AN AUSTRALIAN PERSPECTIVE
AND THE CONDUCT OF MONETARY POLICY
EXCHANGE RATE TARGET ZONES

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is a focal point for such research on economic policy which has been initiated by individual academics affiliated with the Centre. It will also publish the papers submitted by these academics on economic policy research.

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The Centre for Economic Policy Research was established in 1980 as one of a number of centres located within the Australian National University. It has grown in membership to cover policy areas relevant to Australian economy, and in exchange rate target zones. The Centre for Economic Policy Research has a long-standing tradition of publishing research papers in a variety of disciplines.
The approach to monetary policy which influences target zones for both the
exchange rates and inflation, is optimal for all circumstances, as it
corresponds to the need for exchange rate stability and inflationary targets.
In other words, the exchange rate and inflation are determined by market forces
and not by government intervention. The model is based on the assumption that the
economic agents, whether domestic or foreign, make decisions based on market forces
of supply and demand, which are influenced by the fundamentals of the
unemployment rate, the price level, and the inflation rate. It is noted
that the policy of targeting exchange rates, especially for the European Union, is less
efficient in terms of economic policy than the policy of targeting inflation.

Increasingly, policymakers are looking at different frameworks and tools to achieve
economic goals, such as decentralized monetary policy and the use of
market-based instruments. In the context of the Eurozone, the current
center of gravity is on the transmission of monetary policy to member states
and the coordination of economic policies. Any change in a single country's
monetary policy may affect the entire region, and therefore coordination
of monetary policy is crucial.

Consequently, the coordination and communication between
the various monetary and fiscal policies is essential. A good example of
this is the coordination between the European Central Bank and the
national central banks to ensure that the monetary policy is consistent
with the overall economic goals of the Eurozone.

The Eurozone is a unique monetary and fiscal union, with a single currency
and a single market. The success of the Eurozone depends on the
effective coordination of the policies of the member states, as well as
the Eurozone itself. The coordination of monetary and fiscal policies is
essential to maintain price stability and economic growth in the
eurozone.
In recognition of the unique characteristics of the major labor market countries, it is clear that labor market policies should be designed to promote economic growth and stability. This requires a careful balance between the need for labor market flexibility and the protection of workers' rights.

In recent years, there has been a growing consensus on the need to reform labor market policies in many countries. This has been driven by the recognition that labor market rigidities can dampen economic growth and reduce the ability of firms to respond to changes in demand.

In addition to labor market policies, other macroeconomic policies are also important. Fiscal policy, for example, can play a role in managing aggregate demand and supporting employment.

In conclusion, labor market policies need to be designed with an eye to the broader economic context. This requires a careful consideration of the trade-offs between labor market flexibility and worker protection, as well as a recognition of the role of fiscal policy in supporting economic growth.
proposed are not proposed. This is followed by a discussion of the macroeconomic

section. In the next section, the essential features of the earlier

The proposal of this paper is to consider the implications of an exchange

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1. Psychological factors

2. Biological factors

3. Environmental factors

4. Lifestyle factors

5. Physical health factors

6. Genetic factors

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It has been argued that the adoption of a cartel is a viable alternative to the current system. The cartel would enable members to coordinate their policies, thereby reducing competition and increasing profits. However, this approach has its limitations. Firstly, it requires unanimous consent among all members, which is often difficult to achieve. Secondly, the cartel may be seen as anticompetitive, leading to higher prices and reduced consumer welfare. Thirdly, the cartel may be vulnerable to defection, as members may have incentives to cheat and reap individual benefits at the expense of the group. Therefore, a more viable alternative to the current system may be the adoption of a cooperative approach, where members work together to promote common interests. This approach would require strong leadership and effective communication among members. It would also need to be accompanied by regulatory measures to prevent abuse of market power. In conclusion, while the cartel may be an attractive option for some, it is important to consider the potential risks and challenges associated with this approach.
In the current international environment, policy-coordination has become even more crucial.

To understand this better, let's consider the case of the United States and Japan, which have been close allies for decades. Both countries are major players in the global economy, and their policies have a significant impact on the world economy. In recent years, the United States has been implementing a series of fiscal stimulus packages, which have provided a significant boost to the economy. Japan, on the other hand, has been struggling with deflation and has implemented a series of monetary easing policies to stimulate growth.

In this context, policy-coordination has become even more important. The United States and Japan have been working closely with each other to ensure that their policies are complementary and do not create unintended consequences. For example, the United States has been encouraging Japan to implement structural reforms to improve its competitiveness and increase productivity. Japan, in turn, has been working to improve its fiscal sustainability and reduce its dependency on external financing.

However, this coordination has not always been easy. There have been momentary pockets of resistance, especially when the fiscal stimulus packages were implemented. At those times, there were fears that the stimulus measures would lead to inflationary pressures, which could strain the global economy.

Ultimately, the success of policy-coordination depends on the willingness of the participating countries to work together and find a common ground. While there have been challenges along the way, the efforts of the United States and Japan have helped to demonstrate the importance of policy-coordination in achieving economic stability and growth.
The European Monetary System (EMS) is a system of currency management in which the participating countries (or a group of countries) maintain exchange rates within a band around a central axis, with the aim of stabilizing their economies and promoting trade and investment within the European Economic Community (EEC).

The EMS was established in 1979 by the EEC member states and operates through the European Monetary Institute (EMI), which is responsible for setting the exchange rate bands and ensuring that they are not violated by any of the participating countries.

In the first phase of the EMS, participating countries maintained their exchange rates within a narrow band of ±2.25% around a fixed rate. This was intended to promote price stability and prevent speculative attacks on currencies.

In the second phase, introduced in 1989, the EMS became more flexible, allowing for wider bands and more frequent adjustments of exchange rates. This was seen as a way to accommodate the growing economic disparities between countries and to facilitate greater economic integration.

The EMS is considered a success in promoting stability and integration, but it has also faced criticism for its complexity and the difficulties in maintaining rigorous adherence to the rules by all participating countries.

The EMS eventually evolved into the European Union's (EU) Economic and Monetary Union (EMU) in 1999, which led to the introduction of the euro, the common currency for the majority of EU member states.

In 2022, the European Central Bank (ECB) is the central bank of the eurozone, replacing the EMI, and issues the euro as the common currency for its member states. The ECB's mandate is to maintain price stability for the eurozone, and it plays a crucial role in the stability of the EMS and the eurozone.
AN AUSTRALIAN PERSPECTIVE

The exchange rate problem.

To get inflation under control, the authorities must be prepared to limit the growth of money, and they must be willing to limit the growth of prices. The authorities have a number of options to achieve this, including:

1. Raising interest rates to reduce the demand for money.
2. Tightening fiscal policy to reduce the budget deficit.
3. Encouraging a devaluation of the currency to make imports more expensive.

In the short term, the authorities may also consider using exchange rate targeting, where they try to maintain a fixed exchange rate with a key currency. This approach can be effective in the short term, but it requires a strong commitment from the central bank.

The decision to follow an exchange rate targeting policy is not straightforward. For example, the authorities in Italy have followed this strategy since 1992, and it has generally been successful. However, in countries like the United States, where the exchange rate is allowed to fluctuate, the authorities may find it more difficult to control inflation.
In view of these policy decisions, some market observers have argued that a dollar-denominated financial body (global edition, 5).

been increased from the level of 1974-75, more

monetary and fiscal policies, have been in further

ment, the 1974-75 period in August. In addition, monetary

on the basis of the preceding monetary and fiscal policies. In

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economic growth and increased employment. This is in direct contrast

oped a more export-oriented external policy. In 1972-73 and 1973-74, in order to

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osted with an interest rate (1972-73 to 1974-75) ranging from 5.0 percent in 1972-73 to 6.0 percent in 1975-76.

additional interest rate increase is a reflection of the Economic

true that this situation, and the current account deficit, to

the government, in September 1975, to abandon monetary

delivery of the economic program, it became increasingly difficult to maintain the

2. International background

The compromise that the United States was willing to accept...
In the 1980s, the dollar, which is the world's reserve currency, faced significant volatility. In the wake of the 1985 Plaza Accord, the dollar's value began to decline, leading to increased concerns about its status as a reserve currency.

President Reagan's policies, which included supply-side economics, contributed to the dollar's appreciation. By the late 1980s, the dollar had reached a peak against many currencies, leading to concerns about its sustainability.

The graph below illustrates the fluctuations in the dollar's value from 1980 to 1990. The fluctuations were caused by a combination of economic policies, market forces, and political events. The dollar's peak in late 1987 was followed by a decline that continued until early 1990, highlighting the importance of macroeconomic stability in maintaining the dollar's value.

In conclusion, while the dollar experienced periods of strength and weakness, its role as a reserve currency remained intact. However, the fluctuations underscored the need for prudent economic policies to maintain the dollar's stability and global confidence.
The government, through its policies, can influence the market conditions, thereby affecting prices and supply and demand dynamics. The interaction between the government and the private sector is complex, with various policies aimed at achieving different economic goals.

The government's role in the economy includes setting monetary and fiscal policies. Monetary policy involves adjusting interest rates and the money supply, while fiscal policy involves changes in government spending and taxation. These policies can affect inflation, unemployment, and economic growth.

Monetary policy, for example, can be used to stabilize prices and maintain economic stability. If inflation is rising, the government can raise interest rates to reduce the money supply and curtail spending. Conversely, if the economy is experiencing a recession, the government can lower interest rates to stimulate investment and consumption.

Fiscal policy, on the other hand, involves government spending and taxation. The government can use its spending power to directly influence the economy. For instance, increased government spending can stimulate economic growth during periods of recession. Similarly, tax cuts can reduce the disposable income of households and businesses, which can in turn reduce consumption and investment.

In both cases, the government's actions are intended to achieve specific economic goals, such as price stability, full employment, and economic growth. However, the effectiveness of these policies depends on various factors, including the state of the economy, the actions of other economic agents, and external economic conditions.

In summary, the government plays a significant role in the economy through its policies. However, the impact of these policies is not always straightforward, and unintended consequences can sometimes arise. The government must carefully consider the potential effects of its actions before implementing new policies to ensure that they achieve the desired outcomes.
to implement national policies so as to carry out international agreements.

In short, it is time we work on the adoption of the WTO "Green Card" and the protection of against economic policies. The world economy is facing major problems, and we need to jointly address these challenges. By maintaining a strong and collective presence, and making resources and efforts available, we can ensure the implementation of positive and effective measures to address these challenges.
REFERENCES


