechanism (ERM) 402–3
 - secrecy, need for 400, 401
 - Single European Payments Area (SEPA) and bank transfers 409
 - single nation exit, effects of 392, 411
 - transaction costs 410–11
 - unilateral exit path 394–5
 - Wolfson Economics Prize 2012 394
- euro abandonment consideration, Argentina default comparison 390–91, 395–400, 403, 416
- fixed exchange rate and convertibility arrangements, abandonment of 397–8
- job creation program 398
- real effective exchange rate (REER) 398–9

- 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
- European Commission
 - ‘Autumn economic forecast 2008–2010’ 246–7
- 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

- fiscal crisis (2003) 216–17, 218–19, 220, 223–4, 226, 227
- 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

- 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
- Fitoussi, J. 82, 197
- Flandreau, M. 19
- flawed economic models, use of 164, 304, 313–14, 330
- flotation concerns 50–51, 55–6, 412; *see also* currency
- foreign exchange market pressures 26–7, 417–18
- foreign reserve contribution to the ECB, return of, euro abandonment consideration 409–10
- 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
- Fratianni, 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
 caught 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

- 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 midi-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
 - deficits, fiscal crisis (2003) 226–7
 - 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
 - austerity proposals, unemployment and poverty 251, 254–5, 256, 257–65, 269, 272–3, 277–8
 - 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
 - EC ‘Autumn economic forecast 2008–2010’ 246–7
 - 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
- fiscal 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
- Hetzl, 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
 Kohl, H. 92, 107, 108, 109, 110, 118, 130, 141, 146–7, 149, 178, 181, 200, 202
 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
 Leparmentier, 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’ (LDCCP) 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
 Loriaux, 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
- Mendizábal, 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

- 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

- 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
 - 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
 - crisis effects 70, 71, 73

- 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

- Pagano, M. 133
- Palmer, J. 201
- Papademos, L. 13, 258, 264
- Papandreou, G. 258, 264
- Parker, G. 224–5
- 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
- poverty and austerity 5–6, 251, 254–5, 256, 257–65, 269, 272–3, 277–8 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

- (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 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
- Sigurgeirdottir, 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
 - austerity 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
- Stavis, 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
- Thatcher, M. 40, 62, 68, 107, 108–9, 116, 136–7, 157, 158
- 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
- Tsoukalis, 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
- Waigel, T. 136, 178, 179–80, 181, 199, 200–202, 216
- 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

- Wolfson Economics Prize 2012 394
Wood, R. 365, 366–7, 380, 383
workfare, difference from Job
 Guarantee (JG) 430
Wray, L. 302, 308
Wrohlich, K. 235
Wyplosz, C. 114, 154, 155, 164, 172,
 174, 226
Zandi, M. 248, 250
Zecchini, L. 218
zero government debt, criticism of
 186–7, 192–3, 193–4, 197–8
Zettelmeyer, J. 414
Zimbabwe, hyperinflation
 384–9
Zuckerman, E. 435