Index

Aargau 116
ABCP (asset-backed commercial paper) 115, 123, 135, 166–7
ABS (asset-backed securities) 133, 152, 157, 229
activist rules 4, 7
Adenauer, Konrad 199
aggregate demand, support proposals 59–60
AIG 136, 140, 141, 151, 153, 159, 168
Almunia, Joaquín 190, 198
AMLF (Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility) 150, 154, 230
animal spirits 87
The Annals of Gullibility 114
anti-depression credit expansion 123
anti-growth bias 200
ARMs (adjustable rate mortgages) 116
Asian crisis 205
asset prices 26, 238, 239–40
asset-purchase programs 153
asymmetric shocks 194, 205, 210
Atesoglu, H.S. 5, 44
bad debt 14, 15, 66
bad money 14
Bagehot principle 119
Banco de México 67–8, 69, 72–7, 145
Bank of America 136, 140, 147
Bank of Canada 113, 114, 120, 123–4, 125, 145, 166–87
and credit easing 179–86
and inflation 169–72
and quantitative easing 176–9
and zero interest rate policy 173–6
bank credit issuance 61
bank credit rationing 64, 74, 76
Bank of England 113, 119, 120, 121–2, 145, 155, 158, 178, 196, 215, 228
Bank of Japan 143, 145, 146, 155, 158, 179, 231
bank rescues 216
bank reserve interest 158
bank-based financial structure 67–70
banks
capital injection into 56–7
central see central banks
commercial see commercial banks
development (public) 67, 73
Fed lending limits to 58
and market discipline 54
political power in Latin America 66
private 87–90, 97
proposals/restrictions for 54–6
taxation on 56
Barclays 140, 147
baseline new consensus model 21, 22–4
BdL (Bank deutscher Lander) 198–9, 200
Bear Stearns 115, 135, 140, 148, 149, 153, 159
Bernanke, B. 113, 117–20, 121, 122, 124, 125, 138–9, 145–6, 153, 158, 159, 160, 231, 235
Bibow, J. 213
BIS (Bank for International Settlements) 145, 161
Blinder, A. 63, 120
BNP Paribas 119, 134, 147
borrower risk 95
Bradford & Bingley 216
Bretton Woods system 48, 67, 72, 201
Bundesbank 113, 114, 122–3, 198–203, 204, 212
C–S (Carlin–Soskice) model 22–5, 27–33
Caisse de Depots 115
Cantor Fitzgerald 148
capital assets 87, 88
capital flows
cross-border 131
and European instability 214
inflows 206
capital, marginal efficiency 13
capital market globalization 72
capital mobility 63
capital-based system 70–72
Mexico’s transition to 72–7
Carlin, W. see C–S
Carney, Mark 174
CDOs (collateralized debt obligations) 115, 116, 133, 134, 135, 235
CDS (credit default swaps) 136, 235
central banks
in C–S model 22–3
asset balance sheet structure 70, 73
and collectivization 16
and credit issuance 67–70
CSL (currency swap lines) 144–5, 153, 158
in developing economies 62–6
discount rate 65
ESCB (European System of Central Banks) 192, 195, 196
financial crises response 112–26
and financial growth 62
and inflation 15, 71, 73, 90–92, 207, 232, 234, 241
interest rate manipulation 21, 24, 25, 63, 64
as lenders-of-last-resort 64, 112–26, 142, 215, 227, 241
loans by 54
and long-term interest rates 7–9, 13
and money supply 63, 64
NCBs (national central banks) 191, 192, 195
objectives 239
open-market operations 142–4
policy 58, 90–92, 227, 234
policy easing 215
public accountability 199
stabilization policy 20–33
TAF (term auction facility) 142, 153, 157, 158, 229
and Taylor rule 90–92, see also Taylor rule
see also individual banks; NCBs
CERP (Center for Economic Policy Research) 198
cheap money 4, 5, 6, 8, 16
Chrysler 140
CIP (covered interest parity) 44
Citigroup 123, 148
CMBS (commercial mortgage-backed securities) 152, 230
CMHC (Canada Mortgage and Housing Corporation) 180–81, 186
commercial banks 21–22
endogenous 24–33
macroeconomic stabilization in 27–33
modeling 26–7
state of confidence 92
common shocks 194
competitive depreciation 11
competitiveness channel 209
confidence, loss of 14, 15, 17
consumption 236
convergence play 206
Copeland, M.A. 184
corridor framework 175
corridor of stability 91
Coventree 166–7
Coyne, James 124, 125
CPFF (Commercial Paper Funding Facility) 151, 154, 158, 229
CPI (consumer price index) and inflation/deflation 171
credible fixed exchange regimes 44
credit card interest rate 73
credit constraints 64
credit default insurance 55
credit easing 146, 179–86, 187
credit issuance 62–6
and central banks 67–70, 71, 72
credit restraints, in developing countries 70–72
credit risks 65
Credit Suisse 148
CSL (currency swap lines) 144–5, 153, 158
Daiwa 148
de Larosière, Jacques 217
debt-deflation 121–2, 125, 136–9
debt-deflation spiral 137–8
Index

default risk 88
deflation 97–8, 13–39
deflation rate target 170
deleveraging 137
deposit insurance 56
depression economics 32
Deutsche Bank 148
development (public) banks 67, 73
development trust funds 68
Dexia 216
Dodge, David 117, 125
domestic political policy 38
double-dip recession 155
Duisenberg, Wim 197

ECB (European Central Bank) 113, 114, 120, 122, 135, 141, 142, 145, 155, 158, 166, 190–221, 228
Ecofin (EU Council of Economics and Finance Ministers) 194
economic growth strategies 38
The Economists versus the Bank of Canada 113
EDP (Excessive Deficit Procedure) 193, 219
emerging-market economies, overheating of 155
employment restoration proposals 59–60
EMS (European Monetary System) 201, 202
EMU (Economic and Monetary Union) 190–221
endogenous interest rates 89–90
endogenous money theory 7, 9, 14, 21, 38, 44, 61, 89
endogenous variables, in small open economy 39–40
enhanced credit support approach 215
ERM2 (revised exchange rate mechanism) 194
ESCB (European System of Central Banks) 192, 195, 196
EU financial assistance 219–20
EU/national cooperation 217
Eucken, Walter 199
euro 190–221
breakup rumours 219
countries adopting 191–2

 Euroland
in 2002 economic boom 211
2008 emergency summit 216
budget deficits 220
business cycle 203
economic instability 190–91, 214
exchange rates 194
and global crisis 212–20
and global imbalance 213
and global slowdown 206
instability 204
macro policy 210
monetary/fiscal policy 203
no bailout clause 219
recession 204
wage policy 194

European Currency Unit see euro
European Economic Recovery Plan 218
European Investment Bank 215, 218
euthanasia of the rentier 7, 10
excess bank reserves 177
excessive deficit procedures 207
Exchange Rate Mechanism 122
exchange rates
Euroland 194
flexible
comparative statistics in 42–4
in small open economy 39–40
stability in 41–2
floating 38, 50
fluctuations 171
intra-area (Euro) 195
irrevocable fixed (hard peg) 44–7
as monetary variable 38–9
and money supply 234
nominal 194
exogenous shock 21
exogenous wage increase 47

fair rate rule 6, 8
Fannie Mae 132, 136, 147, 157, 158, 168, 229
FDIC (Federal Deposit Insurance Corporation) 53–60, 125, 140, 156, 159, 160
Fed Funds 57, 228
Federal Home Loan Banks 147
Federal Reserve Act (1913) 140
Federal Reserve (Fed) 53–60, 112–13, 117–20, 124, 139, 140, 141, 142, 143, 144–5, 197, 215
exit strategies 153–62
and inflation 233
market support programs 145–52
monetary policy during crisis 228–31
operational challenges 156–8
quantitative easing by 227–41
and short-term money markets 235
and wealth distribution 239
Ferguson, Niall 123
financial crises 112–14
financial institutions, rescue of 139–41
financial intermediation 61
financial markets, revival of broken 150–52
Financial Services Modernization (Gramm–Bliley–Leach) Act (1999) 141
Financial Stability Board 161
financialized economy 84–92
firms
and investment 86–7
self-financing 96
state of confidence 92–3
fiscal policy
government 84–5, 93, 232
national 194
as stabilization tool 237
fiscal responsibility 47
fiscal stimulus 43, 233
Fisher, Irving 118, 137
fixed rate full allotment 215
Flexible Credit Line facility (IMF) 220
flexible exchange rate see exchange rates
flexible fair rate 8
flexible opportunistic rule 5, 8
FOMC (Federal Open Market Committee) 112–13, 230
Fortis 216
Freddie Mac 132, 136, 147, 157, 158, 168, 229
Friedman, Milton 170
Fuld, Dick 126
G20 network 161
G20 summit, Pittsburg 220
GAB (General Agreement to Borrow) 144
General Motors 140
General Theory of Employment, Interest and Money 11, 27, 91
German disease 212
Ginnie Mae 147
Glass–Steagall Act 125
global seigniorage 131, 134
globalization 38
Godley, W. 89
gold standard 113, 118, 121
Goldman Sachs 114, 115, 140, 148, 159
Goodhart, C.A.E. 33, 117
government bonds purchase 142–4
Gramm–Bliley–Leach Act (1999) 141
Greenspan, Alan 234–5
Greenspan, Stephen 114
growth
export-led 133
and investment 86
growth rate fall 95
GSE (government sponsored enterprises) 229
Halberstam, David 118–19
hard peg (irrevocable fixed) exchange rates 44–7
Havenstein, Rudolf 122, 125
HBOS (Halifax Bank of Scotland) 122, 216
Helburn, A. 240
Hicksian liquidity trap 233
HICP (Harmonized Index of Consumer Prices) 196, 220
High-Level Group on Financial Supervision in the EU 217
home equity withdrawals 133
households
financing 87
state of confidence 93
housing market bubbles 119, 125, 131–4, 213, 214
HSBC (Hong Kong Shanghai Banking Corporation) 148
Humphrey, T. 37
Hypo Real Estate Holding 216
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iceland bank crisis</td>
<td>119–20</td>
</tr>
<tr>
<td>IMF (International Monetary Fund)</td>
<td>161, 217, 220</td>
</tr>
<tr>
<td>income distribution</td>
<td>10</td>
</tr>
<tr>
<td>and income policy</td>
<td>10</td>
</tr>
<tr>
<td>and interest rates</td>
<td>6–7</td>
</tr>
<tr>
<td>inflation</td>
<td>15</td>
</tr>
<tr>
<td>and bad debt</td>
<td>15</td>
</tr>
<tr>
<td>and Bank of Canada</td>
<td>168–73</td>
</tr>
<tr>
<td>and central banks</td>
<td>15, 71, 73, 90–92, 207, 232, 241</td>
</tr>
<tr>
<td>and consumer price index</td>
<td>171</td>
</tr>
<tr>
<td>cost-push</td>
<td>44</td>
</tr>
<tr>
<td>and debt mitigation</td>
<td>237</td>
</tr>
<tr>
<td>and ECB</td>
<td>206</td>
</tr>
<tr>
<td>in Great Depression</td>
<td>199–200</td>
</tr>
<tr>
<td>market-determined underlying</td>
<td>208</td>
</tr>
<tr>
<td>and monetary aggregates</td>
<td>178</td>
</tr>
<tr>
<td>targeting</td>
<td>5–6, 120, 171, 197</td>
</tr>
<tr>
<td>tax-push</td>
<td>203, 207–8, 210, 218</td>
</tr>
<tr>
<td>zero</td>
<td>46, 171</td>
</tr>
<tr>
<td>inflation rate target</td>
<td>170</td>
</tr>
<tr>
<td>INFONA VIT</td>
<td>74, 76, 77</td>
</tr>
<tr>
<td>Insured Mortgage Purchase Scheme</td>
<td>180, 181</td>
</tr>
<tr>
<td>interbank lending</td>
<td>215</td>
</tr>
<tr>
<td>interbank market</td>
<td>228</td>
</tr>
<tr>
<td>interest rate convergence</td>
<td>205, 208</td>
</tr>
<tr>
<td>interest rate curves</td>
<td>98</td>
</tr>
<tr>
<td>interest rate cuts</td>
<td>139</td>
</tr>
<tr>
<td>interest rate rules</td>
<td>4</td>
</tr>
<tr>
<td>interest rate targeting</td>
<td>173</td>
</tr>
<tr>
<td>interest rates</td>
<td></td>
</tr>
<tr>
<td>CIP (covered interest parity)</td>
<td>44</td>
</tr>
<tr>
<td>conventional target</td>
<td>13, 17</td>
</tr>
<tr>
<td>and demand</td>
<td>4</td>
</tr>
<tr>
<td>deposit rates</td>
<td>158</td>
</tr>
<tr>
<td>ECB cuts</td>
<td>215</td>
</tr>
<tr>
<td>equality of 48</td>
<td>48</td>
</tr>
<tr>
<td>in equilibrium</td>
<td>61, 62</td>
</tr>
<tr>
<td>foreign real</td>
<td>47</td>
</tr>
<tr>
<td>fully adjusted</td>
<td>24</td>
</tr>
<tr>
<td>and income distribution</td>
<td>6–7</td>
</tr>
<tr>
<td>and inflation</td>
<td>61</td>
</tr>
<tr>
<td>LIBOR</td>
<td>54–5</td>
</tr>
<tr>
<td>long-term</td>
<td>4–5, 7–9, 11–12, 13, 14, 17, 89, 143</td>
</tr>
<tr>
<td>monetary</td>
<td>63</td>
</tr>
<tr>
<td>and monetary policy</td>
<td>12–13, 65, 234</td>
</tr>
<tr>
<td>as monetary variable</td>
<td>38–9</td>
</tr>
<tr>
<td>neutral</td>
<td>91</td>
</tr>
<tr>
<td>NIR (nominal interest rate)</td>
<td>8</td>
</tr>
<tr>
<td>and output</td>
<td>5–6</td>
</tr>
<tr>
<td>overnight rates</td>
<td>21, 25, 174, 175, 176</td>
</tr>
<tr>
<td>re-sets</td>
<td>134</td>
</tr>
<tr>
<td>RIP (real interest parity)</td>
<td>44</td>
</tr>
<tr>
<td>RIR (real interest rate)</td>
<td>8, 63</td>
</tr>
<tr>
<td>short-term</td>
<td>12, 13, 16</td>
</tr>
<tr>
<td>short-term interbank</td>
<td>10</td>
</tr>
<tr>
<td>UIP (uncovered interest parity)</td>
<td>44</td>
</tr>
<tr>
<td>International Economics</td>
<td>234</td>
</tr>
<tr>
<td>investment</td>
<td></td>
</tr>
<tr>
<td>and growth</td>
<td>86</td>
</tr>
<tr>
<td>and profit</td>
<td>237</td>
</tr>
<tr>
<td>IROP (interest rate operating procedure)</td>
<td>23, 24, 27–33</td>
</tr>
<tr>
<td>irrational exuberance</td>
<td>116</td>
</tr>
<tr>
<td>Issing, Otmar</td>
<td>122, 201, 202</td>
</tr>
<tr>
<td>Jefferies &amp; Co.</td>
<td>148</td>
</tr>
<tr>
<td>Johnson, P.A.</td>
<td>199</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>135, 140, 148, 159</td>
</tr>
<tr>
<td>jump variable</td>
<td>41</td>
</tr>
<tr>
<td>Kahn, Richard</td>
<td>178</td>
</tr>
<tr>
<td>Kaldor, Nicholas</td>
<td>178</td>
</tr>
<tr>
<td>Kalecki, Michal</td>
<td>236</td>
</tr>
<tr>
<td>Kam, E.</td>
<td>37–9, 41</td>
</tr>
<tr>
<td>Kansas City rule</td>
<td>7, 10–11</td>
</tr>
<tr>
<td>Keynes, John Maynard</td>
<td>122</td>
</tr>
<tr>
<td>Kindleberger, Charles</td>
<td>120</td>
</tr>
<tr>
<td>King, Mervyn</td>
<td>113, 119, 120, 121–2, 125</td>
</tr>
<tr>
<td>Kohl, Helmut</td>
<td>202</td>
</tr>
<tr>
<td>Kregel, J.</td>
<td>71, 234, 235</td>
</tr>
<tr>
<td>Krugman, P.</td>
<td>231, 232, 233, 234, 241</td>
</tr>
<tr>
<td>L-shaped recovery</td>
<td>156</td>
</tr>
<tr>
<td>Landesbanken</td>
<td>119</td>
</tr>
<tr>
<td>Lavoie, M.</td>
<td>89</td>
</tr>
<tr>
<td>Le Bouvrin law</td>
<td>64</td>
</tr>
<tr>
<td>legacy securities</td>
<td>151</td>
</tr>
<tr>
<td>legal reserve requirement</td>
<td>68, 69</td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>115, 119, 126, 130, 136, 140, 141, 148, 149, 150, 152, 153–4, 168, 216</td>
</tr>
<tr>
<td>lender risk</td>
<td>96–7</td>
</tr>
</tbody>
</table>
leverage
deleveraging 137
limits on 115
leverage ratio 89, 130
leveraged buyouts 131
LIBOR (London Inter-Bank Offered Rate) 54–5, 152
liquidity preference 9, 11, 13, 14
liquidity risk 88
liquidity trap, and quantitative easing 231–5
Lisbon Agenda 195
Lloyds insurance exchange 125
Lloyds TSB 216
LM analysis 21
low real rate 6
LR (lender’s risk) 88–9
Lucas, R.E. 34
LVTS (Large Value Transfer Systems) 167, 176, 187
Lynch, J. 240

Maastricht paradox 193
Maastricht regime 191, 192, 193, 194, 196, 198–212, 220
Maastricht Treaty 85, 193
MacLean, Brian 124
macroeconomic stabilization, in endogenous commercial banks 27–33
Madoff, Bernie 114
Maiden Lane bailout loans 153, 159
mark-to-model accounting 135
market risk 88
market-support programs 153
marketable wealth 239
Marshall–Lerner conditions 40
Martin, Paul 124
MBS (mortgage-backed securities) 132, 133, 134, 135, 147, 149, 152, 154, 157, 158–9
mercantilist systems 37–51, 220
Merrill Lynch 115, 136, 140, 141, 148
Meyer, Eugene 118–19, 124
micro-prudential supervision 217
micro-uncertainty 65
Minskian approach 83, 227, 235–8, 241
Minsky, Hyman 120, 136
Mizuho 148

MMIFF (Money Market Investor Funding Facility) 150, 154, 229
MMMF (money-market mutual funds) 149–50
monetary aggregates, and inflation 178
monetary Dialogue (ECB) 193
monetary mercantilism 37
monetary policy and banks 58
conditions for success 13
conventional 177
deflation 138
effectiveness of 232
Federal Reserve during crisis 228–31
and interest rates 12–13, 234
in Maastricht regime 203
stimulating the economy 234
and Taylor rule 93
tools 139–45
monetary tightening 219
monetary-base-multiplier 21
monetization, of government debt 143, 155
money
cheap money 4, 5, 6, 8, 16
optimal quantity 170
money advances 61
money auctions (TAF) 142
money markets
in 2007 financial crisis 214, 215
key rate 89
short-term 235
money supply, and central banks 63
Morgan Stanley 115, 140, 148
mortgage refinancing 132
mortgages, and Bank of Canada 180
multilateral surveillance 193
Mundell, R.A. 210
MURI (minimum unemployment rate of inflation) 6, 8
Murray, John 169, 178

NAFTA (North American Free Trade Agreement) 72
NAIRU (non-accelerating inflation rate of unemployment) 169
national/EU cooperation 217
NCBs (national central banks) 191, 192, 195
negative inflation rate target 170
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>net worth</td>
<td>239, 240</td>
</tr>
<tr>
<td>neutral rate</td>
<td>5, 8</td>
</tr>
<tr>
<td>neutralizing operations</td>
<td>182</td>
</tr>
<tr>
<td>new consensus model</td>
<td>21, 22–4, 33, 63</td>
</tr>
<tr>
<td>new economy</td>
<td>44</td>
</tr>
<tr>
<td>New European Systemic Risk Board</td>
<td>217</td>
</tr>
<tr>
<td>New Zealand central bank</td>
<td>120</td>
</tr>
<tr>
<td>NINJA loans</td>
<td>116</td>
</tr>
<tr>
<td>NIR (nominal interest rate)</td>
<td>8</td>
</tr>
<tr>
<td>no bailout clause</td>
<td>219</td>
</tr>
<tr>
<td>Nomura</td>
<td>148</td>
</tr>
<tr>
<td>non-home wealth</td>
<td>239–40</td>
</tr>
<tr>
<td>Norman, Montagu</td>
<td>121, 125</td>
</tr>
<tr>
<td>Northern Rock</td>
<td>119, 122</td>
</tr>
<tr>
<td>Obama, Barack</td>
<td>160</td>
</tr>
<tr>
<td>Obstfeld, M.</td>
<td>234</td>
</tr>
<tr>
<td>open-market operations</td>
<td>142–4</td>
</tr>
<tr>
<td>opportunistic approach</td>
<td>5</td>
</tr>
<tr>
<td>optimal monetary rule</td>
<td>4</td>
</tr>
<tr>
<td>output level and interest rates</td>
<td>4–5</td>
</tr>
<tr>
<td>output restoration proposals</td>
<td>59–60</td>
</tr>
<tr>
<td>Paine Webber</td>
<td>115</td>
</tr>
<tr>
<td>Palley, T.I.</td>
<td>5–6, 8, 26, 33, 38</td>
</tr>
<tr>
<td>parking it rules</td>
<td>4, 6–7, 11</td>
</tr>
<tr>
<td>PDCF (Primary Dealer Credit Facility)</td>
<td>149, 153, 157, 229, 230</td>
</tr>
<tr>
<td>Peabody, Kidder</td>
<td>115, 125</td>
</tr>
<tr>
<td>Pigou real balance effect</td>
<td>121</td>
</tr>
<tr>
<td>PIMCO</td>
<td>151</td>
</tr>
<tr>
<td>Ponzi schemes</td>
<td>114</td>
</tr>
<tr>
<td>Porter, Eduardo</td>
<td>114</td>
</tr>
<tr>
<td>positive settlement balances</td>
<td>177</td>
</tr>
<tr>
<td>Posner, Richard</td>
<td>117</td>
</tr>
<tr>
<td>PPIP (Public Private Investment Program)</td>
<td>151–2</td>
</tr>
<tr>
<td>price stability</td>
<td>197, 198, 201</td>
</tr>
<tr>
<td>price-level target</td>
<td>170</td>
</tr>
<tr>
<td>primary dealers</td>
<td>147–9</td>
</tr>
<tr>
<td>private debt</td>
<td>14</td>
</tr>
<tr>
<td>profit stabilization, and quantitative</td>
<td></td>
</tr>
<tr>
<td>easing</td>
<td>235–8</td>
</tr>
<tr>
<td>public deficit rule</td>
<td>85</td>
</tr>
<tr>
<td>public expenditure rule</td>
<td>85</td>
</tr>
<tr>
<td>quadruple entry principle</td>
<td>184</td>
</tr>
<tr>
<td>quantitative easing</td>
<td>143, 146, 176–9, 186, 187, 227–41</td>
</tr>
<tr>
<td>and asset prices</td>
<td>239–40</td>
</tr>
<tr>
<td>and liquidity trap</td>
<td>231–5</td>
</tr>
<tr>
<td>and profit stabilization</td>
<td>235–8</td>
</tr>
<tr>
<td>Radcliffe Committee</td>
<td>178</td>
</tr>
<tr>
<td>RBC (Royal Bank of Canada)</td>
<td>123, 148</td>
</tr>
<tr>
<td>RBS (Royal Bank of Scotland)</td>
<td>122, 123, 148</td>
</tr>
<tr>
<td>Reagan, Ronald</td>
<td>133</td>
</tr>
<tr>
<td>recovery types</td>
<td>155–6</td>
</tr>
<tr>
<td>reflation policy</td>
<td>234</td>
</tr>
<tr>
<td>Reichsbank</td>
<td>113, 122</td>
</tr>
<tr>
<td>reserve deposit interest</td>
<td>141–2</td>
</tr>
<tr>
<td>Reserve Primary Fund</td>
<td>136, 149</td>
</tr>
<tr>
<td>reverse repurchasing agreements</td>
<td>157–8</td>
</tr>
<tr>
<td>RIP (real interest parity)</td>
<td>44</td>
</tr>
<tr>
<td>RIR (real interest rate)</td>
<td>8</td>
</tr>
<tr>
<td>risk premiums</td>
<td>88</td>
</tr>
<tr>
<td>Rochon, L.P.</td>
<td>4, 11, 64</td>
</tr>
<tr>
<td>Rubin, Robert</td>
<td>114</td>
</tr>
<tr>
<td>S&amp;Ls (Savings and Loans) crisis</td>
<td>116, 125</td>
</tr>
<tr>
<td>Sack, B.P.</td>
<td>231</td>
</tr>
<tr>
<td>saddle-point equilibrium</td>
<td>47</td>
</tr>
<tr>
<td>Sánchez Lugo</td>
<td>67</td>
</tr>
<tr>
<td>savings ratio decline</td>
<td>238</td>
</tr>
<tr>
<td>Schumpeterian growth model</td>
<td>43</td>
</tr>
<tr>
<td>SEC (Securities and Exchange Commission)</td>
<td>115, 125, 160</td>
</tr>
<tr>
<td>securitization collapse</td>
<td>137</td>
</tr>
<tr>
<td>Setterfield, M.</td>
<td>4, 11</td>
</tr>
<tr>
<td>SFC (stock-flow consistent) model</td>
<td>83, 84–92</td>
</tr>
<tr>
<td>SGP (Stability and Growth Pact)</td>
<td>193, 211, 218, 219</td>
</tr>
<tr>
<td>shadow-banking system</td>
<td>133</td>
</tr>
<tr>
<td>Shiller, Robert</td>
<td>116</td>
</tr>
<tr>
<td>short-term money markets</td>
<td>235</td>
</tr>
<tr>
<td>Single Market Program</td>
<td>195</td>
</tr>
<tr>
<td>Single Market undermining</td>
<td>216</td>
</tr>
<tr>
<td>SIVs (structured-investment vehicles)</td>
<td>152, 215</td>
</tr>
<tr>
<td>Small Business Administration</td>
<td>151</td>
</tr>
<tr>
<td>small open economy</td>
<td></td>
</tr>
<tr>
<td>and fixed exchange rates, hard peg</td>
<td>44–5</td>
</tr>
<tr>
<td>and flexible exchange rates</td>
<td>39</td>
</tr>
<tr>
<td>and residual friction/currency risk</td>
<td>47–50</td>
</tr>
<tr>
<td>Smithin, J.</td>
<td>6, 37–9, 41, 43, 44</td>
</tr>
</tbody>
</table>
Monetary policy and central banking

SOMA (System Open Market Account) 148, 149
Soskice, D. see C–S
SPRAs (Special Purchase and Resale Agreements) 167–8
SPVs (special-purpose vehicles) 150, 151
stability-oriented policy (in ECB) 195, 197, 198, 204, 208, 220
stable arm equilibrium 41
stagflation 44, 237
Stand-by Arrangements (IMF) 220
Stanford, Allan 114
state of confidence 4, 13–15, 83, 87, 88
generalized crisis in 92–9
steady-handedness 207
Steinbrück, Peer 213, 219
stock price volatility 114
stock-flow imbalances 33
straw fire 202
structural crisis 130
subprime mortgage crisis 119, 125, 134, 146–7, 152, 214, 238
Sveriges Riksbank 139
swap lines 55
Swiss Bank Corporation 115
Swiss National Bank 145
systemic-risk regulation 160
TAF (term auction facility) 142, 153, 157, 158, 229
TALF (Term Asset-Backed Securities Lending Facility) 151, 152, 154, 156, 157, 158, 229, 230
TARP (Troubled Asset Relief Program) 56, 57, 140, 151, 159
tax rates, and GDP 46
tax-push inflation 203, 207–8, 210, 218
Taylor rule 71, 83, 89, 90, 91, 93, 113, 120, 169, 173
term repos (term PRAs) 168, 181–3
Tily, G. 5, 8
TLGP (Term Liquidity Guarantee Program) 140
too-big-to-fail institutions 149, 157
Toporowski, J. 238
ToTEM 169
trade deficits 130
trade surpluses 130
transmission mechanisms 3, 6
transversality condition 41, 117
Trichet, Jean-Claude 197, 212
TSLF (Term Securities Lending Facility) 149, 158, 229
U-shaped recovery 156
UBS (Union Bank of Switzerland) 115, 123, 148, 152
UIP (uncovered interest parity) 44
uncertain transmission rules 7–11
unemployment 12
unequal-consumption-based growth model 239
universal bank 148
US banking system 53–60
as debtor nation 133
housing bubble 119, 125, 131–4, 213, 214
US Treasury 53–60, 141, 150, 159
V-shaped recovery 155
Vocke, Wilhelm 200
W-shaped recovery 156
Wachovia 136, 140, 168
wage compression 220
wage deflation 208
wage-indexation effect 14
wage-price flexibility 209
Washington Mutual 136, 140, 168
wealth effect 133
Weller, C. 240
Wicksell, Knut 63
Wicksellian (Woodford) interest rate policy 22, 172, 177, 186
Wolff, E.N. 239
zero-rate interest see interest rates
ZIRP (zero interest rate policy) 173–6, 186