	List of figures List of tables Preface Conference participants	<i>page</i> xii xiv xvii xvii
1	Introduction	1
	Niels Thygesen	
	1 The international environment	2
	2 Disinflation, external adjustment and cooperation3 Exchange rates, capital mobility and monetary	5
	coordination	11
	4 The future of the EMS	18
I	THE INTERNATIONAL ENVIRONMENT	
2	The European Monetary System, the dollar and the yen <i>Rudiger Dornbusch</i>	23
	1 Real interest rates, inflation and public finance	24
	2 The need for further dollar depreciation	32
	3 Dual exchange rates	
	·	36
Disc	Discussion	
Rob	pert Triffin	
Disc	cussion	43
Cha	rles Wyplosz	

II	DISINFLATION, EXTERNAL ADJUSTMENT	
	AND COOPERATION	
3	Monetary discipline and cooperation in the European	
	Monetary System: a synthesis	51
	Jacques Melitz	
	1 The shortcomings of either cooperation or monetary	
	discipline as the sole basis for the EMS	51
	2 Monetary discipline and the EMS	54
	3 The cooperative feature of the EMS	63
	4 Conclusion	68
	Appendix: proofs of the propositions of Section 3	_
	1 Proofs of propositions 1, 2 and 3	69
	2 Proofs of propositions 4, 5 and 6	72
	Discussion	79
	José Viñals	
4	The role of the exchange-rate regime in a disinflation:	
	empirical evidence on the European Monetary System	85
	Francesco Giavazzi and Alberto Giovannini	
	1 Introduction	85
	2 Expectations and disinflation: domestic and international	
	aspects	86
	3 Empirical evidence	91
	4 Concluding remarks	104
	Appendix: data for Figures 4.1–4.15	105
	Discussion	108
	William Branson	
5	Inflation and the European Monetary System	112
	Susan M. Collins	
	1 Introduction	112
	2 A theoretical framework	115
	3 Empirical evidence	129
	4 Concluding remarks	133
	Discussion	136
	Jean-Jacques Rey	
	-1	

6	Economic growth and exchange rates in the European Mone- tary System: their trade effects in a changing external	
	environment	140
	Stefano Vona and Lorenzo Bini Smaghi	
	1 Introduction	140
	2 ERM countries' trade: the role of external factors	142
	3 The trade and inflation model	147
	4 Empirical results	150
	5 Simulation of alternative scenarios	159
	6 Conclusions	166
	Appendix: regression results	168
	Discussion	178
	David Begg	

III EXCHANGE RATES, CAPITAL MOBILITY AND MONETARY COORDINATION

7	Exchange rates, interest rates, capital controls and the		
	European Monetary System: assessing the track record	185	
	Michael J. Artis and Mark P. Taylor		
	1 Introduction	185	
	2 Provisions of the EMS	186	
	3 Exchange-rate volatility and the EMS	188	
	4 Interest-rate volatility and the EMS	198	
	5 Conclusion	202	
	Appendix: density and asymptotic score functions for the		
	non-parametric tests	203	
	Discussion	206	
	Emil-Maria Claassen and Eric Perée		
8	The stability and sustainability of the European Monetary		
	System with perfect capital markets	211	
	John Driffill		
	1 Introduction	211	
	2 The EMS with capital controls	216	
	3 Conditions on monetary policy needed to sustain the EMS		
	without capital controls	218	
	4 Three possible models of an EMS without capital controls	222	

5 Conclusions	225
Appendix: data for Figures 8.1–8.4	226
Discussion	229
Daniel Gros	

9	Competitiveness, realignment, and speculation: the role of	
	financial markets	232
	Maurice Obstfeld	
	1 Introduction	232
	2 The model	233
	3 Inflation and realignment: self-fulfilling equilibria	236
	4 Attacks that are justified by fundamentals	239
	5 Implications and extensions	243
	Appendix: algebraic analysis of self-fulfilling equilibria	244
	Discussion	247
	Marcus Miller	
	Discussion	249
	Herakles Polemarchakis	

	s, sterilisation and monetary policy in Europe /stem countries, 1979–87	an 252
• •	stropasqua, Stefano Micossi and Roberto Rina	ldi
1 Introducti		252
2 Interventie	on rules and intervention patterns	253
	ons, interest rates and exchange-rate flexibili	ity
in the mar	nagement of the ERM	261
4 Intervention	ons in foreign-exchange markets and domest	tic
monetary	conditions: some basic facts	269
5 Sterilisatio	on and monetary policy interactions	274
6 Conclusion	ns	282
Discussion		288
Wolfgang Ri	eke	

11	Monetary policy coordination within the European Monetary	
	System: is there a rule?	292
	Massimo Russo and Giuseppe Tullio	
	1 Introduction	292
	2 Lessons from the gold standard and Bretton Woods	293
	3 The working of the EMS, 1979–87	303
	4 The balance of payments adjustment mechanism and the	
	inflation objective within the EMS	320

5	Conclusions	331
	Appendix 1: principal component analysis of selected	
	variables, 17 industrial countries	333
	Appendix 2: stability analysis of a two-country model under	
	alternative monetary rules and exchange-rate regimes	344
1	Introduction	344
2	Stability analysis of a managed exchange-rate regime	345
3	Stability analysis of a fixed exchange-rate regime	348
4	Conclusion	350
	Discussion	356
	Lucas Papademos	

IV THE FUTURE OF THE EUROPEAN MONETARY SYSTEM

12	The European Monetary System: a long-term view	369
	Tommaso Padoa-Schioppa	
	1 Introduction	369
	2 Phase One: consolidation	371
	3 Phase Two: the inconsistent quartet	372
	4 Phase Three: monetary union	375
	5 Functional aspects of a monetary union	377
	6 Institutional aspects of a monetary union	380
	7 Conclusions	383
13	A new phase in the European Monetary System – exchange-	
	rate constraint, capital liberalisation and policy coordination:	
	a report of the conference panel discussion	385
	1 Panel discussion	385
	Lamberto Dini	385
	Peter Kenen	388
	Rainer Masera	393
	Wolfgang Rieke	405
	Luigi Spaventa	407
	Jacques Waitzenegger	411
	2 General discussion	415

Index	
-------	--

419