## Dollars Deficits & Trade

edited by
James A. Dorn
and
William A. Niskanen



Kluwer Academic Publishers Boston/Dordrecht/London

## **CONTENTS**

	Editors' Preface	ix
Chapter 1	Introduction The Changing World Economy James A. Dorn	1
Part I	THE POLLAR AND DOMESTIC MONETARY POLICY	
Chapter 2	Current Perspectives on Monetary Policy Manuel H. Johnson	31
Chapter 3	Domestic Stability versus Exchange Rate Stability Leland B. Yeager	(39)
	Comment: Is Managed Money the Root of All Evil?  Ben W. Crain	57
Chapter 4	On Monetary Stability and Monetary Reform Allan H. Meltzer	63
Part II	International Monetary Reform	
Chapter 5	The International Monetary System: Developments and Prospects Jacob A. Frenkel and Morris Goldstein	89
Chapter 6	Toward an International Commodity Standard? Richard N. Cooper	111
	Comment: Toward an International Fiat Standard? Lawrence H. White	135
	Comment: How Economists Wrought a Nonsystem Paul Craig Roberts	143

Chapter 7	An International Gold Standard without Gold? Ronald I. McKinnon	147
	Comment: The McKinnon Standard: How Persuasive? Rudiger Dornbusch	171
	Comment: Price Level Changes and the Adjustment Process under Fixed Rates Robert E. Keleher	(181)
PART III	Exchange Rate Regimes: Rules and Consequences	
Chapter 8	Key Exchange Rate Regimes: A Constitutional Perspective Thomas D. Willett	(191)
Chapter 9	Trade and Investment under Floating Rates: The U.S. Experience Martin J. Bailey and George S. Tavlas	207
	Comment: Reforming the Exchange Rate System Maurice Obstfeld	229
Chapter 10	Transmission of Real and Monetary Disturbances under Fixed and Floating Exchange Rates Michael D. Bordo and Anna J. Schwartz	237
•	Comment: Real Exchange Rates and Freedom of International Trade and Capital Flows  Michael R. Darby	259
Chapter 11	The European Monetary System: How Well Has It Worked? Michele Fratianni	263
•	Comment: A Critical View of the EMS Alan Walters	289
Chapter 12	Should Floating Continue?  Gottfried Haberler	293

Part IV	THE POLITICAL ECONOMY OF DEFICITS AND TRADE	
Chapter 13	The Uneasy Relation between the Budget and Trade Deficits William A. Niskanen	305
	Comment: Budget Policy and the Economy Gary H. Stern	317
	Comment: Conflicting Views of the Twin Deficits  John Williamson	325
Chapter 14	Dollars and Deficits: Substituting False for Real Problems A. James Meigs	329
Chapter 15	Do Trade Deficits Matter?  Paul Heyne	351
Chapter 16	The U.S. Net International Investment Position: Misstated and Misunderstood Michael Ulan and William G. Dewald	363
Part V	Toward a Stable International Order	
Chapter 17	How Strong Is the Case for International Coordination? Joachim Scheide and Stefan Sinn	397
Chapter 18	Economic Policy for a Stable World Order Jan Tumlir	423
	Index	433