Index

Accoe, J. 71
‘activist’ and ‘parking’ approaches 60–61, 116–17, 118–19, 239
Aghion, B. 193
Aglietta, M. 54, 162, 318, 319, 330, 331
Altman, D. 34
Arellano, M. 180, 181
Argentina, international bond defaults 150
Argitis, G. 289, 303, 307, 310
Arrow, K. 219–20
Asensio, Angel 213–34
Asian Development Bank, and Basel II 203
Asian financial crisis, and systemic risk 169
Ataç, I. 293, 303
Azais C. 330
Bakir, C. 202, 293, 295, 297, 308
Ball, L. 237, 284, 305
Baltagi, B. 184
Baragar, F. 2
Basel I 146–9
Basel II and money supply process 174–90
bank capital role on monetary policy transmission process 175–6
bank equity and bank capital channel 175–7
bank loans and collateral categories 176–7
banks’ credit exposure calculation 176–7
and capital adequacy ratio (CAR) 166–7, 176–7
and equity multiplier 176–7
equity statistics 186, 188–90
and EU/US coexistence 165–6
and global banking see global banking, Basel II as new regulatory framework for loan model 177–9
loan model, econometrics and results 179–82
and post-Keynesianism 175, 177, 178–9, 181
supervisory review, EU cross-border implementation 161–3
Basel II, national development banks, implications of 191–210
asset-backed securities and risk 201–2
Basel I, failings of 194
Basel II, history and focus 193–5
capital requirements (Pillar I) 153–4, 194
and credit, long-term 199–200, 207
and credit, long-term, maturity consideration, waiver of 200
credit risk 194, 204
and developing countries 198, 201
equity exposures 200–201
and export credit 202
financial institutions, associated 205–6
and financial subsidies 193
and funding 205
insurances, and risk management 202
internal ratings-based approach (IRB) 194, 195, 198, 200, 201
and Kreditanstalt für Wiederaufbau (KfW), Germany 196, 197, 198–200, 201–2, 203, 205–6
market discipline (Pillar III) 163–4, 194, 195, 196
market orientation and procyclicality 204–5
mobilization and SME special treatment 199
multilateral development banks, funding 205
national development banks, history and definition 192–3
and national government involvement 198, 207
overview 195–7
portfolio diversification 202–3
and project financing 202
prudential regulation 206–8
Quantitative Impact Studies 191–2
risk management 201–4, 206–8
risk mitigation measures 203–4
risk-intense operations 197–8
and securitization 19, 21, 53–4, 152–3
and SMEs and risk 198–9
supervisory review process (Pillar II) 158–63, 194–5

Becattini, G. 314
Bellofiore, Riccardo 13–32
Berg, J. 102
Bernanke, B. 22, 34, 35–7, 40, 41, 42, 63, 171, 175, 227, 264
Beugelsdijk, M. 66
Bhaduri, A. 263, 331
Biorn, E. 180
Blanchard, O. 237
Blecker, R. 137
Bliek, J. 71, 77, 80, 82–3, 84, 85, 88, 93, 95
Blinder, A. 175
Bond, S. 180, 181, 184
Bowles, S. 134
Boyer, R. 54, 319, 322, 324–5, 328, 330
Brazil, fund-transferring institutions 206
Bruck, N. 193, 196, 208
Brunner, A. 170
Bryan, D. 13
Burdekin, R. 136
Burkett, P. 136
Caillard, N. 170
Caílvo, G. 302, 303

Canada
Bank of Canada monetary policy 105–9
and interest rates in interbank money markets 106–9
large value transfer system (LVTS), adoption of 106–8, 110
open market operations, abandonment of 109
reserve requirements, phasing out of 106
Sale and Repurchase Agreements (SRAs) 108–9, 110
Special Purchase and Resale Agreements (SPRAs) 108–9, 110
state-injected liquidity 33–4
Canova, F. 309
capital adequacy ratio (CAR), and Basel II 166–7, 176–7
capital requirements, Basel II, Pillar I 153–4, 194
capitalism

cognitive see cognitive capitalism
finance-led, future of 52–4
new 27–32
Cappelen, A. 67
Carlin, W. 262
Cassi, L. 314, 330
Cecchetti, S. 264
central banks
banking system, perceived constraints 74–6
and base money as endogenous means of final payment 105–9
Great Depression lessons for 36–7
independence and inflation 291–2
and key policy interest rate 269–70
monetary base control 102–3
money, preference for 99–100
and regulatory supervision 162
see also individual countries
Chami, R. 175
Chartalist school 98–9
Chesnais, F. 15
China Development Bank, and Basel II 195, 203
Chortareas, G. 228
Clarida, R. 60, 262
Clinton, K. 108, 109
Index

337

cognitive capitalism, instability and uncertainty in 313–34

capital–labour compromise, decline of 317

finance-led capitalism 318–19

financial uncertainty and work insecurity 318

flexible accumulation of knowledge and globalization 316–18

innovation and uncertainty 327

and intellectual property rights (IPR) 315, 316, 320, 321, 322, 323, 328

and Italian ‘Workerist’ approach 330

knowledge exploitation and labour market fragmentation 316

and knowledge phases 314

and knowledge-based economy 313–16

model used 319–24

and network economies 315

peculiarity of cognitive capitalism 313–19

and productivity and efficiency loss 317

and shareholder sovereignty theory 318

social productivity and knowledge, trade-off between 315

system stability 324–5

uncertainty and knowledge 325–8

see also capitalism

Colander, D. 65

c consumer price indices 1999–2006 (US and EU) 218

Coriat, B. 54, 314

Cornford, A. 194

Cornwall, J. 134

Corsani A. 330

Cosimano, T. 175

Costa Storti, C. 264

credit

exposure calculation, Basel II 176–7

long-term, and Basel II 199–200, 207

rating agencies 20, 149, 150–51

risk 147–8, 149–51, 194, 204

see also debt; lending

Creel, J. 217–18, 287

Cukierman, A. 291, 292

Darity, W. 88

Dash, E. 50

Davidson, P. 222, 225, 228

Davies, P. 51

Davis, R. 103

De Bandt, O. 100

De Cecco, M. 16

De Grauw, P. 264

Debreu, G. 219–20

debt

collateralized debt obligations (CDOs) 20, 21–3, 48–9, 51

deflation and interest rates 35–6, 37–8

indebtedness and financialization, US 15–16, 19–20, 29–30

and Minsky’s cyclical theory of capitalism 23–6

settlement and clearing, distinction between 100

state deficit and public debt, anchor role of 79–81

twin deficit theorem and foreign constraint 81–4

see also credit; individual countries; lending

demand

fiscal policy and aggregate demand accuracy 275–80

and inflation, links between 282–3

Demiralp, S. 102

derivatives

and financial crises 169

market discipline and disclosure 164

and risk 13–14, 20, 21, 153

Derviş, K. 289

developing countries, national development banks and Basel II 198, 201

Dimand, Robert W. 33–44

Dingle, J. 106, 113

Dixit, A. 228

Domar, E. 81

Dow, S. 175

Dowd, K. 170

Ederer, S. 94, 264

Eğilmez, M. 309

Eichengreen, B. 41, 309

Eijffinger, S. 66
Credit, money and macroeconomic policy

Eisner, R. 80, 81, 84
Ekzen, N. 300
employment see unemployment
equilibrium
shifting equilibrium theory, and US Federal Reserve 221–2, 226, 231–3
supply-side, influences on 271–4
and Walrasian general 219–23
EU
Basel II and coexistence with US 165–6
Basel II supervisory review, cross-border implementation 160–62
Basel II supervisory review, cross-border implementation, and institutional fragmentation 161–3
Capital Adequacy Directive (CAD) 152–3
Capital Requirements Directive (CRD) 160–61, 165
central bank autonomy, limited 22–3
Cohesion Fund 67
collateralised debt obligations (CDOs) 21–3
derivatives 21
environmental policy integration (EPI) 67
equity statistics 186, 188–9
eurozone inflation 305
macroeconomic policy mix case studies 242–4
mortgage backed securities (MBS) 21–2
neomercantilist policies 29
and new finance, phoney nature of 20–23
Second Banking Coordination Directive (1989) 152
Second Banking Directive 52
SME funding 165
Stability and Growth Pact 224, 243
stagnation, attempts to avoid 20–21, 28
structural packages 66–7
Turkish membership and central bank independence 293
venture capital investments 165
European Central Bank (ECB)
causality tests for demand and inflation 89
and consumer price indices 1999–2006 (US and EU) 218
and GDP 1999–2006 (US and EU) 219
and income distribution 225
inflation targeting and price index stabilization 214–18
interest rates 1999–2006 217
international monetary regimes and effects of inflation 225–6
and labour productivity index 1993–2006 225
liquidity injections 21, 22–3, 27, 34, 40, 49
monetary policies in practice 216–18
monetary policy dogmatism, pernicious effects of 218–27
and shifting equilibrium theory 221–2, 226, 231–3
Evans, W. 228
exchange rates
fixed, and disinflation, France 93–4
and macroeconomic policies, rethinking 280–81
open economy and external demand, fiscal policy in macroeconomic policy mix 259–60
Fadini, U. 330
Farmer, R. 228
Favero, C. 309
Fayolle, J. 217–18
Fazzari, S. 137
Ferguson, T. 15
Ferri, P. 24
Fettig, K. 109
financial innovation
costs and benefits of 52–3
encouragement of 154
investment and venture capital, US 330
fiscal policy
and aggregate demand accuracy 275–80
monetary to fiscal policy rule see monetary to fiscal policy rule
see also individual countries
fiscal policy in macroeconomic policy mix 235–67
and activist and parking-it approaches 239
case studies 242–55
case studies, methodology 244–7
case studies, qualitative assessment 247–9
case studies, quantitative assessment 249–55
and crowding out 240
and GDP growth 244, 247–57, 258
and interest rates 238–9, 255–7, 258
and monetary policy, interest rates and GDP 255–7, 258
monetary policy and NAIRU 238–9
and new consensus model (NCM) 237–42
and non accelerating inflation rate of unemployment (NAIRU) 88, 89, 235, 237–41
open economy, exchange rate and external demand 259–60
policy regimes, identifying different 260–62
reference value for fiscal policy neutrality 247–9
wage policies and inflation 254–61
wage policies and NAIRU 240–41
see also macroeconomic policies, rethinking
Fisher, I. 34, 37–8, 40–41
Foley, D. 138
Fontana, G. 61, 116, 118, 213, 237, 239, 263, 325, 326, 327
Forstater, M. 59, 65
France
BNP Paribas 20–21, 33, 48
budget balance 1996–2005 246
disinflation and fixed exchange rate strategy 93–4
fiscal policy 249–55
full employment, rejection of 93
GDP growth 244, 247–50, 252, 255–7, 258
Hayek–Ricardo–Marxian French (HRMF) way, and profit sharing 93–4
macroeconomic performance 2001–2005 245
macroeconomic policy mix, effects of 242–55
macroeconomic policy regime 261
monetary policy, interest rates and GDP 255–7, 258
open economy, exchange rate and external demand 260
social therapy of unemployment 85, 88
wage policy and inflation 254–9
Francis, S. 196, 202, 204
Fratesi, U. 67
Fritz, B. 303
Fullwiler, S. 98, 99, 100, 102, 104–5, 111, 112, 113
Fumagalli, Andrea 313–34
Furine, C. 102, 103–4
G10 central banks interventions 23, 176
capital–asset ratios 147, 191–2
see also Basel II
Galbraith, J. 76, 77, 81, 88, 90, 91, 213, 227–8
Gallino, L. 19
GDP growth 1999–2006 (US and EU), and inflation targeting drawbacks 219
and fiscal policy in macroeconomic policy mix 244, 247–57, 258
Germany
asset-backed securities and risk 201–2
budget balance 1996–2005 246
Bundesbank and targeted rate of growth of the money supply 102
collateralised debt obligations (CDOs) 21
fiscal policy 249–51
full employment, rejection of 93
GDP growth 244, 247–55
Credit, money and macroeconomic policy

Kreditanstalt für Wiederaufbau (KfW) and Basel II 196, 197, 198–200, 201–2, 203, 205–6
Long-term credit and Basel II 199–200
Macroeconomic performance 2001–2005 245
Macroeconomic policy mix, effects of 242–55
Mercantilist policy strategy 260
Monetary policy, interest rates and GDP 255–7, 258
Open economy, exchange rate and external demand 259
Public regional banks (Landesbanken) 20–21
SMEs, risk and Basel II 198–9
Wage policy and inflation 254–61
Gertler, M. 34, 175, 264
Ghosh, A. 295–6
Gill, S. 289
Giorno, C. 263
Giovannoni, O. 71, 72, 77, 78, 80, 85, 88, 89, 90, 92, 94
Global banking, Basel II as new regulatory framework for 145–73
Advanced approach (A-IRB) 150, 159, 164
Asset growth, problems with and Basel I 146–8
And Basel I 146–9
And credit rating agencies 149, 150–51
Credit risk and Basel I 147–8
Credit risk calculation (Pillar I) 149–51
Disclosure requirements (Pillar III) 164
And EU/US coexistence 165–6
Financial innovation, encouragement of 154
Financial instability and systemic risk 167–70
Foundation approach 149
Home–host issues 158–63
Implementation and application issues 165–7
Internal ratings-based (IRB) approaches 149–50
International Organization of Securities Commissions (IOSCO) 152
And lender-of-last-resort mechanisms 169–70
Market discipline (Pillar III) 163–4
Market risk inclusion (Pillar I) 151–5
Market risk inclusion (Pillar I), capital requirements amendment 153–4, 194
Operational risk preparation (Pillar I) 155–8
Operational risk preparation (Pillar I), advanced measurement approach (AMA) 156–8, 159, 164
Operational risk preparation (Pillar I), cross-border implementation 157–8
Pillar I 149–59, 164, 194
Pillar II 158–63, 194–5
Pillar III 163–4, 194, 195, 196
Prompt corrective action (PCA) and undercapitalized banks 166–7, 169
Quantitative Impact Study (QIS-4) (2004) 167
And risk management 148–9
Risks outside domain of (Pillar I) 159
And securitization 19, 21, 53–4, 152–3, 168–9
Securitization and commercial loans and Basel I 147–8
Small and medium-sized banks and standardized approach 149, 150
Supervised self-regulation 167, 169
Supervisory review (Pillar II) 158–63
Supervisory review (Pillar II), Action Implementation Group (AIG) 160
Supervisory review (Pillar II), cross-border implementation 159–63
Universal banks and market risk 151–5, 194
Value-at-risk (VaR) measurement (Pillar I) 153–5
See also Basel II
Gnos, Claude 1–10
Godley, W. 117
Index

Goodhart, C. 102–3
Goodlet, C. 104
Graziani, A. 2, 100
Great Depression, lessons from 33–44
Greenspan, A. 20, 37, 147, 213, 227, 228
Griffith-Jones, S. 203, 204
Griliches, Z. 180
Grünewald, A. 293, 303
Guo, W. 228
Guttmann, Robert 45–55, 145–73
Halevi, Joseph 13–32
Hancock, D. 170
Hart, A. 37
Hartmann, P. 100
Harvey, D. 316
Hausman, J. 180, 181, 188, 189, 190
Hayek–Ricardo–Marxian French (HRMF) way, and profit sharing, France 93–4
hedge funds
bank ownership of 19
and collateralized debt obligations (CDOs) 49
Long Term Capital Management rescue 103–4
and long-term credit 199–200
quant fund 21
and risk 15, 16–17, 21
Hein, Eckhard 235–67
Heine, M. 243, 263, 291
Hemming, R. 62, 263, 264
Henckel, T. 102
Henry, D. 55, 228
Herr, H. 291
Hinich, M. 228
Holton, G. 170
Honda, Y. 183
Horn, G. 246
Howard, D. 105, 106, 108, 110, 113
Howard, M. 112
Hsiao, C. 180

income distribution
real wealth generation out of money creation 72–84
and inflation, links between 225, 277–8, 283
wealth distribution, and deflation 38
inflation
constant inflation level of output (CILO) and price and wage interaction 270, 273–4, 282, 283
deflation and interest rates 35–6, 37–8
and demand, links between 282–3
disinflation and fixed exchange rate strategy, France 93–4
and distribution of income model, i, post-Keynesian interest rate rules and macroeconomic performance 122–3
dollar devaluation and wage deflation, US 29–30
EU 305
and income distribution, links between 225, 277–8, 283
international monetary regimes and effects of inflation, US Federal Reserve 225–6
minimum unemployment rate of inflation (MURI) 62
and monetary theory of unemployment and inflation see monetary theory of unemployment and inflation stagnation see stagnation
target levels, and macroeconomic policies, rethinking 268–9
targeting and post-Keynesian interest rate rules 118–22
targeting and price index stabilization, US Federal Reserve 214–18
and unemployment 223–5, 234, 306
see also individual countries
inflation targeting drawbacks 213–34, 305–6
consumer price indices 1999–2006 (US and EU) 218
economic shocks and gradual monetary policy response 216
and GDP 1999–2006 (US and EU) 219
and income distribution 225
interest rates 1999–2006 (Fed and ECB) 217
and international monetary regimes 225–6
and labour productivity index 1993–2006 (EU and US) 225
and liquidity preference concept 220–23
macroeconomic adjustment and uncertainty 220–23
market efficiency and effectiveness of uncertainty 220
monetary policies in practice 216–18
monetary policy dogmatism, pernicious effects of 218–27
and natural anchor, absence of 223–7
price index stabilization 214–18
and shifting equilibrium theory 221–2, 226, 231–3
and unemployment 223–5, 234
and Walrasian general equilibrium 219–23
innovation see financial innovation
insurance and collateralized debt obligations (CDOs) 49
and risk management, Basel II 202
intellectual property rights (IPR), and cognitive capitalism 315, 316, 320, 321, 322, 323, 328
interest rates 1999–2006 (EU and US) 217
and aggregate demand accuracy 277, 278–80
and fiscal policy in macroeconomic policy mix 238–9, 255–7, 258
and inflation targeting, post-Keynesian 118–22
in interbank money markets, and Canada 106–9
and Minsky’s cyclical theory of capitalism 23–6
monetary policy and GDP 244, 247–57, 258
and open market policy, Turkey 300, 301, 303
see also individual countries
International Monetary Fund (IMF)
early warning system 170
and reserve building programs 299–300
International Organization of Securities Commissions (IOSCO) 152
investment decisions, path-dependency of 271, 273
stimulation and aggregate demand accuracy 278
venture capital 165, 330
Italian ‘Workerist’ approach, and cognitive capitalism 330
Itoh, M. 291
Jackson, P. 170
Jacoby, W. 249
Japan
Basel I (1988) and asset growth, mixed 146
equity investment funds 18
and fiscal policy shift 63–4
liquidity preference influence 63–4
recession and new consensus approach (NCA) 63–4
stagnation, attempts to avoid 14–15, 28
Jayamaha, R. 171
Jordà, O. 102
Jordan, A. 67
Jorion, P. 170
Juselius, K. 72
Kalecki, M. 25, 26, 87, 124–5, 271, 275–8
Kamin, S. 170
Kansas City rule 118–19, 122, 126, 127–8, 132–3, 134–5
Karagiannis, Stelios 174–90
Kashyap, A. 175
Keynes, J.M. 20, 34, 35, 37, 38, 40–41, 94
capitalism and risk 14
Keynesian revival 3–5
Keynesian revival, and new consensus approach (NCA) 60–64
Index

Keynesian revival, and stagflation and credit cycle 25–6
Keynesianism, demise of mainstream 88
Keynesianism, and inflation targeting see inflation targeting drawbacks
liquidity preference theory 220–23
Kim, S. 170
Kindleberger, C. 34, 37
King, M. 34, 36, 37–41, 42 see also UK
knowledge-based economy see under cognitive capitalism, instability and uncertainty in Koopmans, T. 112 Koutsobinas, Theodore T. 59–70 Kregel, J. 63, 71, 175 Kriesler, P. 241 Kroszner, R. 171 Krugman, P. 63, 64 Kurz, M. 228
Labini, S. 330 labour productivity index 1993–2006 (EU and US) 225
Lambertini, L. 228
Lapavitsas, C. 291
large value transfer system (LVTS), adoption of (Canada) 106–8, 110
Lavoie, M. 60, 61, 98, 103, 109, 117, 119, 120, 121, 136, 175, 176, 177, 239, 241, 279
Layard, R. 273
Le Héron, E. 228
Leith, S. 277
lending bank loans and collateral categories, Basel II and money supply process 176–7 loan model, Basel II and money supply process 177–9 loan model, econometrics and results, Basel II and money supply process 179–82 see also credit; debt; individual countries
Lenschow, A. 67
Lequiller, F. 228
Lerner, A. 59, 263, 275
leveraged buyout operations (LBOs) 17–19
Lindley, D. 72
liquidity preference concept 63–4, 220–23 state-injected US 16, 22–3, 27, 33–4, 37, 40, 49
Little, J. 108
Long, M. 193
Lovejoy, T. 237
Lown, C. 175
Lucarelli, Stefano 313–34

Claude Gnos and Louis-Philippe Rochon - 9781849808729
Downloaded from Elgar Online at 12/14/2018 01:14:08PM
via free access
Lucchetti, A. 46
Lundequist, P. 67
Maas, C. 171
McCallum, B. 60, 101, 262
McCombie, J. 137

Macroeconomic policies, rethinking 268–88
central bank and key policy interest rate 269–70
constant inflation level of output (CILO) and price and wage interaction 270, 273–4, 282, 283
and deficit sustainability 276
demand and inflation, links between 282–3
economic activity level and aggregate demand 269
and exchange rates 280–81
exchange rates and inflation, influence of 281
fiscal policy and aggregate demand accuracy 275–80
fiscal policy and aggregate demand accuracy, long-term approach 275–6
Fiscal Policy Committee (FPC) suggestion 277
foreign sector influences 270–71
and full employment and capacity 284–5
income distribution and aggregate demand policy 277–8
income distribution and inflation, links between 277–8, 283
inflation, multi-causal reasons for 270–74, 278–85
and inflation target levels 268–9
interest rate policy and aggregate demand accuracy 277, 278–80
investment decisions, path-dependency of 271, 273
investment stimulation and aggregate demand accuracy 278
Kaleckian analysis of aggregate demand 271, 275–8
monetary policy and cost inflation, link between 283
supply-side equilibrium, influences on 271–4
taxation and aggregate demand accuracy, and taxation 277
theoretical framework 269–74
wage-setting and inflation, links between 270, 273–4, 282
wages and supply-side equilibrium, influences on 271–4
see also fiscal policy in macroeconomic policy mix
Magdoff, H. 13, 15
Magnus, G. 23–4
Malerba, F. 330
Mankiw, N. 217, 227
Marazzi, C. 331
market discipline, Pillar III, Basel II 163–4, 194, 195, 196
risk inclusion, Pillar I, Basel II 151–5, 194
Marx, K. 330
Matthews, P. 65
Mencinger, J. 290
mergers and acquisitions, and leveraged buyout operations (LBOs) 18–19
Meyer, L. 60, 101, 262
Minsky, H. 23–7, 34, 37, 42, 55, 171, 199
Mishel, L. 84–5, 90
Mishkin, F. 37, 112, 139, 227
Modigliani, F. 63
monetary policy
dogmatism, pernicious effects of 218–27
interest rates and GDP 244, 247–57, 258
monetary policy without reserve requirements 98–115
central bank and base money as endogenous means of final payment 105–9
and central bank control over monetary base 102–3
central bank money, preference for 99–100
and Chartalist school 98–9
debt, settlement and clearing, distinction between 100
Index

endogenous money and payment
finality 101–5
and interest rates in interbank
money markets 106–8
large value transfer system (LVTS),
adoption of (Canada) 106–8, 110
and new consensus view 101–2
payment finality overview 104–5
reserve requirements, phasing out of
102–3, 106
Sale and Repurchase Agreements
(SRAs) (Canada) 108–9, 110
Special Purchase and Resale
Agreements (SPRAs) (Canada)
108–9, 110
taxation and interest rates 99
monetary theory of unemployment
and inflation 71–97
bank convertibility requirements
75
banking system, perceived
constraints 74–6
causality tests for demand and
inflation 89–90
employment and inflation, false
trade-off between 88–94
foreign constraint considerations
81–4
full employment and role of unions
91–2
full employment and scarcity factor
92
Hayek–Ricardo–Marxian French
(HRMF) way, and profit
sharing 93–4
household constraint 78, 80
liquidity constraint as false
constraint 74–5
liquidity constraint and foreign
constraint 81–4
and monetary circuit theory 71–2
money access by spending agents,
inequality of 76–9
money creation core process 73–4
money creation in simple economy
73–6
net wealth or profit as constraint
75–6
private sector constraint 76–8, 80
profit amount and share, distinction
between 87
profit constraint and credit rationing
76
profit constraint and interest rate 76
real wealth generation out of money
creation, dynamic process
72–84
and stagflation of 1970s 92–3
state deficit and public debt, anchor
role of 79–81
state, non-constraint of 78–9
state responsibility for stable
economy 94–5
twin deficit theorem and foreign
constraint 81–4
unemployment definition 84–6
unemployment, and employment
function 86–8
unemployment and inflation, false
trade-off between 84–94
unemployment and NAIRU debate
88, 89
wage-led inflation 91–2
monetary to fiscal policy rule 59–70
fiscal policy proposal 64–6
fiscal policy, relevance of 62–4
functional finance principle 65
and Japanese recession 63–4
and liquidity trap 63–4
and minimum unemployment rate of
inflation (MURI) 62
moving-average formula 65
new consensus approach (NCA) 59
new consensus approach (NCA),
‘activist’ and ‘parking’
approaches 60–61
new consensus approach (NCA),
post-Keynesian response to
60–64
political economy framework and
nominal interest rate 61
structural packages in EU 66–7
Taylor policy rule 22, 59, 65–6, 101,
182, 255
Monteiro Filha, D. 206
Moore, B. 61, 116, 120
Moreno, R. 170
Morgan, D. 175
Morgenson, G. 33, 41
Mosler, W. 98
Motolesse, M. 28
Mouakil, T. 71
Mouhoud, E. 315, 330
Moulier-Boutang, Y. 313, 330
Moutot, P. 54
multilateral development banks, funding 205
Naastepad, C. 257, 264
national development banks and Basel II see Basel II, national development banks, implications of
Negri, A. 318, 330
Nell, E. 59, 65
Nelson, R. 314, 315
Netherlands, economic policy and wages 264
new consensus approach (NCA) 59, 60–64, 101–2, 116
new consensus model (NCM), and fiscal policy 237–42
new finance, phoney nature of 17–23
Ng, S. 46
Nijkamp, P. 273
Norris, F. 50
O’Donnell, S. 39, 41
Okina, K. 64
Onaran, Ö. 293, 300, 303
Öniş, Z. 293
operational risk preparation (Pillar I), Basel II 155–8, 159, 164
Olik, L. 302
Orsenigo, L. 330
Özatay, F. 295, 299, 300, 308, 309
Öztürk, K. 309
Pakes, A. 180
Palacio-Vera, A. 61, 116, 118, 237, 239, 263
Palley, T. 60, 61, 62, 98, 108, 116, 118, 126, 228, 239
Panagopoulos, Yannis 174–90
Panzieri, R. 330
Parguez, Alain 2, 71–97, 331
Parker, R. 88
Pasinetti, L. 61, 118–19, 122, 126, 129–32, 134–5, 239, 279
Pee, J. 170
Phillips, S. 296
Pitelis, C. 289, 303, 307, 310
Plihon, D. 54, 171
Pollin, R. 175, 269
Ponzi operations 25, 199–200
Poot, J. 273
Porter, M. 67
Posen, A. 296
Power, D. 67
Prado, L. 206
Preston, B. 228
price constant inflation level of output (CILO) 270, 273–4, 282, 283
index stabilization 214–18
prudential regulation, Basel II 206–8
Rafferty, M. 13
Ramey, G. 228
Rebérioux, A. 318, 330, 331
Reinhart, C. 302, 303
Resti, A. 197
Riboud, J. 108
Richardson, G. 112
Index

Rodrigues, M. 316
Rodriguez-Pose, A. 67
Roger, S. 284
Rogers, C. 120
Rogers, N. 15
Romer, P. 314
Rosenberg, N. 327
Rosengreen, E. 170
Rossi, Sergio 98–115, 175, 297, 305, 306
Rowthorn, R. 237
Rullani, E. 314, 316
Russia, international bond defaults 103, 150
Samuelson, P. 64
Saraceno, F. 287
Sardoni, C. 227
Sargent, T. 228, 309
Schumpeter, J. 38
Secchareccia, M. 2, 117, 239, 279
securitization asset-backed securities 19–20, 49, 51, 201–2
and banking regulatory framework 53–4
Basel I and commercial loans 147–8
and Basel II agreements 19, 21, 53–4, 152–3, 168–9
chain breakdown 48–9
collapse of 45–55
collateralized debt obligations (CDOs) 20, 21–2, 48–9
and finance-led capitalism, future of 52–4
and financial crises 168–9
financial innovation, costs and benefits of 52–3
and global growth dynamic and credit crunch 50–52
mortgage backed securities (MBS) 22, 30, 46–7, 48, 51
and recapitalization of banks 51–2
structured investment vehicles (SIVs), losses at 51
and US housing boom collapse 45–7, 50
and US trade deficit 50–51
securitization and commercial loans and Basel I 147–8
Seidman, L. 65
Şener, Ulaş 289–313
Setterfield, Mark 60, 61, 116–41, 237, 239, 262
Shapiro, N. 175, 272
shareholder sovereignty theory 318
Sheridan, N. 284, 305
Shibut, L. 171
Shiratsuka, S. 64
Sironi, A. 197
SMEs
funding, EU 165
and risk, Basel II 198–9
Smithin, J. 61, 117, 118–19, 122, 126, 129–32, 133, 134–5, 239
Snowdon, B. 262
Sobreira, Rogério 174–210
Solow, R. 62–3, 64
Soskice, D. 262
Spiliotis, Aristotelis D. 174–90
stagnation attempts to avoid 14–15, 19–21, 28
stagflation and credit cycle, and post-Keynesian revival 25–6
see also inflation
Stein, J. 175
Stiglitz, J. 273
Stockhammer, E. 85, 94, 237–8, 239, 241, 257, 263
Stone, M. 284
Storm, S. 257, 264
subprime crisis 13–32
emergence outline 13–17
leveraged buyout operations (LBOs) 17–19
Minsky’s cyclical theory of capitalism 23–7
and new capitalism 27–32
new finance, phoney nature of 17–23
production and valorization processes, restructuring of 27
and securitization see securitization
speculative credit bubble 14
Summers, L. 237
supervised self-regulation, Basel II 167, 169
supervisory review, Pillar II, Basel II 158–63
Svensson, L. 63
Sweden
Basel I (1988) and asset growth, mixed 147
budget balance 1996–2005 246
euro area non-participation 243
fiscal policy 249–55
functional mercantilist policy regime 261–2
GDP growth 244, 248–57, 258
macroeconomic performance 2001–2005 245
macroeconomic policy mix, effects of 243–55
monetary policy, interest rates and GDP 255–7, 258
open economy, exchange rate and external demand 260
wage policy and inflation 254–9
Sweezy, P. 13, 15
Switzerland, state-injected liquidity 34
Sylvain, A. 228
Taistra, G. 197
taxation
and aggregate demand accuracy 277
and interest rates 99
Taylor, J. 22, 59, 65–6, 101, 182, 255
Tett, G. 51
Thirlwall, A. 137
Tobin, J. 34, 37, 38, 228
Trautwein, H. 243, 263
Tronti, M. 330
Truger, Achim 235–67
Turkey
Banking Sector Restructuring Program 295
central bank independence 291–3
central bank independence, review of 295–7
central bank law, new 293–5
central bank policy mix 297–306
EU membership and central bank independence 293
exchange rate policy 294, 301
exchange rate regime 302–3
financial rescue program 295
inflation and output gap 300–302
inflation rates 294, 296, 299
inflation targeting 304–6
inflationary pressure and debt accumulation 299
institutionalization of financial liberalization 297
interest rate levels and open market policy 300, 301, 303
international reserve building 299–300
monetary aggregates 298–9
Monetary Policy Committee (MPC) 294, 296, 304
monetary policy framework 292–7
post-crises monetary policy 289–313
price stability focus 294, 296, 303
privatization of public banks 295
public finance ban through central bank 295–6
public and private debt levels 300
Savings Deposit Insurance Fund (SDIF) 295
Stability Program (1999) 299
Stand-By Agreement 2002, and IMF 297–8
unemployment and inflation 306
wage increase limitation 305
UK
Bank of England moral hazard approach 23
budget balance 1996–2005 246
credit crunch 40
euro area non-participation 243
fiscal policy 249–50, 253
full employment, rejection of 93
GDP growth 244, 248–57, 258
liquidity injections 34, 39–40
macroeconomic performance 2001–2005 245
macroeconomic policy mix, effects of 243–55
macroeconomic policy regime 261
monetary policy, interest rates and GDP 255–7, 258
Northern Rock 23, 34, 39–40
open economy, exchange rate and external demand 260
financial services modernization act 52
Glass–Owen bill 37
Global financial crises, effects of 28–9
Gramm–Bliley–Leach (Financial Services Modernization) Act (1999) 152
indebtedness and financialization 15–16, 19–20, 29–30
innovation investment and venture capital 330
interest rates 22, 47, 48, 217
labour productivity index 1993–2006 225
Long Term Capital Management rescue 103–4
Minsky moment 23–6
mortgage crisis 16–17, 22, 30–31, 45–7, 48, 50, 51, 167
neomercantilist policies 29
new capitalism 27–32
pension system transformation 18
piggy-back loans 46, 50
Plaza Accords 28
prompt corrective action (PCA) and undercapitalized banks 166–7, 169
public wealth and debt effects 80, 81
stagnation, attempts to avoid 14–15, 19–20
state-injected liquidity 16, 22–3, 27, 33–4, 37, 40, 49
trade deficits 50–51
underemployment and unemployment rate 84–5, 88–9
Uniform Net Capital Rule (UNCR) 152
Vietnam War, effects of 15
see also Greenspan, A.
and GDP 1999–2006 (US and EU) 219
and income distribution 225
inflation targeting and price index stabilization 214–18
interest rates 1999–2006 217
international monetary regimes and effects of inflation 225–6
and labour productivity index 1993–2006 225
monetary policies in practice 216–18
monetary policy dogmatism, pernicious effects of 218–27
sale of Treasury bills (1979) 103
and shifting equilibrium theory 221–2, 226, 231–3

Van den Heuvel, S. 175
Vane, H. 262
venture capital investments 165, 330
Venturini, F. 315
Vercellone, C. 313, 314, 330
Virno, P. 330
Vogel, L. 257

wages
constant inflation level of output (CILO) and price and wage interaction 270, 273–4, 282, 283
and NAIRU, fiscal policy in macroeconomic policy mix 240–41
and supply-side equilibrium, influences on 271–4
Wallace, N. 309

Walrasian general equilibrium, and inflation targeting drawbacks 219–23
Walsh, C. 262, 296, 308
Watanabe, W. 64
Watson, M. 291, 296, 297, 307
wealth distribution see income distribution
Wessel, D. 157
Wilcox, J. 170
Winter, S. 315
Wolfson, M. 171
Woodford, M. 182
World Bank
and reserve building programs 299–300
see also Basel II
Wray, R. 60, 61, 98, 99, 117, 119, 227
Wren-Lewis, S. 277
WTO, Agreement on Financial Services (1997) 152
Wu, H. 228

Yalman, G. 303, 308
Yeldan, E. 284, 300, 304, 306, 307, 309, 310
Yiğit, S. 309
Zachariadis, M. 330
Zanini, A. 330
Zendron, Patricia 174–210
Zhou, A. 269
Zicchino, L. 175