

# OPEN States in the Global Economy

## The Political Economy of Small-State Macroeconomic Management

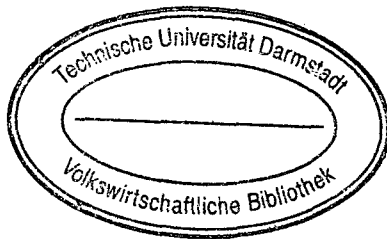
Jonathon W. Moses

*Associate Professor*

*Department of Sociology and Political Science*

*University of Trondheim*

*Norway*



# Contents

<i>List of Tables</i>	x
<i>List of Figures</i>	xi
<i>Preface</i>	xii
<i>List of Acronyms</i>	xv
<i>List of Translations</i>	xvii
<b>1 Introduction</b>	<b>1</b>
The argument	3
Case study	10
The case of Norway	12
Norway as an outlier	13
The Norwegian record	14
Chapter overview	17
<b>PART I CONCEPTUAL FRAMEWORK</b>	
<b>2 An Outside-In Framework</b>	<b>23</b>
Stylized facts	24
Conceptual scheme	28
An outside-in framework	31
External balance	31
Current account	33
Capital account	35
Internal balance	36
Combined balances	37
Closed-capital scenario	39
Open-capital scenario	40
Conclusion	44
<b>3 Postwar International Regimes</b>	<b>47</b>
Traded goods	49
1948–58	50
1959–98	53

Capital flows	57
1948–58	58
1958–71	59
1971–86	61
Post-1986	63
Four international regimes	64
 PART II POSTWAR POLICY REGIMES	
<b>4 Direct Planning in Norway: 1948–58</b>	<b>69</b>
Economic conditions and political ambitions	70
External context	71
Domestic context	73
Policy instruments	76
Wage policy	76
Fiscal policy	81
Revenues	83
Expenditures	84
Regulation	84
Monetary and credit policy	88
Conclusion	93
 <b>5 Indirect Steering: 1958–71</b>	 <b>97</b>
External conditions and political ambitions	98
Policy instruments	103
Wage policy	103
Fiscal policy	108
The 1958 recession	112
Regional development	114
Monetary and credit policy	117
Conclusion	121
 <b>6 Flexible Adjustment: 1971–86</b>	 <b>123</b>
External conditions and domestic ambitions	125
Domestic politics	127
Policy instruments	128
Wage policy	128
Fiscal policy	135
Industrial policy	140

Monetary and credit policy	145
Credit policy	145
Exchange rates	151
Conclusion	155
<b>7 Price Flexibility: 1986–98</b>	<b>159</b>
External conditions and domestic ambitions	161
Policy instruments	164
Wage policy	164
Fiscal policy	169
Petroleum Investment Fund	178
Monetary and credit policy	180
Bank crises	182
Foreign exchange	184
Conclusion	187
<b>8 Conclusion</b>	<b>190</b>
The nature of the external constraint	192
The globalization hypothesis	192
Counter-cyclical adaptation?	194
Sectors matter	199
Generalizing from the Norwegian case	200
The influence of oil	201
Epilogue	203
<i>Notes</i>	205
<i>Bibliography</i>	228
<i>Index</i>	241