

# Exchange rates and the macroeconomy in an era of global financial crises, with special reference to Australia

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**Peter Kriesler, J W Nevile and  
G C Harcourt**

The University of New South Wales, Australia

## Abstract

Unless the global financial system is radically reformed – and the necessary reforms are looking increasingly unlikely to occur – it will continue to be conducive to financial crises. Government rhetoric and actions can often influence in desirable ways both the speculative actions that now determine the exchange rate and the effect of exchange rate movements on the domestic economy. Managing the exchange rate should start with Australian support for measures such as the Tobin tax that dampen speculation. In 2008 and 2009, exchange rate changes were helpful in reducing the impact of the global financial crisis on Australia, largely because of a very clear commitment by the Australian government to make preservation of jobs its top priority. In 2009, a rapid rise in the exchange rate was unhelpful. In the short run, little can be done about this, but in the longer run, it is possible to offset the adverse effects.

**JEL Codes:** E44, E60, F30, F41

## Keywords

Exchange rates, global financial system, macroeconomic policy, speculation, Tobin tax

## Introduction

Macroeconomic policymakers did not learn nearly enough from the global financial crisis (GFC). In many Organisation for Economic Co-operation and Development (OECD)

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### Corresponding author:

Peter Kriesler, School of Economics, The University of New South Wales, Sydney, NSW 2052, Australia.

Email: [p.kriesler@unsw.edu.au](mailto:p.kriesler@unsw.edu.au)

countries, their actions have shown that the most important lessons have not been grasped. This is especially true in the largest countries. Since these have the biggest effect on the global economy, the prospects for the world are not rosy. The international financial system in its present form is both conducive to GFCs and accentuates the effects if such crises are triggered by other factors. In the United States and the United Kingdom, a mixture of ideology about the relative roles of the private market sector and the government in longer run and short-run domestic political rhetoric has undermined any chance of appropriate reform. The Eurozone, which must be regarded as a single economic policy area, is in an even worse position given the restrictions on monetary and fiscal policy laid down in the Maastricht Treaty and associated agreements. In the following section, this article sets out the types of radical reforms the authors consider necessary and evaluates the arguments for and against such reforms. This section concludes that without such reforms, the first quarter of the 21st century will be an era of GFCs and that such reforms are indeed a forlorn hope.

One reform to the international financial system that has very widespread support among economists is to impose a very small tax on turnover in foreign exchange markets, the so-called Tobin tax. This would impose a small cost on sales of foreign exchange to finance transactions but a large cost on speculators who trade in large amounts every day. The Tobin tax and more are discussed in section 'Sand in the gears: The Tobin tax and more'.

During the GFC, output and employment levels fell. Australia's Federal Government and the (independent) Reserve Bank of Australia (RBA) each expressed strong commitments to try to restore both output and employment. Their policy responses were, respectively, fiscal expansion and monetary loosening. The influence of both these actions on expectations as well as on interest rates caused a depreciation of the Australian dollar, which helped mitigate some of the impact of the crisis on the tradables sector. This is discussed in section '2008 and 2009 – Making speculators work for you'.

The strength of the mining sector has led many to worry about the 'Gregory effect' (also known as the 'Dutch disease'). This is a situation where strong exports from the mining sector lead to an appreciation of the Australian dollar, which, in turn, causes a reduction in manufacturing competitiveness and hence output and in employment generally through the economy. The Gregory effect works mainly through appreciations in the exchange rate. Much of this effect is caused by policy interventions aimed at preventing inflation due to the expansion of the mining sector. However, in section 'Adverse exchange rate movements: Avoiding unnecessary interest rate rises and finessing the Gregory effect', we argue that inflation should not be as important a policy target as is unemployment. In any case, the evidence suggests that there is no trade-off between unemployment levels and inflation until the economy approaches full employment and full capacity.

It is important here to pause to look at the theory of exchange rate determination, since it is desirable to have a theoretical structure underlying discussions of policy formulation.<sup>1</sup> Speculative demand is the dominant consideration in a world in which financial markets have led the growth of globalisation. In the case of Australia, in 2004, a ballpark figure of the ratio of total annual foreign exchange transactions in Australian dollars to exports plus imports was about 115, that is, 11,500% (Neville and Kriesler, 2008: 318). Using the same method, a similar figure for the world could be calculated for

as recent a year as 2010.<sup>2</sup> At the whole world level, the procedure is much more unreliable, but any plausible estimate is larger than the figure calculated for Australia.

Speculators will have some idea of what they expect the value of the exchange rate to be or at least in which direction they expect it to move. Some economists believe that this expectation is based on 'economic fundamentals', which are then seen as playing a key role in the determination of exchange rates through their influence on expectations. However, this need not be the case. Harvey (2001) and Taylor (2004) both question the existence of any such fundamentals, suggesting that in fact, they represent nothing more than an *ex post* justification for actual movements, having no independent existence and, therefore, explanatory power. As Taylor (2004: 307) argues, 'For all practical purposes fundamentals do not exist – except when market participants convince themselves that one or another of the many candidates truly matter'.

Exactly as in the case of the Keynesian determination of the interest rate, where the rate of interest is determined by convention and by beliefs, rather than being anchored to any real factors, so too with exchange rates. Thus, 'exchange rates are determined not by so-called market fundamentals, but rather by investors' expectations and conventions as they interact in cross-border forward markets for exchange rates and other asset prices' (Taylor, 2004: 347).

In normal times, we have Keynes' view that people rely on the convention that the future will be like the past. This convention will tend to anchor the exchange rate at its current level and provide some stability to the system. However, we argue that because the present period is subject to periodic financial crises, no such anchor is available. The heterodox literature on uncertainty and the determination of expectations in a world of imperfect information will take a central role in the explanation of exchange rates. Harvey (1999) highlights the importance of bandwagon and cash-in effects. The important feature for speculators is not their own beliefs as to likely movements in exchange rates, but, rather, like Keynes' beauty contest, what they believe about the beliefs of other speculators. However, since the major speculators are all professionals in the finance industry with similar education, training and cultural background, the 'herd' effect is likely to be strong (Harcourt and Kriesler, 2011).<sup>3</sup>

Moreover, the case for the floating exchange rates regime in which we now live is that there is, 'out there', a set of stable, long-period equilibrium exchange rates, which a float under competitive conditions will establish and sustain. Furthermore, speculators are systemically beneficial as, with their expert knowledge, they facilitate and hasten the process of economies' exchange rates achieving and staying at their equilibrium values. However, if, as heterodox economists argue, foreign exchange markets and, indeed, whole economic systems, are characterised by cumulative causation processes (either virtuous or vicious) and fundamental uncertainty, the observed volatility of these regimes and the systemically harmful behaviour of speculators are only to be expected and have, in fact, been experienced (Harcourt and Kriesler, 2011).

## Radical reform: A forlorn hope

We argue that radical reform is needed to escape from an era of financial crises. In particular, the almost complete deregulation of the international financial system in the

Western world must be reversed. Arguments in support of this necessity to reverse the deregulation of the international financial system can be made at various levels. They can range from informed judgements about current institutions and practices to the construction of complex theories about how a capitalist economy works and its implications for the international financial system, and then an evaluation of the evidence supporting such theories.

The first approach is not atheoretical. Rather it needs to be informed by a theoretical system. This must ultimately rest upon a model of capitalism such as those discussed in the second approach. However, a much simpler model will suffice based on noting both the low level of regulation in the international financial sector and the intense pursuit of profits (some would say excessive greed) in that sector and then considering the likely effects of this combination. The conclusion is that emphasis on free markets at any cost, which became the mantra of highly paid participants in the finance sector, was both self-serving and bad economics.

In 2000, a Special Session of the United Nations (UN) reviewed and appraised the implementation of the commitments and programme adopted by the World Summit for Social Development. As part of the preparation for the meeting, 30 experts from around the world were invited to speak at a UN seminar on how the values underlying social development and those of the market economy fit together. One of the authors of this article (J.W.N.) attended and predicted that the lack of regulation in the global financial system, together with the belief that the market itself was better able than any intervention by government to cure problems as they arose, was a recipe for a severe crisis in the whole world economy. The seminar as a whole agreed with this prediction and indeed went further. Reversal of deregulation was considered essential for a healthy society, not just a healthy economy. As one participant put it 'When the logic of market transactions invades most spheres of social life, everything becomes a commodity and ultimately nothing is worthy of respect' (UN, 2000: 9). Although this perspective was not debated owing to lack of time, the seminar made a number of recommendations about international economic institutions. These included 'increasing regulations particularly to hinder deliberately destabilising speculation by hedge funds and others ... [and] putting more of the costs of international financial crises on international lenders' (UN, 2000: 14). If these or even less radical suggestions are ignored, and the belief that the international financial sector needs to be subject to no constraints beyond those imposed by the market again holds sway, the world economy will remain in an era of financial crises.

This conclusion is reinforced when more complex analyses are examined and evaluated. The precipitating factor in the 2007 downturn is widely accepted. Financial crises are often precipitated by banks reassessing their liabilities and requiring repayment of large loans. Businesses, in order to meet those demands, start selling assets, reducing their prices. This leads to re-evaluation of the balance sheets of companies, with many more being driven into serious debt problems, leading to further sales of assets and to significant asset price falls (Minsky, 1985).

The current crisis followed the same basic pattern with two important differences. First, households, as well as firms, went into significant debt, and second, there was the role of so-called toxic assets, in particular those associated with subprime mortgages. The role of credit-rating agencies exacerbated the second factor. The new and very complex

instruments were given triple A ratings, although, in fact, they were anything but triple A. When it became apparent that, contrary to the credit-rating agencies' statements, the assets held by many enterprises were in fact worth substantially less than their current valuations and that many financial institutions were heavily exposed to such assets, the whole house of cards came tumbling down (Kriesler and Nevile, 2009).

A conclusion on what precipitates a crisis does not answer the question about why crises occur. This requires analysis of the nature of a capitalist economy. We will look at two competing theories: the first, Keynesian, and the second, the efficient market hypothesis. The Keynesian theory is *The General Theory* itself updated to take account of the changes in institutions and knowledge that have occurred since 1936. As the resulting theory is well known, we will not attempt to spell it out in detail but just summarise two features that are the hallmarks of Keynesian economics.

The first feature is that Keynesian economics is a macroeconomics in which the level of output and income are determined by effective demand. The second is that we cannot reach a useful macroeconomics by building on microeconomic foundations. This is more than an aggregation problem, severe though that problem is, because a belief in the fallacy of composition is fundamental to macroeconomics.

While Keynesian theory has developed considerably since *The General Theory*, in that book, Keynes put his finger on the issue, which in the context of this article is decisive in choosing between the two theories. This is whether there is an adequate explanation of 'the crisis – the fact that the substitution of a downward for an upward tendency [the upper turning point in a trade cycle] often takes place suddenly and violently whereas there is no such sharp turning point when an upward is substituted for a downward tendency' (Keynes, 1936: 314, italics in the original). Keynesians do have a convincing theory of the existence of crises, whereas, as we shall see, the efficient market hypothesis cannot give any explanation. Moreover, Keynes' own explanation of what occurs could have been written as a description of the events of 2007–2008. For Keynes (1936),

It is the nature of organized investment markets, under the influence of purchasers largely ignorant of what they are buying and of speculators who are more concerned with forecasting the next shift of market sentiment than with a reasonable estimate of the future yield of capital-assets, that, when disillusion falls upon an over-optimistic and over-bought market, it should fall with sudden and even catastrophic force. (pp. 315–316)

The efficient market hypothesis may be less well known and a brief exposition follows.<sup>4</sup> There are three forms of the theory. One, known as the weak form, is that prices in financial markets follow a 'random walk' in the very short run. In less technical language, this means that on average, the best prediction of tomorrow's (or perhaps next minute's) price is the current price. It is widely accepted that this holds in normal times, but, as we have seen, it can be overwhelmed by the herd instinct in times that are anything but normal.

The more stringent, or stronger, version applies the same idea more widely. If traders know all the publicly available information about the likely future earnings of companies, they will take this information into account when buying or selling on the stock exchange. Therefore, the prices at which they trade will be the best judgment about the future values of the stocks traded. A 'Chicago School' economist and noted

finance theorist, Eugene Fama, went one step further and argued that the prices of stocks incorporate all information known to traders even if some is not known to the public (Quiggin, 2010: ch. 2).

If either of these more stringent forms of the hypothesis is correct, crises could only occur in very unusual circumstances in which the information known to traders changed substantially and dramatically.<sup>5</sup> The dotcom bubble of the later part of the 1990s was only the most convincing of a number of demonstrations that crises could and did occur where these conditions were not present (Quiggin 2010: ch. 2). The continuing defence of the strong version of the efficient market hypothesis by Fama and others is a triumph of ideology over decades, or rather centuries, of experience.

### **Sand in the gears: The Tobin tax and more**

In *The General Theory*, Keynes (1936) suggested that a substantial transfer tax on securities transactions could reduce speculation in financial markets (pp. 104–105). In 1972, Tobin proposed a tax on foreign exchange transactions. The proposal did not attract much interest for many years, but the UN Human Development report for 1994 took up the idea and included a contribution from Tobin explaining it and suggesting a tax of 0.5%, with the proceeds used to finance development (Langmore, 2010). The UN organised a conference on the issue in 1995 and the papers presented at this conference were published in the book by Mahbub ul Haq et al. (1996).

The Tobin tax proposal was raised again during the Special Session of the UN General Assembly on Social Development in June 2000. Canada proposed a study of the proposal. Owing to opposition, especially from the United States, where Republicans were fiercely opposed to a Tobin tax, a compromise was reached, based on agreement to a study of ‘innovative sources of funding for development’ (Langmore, 2010). The eminent British economist, Sir Anthony Atkinson (Tony to his friends), agreed to lead the project, which was carried out at the UN University’s World Institute for Development Studies. The results were published in the book by Atkinson (2004).

With the GFC, support for a Tobin tax blossomed in European countries. Taxpayers had financed expensive bailouts of banks, fuelling demands for taxes on financial institutions. In August 2009, the then British Prime Minister, Gordon Brown, adopted, in principle, a proposal from his most senior financial regulator to tax all financial transactions, not just those on foreign exchange markets. He presented this proposal for a financial transactions tax (FTT) to the Group of 20 (G20) meeting in November 2009. This attracted interest among other European governments as a means of reducing the activities of the financial sector, thought to have grown larger than its useful size, as well as of reducing speculative activities and raising revenue – although the more successful the FTT, the smaller the revenue raised. In June 2011, the European Commission announced plans to introduce an FTT (Langmore, 2011). President Sarkozy and Chancellor Merkel advocated adoption of an FTT at the meeting of the G20 in Paris in November. The most recent Working Paper from the International Monetary Fund (IMF) on the subject, which assesses the administrative feasibility of an FTT, concludes that ‘In principle, an FTT is no more difficult and, in some respects easier, to administer than other taxes’ (Brondolo, 2011: 5).



Many years ago, one of the authors (G.C.H.), in complete ignorance of the existence of the literature on the Tobin tax, published an article in the *Economic and Political Weekly* (EPW), which he was later informed was a generalisation of the Tobin tax (see Harcourt, 1994; 1995). As we noted earlier, the traditional case for speculation was that it reduced the amplitude of fluctuations in prices and helped markets reach their equilibrium levels more quickly than otherwise would have been the case. If, however, we have to deal with cumulative causation processes, either virtuous or vicious, there will be no equilibrium 'out there' waiting to be found. We have already mentioned that the market for foreign exchange is dominated by speculative forces. Moreover, recent technical progress has reduced the short period to a length of historical time, which is probably even shorter than the corresponding length of Marshall's market day.

Now, these phenomena are spread, if not worldwide, at least over most of the developed world, so we need to think about international agreements through which to tackle their effects, as well as attempting to reintroduce controls, for example, on international capital flows, even though the ideological climate and recent technological advances make this unrealistic. There is a lot to be said for getting agreements on some 'Marshallian–Pigovian' carrot-and-stick measures, that is to say, while not directly stopping anyone from doing anything, yet indirectly giving them incentives radically to change their behaviour.

If we want exchange rates to reflect real economic forces – trading prospects and real investment opportunities – we need greatly to reduce speculation and thereby its effects on the determination of exchange rates in both the short and the longer terms. Neither in the short term nor on average over longer periods, do exchange rates at the moment reflect these economic activities. This is especially so if we accept that there is no underlying set of long-term equilibrium exchange rates, reflecting a long-term equilibrium of an interrelated system, but, rather, changing structures that reflect the appreciation and depreciation of individual rates because of the underlying differences in the growth rates of productivity and national products.

One way of tackling speculation and its effects is through the taxation systems of the various countries. The taxation authorities would require that the turnovers of the foreign exchange dealers who pay tax in their countries be classified into three broad categories: foreign exchange bought and sold for purposes of trade (and consumption, e.g. tourism) or for long-term investment either in securities or directly. (Insofar as the traders were concerned with the sale or purchase of commodities, spot or future, a case would have to be made by the taxpayers that these were to help production, or that they were legitimate sales, rather than for speculation.) This would leave a residual third category that would be mainly accounted for by speculative activities. Then, the proportions of each category in total turnovers would be used to assess the total taxation paid on the profits of the dealers. There would be a much higher rate for the third category than for the first two, so that the larger the amount of speculation that was financed by foreign exchange purchases or sales, the greater would be the taxation on the profits of the dealers.

Similarly, the purchasers or sellers for whom the dealers were acting would have their business or private incomes taxed at different rates according to the categories into which their transactions fitted. For companies, a higher rate of taxation would be levied in

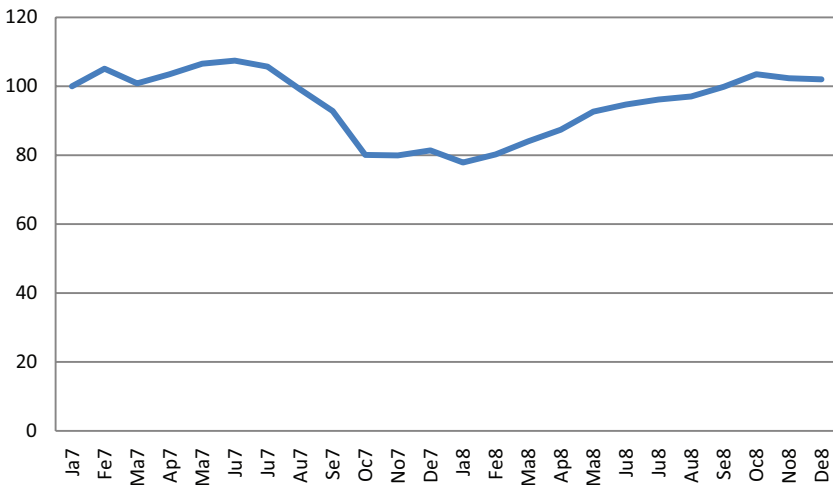
relation to their speculative purchases or sales. For individuals, a surtax on their income tax would be levied, according to the extent of their speculative activities.

We still think that there is merit in raising the ideas again, even though we doubt that they would be taken on board in Australia's current present political climate. Given the unlikelihood of the adoption of a Tobin tax in the near future, however, the next section considers ways in which the current exchange rate system can contribute to improvements in the domestic employment situation.

## 2008 and 2009 – Making speculators work for you

As the foreign exchange rate directly affects the prices of exports and imports, it therefore affects the price of all goods and services that either use imports as inputs or compete with imports and exports. From the point of view of employment, it is particularly export industries and import-competing industries that are important, although importers also employ people in Australia. Employment in actual or potential export and import-competing industries (usually called 'tradables') is about two-thirds of total employment.

In Australia, the GFC caused a substantial rise in unemployment rates, from 4.0% in February 2008 to 5.9% in August 2009. Growth in gross domestic product (GDP) fell substantially over the same period. As shown in Figure 1, in the same period, there was a significant fall in the value of the Australian dollar. The Rudd Government, elected in November 2007, made very clear its commitment to using fiscal and other policies to minimise the effects of the GFC on employment. Furthermore, the Reserve Bank made a series of cuts in interest rates. Australian interest rates probably would have fallen in any case because of the effect of the GFC on commodity prices, but these strong policy moves reinforced the view that the Australian dollar would fall and speculators acted



**Figure 1.** Exchange rate – Australian dollar/TWI (real).

Source: Calculated from data in the Reserve Bank of Australia (various years) *Bulletin*.  
TWI: trade weighted index.



accordingly. The resulting sharp fall in the value of the Australian dollar helped moderate the effects of the crisis in the tradables sector of the Australian economy.

### **Adverse exchange rate movements: Avoiding unnecessary interest rate rises and finessing the Gregory effect**

Over the last 25 years, as the importance of the financial sector has grown, there has been more emphasis on keeping inflation low compared to keeping unemployment low. Given orthodox economic theory, this has resulted in an upward bias to interest rates with resulting impacts on the exchange rate. The Reserve Bank has explicitly adopted a form of inflation targeting, where interest rate settings are closely linked to expected inflation. This has led to higher interest rates, which have tended to lead to a more highly valued Australian dollar. In a speech to the National Press Club, just before his retirement as Governor of the RBA, Bernie Fraser said that monetary policy was becoming the hostage of influential financial markets with a vested interest in making the Reserve Bank give greater weight to inflation than employment. In Australia and many other countries, governments have defended a concentration on keeping inflation at a very low rate with the claim that high rates of inflation adversely affect longer run growth in output and employment. There is no doubt that this is true for very high rates of inflation, but there is substantial evidence that it is not the case when the rate of inflation is below, say, 10%. For example, in a study of the experience of more than 100 countries over 30 years, Barro (1996) found that there was evidence of

causation from higher long-term inflation to reduced growth and investment [but immediately commented that] it should be stressed that the clear evidence for the adverse effects of inflation comes from the experience of high inflation. (p. 168)

The general tenor of Barro's article suggests that he had inflation rates above 20% a year in mind when he used the term 'high'.

Many media commentators and some academics have countered the argument for a reduction in the priority given to fighting inflation with the claim that such a reduction runs the risk of making inflation harder to contain, whereas pre-emptive interest rate rises add credibility to policy, which, in turn, lessens the risk of an increase in inflation. This is true but the argument is completely symmetrical with respect to unemployment. Pre-emptive increases in policy to expand employment equally lessen the risk of an increase in unemployment.

In any case, there is serious doubt about the association of higher employment levels with inflation, at least at levels of capacity utilisation below full capacity of the labour force or of the capital stock. Most contemporary arguments about the dangers of inflation associated with low levels of unemployment rest on the foundations of economic theory based on the non-accelerating inflation rate of unemployment (NAIRU). However, work by heterodox economists has questioned the basis of this theory and has argued that reasonably low levels of unemployment are possible with few, if any, inflationary implications.<sup>6</sup> In this case, inflation only becomes a potential cost of reducing unemployment at low levels of unemployment, and other policies, such as income policies, may further alleviate the problem.

These findings have been replicated in more conventional economic research by the Federal Reserve of New York (Peach et al., 2011). Their results support the idea of a ‘threshold Phillips Curve’, where the Phillips curve ‘relationship is relevant only when conditions in the economy are either extremely slack or extremely tight’ (p. 6). They do not, however, suggest theoretical explanations for this relationship. Nevertheless, they provide additional support for the idea that over large ranges of output associated with the normal operations of the economy, there is no relationship between unemployment levels and inflation. In other words, policies to reduce unemployment, especially when the latter is at high levels, will not be associated with increases in inflation until the unemployment rate is quite low.<sup>7</sup>

In the light of these arguments, policy aimed at keeping unemployment at or above NAIRU in order to avoid inflationary consequences is misguided. In particular, the higher interest rates associated with tight monetary policy, with resulting higher values of the Australian dollar, impose unnecessary costs on the economy.

## Conclusion

The article contains several recommendations to reduce the constraint that today’s globally integrated financial sector imposes on the ability of national governments to promote the health of their own economies. Probably, the easiest of these to achieve would be the financial institutions tax discussed in section ‘Sand in the gears: the Tobin tax and more’. However, the time and energy spent on a political campaign to achieve this might be better spent on changing the world view that provides the foundations for today’s global financial industry and much in our domestic economy as well. At various places in this article, we have identified three major problems: the emphasis in policy-making on maintaining a stable rate of inflation rather than reducing unemployment, the lack of recognition of cumulative causation processes and the belief that a largely unregulated market will not produce systemic risk in an exchange rate dominated by speculation. These beliefs are all aspects of the market liberalism, which Milton Friedman advocated so successfully and which is espoused by so many in the economics profession. Perhaps, the last word should be given to someone looking at the situation from the outside. Rowan Williams (2010), who was then the Archbishop of Canterbury, has remarked that ‘the temptation is to drift towards the default system of modern liberal capitalism ... this would be monumentally irresponsible; as immoral as it is unintelligent’ (p. x).

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## Notes

1. We do not consider the neoclassical approaches to exchange rate determination. They are well criticised in Taylor (2004: ch. 10) and Harvey (2009: ch. 2).
2. The key source of data is the Bank for International Settlements (various years) *Triennial Central Bank Survey* on global foreign exchange market activity.

3. An anonymous referee has pointed out that these effects are reinforced by automated trading technology and so-called ‘technical’ trading practices.
4. Those who would like a fuller description and evaluation of the efficient market hypothesis are referred to the excellent account in the book by Quiggin (2010), which is not overly technical. For a superbly clear technical exposition, see the ‘tome for our times’, Taylor (2010).
5. Although it not relevant to our contention that the efficient market hypothesis contradicts the possibility of crises, in two crisp sentences, Quiggin (2010) outlines another well-known problem:
 

[t]he Black-Scholes pricing rule shows how an option price ought to be determined in an efficient market. But traders can only make a profit using Black-Scholes and similar rules to value derivatives if the market price deviates from the ‘correct price’, that is, if the Efficient Markets Hypothesis is not satisfied. (p. 40)
6. See, for example, Kriesler and Lavoie (2007).
7. Stanley (2004, 2005) uses meta-regression analysis to reject the natural rate hypothesis and support unemployment hysteresis.

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## Author biographies

Peter Kriesler gained his PhD at Cambridge University. He is Director of the Australian Society of Heterodox Economists and Deputy Director of the Centre for Applied Economic Research and a member of the Management Committee of the Industrial Relations Research Centre at the University of New South Wales. His research interests include history of economic thought, heterodox economics, the Australian economy, labour economics, impacts of globalisation and economic perspectives on human rights.

J W Nevile gained his PhD from the University of California, Berkeley. A Fellow of the Academy of Social Sciences in Australia (FASSA), he was Professor of Economics at the University of New South Wales from 1965 to 1992 and is now Emeritus Professor and Visiting Professor at that university. Professor Nevile has been a consultant for major Australian Government enquiries and for the IMF. His recent research interests have been in the fields of macroeconomic policy, unemployment and history of economic thought, with an interest in economics and ethics as well.

G C Harcourt holds a PhD and LittD from Cambridge University and has been honoured for his major contributions to the development of post-Keynesian thought through the following awards: FASSA (1971); AcSS (2003); Officer in the general Division of the Order of Australia (A.O.) for services to economic theory and the history of economic thought (1994); Distinguished Fellow, Economic Society of Australia (1996); Distinguished Fellow, History of Economics Society, USA (2004); Honorary Member, European Society for the History of Economic Thought (2004);

Veblen-Commons Award, Association for Evolutionary Economics, USA (2010) and Distinguished Fellow, History of Economic Thought Society of Australia (2012). He is Professor Emeritus, Adelaide (1988), Emeritus Raeder in the History of Economic Theory, Cambridge (1998), Emeritus Fellow, Jesus College, Cambridge (1998) and currently a Visiting Professorial Fellow at the University of New South Wales. His research interests include history of economic theory, Post-Keynesian theory and policy and intellectual biography.