Contents

List of Figures *vii*
List of Tables *viii*
List of Contributors *ix*
Acknowledgements *xi*

Introduction *xii*

1. The Imagined Deemed Possible : The Germ of the Process of History
George Shackle 1

2. A Wider Perspective
John D. Hey 4

3. Decision-Making Under Complete Uncertainty
C. Richard Barrett and Prasanta K. Pattanaik 20

4. The Characteristic Function of the Dirichlet and Multivariate F Distributions
Peter C.B. Phillips 39

5. Bank Regulation, Uncertainty and Business Cycles
Andrew W. Mullineux 57

6. Monetary Policy Under Uncertainty
Michael J. Driscoll 83

7. Precautionary Reserves and Holding Period Certainty
David G. Dickinson 107

8. The Demand for Policy Loans: An Empirical Analysis with Quarterly Canadian Data
Colin Dodds and Atul A. Dar 127

9. Testing for Market Efficiency in the Exchange Market
David A. Peel 147

10. Double Moral Hazard, Buybacks and the Debt Crisis
S. Mansoob Murshed 164

11. Forward-Looking Behaviour in the Gilts Market: Some Implications
Marcus Miller 178

12. Monetary Neutrality and Non-Neutrality in Disequilibrium Models
Somnath Sen 194

Bibliography: Professor J.L. Ford 214
Index 222

Figures

2.1	Choice under perspective theory I	6
2.2	Choice under perspective theory II	8
2.3	Risk aversion and perspective theory	9
2.4	The Marschak–Machina triangle	10
2.5	Perspective theory indifference curves I	11
2.6	Perspective theory indifference curves II	12
2.7	Perspective theory indifference curves III	13
2.8	Perspective theory and the Allais paradox	15
2.9	Choice from a uniform prospect distribution	16
4.1	Contour of the Lauricella function	42
4.2	Contour Map for L	54
10.1	Non-cooperative game when a and e are complements	169
10.2	Non-cooperative game when a and e are substitutes I	170
10.3	Non-cooperative game when a and e are substitutes II	171
11.1	Phase diagram for bond market equilibrium	180
11.2	Dynamics of gilts market with rational expectations	183
11.3	Dynamics of adjustment after an announcement of a sale of consols	187
11.4	Paths for long and short interest rates after an announcement of a sale of consols	188
11.5	The effect of a not fully credible announcement of a sale of consols	189
11.6	The dynamics of contractionary fiscal policy	190
11.7	Paths for long and short interest rates after a fiscal contraction	191

Tables

8.1 Policy loan and life insurance reserve flows: means and standard deviations 129

8.2 OLS estimates of equation (8), sample period: 1977:3–1987:4 136

8.3 Instrumental variables estimates of equation (8), sample period: 1977:3–1987:4 138

8.4 OLS estimates of equation (8), sample period: 1977.3–1981:4 139

8.5 OLS estimates of equation (8), sample period: 1982:1–1987:4 141

9.1 Orthogonality tests; dependent variable S_{t+3}-m_t 152

9.2 Properties of the risk premium: the relationship of $S_{t+3}-F_t$ to F_t-S_t and F_t-m_t 153

9.3 Properties of inter-war spot and forward exchange rates I 159

9.4 Properties of inter-war spot and forward exchange rates II 160