THE ECONOMICS
OF THE
EURO-CURRENCY SYSTEM

PROBLEMS OF ECONOMIC INTEGRATION

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The Economics of the Euro-Currency System

GEORGE W. McKENZIE

University of Southampton

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Softcover reprint of the hardcover 1st edition 1976

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First published 1976 by
THE MACMILLAN PRESS LTD
London and Basingstoke
Associated companies in New York Dublin
Melbourne Johannesburg and Madras

SBN 333 15740 0 (hard cover)
333 15741 9 (paper cover)

ISBN 978-0-333-15741-1 ISBN 978-1-349-15649-8 (eBook)
DOI 10.1007/978-1-349-15649-8

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Preface

Since the Second World War, the economies of Europe, North America, Japan and the developing world have become increasingly interdependent. This has taken place at various levels. On the one hand; we have seen the formation and growth of a formal organisation, the European Economic Community, whose aim it is to strengthen existing political and economic ties amongst its members. But interdependence is not solely the result of legal treaties; it is the outcome of economic innovation and evolution. The growth of multinational corporations, the development of the euro-currency system and the rapid expansion of international trade are but examples of the trend.

Yet closer economic ties between nations have been a mixed blessing. It is no longer possible for governments to formulate national policy objectives without carefully considering their implications for the rest of the world. Monetary, fiscal, antitrust and social measures now have widespread implications beyond national frontiers. How to cope with the complex implications of petroleum price increases is but one example of the sort of problem characteristic of an economically interdependent world.

International economic interdependence, despite its critical importance, is an issue that is frequently neglected in discussions of economic theory and policy, particularly in economics textbooks. The purpose of this series is to fill this gap by providing critical surveys and analyses of specific economic linkages between nations. In this particular volume I examine both theoretical and practical implications of the euro-currency system. It is hoped that this and the other volumes in the series will appeal not only to students, researchers and government bodies working in the field of international economics but also to those dealing with problems of industrial organisation, monetary economics and other aspects of public policy which have traditionally been studied from a more narrow, national viewpoint.

At this point, I would like to thank David Pearce of Leicester University for encouraging me to pursue my idea for this series. Macmillan and the Halsted Press Division of John Wiley have also been extremely helpful, ensuring that the series should potentially reach a wide audience. With respect to this particular volume, I would like to express my gratitude to those who read and commented upon either individual chapters or the entire manuscript: Ingo Walter of New York University, Geoffrey Wood of the City University of London, Ronald Shone of Sheffield University and David Rowan and Maurice

Townsend of Southampton University. Although I have made many amendments in the light of their criticisms, it is myself, of course, who must remain responsible for any remaining errors and ambiguities.

Southampton University

George W. McKenzie