

Author Index

- Aaberge, 211
 Acemoglu, 211, 223, 229, 271, 287, 290, 307, 310
 Acocella
 and forward guidance, 268
 announcement games, 148
 Caffè subliminal messages, 53
 conservative central bank, 110
 decisiveness, 137
 fiscal leadership, 204
 forward guidance, 184
 global public goods, 245
 hysteresis of theories, 45
 imbalances in the EMU, 120
 implicit coalitions, 145
 institutions, 315
 knowledge-sharing of models, 278
 macroeconomic imbalances, 239
 optimal inflation, 98
 policy communication, 269
 reform of EMU institutions, 257
 role of institutions, 296
 rules of fiscal policy, 192
 theory of economic policy in
 a strategic setting, 126
 time inconsistency, 205
 Aghion, 310
 Akerlof, 33, 273
 Akhtar, 80
 Albanesi, 107
 Alcidi, 204
 Alesina, 61
 Allen, 187
 Alonso, 284
 Alvaredo, 214
 Ando, 37
 Angelini, 206
 Aristotle, 12, 299, 308
 Arrow, 34, 59, 62, 83, 303
 Atkinson, 212, 214, 221
 Auerbach, 113
 Australia, 41
 Austria, 38, 213
 Azfar, 276
 Bade, 103
 Balassa, 255
 Ball, 41, 101
 Bank of Canada, 183
 Bank of England, 106, 183, 282
 Barro, 72, 73, 75, 209
 and REs, 71, 72
 and time consistency, 71, 133
 Bastiat, 10
 Bator, 277
 Baumol, 277
 Beck, 238
 Beetsma, 77, 78, 114, 204
 Bénabou, 255, 290
 Benigno, 107, 180
 Bentham, 302
 Berg, 210
 Bergson, 16, 34
 Beris, 277
 Bernanke, 227, 231
 Bernauer, 292
 Bernhagen, 286
 Berry, 287
 Bilbiie, 114

392 Author Index

- Blanchard, 93, 101, 112, 246
 effects of debt on growth, 116
 effects of fiscal consolidation, 118
 Blinder, 90, 104, 263
 Boffa, 277
 Bogliacino, 221, 222
 Bolton, 290
 Bonvin, 309
 Borch, 58
 Bossert, 85
 Boustan, 310
 Bovenberg, 77, 204
 Brandeis, 291
 Brandolini, 211
 Brandsma, 130
 Brazil, 242
 Bretton Woods
 institutions, 18, 52, 73, 245, 322
 BRICS, 171, 243
 Brumberg, 228
 Buchanan, 6, 10, 60, 276
 Buiter, 231
- Cabral, 205
 Caffè
 'strategy of alarmism', 52
 as an anticipator of economic
 policy, 49
 definition of the 'logic' of
 economic policy, 3
 progress in welfare economics, 45
 Câmara, 284
 Carli, 82
 Chahrour, 265
 Chari, 107
 Chatagny, 274
 Checherita-Westphal, 116
 Chichilnisky, 40
 China, 212, 242
 Chow, 37
 Christiano, 107
 Ciccarone, 264
 Cingano, 209, 210
 Ciocca, 53
 Coase, 57
 Cochrane, 92
 Coenen, 114
 Coeuré, 247, 248
 Coibion, 98
 Colander, 296, 316
 Collier, 307
- Cook, 206
 Corak, 221
 Coricelli, 271
 Corsetti, 205
 Cowen, 228
 Crafts, 229
 Croft-Murray, 38
 Cudd, 290
 Cukierman, 80, 105, 271
- Dalmazzo, 271
 Darracq Pariès, 207
 de Finetti, 34, 294, 313
 De Grauwe, 113, 181, 229, 255
 and debt deleveraging, 121
 de Haan, 80, 263
 De Leonardis, 308
 De Viti De Marco, 6
 Deardorff, 286
 Dedola, 205
 Del Vecchio, 35, 54
 Dell'Ariccia, 101, 112
 Demertzis, 107, 265, 314
 Denis, 236
 Denmark, 213
 Desai, 88
 Deutsche Bundesbank, 180
 Devereux, 206
 Dewey, 312
 Di Bartolomeo
 and conservative central bank,
 110
 announcement games, 148
 constrained consumers, 112
 decisiveness, 137
 fiscal leadership, 204
 global public goods, 245
 implicit coalitions, 145
 institutions, 315
 on optimal degree of
 transparency, 264
 optimal inflation, 98
 policy communication, 269
 rules of fiscal policy, 192
 theory of economic policy in
 a strategic setting, 126
 time inconsistency, 205
 Di Fenizio, 46
 Diamond, 305
 Díaz, 205
 Dixit, 58, 61, 204

Author Index 393

- Dockner, 81
 Dollar, 239
 Downs, 61
 Duflo, 281
 Duménil, 221
 Dür, 286
 Dworkin, 299

 East Asian countries, 222
 ECB, 69, 77, 81, 119, 175, 178, 183,
 269, 270, 283, 322
 Eggertsson, 113, 234, 247, 277
 Ehrmann, 263
 Eichengreen, 227, 228
 Einaudi, 6, 54
 EMS, 82, 322
 EMU, 76, 77, 78, 80, 177, 226, 256,
 262
 Engerman, 293
 Englund, 311
 Enns, 209
 EU, 179
 Europe, 308
 European Commission, 81, 201, 322
 European Economic Community, 52
 European Fiscal Board, 201

 Faguet, 276
 Fatás, 230, 271
 Federal Reserve, 69, 106, 124, 183
 Fernandez-Villaverde, 260
 Ferrara, 10
 Ferrero, 229
 Filardo, 187
 Fisher, 121
 Fleurbaey, 85, 90
 Fontana Russo, 17
 Foster, 229
 France, 42, 213, 222, 258
 Franzini, 208, 218, 223
 Fratzscher, 263
 Friedman, 69, 81, 185
 B. M., 265
 Frisch
 and democracy, 306
 macroeconomic failures, 11, 16
 normative perspective, 42
 SWF referred to policymakers, 34
 the theory of economic policy, 20
 Fua', 47
 Furceri, 234, 248

 Furman, 196, 199

 Galati, 186, 206
 Galbraith
 James K., 213
 John K., 44, 127
 Gale, 187
 Galí, 112
 Garicano, 260
 Gaspar, 247
 Gauthier, 299
 Gechert, 121, 122
 German Constitutional Court, 180
 Germany, 38, 213, 242, 258, 322
 Giavazzi, 73, 82
 Giger, 291
 Gilens, 291
 Giuliadori, 114
 Glaeser, 284
 Goodin, 309
 Gordon
 D., 71, 133
 R. J., 91, 227, 228, 230
 Gorodnichenko, 98, 113
 Gottfries, 234
 Gradstein, 291
 Graham, 289, 293
 Granovetter, 297
 Graziani, 47
 Graziano, 285
 Greece, 122
 Gross, 229
 Grossman, 278, 285
 Guglielminetti, 102
 Guzzo, 109

 Haavelmo, 23
 Haberler, 185
 Habermas, 308
 Hall, 286
 Hansen
 Bent, 24
 Harrod, 15
 Harsanyi, 86
 Hayek, 10, 275, 301
 Hayo, 105, 106
 Heal, 40
 Hefeker, 106
 Helpman, 285
 Hibbs, 61
 conservative central bank, 110

394 Author Index

- Hicks, 15
Hobbes, 299
Hobson, 229
Holly, 40
Honkapohja, 58
Horowitz, 317
Hotelling, 15
Hoxby, 310
Hughes Hallett, 40
 and fiscal multipliers, 121
 and forward guidance, 268
 and policy conflicts, 314
 and transparency, 265
 announcement games, 148
 decisiveness, 137
 effects of debt on growth, 116
 equivalence of REs to a game, 130
 forward guidance, 184
 independence of central bank,
 107
 institutions, 315
 knowledge-sharing of models,
 278
 monetary commitment, 205
 policy communication, 269
 role of monetary and fiscal policy,
 204
 rules of fiscal policy, 192
 theory of economic policy in
 a strategic setting, 126
 time inconsistency, 205
- Ietto-Gillies, 294
IMF, 73, 81, 200, 270, 322, 323
India, 212
Inman, 276
International Monetary Fund, 18
Ireland, 222
Italy, 4, 45, 52, 55, 56, 58, 213, 222
Iversen, 296
- Jagers, 291
Jansen, 263
Japan, 226, 242
Ji, 181, 255
Johansen, 19, 23
Johnson, 211, 271, 290, 307, 310
Jonung, 58
- Kähkönen, 276
Kaldor, 15, 18, 38, 209
- Kalecki, 6, 11, 17
Kant, 299, 300
Kautilya, 12
Kelly, 209
Kendrick, 37
Keynes, 6
 and Bretton Woods institutions,
 73
 and debt deleveraging, 121
 and Kalecki, 17
 and Malthus, 11
 and use of different policy
 instruments, 18
 burying banknotes and digging,
 185
 effects of Wicksell, 36
 in Italy, 45
 influence of old ideas on current
 conduct, 289
 macroeconomic failures, 16
- Khan, 97
King, 97, 203
Kissau, 291
Klaassen, 114
Klein, 24
Knight, 35
Kok, 207
Kranton, 273
Kreps, 147, 273
Krugman, 114, 227, 230, 233, 255
Kupers, 296, 316
Kydland, 71, 134
- Lambertini, 204
Lambert-Mogiliansky, 275
Lanyi, 276
Laubach, 231
Lauder, 310
Lazear, 209
Le Borgne, 260
Lefkofridi, 291
Leibenstein, 64
Leigh, 118
Leitemo, 204
Leontief, 19
Lévy, 221
Libich, 205
Lindahl, 6
Linz, 305
Lipset, 305
Little, 15

Author Index 395

- Locke, 299
 Lockwood, 260
 Lombardini, 45
 López-Salido, 112
 Loungani, 234, 248
 Lucas, 59, 71
 and human capital accumulation, 310
 surprise effect, 92
 Maestri, 221, 222
 Majone, 81
 Malthus, 11
 Maniquet, 85, 90
 Marchetti, 264
 Marquis de Condorcet, 302
 Marshall
 A., 13
 D., 286
 M. G., 291
 Marx, 283, 302
 Maskin, 90, 274
 Mateo González, 286
 Mauro, 101, 112
 Mazzola, 6
 Mc Morrow, 236
 McChesney, 229
 Meade, 39, 51
 Meagher, 276
 Mehrotra, 234, 247, 277
 Meltzer, 290
 Menna, 203
 Miettinen, 311
 Mihov, 271
 Milanovic, 212, 214, 222
 Milesi-Ferretti, 246
 Mill, 11, 12, 226, 283, 302, 306, 308
 Minsky, 121
 Mishkin, 92, 101
 Mittnik, 113
 Modigliani, 73, 90, 228
 Moessner, 186, 206
 Mokyr, 230
 Monacelli, 114
 Mueller, 85, 283
 Müller, 288
 Mundell, 141
 Musgrave, 6
 Myrdal, 36, 297

 Naidu, 291, 307

 Neck, 38, 41, 81
 Negrelli, 308
 Neri, 206, 229
 Netherlands, 35, 55
 Niskanen, 61
 Nisticò, 180
 Nocciola, 187
 Nordhaus, 56, 61
 North, 211, 295
 Norwegian school, 36
 Nozick, 10, 86, 299, 301
 Nussbaum, 89, 302, 312
 Nuti, 238

 Oates, 275, 277
 Obstfeld, 247
 Oecd, 171
 Ohlin, 36
 Ollivaud, 227
 Olson, 61
 Onorante, 204
 Ortiz-Ospina, 236
 Oslo school, 58
 Ostry, 210, 234, 248
 Ozkan, 207

 Pagan, 42, 159
 Pagano, 73, 82
 Palash, 37
 Panetta, 206
 Pantaleoni, 6, 54
 Papandreou, 277
 Pareto, 10, 46, 65
 Parkin, 103
 Perotti, 114, 199
 and inequality, 209
 effects of debt on growth, 116
 effects of fiscal consolidation, 117
 Persson, 48, 61, 283
 Phelps, 69, 98
 Piacquadio, 145, 148
 Pianta, 218, 223
 Pigou, 13, 85
 Piketty, 101, 214, 223, 225, 229
 Piolatto, 277
 Plato, 299, 305
 Pogge, 239
 Polanyi, 297
 Ponzetto, 277
 Portugal, 258
 Posen, 105

396 Author Index

- Prendergast, 273
 Prescott, 71, 134
 Preston, 42, 159
 Przeworski, 292
- Qian, 276
 Querubin, 271
- Rahbari, 231
 Raitano, 208
 Rajapakse, 311
 Rancoita, 207
 Rannenberg, 121, 122
 Ravallion, 224, 309
 Rawls, 86, 299, 300, 302
 Rees, 40
 Reilly, 306, 317
 Reinhart, 73
 Reiss, 297
 Restrepo, 229, 291, 307
 Ricardo, 11, 73, 75
 Richard, 290
 Robbins, 14, 65
 Robinson, 211, 223, 260, 271, 290,
 307, 310
 Rodrik, 252
 Röger, 236
 Rogoff, 73, 80, 101, 104, 108, 203
 Rohner, 307
 Roland, 290
 Rosanvallon, 324
 Rosen, 209
 Roser, 236
 Rosset, 292
 Rossi, 112
 Rother, 116
 Rousseau, 299, 312
 Rubinfeld, 276
 Russian Federation, 171
 Rutherford, 276
- Saez, 214
 Sahay, 247
 Salais, 308
 Salverda, 222
 Samuelson, 34
 Santos, 260
 Sargent, 71, 78, 203
 Scandinavia, 35, 44, 55, 222
 Schelling, 151
 Schiattarella, 301
- Schmitt-Grohé, 97, 99
 Scitovsky, 15
 Semmler, 113
 Sen
 and democracy, 303, 308, 309
 and public reasoning, 306
 and the effects of ‘sympathy’, 289
 and welfarism, 86
 functionings and capabilities, 87
 on impossibility result, 85
 on Pareto optimality, 16
 Pareto optimality and democracy,
 87
 types of institutions, 299, 302
 Serrano-Berthet, 277
 Seydl, 231
 SGP, 79, 119, 194, 322
 Shah, 277
 Sidgwick, 12
 Sinn, 180
 Siven, 58, 126
 Sjoström, 90
 Smith, 11, 283, 302
 and quotation of sources, 53
 invisible hand, 8
 theory of institutions, 4
 Socrates, 312
 Sokoloff, 293
 Solow, 58
 Sotiropoulos, 121
 South Africa, 171
 South East Asia, 242
 Spain, 222
 Spencer, 10
 Sraffa, 15, 40
 Stability and Growth Pact, 76
 Stehlík, 205
 Stiglitz, 221, 231, 244, 248, 251, 323
 efficiency wages, 17
 macroeconomic failures, 16
 Stockhammer, 121
 Stockholm school, 36, 126
 Stone, 38
 Storesletten, 288
 Sturm, 80
 Summers, 226, 230, 234, 247, 277
 Svensson, 81, 207
 Swan, 41
 Swedberg, 284, 295
 Swedish Fiscal Policy Council, 201
 Swedish Riksbank, 183

- Swedish school, 58
 Sylos-Labini, 47
- Tabellini, 48, 61, 283
 Tagliacozzo, 50
 Tagore, 312
 Tancioni, 112
 Teulings, 234
 Theil, 21
 Thirion, 204
 Thompson, 239
 Tiebout, 276
 Tinbergen
 and econometrics, 19
 and the theory of economic
 policy, 21
 definition, 3
 Tirelli
 fiscal leadership, 204
 optimal inflation, 98
 Tirole, 255, 273, 274
 Torvik, 260
 Tridico, 220
 Tsangarides, 210
 Tullock, 10, 60
 Turner, 227
- Uhlig, 78
 UK, 55, 195, 213, 222, 242, 323
 UK's Office of Budget
 Responsibility, 201
 Unsal, 207
 Unterhalter, 311
 Uribe, 97, 99
 US, 171, 179, 182, 213, 222, 242,
 269, 323
- Vallés, 112
 Vandenbussche, 310
 Veblen, 296
 Velasco, 109
 Viegli, 107, 314
 Visco, 24
 Voitchovsky, 209
 Vona, 208
- Wade, 239
 Walker, 311, 312
 Wallace, 71, 78, 203
 Walras, 11
 Walsh, 203
 Weber, 180
 Weingast, 276
 Weymark, 85
 Wicksell, 6, 36, 44
 Wieland, 98, 114
 Williams, 231, 266
 Wittman, 61, 291
 Wolff, 102
 Wolman, 97
 Woodford, 78, 107, 232,
 278
 World Bank, 270
 WTO, 322
- Yared, 307
 Yellen, 124
 Ylmaz, 277
- Zeuthen, 34, 37, 47
 Zgaga, 311
 Zilibotti, 288
 Zóchowski, 187

Subject Index

- accountability, 104, 253, 260, 263,
 269, 270, 274, 277, 285, 287,
 307, 315, 317, 323
 adverse selection, 253, 257, 260, 272
 anarchy, 10, 277
 announcement, 127, 132, 146, 160,
 161, 163, 165, 177, 180, 183,
 253, 256, 261, 266, 268, 278,
 318, 320, 322
 anticipatory effect, 162
 appropriate assignment, 203
 Arrow's impossibility, 34, 59, 62, 83
 Asset (price) bubble, 102, 112, 175,
 186, 191, 208, 221, 232, 255,
 257
 asymmetric information, 33, 57, 61,
 90, 259, 272, 278

 balance of payments, 6, 18, 39, 50,
 51, 245
 Barro-Ricardo effect, 73, 75
 Basel III, 189, 190
 Bologna Declaration, 310
 Bretton Woods, 18, 52, 73, 245, 322
 BRICS, 171, 243, 249
 bubble. *see* Asset (price) bubble

 capabilities, 88, 89, 303, 311
 capture of policymakers, 60, 272,
 277, 309
 cardinal measurability
 and possibility of defining social
 preferences, 85
 ceiling on public debt, 79, 177, 195,
 196, 197

 central bank, 56, 74, 77, 92, 95, 97,
 101, 207, 248, 268
 conservative, 71, 77, 78, 80, 104,
 108, 271, 314
 independence, 70, 161, 263
 independent, 80
 instrument independence, 106,
 323
 political independence, 102, 106
 certainty equivalence, 32, 33, 137,
 157, 159, 280
 cheap talk, 146
 Chicago school, 58, 62
 closed loop rule, 152, 155, 161
 coalition
 explicit, 318
 implicit, 135, 136, 144, 318
 Coase proposition, 57, 287
 commitment, 48, 70, 80, 96, 107,
 134, 137, 148, 150, 151, 156,
 161, 179, 184, 203, 205, 261,
 269, 276, 287, 289, 319
 common good, 320, 324
 communication. *see* Forward
 guidance
 comparability of preferences, 84, 85
 and possibility of defining
 democratic social preferences,
 85
 compensation, 7
 compensation principle, 15, 63
 conflict, 80, 107, 127, 128, 129, 132,
 133, 135, 141, 144, 147, 151,
 166, 245, 261, 284, 289, 304,
 314, 317, 321, 323

Subject Index 399

- conflict and the theory of economic policy in a strategic setting, 127
 controllability, 23, 26, 41, 127, 165, 183, 267, 268, 315, 318
 and decisiveness, 136, 166, 319
 and policy neutrality, 26
 by a coalition, 145
 dynamic, 158, 159, 160, 161, 261, 266
 in a dynamic setting, 33, 152
 in a static setting, 135
 multi-period, 158
 of the system as a whole, 140
 static, 26, 157, 159, 261
 core, 34, 35, 48

 decisiveness, 137, 144
 deflation
 bias, 119
 democracy, 251, 276, 293, 305, 307
 and accountability, 274, 307
 and capabilities, 303
 and conflicts, 289
 and decentralisation, 276
 and education, 305, 309
 and equality, 291, 292, 293
 and inequalities, 304
 and inequality, 304, 307
 and interest groups, 307
 as public reason, 304, 305
 concept of, 289
 direct, 274, 278
 representative, 278
 dictatorship. *see* Democracy
 divine coincidence, 98
 reverse, 111
 Doha Round, 250

 ECB, 69, 81, 119, 175, 229
 and announcements, 262, 322
 and forward guidance, 183
 and negative interest rates, 178
 and ZLB, 283
 conservative nature, 119
 conservativeness, 270
 target, 69, 77, 81, 229
 economic policy as a discipline, 3, 4, 8, 35
 core, 3, 34, 35
 first pillar, 11
 logic, 5, 6, 11, 50, 52, 59, 90, 127, 296
 second pillar, 24
 ecostructure, 296, 315, 316
 education, 9, 199
 and critical learning, 312
 and democracy, 305, 309
 and ‘distorted’ voter preferences, 289
 and growth, 230
 and inequality, 208, 220, 224
 and social cohesion, 324
 and vested interests, 324
 as a capability, 88
 goals of, 310
 efficiency
 and decentralisation, 275
 and direct controls, 225
 and distribution, 7, 16, 65, 225
 and institutions, 40, 324
 and market failures, 225
 of public sector, 233, 270
 electoral system, 61
 emerging market economies. *see* LDCs
 EMU, 76, 77, 78, 80, 82, 255
 and central bank independence, 103
 and financial markets, 255, 256
 and incentives, 260
 ‘fiscal compact’, 177
 institutions, 119, 257, 270
 environmental protection, 250, 296
 equilibrium
 uniqueness, 28
 equilibrium
 babbling, 149
 commitment, 137
 discretionary, 130, 138
 existence, 126, 135, 136, 138, 139, 140, 144, 146
 features, 135, 136
 features of, 138, 140
 multiple, 161
 multiplicity, 113, 126, 135, 146, 149
 uniqueness, 27, 126, 142, 255, 317
 equity, 16, 65, 208, 221, 312, 324
 ethical individualism, 85, 87
 Euro-area, 181, *see* EMU
 expansionary austerity, 76, 282

400 Subject Index

- expectations, 32, 40
 - adaptive, 69
- fairness, 84, 208, 250
- Federal Reserve, 69, 124, 179, 183, 262
- federalism, 199, 200, 275
- financial market liberalization, 174
- financial regulation. *see* Macroprudential policy, Microprudential regulation
- financial stability, 108, 186, 207, 244
- fiscal consolidation, 75, 76, 111, 113, 115, 122, 174, 229, 234, 248
- fiscal coordination, 72, 77, 78, 204
- fiscal council, 81, 202
- fiscal councils, 200
- fiscal policy, 91, 107, 191
 - and financial stability policy, 108
 - and monetary policy, 104, 107, 108, 113, 160, 177, 185, 192, 202, 233, 314
 - and public debt, 176
 - automatic stabilizers, 119, 197
 - constraints to, 283
 - deficit bias, 194
 - discretionary, 197
 - effectiveness, 111, 112
 - in the EMU, 119
 - instruments, 192
 - international coordination, 204
 - New View, 116
 - Old View, 204
- forward guidance, 163, 183, 232, 278, 279
 - and policy controllability, 279
 - and signals, 262
 - and transparency, 266
- forward-looking expectations. *see* REs
- freedom
 - as a capability, 89
 - of speech, 88, 306
 - opportunity, 306, 309
 - process, 306, 309
- Friedman rule, 70, 96, 97
- full employment, 18, 39, 41, 185
- functionings, 87, 88, 306
- game
 - and decisiveness, 144
 - and incentives, 90
 - and REs, 127, 133, 164
 - announcement, 146, 149
 - common interest, 140, 142, 143, 318, 321
 - cooperative, 132
 - coordination, 147
 - fully shared preferences, 140
 - multiple equilibria, 147
 - N* person, 143
 - Nash, 139, 149, 157, 160
 - non-cooperative, 134
 - n*-player, 140
 - policy game definition, 129
 - Stackelberg, 133, 137, 139
 - two player, 148
 - two-player, 136
- globalization
 - and inequality, 221
 - and policy effectiveness, 73
 - and transmission of recession, 174
 - and world economy's blocs, 242
 - data, 235
 - implications, 235
 - opportunities, 236
 - policies to deal with, 243
 - risks, 239
- gold standard, 119
- golden rule
 - for the budget, 193, 194, 195, 196
 - of economic policy, 158, 160, 177
- Goodhart's law, 190
- government failures, 49, 283
 - and 'positive' economic policy, 52
 - and Arrow's impossibility, 59
 - and policy effectiveness, 59
 - and political economy, 60
- Great Moderation, 112
- Great Recession, 112
 - and employment, 223
 - and inequality, 213
 - and stagnation, 227
- effects, 124, 203
- helicopter money, 177, 179, 185, 203, 233
- home
 - bias, 9, 76, 255

Subject Index 401

- human development indicators, 88
- hysteresis
 - effects of the Great Recession, 227
 - of theories, 44, 45, 127
- IMF
 - and capital market liberalisation, 73
 - and capital market liberalization, 248
 - and fiscal consolidation, 248
 - and Fiscal Councils, 81
 - as a coordinating institution, 322
 - floating exchange rates, 244
 - immigration, 214, 221, 248, 317
 - implementation theory, 12, 90, 126, 164
 - incentive problem. *see also* Asymmetric information
 - incentives
 - and constraints, 270
 - and fiscal policy, 225
 - and inequality, 209
 - and institutions, 90, 109, 194, 293
 - and punishments, 270, 273
 - and signals, 253, 254
 - for policymakers, 80, 270
 - for private agents, 253
 - institutions and incentives, 90
 - to asset bubbles, 233
 - to private agents, 199
 - incomes policy, 42, 117
 - inequality, 300
 - and democracy, 292, 311
 - and globalisation, 248
 - and globalization, 239
 - and inflation, 100
 - and 'primary' social goods, 300
 - and stagnation, 229
 - and vested interests, 290
 - causes, 214
 - effects, 208
 - measurement, 211
 - policies, 108, 223
 - inflation, 113
 - and conservative central bank, 108
 - and fiscal policy, 78, 113
 - and independence of central bank, 102
 - and monetary policy, 80
 - and Phillips curve, 69
 - and recession, 174
 - and transparency, 265
 - as a macroeconomic failure, 17
 - bias, 77, 104, 107
 - in a monetary union, 78
 - in the EMU, 270
 - optimal rate, 97, 126, 231, 232
 - Phillips curve, 93
 - target, 101, 268
 - targeting, 70
 - tax, 98
 - institutions, 324
 - and accountability of policymakers, 287
 - and conflicts, 304
 - and democracy, 84, 178, 281, 306
 - and democratic government, 324
 - and economic policy, 59
 - and economic policy as a discipline, 295
 - and effectiveness of policy action, 313
 - and EMU, 119, 257
 - and incentives, 109, 199, 257, 270, 272
 - and policy effectiveness, 324
 - and social choice, 298
 - and the theory of economic policy, 165, 315
 - and value judgments, 297
 - definition, 295
 - effects, 210
 - financial, 188, 191
 - in the EMU, 181
 - international, 18, 182, 191, 235, 270
 - optimal, 202
 - realization-focused, 299
 - theory of, 4
 - transcendental-focused, 299
 - unifying role for economic policy, 296
 - instrument costs, 28, 33, 143, 159
 - instruments, 25
 - existence, 26
 - intrinsic value, 22
 - number of, 135
 - uniqueness, 28
 - interest groups, 43, 60, 251, 277, 285, 286, 288, 312, 323, 324

402 Subject Index

- interest groups (cont.)
 - and democracy, 308, 324
 - and education, 324
- International Competition Network, 250
- invisible hand, 4, 5, 8
- knowledge-sharing, 278
- LDCs, 104, 170, 181, 251, 292
- learning, 53, 278, 312
- learning by doing, 310
- Leviathan, 106
- Lisbon Strategy, 310
- lobby. *see* Interest groups
- loss function, 21, 22, 27
 - and constraint, 138
 - and inflation, 108
 - linear quadratic, 148
 - linear-quadratic, 139
- Lucas critique, 125, 126, 261
 - and policy effectiveness, 127
 - and strategic environment, 129, 132
 - as a vital critique to the theory of economic policy, 62
 - overcoming of, 131
- Macroeconomic Imbalance Procedure, 119
- macroprudential instruments, 178
- macroprudential policy
 - at the EMU level, 208
 - definition, 187
 - discretionary or rule based, 188
 - effectiveness, 190
 - implementation, 189
 - instruments, 186
 - international coordination, 191
 - objectives, 188
 - tools, 188, 189
- magic square, 18, 38
- market failures
 - and democracy, 60
 - and government failures, 61, 63, 313
 - and the theory of economic policy, 20, 33, 34
 - as a precondition for economic policy as a discipline, 57
 - macroeconomic, 5, 7, 17, 36
 - microeconomic, 5, 33
- Marshall plan, 18, 19
- measurability of preferences
 - cardinal, 84
 - ordinal, 84
- micro prudential regulation, 187
 - and systemic risk, 188
- minimal state, 10, 301, 322
- mobility
 - of capital, 214, 221, 245, 248, 277
 - of goods, 214, 221
 - of persons, 214, 248, 255
- model sharing, 280
- monetary policy
 - and macroprudential policy, 202
- monetary policies
 - international coordination, 204
- monetary policy
 - conventional, 176
 - Old View, 204
 - unconventional, 178, 179, *see also* forward guidance, quantitative easing, helicopter money
- money multiplier, 179
- moral hazard, 253, 257
 - and signals, 259
- multiplier, 16, 25, 145
 - and Lucas critique, 126
 - changing value, 111
 - changing value of, 157
 - in open economies, 76, 118, 206, 247
 - in the EMU, 77, 119
 - low value, 71, 73
- Nash equilibrium, 130, 137
 - feedback, 160
- new welfare economics, 14, 47, 50
- night-watchman state, 5, 8
- non-profit, 285, 316
- n*-th country problem, 141
- number of instruments
 - and dynamic controllability, 159
 - and golden rule of economic policy, 135, 158, 261
 - and rules, 316
- number of policy instruments, 176

Subject Index 403

- number of targets and instruments.
see controllability, static,
 controllability, dynamic
- objectives. *see* targets
- open loop Nash solution, 157
- open loop rule, 155
- operation twist, 179
- optimal inflation rate, 97, 126
- ordoliberalism, 38
- Pareto optimality, 16, 87, 149, 151,
 161, 205, 320
- Pareto principle, 15, 63, 84
- Paris Agreement on environment,
 250
- pillars of economic policy, 3, 17
 and institutions, 287, 297
 birth, 35
 critiques, 55
 links, 33
 re-establishing, 83, 125
- plan, 21, 40, 282
 definition, 22
 types, 39
- policy
 design, 26, 28
 direct controls, 225, 256
 distortionary, 74, 98, 271
 effectiveness, 25, 59, 73, 82, 127,
 139, 146, 165, 253, 269, 276,
 278, 324
 neutrality, 25, 29, 71, 134, 135,
 138, 139, 140, 165, 267
 rule, 78, 82, 90, 91, 96, 114, 130,
 137, 155, 156, 163, 164, 270,
 278, 320
- polymakers
 and incentives, 257
 and signals, 254
 and values, 297
 constraints and incentives, 270
 incentives, 253
 opportunism, 253
- political economics. *see* political
 economy
- political economy, 59, 61, 70, 72, 79,
 125, 253, 281, 283, 293, 313
 radical, 284, 288
- primary goods, 301
- public choice, 67, 79, 276
- public debt, 61, 74, 201
 and growth, 73, 79, 111
 and inflation, 100, 233
 limits, 196
 limits to, 72, 176, 192, 195, 270
 restructuring, 234
- public deficit, 72
 limits to, 78, 177, 194, 230, 257,
 270
- public finance, 6, 35, 296
- public good, 12, 61, 244
 decentralised provision, 276
 efficient provision, 112
 global, 244
 in Adam Smith, 9
 overprovision, 61
 theory of, 6
- public reasoning, 309
- QE. *see* quantitative easing
- quantitative easing, 179
 effects, 179, 181
 international spillovers, 181, 183
 types, 179
- rational expectations. *see* REs
- rational ignorance, 61
- Real Business Cycle, 74
- reduced form, 25, 153, 162
- reputation, 48, 71, 134, 270
- REs, 68, 71, 93, 127, 129, 130, 132,
 133, 143, 157, 161, 164, 279
 and asymmetric information,
 278
 and controllability, 162
 and learning, 278
 and Lucas critique, 62
 and stabilisability, 163
 controllability, 162, 262, 265
- RMB, 249
- Schengen area, 248
- secular stagnation, 226, 235
 causes, 227, 229, 231
 policies, 177, 234
 tendency to, 119
- structural form, 24
- structural policy, 124
- surprise effect, 91, 92, 264
- systemic risk, 177, *see* macropru-
 dential policy

404 Subject Index

- target
 - fixed, 21, 24, 29, 30, 133, 153, 155
 - flexible, 20, 21, 27, 31, 133
 - value, 26, 31, 32, 133, 139, 140, 149, 153, 159, 160, 245, 251, 266, 279, 317
- tax haven, 247, 250
- tax standard, 250
- theory of economic policy as a discipline
 - second pillar, 20
- theory of justice, 83, 298, 302, 303, 313
- time inconsistency, 69, 71, 77, 79, 80, 91, 104, 106, 134, 148, 161, 163, 165, 203, 205, 261
- time lags, 113, 197
- transparency, 103, 225, 250
 - and accountability, 275, 323
 - and forward guidance, 266
 - and monetary policy, 263
 - and policy decentralisation, 315
 - and policy effectiveness, 262
 - and signals, 262
- trickle-down, 238
- Triffin dilemma, 245
- tyranny of the status quo, 15

- ultra-rationality, 72
- uncertainty, 32, 39
 - additive, 32
 - and announcements, 151
 - and learning, 278
 - and REs, 278
 - and transparency, 265
 - multiplicative, 32, 33
- unemployment
 - as a macroeconomic market failure, 16
 - as a macroeconomic target, 18
 - market rate, 69, 72
 - natural rate, 69, 72, 79, 94
- Universal Declaration of Human Rights, 310
- utopia, 294, 313, 316

- vested interests. *see* interest group
- voting
 - and strategic signals, 284
 - procedure, 64, 65, 67, 84, 298, 303, 308
 - with their feet, 276

- Washington Consensus, 124, 244, 270
- welfarism, 86
- we-rationality*, 10
- World Bank, 8, 88, 270
- world governance, 235, 252
- WTO, 250, 322

- ZLB, 100, 113, 176, 177, 178, 184, 185, 192, 199, 203, 204, 231, 233, 266, 283