

Index

Titles of publications are in *italics*.

- above the line budget balancing 86, 97, 112–13
- above-trend growth 211
- accelerationist hypothesis (Friedman) 272
- Adams, C. 23, 104
- After the Budget: A Reply to Tim Congdon* (Nickell) 218–24
- Allsopp, C. 156
- American monetarism 4, 146–7
 - compared with British monetarism 150–69
 - and fiscal policy 156
 - and monetary base 150–51
 - and monetary impacts on economy 157
 - and trade unions 158–9
- American monetary policy 67
- Arestis, P. 279
- Arguments for Socialism* (Benn) 249
- Artis, M.J. 255
- asset ownership, UK 285–7
- asset prices
 - and financial sector money 287–93, 293–4
 - Heath–Barber boom 295–8
 - influence on spending 292
 - Lawson boom 300–301
 - and money supply growth 195
- asset transactions 1980 186
- Atkinson, Frederick 92
- Bacon, R. 144
- balanced budget principle 95, 112–13, 117–18
- Ball, R.J. 16, 171–2, 182, 198
- Balogh, Thomas 34
- Bank of England
 - Inflation Reports* 268–9
 - and transmission mechanism 284
- bank-rate policy 13, 153–4
- Bank rate tradition 13, 20
- Barber, Anthony 89
- Barber boom 68, 89–90
- bargaining power and income distribution 134–5
- Battle of the Radio Stations 156
- Beckerman, W. 16, 66
- Benn, Tony 249
- Bernanke, B. 197
- Black Wednesday 262
- Blair government, fiscal rules 119–22
- Blinder, A. 16
- boom–bust cycles 55–6, 73, 256–7
- Bredenkamp, H. 105
- Bridges, E.E.B. 82
- Britain's Economic Renaissance* (Walters) 71, 164, 166
- British Budgetary System, The* (Brittain) 85–6, 120
- British monetarism 4–5, 147–50
 - compared with American monetarism 150–69
- Brittain, H. 85–6, 120–21
- Brittan, S. 9, 87, 139, 168
- Britton, A. 103
- broad money growth 8, 240, 321
 - and asset prices 308–9
- broad money targets 68–9, 329
 - abandonment, Britain 161–5, 321
- Brown, Gordon 119
- Brunner, K. 156
- Budd, A. 18, 92, 172, 262, 263, 268, 273
- budget balancing above the line 86, 97, 112–13
- budget deficit 5–6, 86, 97–8
 - effect on private investment 177–80
- ‘Budget of 1981 was over the top, The’ (Nickell) 206–10

- Budgets, UK
 1941 83
 1950 84
 1979 207
 1980 93, 250
 1981 6–7, 181–96, 222–4, 250
 1984 94
 1988 117–18
 letter to *The Times* following 1981
 Budget 7, 69–70, 176, 193–4,
 210, 250, 257–8
 reaction to 1981 Budget 206–29
- Bundesbank 9
- Burk, K. 6
- Burns, T. 92, 95, 160, 171–2, 198, 326
- Cairncross, A. 6
- Cambridge Economic Policy Group 66
- Cambridge Keynesians 127–8
- capital expenditure, influence of asset
 prices 292
- Central Economic Information Service
 83
- Chamberlain, Austen 42–3
- Chicago School monetarism, *see*
 American monetarism
- choice, role of money 132–3
- Chrystal, D. 313
- circular flow of incomes and
 expenditure 182–4
- Clarida, R. 19, 20
- classical dichotomy 131
- closed circuit of payments theory 308
- Coe, T. 104
- Comprehensive Spending Review,
 White Paper on 120
- Conditions for Faster Growth* 65
- Congdon, T. 15, 18, 22, 197–8, 314
 and Lombard Street Research
 316–26
 and output gap 21–7, 225–7
 replies to S. Nickell 210–17, 225–9
- Conservative government 250–51,
 235–42; *see also* Major
 government; Thatcher government
- Conservative Party and monetarism
 260–61
- corporate equity holdings 285–7
- corporate liquidity ratio 320, 323–5
 and private sector demand 328–9
- corporatism and monetarism 236–7
- corset abolition 161
- cost–push inflation 34–7
- countervailing power 35
- credit counterparts 148
- Cripps, Stafford 84
- Crisis in Keynesian Economics, The*
 (Hicks) 37
- Crosland, C.A.R. 270
- crowding out 138, 177–80
- currency holdings, life assurance and
 pension funds 306
- cyclical fluctuations 55–6; *see also*
 Barber boom; Healey boomlet;
 Lawson boom
- cyclically adjusted PSFD/GDP ratio
 199–200
 and output gap 99, 109–11
- Davies, G. 26
- demand
 and fiscal policy 190, 200–205
 private sector and corporate
 liquidity 328–9
 trends 188, 211–12, 228
- Denham, A. 243
- Deutschmark shadowing 165–6
- discretionary fiscal policy 181
- domestic credit expansion (DCE) 88,
 114
- domestic demand, *see* demand
- Dornbusch, R. 54
- Dow, J.C.R. 81, 83, 85, 87–8, 182, 185,
 193
- Downing Street Years, The* (Thatcher)
 243
- Economic Advisory Council 82–3
- Economic Consequences of Mr.*
Churchill, The (Keynes) 47, 48
- Economic Consequences of the Peace,*
The (Keynes) 38
- economic market 140
- Economic Review* (Morgan Grenfell)
 179
- Economics and Policy* (Winch) 113
- elasticity pessimism 196–7
- Elementary Principles of Economics*
 (Fisher) 282
- Eltis, W. 144

- employment and Keynesianism 237
Employment Policy White Paper 83–4
 EMS, *see* European Monetary system
 equilibrium rate of unemployment 213–17
 equity holdings, financial institutions 285–7
 Ericsson, N.R. 199
 ERM (Exchange Rate Mechanism) and the pound 10, 74, 169, 241, 262
Essays in Fiscal and Monetary Policy (Artis and Miller) 92
 European Monetary system (EMS) 9
 UK membership 10, 166, 240
 excess supply of money, effects on asset prices 290
 exchange rate flexibility 115, 160–61
 Exchange Rate Mechanism (ERM) and the pound 10, 74, 169, 241, 262
 exchange rate regimes 159–61
 and Keynesianism 9–10
 exchange rates
 Deutschmark, and monetary policy 72
 dollar, and monetary policy 67
 and interest rates 63–4
 Fama, E. 17
 Federal Reserve System 153–4
 Fenton, P.R. 23
Financial Analysis (Congdon) 318
 financial circulation 184
 financial deregulation 254
 financial instability measurement 264
 financial institutions, equity holdings 285–7
 financial sector money and asset prices 287, 289–93, 293–4
 Heath–Barber boom 294–8
 Lawson boom 298–300
 financial sector money holdings 286–7
 fiscal policy
 American monetarism 156
 British monetarism 155–6
 for demand management 247
 and domestic demand 190, 200–205
 and Keynesianism 2, 88–90, 112–15, 237–8
 and medium-term stability 251–2
 monetarist criticism of 12
 post-war 84, 86–8
 social and political implications 247
Fiscal Policy in Seven Countries 1955–65 (Hansen) 87
Fiscal Revolution in America, The (Stein) 81, 85
 fiscal targets, MTFs 93
 Fischer, S. 54
 Fisher, I. 59, 168, 281–2
 floating exchange rates 115, 160–61
 forecasters' droop 73
 Forsyth, J. 179
 Frank, R. 197
 freedom and money 132–3
 Friedman, M. 4, 72, 132, 141–2, 246, 317
 and exchange rate flexibility 160–61
 on Keynes 132
 and monetary base control 150, 152, 153
 and monetary impact on economy 157
 money and national income 246
 money supply rule 139
 natural rate of unemployment 14, 213, 272, 274
 and political and economic markets 139–40
 and PSBR targets 94, 156
 and trade unions 158–9
 and transmission mechanism 283, 284
 unemployment and inflation 248, 271–2
 full employment and Keynesianism 237
Future of Socialism, The (Crosland) 270
 Gali, J. 19, 20
 Garnett, M. 243
 general equilibrium 319
 general price level 59
General Theory of Employment, Interest and Money (Keynes) 2, 49–53, 55, 64, 128
 and central banks 154
 discretionary fiscal policy 181

- income and expenditure model 129
- inflation 39, 129
- money and inflation 157–8
- and New Keynesianism 13
- socialisation of investment 247, 270
- wage units 36
- Gertler, M. 19, 20
- Godley, W. 270
- gold standard 47–8, 57–8, 61
- golden rule 119, 120
- '*Goodbye, Great Britain: The 1976 IMF Crisis* (Burk and Cairncross) 6
- Goodhart, C.A.E. 247
- goods and services market, effect of
 - asset prices 292
- government employment 137
- government money holdings 136
- Green Paper on *Monetary Control* 68–9, 147, 148, 152
- Green Paper on *The Next Ten Years: Public Expenditure and Taxation into the 1990s* 94
- Griffiths, B. 152
- growth trends 1981–86 225–7

- Hahn, F. 7, 69, 192, 198
- Hansen, B. 87
- Harrod, R. 35, 37
- Hawtrey, R. 17
- Hayek, F. 133
- Healey, Denis 68, 90, 159
- Healey boomlet 321
- Heath–Barber boom 257, 294–8, 321
- Henderson, R.F. 143
- Hendry, D. 199
- Hicks, J. 37, 50, 72, 193, 317
- High Price of Bullion, a Proof of the Depreciation of Bank Notes, The* (Ricardo) 59
- housing market and interest rates 194
- How to Pay for the War* (Keynes) 38
- Howe, Geoffrey 69, 92, 149, 159, 240, 250

- IMF support for Britain 88–9, 114–15, 155–6
- income and quantity of money 293
- income-expenditure models 129, 130
- incomes policy 2, 4–5, 35–6, 236, 246–7, 251
- and Keynesians 4
- and monetarists 4–5, 134, 135–6
- individual agents, circular flow of
 - incomes and expenditure 183
- industrial circulation 184
- inflation
 - and Keynes 33–4, 39–41, 42–3
 - as measure of financial instability 264
 - and monetary growth 156–7, 236
 - as monetary phenomenon 40, 248
 - and output level 272–3
 - and paper money 59–60
 - reduction, Thatcher government 207–9
 - stability since 1992 266
 - targets 10–11, 11–12, 266, 271
 - and unemployment rate 272
- Inflation Reports*, Bank of England 268–9
- Inquiry into the Nature and Effects of the Paper Credit of Great Britain, An* (Thornton) 60
- institutional liquidity ratio 320, 325
- institutions
 - and economic forces 40
 - and macroeconomic stability 268–9
- inter-generational equity 121
- 'interest-inelasticity of investment' 2
- interest rates
 - as cause of 1980 recession 188, 190
 - and housing market 194
 - as monetary variable 41–2
 - Old and New Keynesianism 13
 - post-war period 266–7
- IS–LM model 193, 317

- Jackman, R. 213
- Jay, P. 16, 68
- Johnson, C. 143
- Johnson, H. 159
- Joseph, Keith 144

- Kaldor, N. 204, 293, 301–4
- Kay, J. 15
- Keith Joseph* (Denham and Garnett) 243
- Keynes, J.M. 2
 - and central bank techniques 153–4
 - discretionary fiscal policy 181–2

- and the Economic Advisory Council 82
- and exchange rates 159, 161
- and inflation 33–4, 37, 39–41, 42–3, 157–8
- and Irving Fisher 281–2
- managed currency proposal 61–3, 159
- and monetary policy 168
- and money 128, 284
- money and prices 157–8
- opposition to gold standard 61
- publications 46–53
- and social fairness 38
- socialisation of investment 138, 247, 270
- see also General Theory of Employment, Interest and Money; Tract on Monetary Reform, A; Treatise on Money*
- Keynes: *Aspects of the Man and his Work* (Moggridge) 34, 35
- Keynesian dichotomy 130–31
- Keynesian revolution 55, 81–101
- Keynesianism
 - goals 141
 - and monetarism 237–8
 - and public sector expansion 137
 - and UK policy 89–90
 - and UK stability 269–71
- Keynesians 33–43
 - and cost–push inflation 34–6
 - and fiscal policy 117
 - and incomes policy 4, 134–5
- King, M. 19
- Labour government, fiscal rules 119–22
- Labour Government's Economic Record: 1964–70* (Beckerman) 16, 66
- labour movement, Keynes's attitude 38; *see also* trade unions
- lags, monetary growth and inflation 157
- Laidler, D. 160, 171, 311
- Lamont, Norman 10, 271
- Larsen, F. 23
- Lawson, Nigel 8, 94–5, 146, 166, 240, 243, 326
 - abandonment of monetarism 167–8
 - and balanced budget 117–18
 - and EMS 166, 240
 - scrapping broad money targets 8, 165, 271, 321
- Lawson boom 73–4, 117, 240, 257
- Layard, R. 213
- Leigh-Pemberton, R. 256
- Leijonhufvud, A. 16, 44
- letter to *The Times* following 1981 Budget 7, 69–70, 193–4, 210, 250, 257–8
- Lewis, M.K. 255
- liquid assets, financial sector 287
- liquidity trap 2, 49
- Little, I. 84–5
- Liverpool Research Group 163
- Lombard Street Research 316–17, 322
- London Business School 160
- M0 narrow money measure 70–71, 165, 305–6, 319–20
- macroeconomic instability
 - measurement of 263–5
- macroeconomic stability
 - since 1994, reasons for 262–74
 - since 2002 276
- Major government and ERM 241
- Major Recessions: Britain and the World 1920–95* (Dow) 182, 193
- Making of Index Numbers, The* (Fisher) 59
- managed currency 48, 61–3, 149, 159
- Management of the British Economy 1945–60, The* (Dow) 81, 85, 87–8
- Martin, J. 22
- Matthews, R.C.O. 87, 114
- Mayer, T. 126, 150, 152, 157, 245, 250, 251, 255, 256, 257
- Medium Term Financial Strategy (MTFS) 6, 92–3, 116, 149, 155, 186–7, 250, 251–2
- Meiselman, D. 284
- Memorandum on Monetary Policy* 147
- Middleton, P. 155, 326
- Minford, P. 8, 71, 72, 152, 163–4, 245, 250, 251, 255, 256, 257, 293–4, 304–7
- Mizen, P. 313
- Moggridge, D. 138

- monetarism 91, 245–58
 - abandonment by Lawson 167–8
 - American, *see* American monetarism
 - British 4–5, 147–69
 - and Conservative government 116, 235–6
 - and the Conservative Party 260–61
 - and corporatism 236–7
 - and exchange rate regimes 160–61
 - and incomes policy 4–5, 135–6
 - and Keynesianism 237–8, 246
 - and macroeconomic stability 271–3
 - political economy of 127–43
 - social and political consequences 249
- Monetarism: An Essay in Definition* (Congdon) 5
- ‘Monetarism: a retrospective’ (Mayer and Minford) 245
- monetary base control 8, 150–51, 152–3
- Monetary Control* Green Paper 68–9, 147, 148, 152
- Monetary Economics: Policy and Its Theoretical Basis* (Bain and Howells) 255
- monetary growth and inflation 236
- monetary growth targets 70, 90–91, 147–9, 239, 253–4
- monetary policy
 - American, influence on British monetary policy 67
 - conduct 252–3
 - credit counterparts 148
 - in depression 40–41
 - development of 60
 - and fiscal policy 91–2
 - and Keynes 61–5
 - post-war 63–7
- Monetary Policy, Memorandum on* 147
- monetary targets 70, 149
- monetary theory of interest rate determination 52–3
- money
 - in asset markets 289–93
 - and asset prices 281–3, 294–310
 - and the economy 281–310, 316–26
 - and inflation 156–8
 - as instrument of choice 132–3
 - as standard of value 133
 - see also* transmission mechanism
- money growth
 - and asset prices 294–310
 - and inflation 156–7
- money holdings
 - government 136
 - private sector 286–7
- Money, Interest and Prices* (Patinkin) 283
- money supply
 - as monetary variable 41–2
 - and PSBR 155–6
- money supply growth 241, 253–7
 - and national wealth 195
- money supply targeting 6, 11, 68–9, 116, 253–5
- Morgan Grenfell *Economic Review* 179
- mortgage equity withdrawal 197
- MTFS (Medium Term Financial Strategy) 6, 92–3, 116, 149, 155, 186–7, 250, 251–2, 116
- NAIRU (non-accelerating inflation rate of unemployment) 213
- naïve fiscalism 199–205
- naïve Keynesianism 183
- naïve monetarism 199–205
- narrow money indicators 8, 70–71, 305–6, 319–20
 - American monetarism 150–51
- narrow money targets 165, 239–40
- national income
 - and quantity of money 5, 293
 - UK 1980 186
- national income determination theory 192–3
- National Income White Paper 83
- national output 104
- national wealth
 - and money supply growth 195
 - UK 1980 186
- nationalization and monetary policy 64
- natural rate of output 214, 272–3
- natural rate of unemployment 213
- NAWRU (non-accelerating wages rate of unemployment) 24
- NCMP (New Consensus Monetary Policy) 279
- Neild, R. 7, 69, 198

- New Classical School 12
 New Consensus Monetary Policy (NCMP) 279
 New Keynesianism 12–14
New Monetary Policy, The (Arestis and Sawyer) 279
Next Ten Years: Public Expenditure and Taxation into the 1990s Green Paper 94
 Nickell, S. 206–10, 210–17, 213, 218–24, 225–9
 Niehans, J. 164
 non-accelerating inflation rate of unemployment (NAIRU) 213
 non-accelerating wages rate of unemployment (NAWRU) 24
Not Unanimous 143

 Oakeshott, M. 139
 Okun, A.M. 23–4
 Old British Keynesianism 12–13
 Oliver, M.J. 245, 258
 open-market policy 153–4
 Opie, R. 34–5, 135
 Orwell, G. 259
 output gap 11, 21–7, 98–9, 214–15
 and cyclically adjusted PSFD/GDP ratio 99, 109–11
 effect on PSFD 105–9
 measurement 218–22
 output gap estimates 104, 214–15, 225–7
 and PSFD 105–11
 output gap monetarism 14–15, 272–4
 output growth rates 211–12
 output trends, post-war 211–12, 265–6

 Paish, F. 27
 paper credit
 and inflation 59–60
 risks of 56–7
 Parkin, M. 160
Path to Power, The (Thatcher) 125
 Patinkin, D. 54, 283
 pay controls 39, 134–5; *see also* incomes policy
 Pechman, J.A. 27
 personal savings, effect of public sector deficits 178–9
 personal sector
 demand for money 287, 320, 323
 wealth, 1980 186
 Plaza Accord 164–5
 Pliatsky, L. 76
 political economy of monetarism 127–43
 political market 139–40
 Popper, K. 259
Portfolio Strategy 322
 Post-Keynesianism 20
 pound, *see* sterling
Poverty of Historicism (Popper) 259
 price controls 38, 134
 prices and incomes policy 35–6
Principles of Macroeconomics (Bernanke and Frank) 197
 private sector
 credit and inflation 163
 demand and corporate liquidity 328–9
 investment, effect of budget deficits 177–80
 money holdings 286–7
 see also financial sector; personal sector
 productivity
 and income distribution 134
 and inflation 237
 and unemployment 228–9
 PSBR (public sector borrowing requirement) 88, 90, 93–4, 96, 97–8, 114–15, 155–6
 PSBR/GDP ratio targets 187
 PSFD, *see* public sector financial deficit
 PSNCR (public sector net cash requirement) 119
 public expenditure, effects of 137
 public sector borrowing requirement (PSBR) 88, 90, 93–4, 96, 97–8, 114–15, 155–6
 public sector current budget 119
 public sector deficits, effect on personal savings 178–9
 public sector financial deficit (PSFD) 98, 104–8, 177
 measurement of 104–8
 and output gap 109–11
 and private investment 177–80

- PSFD/GDP ratio, cyclically adjusted
99, 199–200
- public sector net cash requirement
(PSNCR) 119
- Purchasing Power of Money, The*
(Fisher) 281
- quantity of money
determination of 8
as monetary variable 41–2
and national income 293
- Quarterly UK Economic Forecast*
322
- ‘Quest for stability’ (lecture) 262, 263,
268, 273
- Radcliffe Report 3
- rate of interest, *see* interest rates
- real balance effect 311
- recession 250
and interest rates 188, 190
- Reform of the Exchequer Accounts*
White Paper 114
- reserves, American and British
monetarism 153–4
- Ricardo, D. 59
- Right Approach to the Economy, The*
235
- Robertson, D. 127
- Robinson, J. 35, 44
- RPI as measure of inflation 264
- RPIX (retail price index excluding
mortgage interest rates) 264
- Sabine, B.E.V. 83
- Samuelson, P.A. 50
- savings, effect of public sector deficits
178–9
- Sawyer, M. 279
- Schumpeter, J. 54, 59
- Shonfield, A. 16, 144
- Shore, P. 162
- Simons, H. 132, 142
- Skidelsky, R. 50
- Smith, A. 133
- social fairness, Keynes’s views 38
- socialization of investment 138, 247,
270
- Stability and Investment for the Long
Term* 119–20, 121
- stability, macroeconomic
post-2002 276
reasons for 262–74
- stability of money demand 255
- Steering the Economy* (Brittan) 87
- Stein, H. 81, 85
- sterling
Deutschmark exchange rate 165–6
exit from ERM 241, 262
exit from European ‘currency snake’
67
overvaluation 162
- sterling M3 93, 147, 161–3
- Stiglitz, J. 275
- stop–go cycles 55
- Structure of Monetarism, The* (Mayer)
126
- sustainable investment rule 119, 120
- sustainable output 272–3
- Svensson, L. 20
- Tatom, J.A. 27
- Tavlas, G.S. 17
- tax-based redistribution 136
- Taylor, J.B. 22
- Thatcher, Margaret 5, 125, 166, 243
- Thatcher government 92, 116, 207,
250
- Thornton, H. 60
- ‘The 364 were over the top: a reply to
Professor Nickell’s reply’
(Congdon) 225–9
- Time of My Life, The* (Healey) 90
- The Times*, letter following 1981
Budget 7, 69–70, 176, 193–4, 210,
250, 257–8
- tipping point 139
- Tobin, J. 312
- Tomlinson, J. 102, 243
- ‘too much money chasing too few
goods’ 309
- Torres, R. 22
- total factor productivity 104
- Tract on Monetary Reform, A* (Keynes)
41, 47
exchange rate 161
gold standard 61
managed currency 149, 159, 169
monetary management 62
monetary targets 70–71

- trade unions
 - and British and American monetarism 158–9
 - and Keynesians 34–5
- transmission mechanism 282–5, 316–26
- transparency of decision-making 268
- Treasury bill rate as measure of interest rates 264
- Treasury orthodoxies and Keynesianism 116–17
- Treasury under the Tories 1951–64, The* (Brittan) 87
- Treasury view on deficit financing 177–8
- Treatise on Money* (Keynes) 41, 48, 49–51, 50–53, 153–4, 284
- trend output 104, 214, 272–3
- Turnbull, P. 26
- unemployment
 - equilibrium rate 213–17
 - and inflation 208–9, 272
 - measurement 98, 213
- Unemployment: Macroeconomic Performance and the Labour Market* (Layard, Nickell and Jackman) 213, 215
- USA
 - monetarism, *see* American monetarism
 - monetary policy 67
- velocity of circulation of money 255
- View from No. 11, The* (Lawson) 243
- wage control 39, 134–5; *see also* incomes policy
- wage-units 36–7, 129–30
- Walters, A. 8, 71–2, 152, 163, 164, 166, 239–40, 255, 326
 - and EMS 166
 - and narrow money measures 8, 239–40
 - and sterling M3 93, 147, 161–3
- Warburton, P. 309, 322
- Ward, S. 322
- Wealth of Nations, The* (Smith) 133
- Were 364 Economists All Wrong?* (Booth) 210–11, 213, 215
- White Paper on the *Comprehensive Spending Review* 120
- White Paper on *Employment Policy* 83–4
- White Paper on *Reform of the Exchequer Accounts* 114
- Williams, Shirley 269–70
- Williamson, B. 322
- Wilson, Harold 65, 114
- Wilson government 88, 114
- Winch, D. 113
- zero PSBR rule 117–18

