

# Contents

List of Tables, Figures, and Charts	xi
Preface	xiii
List of Abbreviations	xvii
<b>1. The Floating Exchange Rate System, World Trade, and Stabilization Policy</b>	<b>1</b>
1. Introduction	1
2. Problems of Stabilization Policy in an Interdependent World Economy	6
3. The Functioning of Floating Exchange Rates in Theory and Practice	10
4. Effects of Monetary and Fiscal Policies	26
5. Effects of Floating Exchange Rates on World Trade and Investment	35
<b>2. The International Environment, 1973-1975</b>	<b>41</b>
1. The Collapse of Bretton Woods	41
2. The 1973 Boom	51
3. The Oil Crisis of 1974	58
4. The Recession of 1974-1975	63
<b>3. Economic Conditions in Five Countries, 1972-1975</b>	<b>66</b>
1. Political Developments	67
2. Internal and External Macroeconomic Balance	74

3. Labor Market Institutions and Wage- and Price-Setting Behavior	81
4. Financial Markets and Monetary Controls	94
5. Summary	104
<b>4. The Conduct of Monetary and Fiscal Policy in Five Countries, 1972-1975</b>	106
1. A Comparative Analysis	106
2. Individual Countries' Experience with Monetary and Fiscal Policies	116
3. Conclusions	139
<b>5. Balance-of-Payments and Exchange Rate Policies in Five Countries</b>	144
1. Adjustment via Changes in Exchange Rates	145
2. Capital Account Policies	151
3. Speculation and Central Bank Intervention	158
4. Conclusions	174
<b>6. Conclusions and Implications</b>	178
1. The Effects of Floating Exchange Rates on Policy Choices	178
2. Discipline versus Freedom, and the Institutional Context of Policy	182
3. The Stability of the World Economy	185
4. Design of the International Monetary System	191
<b>Appendix</b>	
A Stock-Flow Theory of the Exchange Market with Uncertainty	195
<b>Index</b>	201