

ps389/cics301: Lecture Notes on

Capitalism, Not Globalism:
Capital Mobility,
Central Bank Independence, and
the Political Control of the Economy

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**Part b: Central Bank Independence,
Macroeconomic Policy & Management in the
Open (Globalized) Economy (IS-LM-BoP), and
Context-Conditional Political Cycles: Theory**

I. *Structural Context of Macroeconomic Policy Choice (Ch. 2)*

A. Basic Argument/Consideration:

1. *Common Assumptions Electoralist & Partisan Models:*

a) Policymakers Sufficient Macroeconomic Policy Control &

b) Policies Sufficient Efficacy to Influence Macroeconomic Outcomes

(1) [Whether actually considering effect on outcomes or just policies, if not at least expected to be efficacious by policymakers, then hard to motivate use of policies.]

2. However:

a) Policymakers not actually full control...partly b/c world not deterministic and limited information, but also because *strategic interaction w/ other* actors.

b) Policy not always efficacious, depends on domestic & international (political-) economic conditions.

3. Consider 2 Such Limiting Factors in Particular:

a) **Central Bank Independence (CBI)** [define],

b) **International Capital Mobility (CapMob)**, with effect of CapMob on policy autonomy/efficacy depending on **Exchange Regime, fixed (peg) or float (flex)**.

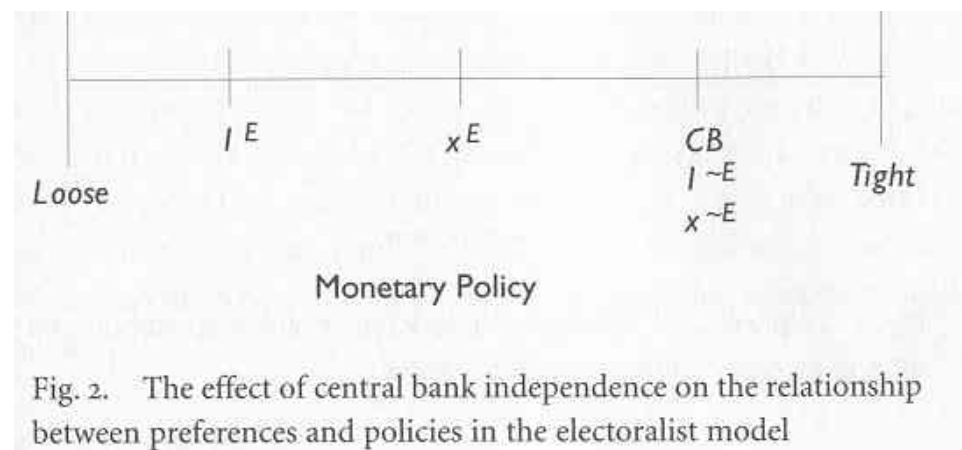
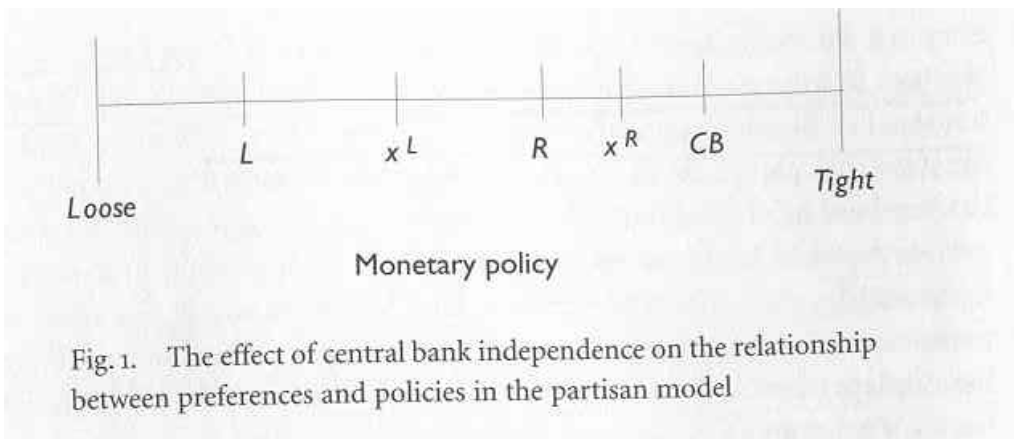
4. Consider 1st simple *decision-theoretic* then *strategic game-theoretic* model.

B. Decision-Theoretic Model:

1. *CBI & Control*: As CBI \uparrow , likely friction b/w incumbent's incentives & policy \uparrow ; Plausible that \uparrow CBI \Rightarrow \downarrow partisan & electoral cycles

2. Clark's Figures 1 & 2 illustrate

a) [Fig1 places x^L unhelpfully; if L-CB compromise same 50-50 as R-CB, x^L closer to R, & see that $x^L - x^R$, cycles under $CBI=0.5$, smaller than L-R, cycles under $CBI=0$]:



3. If CBI=1, then $m=m_b^*$; & no partisan or electoral cycles in monetary policy; otherwise [as is always the case], $CBI \in (0..1)$

a) $\Rightarrow m = \text{some compromise } m_b^* \text{ and } m_g^*$

b) $\Rightarrow \downarrow (m_l^* | CBI - m_r^* | CBI)$, partisan monetary cycle under some CBI, relative to $(m_l^* - m_r^*)$, part mon cycle under no CBI; & analogously $\downarrow (m_e^* | CBI - m_{\sim e}^* | CBI) \dots$ for electoral monetary cycles. [Franzese *AJP* '99 elaborates broader implications of this proposition]

4. *Aside: Elaboration of PE Theory of CBI and monetary policy / inflation*

a) PolSci & Econ gen'ly agree CBI \Rightarrow \downarrow infl; both also similarly def CBI as degree of autonomy of (conservative) CB from political authority in making monetary pol.

(1) From PolSci view:

- (a) CB=bureaucratic institution, populated by financial experts generally hawkish on inflation, whether socialized to that view or coming from a population w/ those interests.
- (b) Govt instead, & especially in democracy, more responsive to various societal pressures that may emerge for inflation.
- (c) Only most conservative Govts as anti-inflationary as CB, so delegation of monetary-policy authority to CB, i.e., CBI, \downarrow inflation.

(2) From the (neoclassical) economist's view:

- (a) Monetary policy involves a *time-inconsistency problem* \Rightarrow inflationary bias if policy controlled by a discretionary, i.e., responsive, authority.
- (b) Credible delegation of monetary authority to an independent & conservative (i.e., a non-responsive) CB offers commitment device to evade time-incons. & so infl. bias \Rightarrow CBI \downarrow infl

b) *Aside: Elaboration of neoclassical model monetary policy by rule vs. discretion:*

(1) Start with a “rational expectations” model of a perfect-competition economy:

- (a) Equation (1), the economy: $Y = Y_n + \alpha(\pi - \pi^e)$.
- (b) I.e., output (Y) generally equal to natural output (Y_n), but short-run prices may be sticky so, if monetary authority created INF > expected INF (i.e., if $\pi - \pi^e > 0$), then Y temporarily exceeds natural rate. I.e. short-run (or expectations-augmented) Phillips curve (with slope α).

(2) Now suppose the policymaker has value function given by:

(a) Equation (2), policymaker's objective: $V = -(1/2)A(Y - Y^T)^2 - (1/2)\pi^2$

(i) I.e., policymaker does not like deviations of output from some (presumably high) target rate Y^T , & also dislikes inflation (deviations from target, set to 0 for simplicity).

(3) So, policymakers w/ preferences described by (2) facing economy described by (1) & controlling INF rate directly (*a simplification*), will act as if solving following maximization:

(a) $\text{Max}_\pi -(1/2)A(Y_n + \alpha(\pi - \pi^e) - Y^T)^2 - (1/2)\pi^2$ where, notice, (1) has been substituted into (2)

(b) $\Rightarrow -A\alpha(Y_n + \alpha(\pi - \pi^e) - Y^T) - \pi = 0$...maximize by taking derivative of expression to be maximized w/ respect to control variable (π) & setting result equal to zero...

(c) $\Rightarrow \pi = -A\alpha^2\pi - A\alpha(Y_n - \alpha\pi^e - Y^T)$...rearranging...

(d) $\Rightarrow \pi(1 + A\alpha^2) = -A\alpha(Y_n - \alpha\pi^e - Y^T)$...rearranging again...

(e) $\Rightarrow \pi(1 + A\alpha^2) = A\alpha^2\pi^e - A\alpha(Y_n - Y^T)$...and again...

(4) So, policymakers w/ preferences (2), facing economy (1), choose INF given by (3e),

(a) but here's the *rational expectations* part: Price setters know policymakers behave this way, so their π^e expectations also given by (3e). I.e, in eqbm, something Abe-Lincoln-like: "you can't fool all the people all the time". On avg, π^e will equal π . So, rewriting (3) with $\pi^e = \pi$ gives you:

c) *Rational-Expectations Equilibrium*: $\pi = A\alpha(Y_n - Y^T)$; and, substituting $\pi^e = \pi$ back into economy, (1), we also get that in eqbm: $Y = Y_n + \alpha(\pi - \pi^e) = Y_n$. I.e., monetary policy has no real effects in eqbm. (Note: if so, then to avoid real costs of monetary contraction: simply announce contraction soon enough & be believed so $\pi^e = \pi$ reflected in wage & price contracts will include expected contraction...]

- d) CB Autonomy from political authority in monetary policy-making, matter of °
- (1) Never complete b/c CB authority invariably derives from (usually) legal statute, i.e., law, or (occasionally) constitutional provision.
 - (2) Either subject to change by political authorities if CB policies ever sufficiently distasteful to them to justify expending political capital necessary to change CB status.
 - (3) Furthermore, CB authorities' appointed & perhaps replaced by govt...
- e) Nor can Govt costlessly ensure CB conducts policy precisely as current will:
- (1) CB expertise &/or an information advantage over govt in monetary policy,
 - (2) Plus, time & other resources for govt even to monitor CB, much less conduct monetary policy itself.
 - (3) So, CB always at least some modicum leeway.

f) CBI must, therefore, measure how far CB could stray from current govt's will before govt would bear political-economic costs to alter CB law or seize mon pol itself. Therefore, mon pol (& so infl) always partly CB & partly govt control ⇒

(1) Actual monetary policy (inflation) = wtd average what would be if conservative CB credibly, fully, & autonomously controlled monetary policy & what would be if instead curr govt made mon pol w/o any CB influence, w/° CBI measuring wt on former:

$$m = CBI \times m_b^* (\mathbf{X}_b) + (1 - CBI) \times m_g^* (\mathbf{X}_g)$$

(2) ⇒ anti-infl effect of CBI not constant; it varies depending on political-economic environment in which CB operates. (Also implies all converses: [show derivatives].)

(3) E.g., anti-inf effect CBI greater when left govt than when right & *v.v.*, less the more open the econ & *v.v.*, vary depending other labor- & goods-market institutions & *v.v.*, etc.

This is the generalization referenced earlier of the “CBI reduces electoral- & partisan-cycles” proposition.

C. International Capital Mobility & Exchange-Rate Regimes:

1. Clark: CB affects control, not efficacy [act'ly, can affect both, but nev. mind]; CapMob can affect efficacy (depending on exchange regime) [act'ly, can affect control & efficacy depending on cap-mob & e.r. regime, but nev. mind].

2. Mundell-Fleming Model Open-Economy Macroeconomics: Summary

a) *CapMob & Fixed E.R. \Rightarrow monetary pol ineffective [unavailable, act'ly]; fiscal extra-effective.*

(1) $\uparrow m \Rightarrow \downarrow i \Rightarrow$ (would $\uparrow I$, but also) exchange depreciation, which must fight by $\downarrow m$ back so $\uparrow i$ back (so not affect I); alternative quick explanation: if Fix E.R. & CapMob, then must use m to fix i at rate necessary to maintain peg.

(2) $\uparrow deficit (G-T) \Rightarrow \uparrow AD$ & $\uparrow i \Rightarrow$ exchange appreciation, which must fight by $\downarrow m$ to $\downarrow i$ (i.e., fiscal expansion forces reinforcing monetary move also, so efficacy reinforced)

b) *CapMob & Flexible E.R. \Rightarrow fiscal [relatively] ineffective; monetary extra-effective.*

(1) $\uparrow m \Rightarrow \downarrow i \Rightarrow \uparrow I$, & also exchange depreciation, which allowed/accommodated so $\Rightarrow \uparrow (X-M)$ also (exchange depreciation makes exports cheaper & imports more expensive).

(2) $\uparrow deficit (G-T) \Rightarrow \uparrow AD$, but also $\uparrow i \Rightarrow$ appreciation, $\Rightarrow \downarrow (X-M)$ (i.e., 2 sources crowding out now, crowding invest as before b/c $\uparrow i$ & now $\downarrow (X-M)$ b/c apprec., so fiscal [relatively] ineffective).

3. \Rightarrow *Context-Conditional Electoral or Partisan Cycles*: we should see cycles via monetary policy, or via fiscal policy, or not at all depending on combinations of CBI, CapMob, and Exch.Rate Regime

II. Open-Economy Macroeconomics (IS-LM-BoP Model)

A. Simultaneous eqbm in goods, money, & international markets:

1. Money (*Liquidity*) Market (LM): demand for, supply of money:

a) M^s (set by mon pol-mkr) = M^d (private actors demand for \$, which depends on i, Q)

2. Goods (*Investment & Saving*) market (*IS*): balance demand for investment funds & supply, Savings (which is $1 - \text{Pub} \& \text{Priv Net Consumpt}$)

a) Balance Savings (Supply of Funds), which depends i, Q (roughly, $\text{income} = Q$, minus priv C & pub (G-T)) with Investment (Demand for Funds), I, which depends i, Q .

3. Int'l Trade & Capital Markets: *Balance of Payments* (BoP): net exports, trade surpluses (deficits), earn (require) foreign exchange, which flows out (in) as capital outflow (inflow).

a) Net Exports, X-M, net earnings from rest of world (*RoW*) or net spending in *RoW*; for latter, need foreign currency (capital) inflow; former balanced by capital outflow.

B. Equilibrium:

1. Interest rates (i) & national income (Q) that simultaneously clear goods & money markets (IS & LM), & that balance external accounts (*BoP*).

C. The LM (liquidity mrkt) Curve (eqbm in money mrkt)

1. For any given money supply (M^s), some interest rate, i , needed for folks to demand exactly that quantity of money given their income, Q . So, for some fixed M^s , can draw line as pairs of i & Q that equate M^d to that M^s .

2. **Slopes upward:** if more income, Q , demand more goods & services, \Rightarrow want more money, but for a given M^s , that additional demand for money only \Rightarrow price of money (i) must rise:

3. From pt A in fig, $\uparrow Q \Rightarrow \uparrow$ demand money, stock of money fixed, so i rises, to pt B, say, to keep $M^d =$ that M^s . Or from B, $\downarrow Q \Rightarrow \downarrow$ demand money, stock fixed, so i falls, to pt A, say, to keep $M^d = M^s$. [Just illustrating; not mean suggest any tend. cycle like this.]

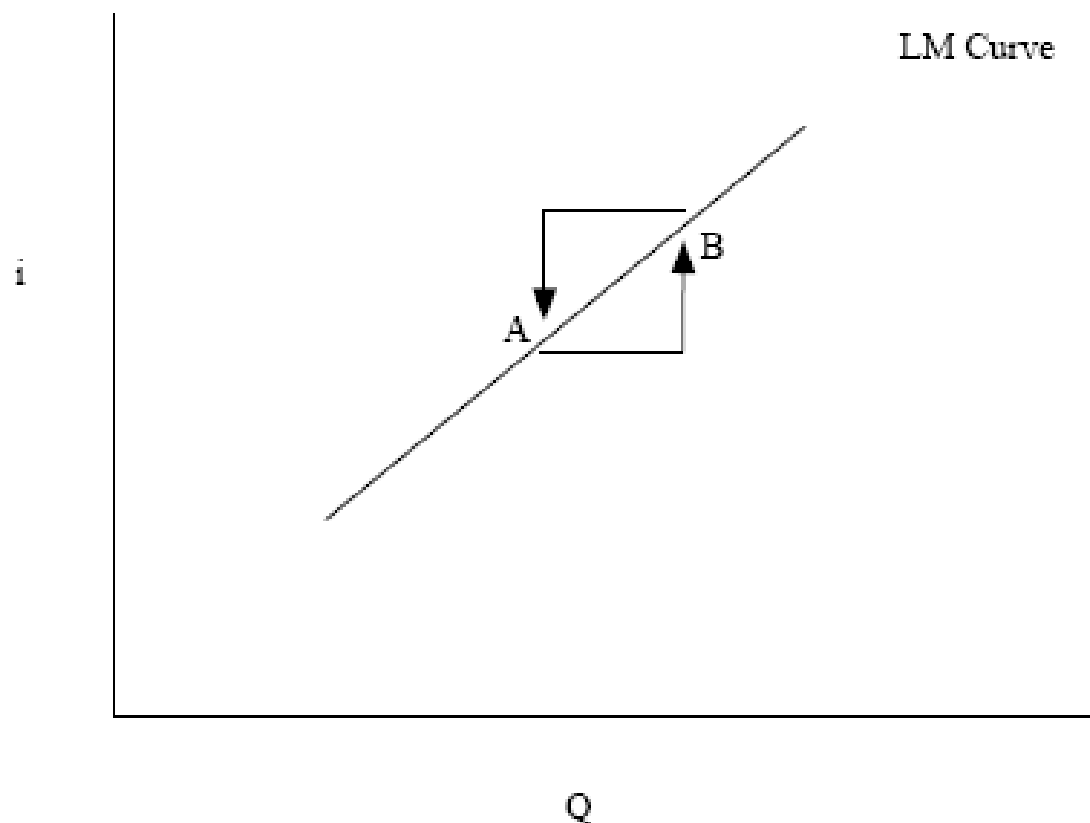
4. MONETARY

POLICY: $\uparrow M^s \Rightarrow \downarrow i$ at any given Q , $\uparrow Q$ for any given i to keep LM balance (to bring M^d to that new M^s); the reverse for $\downarrow M^s$, so:

expand/contract monetary policy

($\uparrow \downarrow M^s$) =

outward/inward shift of LM curve.



C. Balance-of-Payments (BoP) Curve (eqbm in external accounts)

1. **Balance-of-Payments (BoP)**: Current Account (Trade Balance: $X - M$) + Capital Account (Net Outflow: Cap Outfl. - Cap Inflow) = 0. I.e., $X + M = \text{NetCapFlow}$. [another accounting identity]

2. Trade surplus matched by capital outflow (earnings from surplus flows out as investment abroad, a.k.a., outward *foreign-direct-investment*, FDI, + outward *portfolio-investment*); trade deficit matched by capital inflow (excess domestic consumption funded by foreign capital inflow).

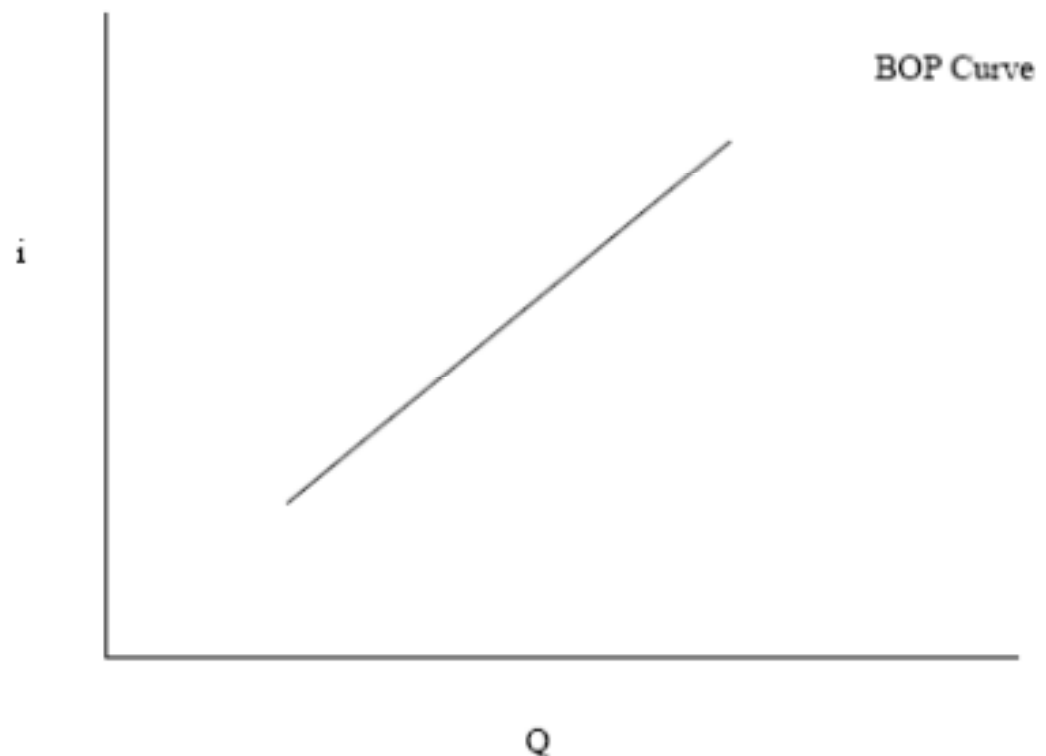
3. For any i , some Q brings Trade Balance & Capital Account to parity, & v.v.

a) Import demand, $M=f(Q)$; X not depend on Q

b) Capital Account = Capital (investment) out-/in-flow responds to i ; $\uparrow \downarrow i$ brings in, sends out.

4. Slope: If $\uparrow Q$, imports rise, exports not \Rightarrow trade deficit \Rightarrow need cap inflow; to get it, need higher i ; and v.v. for $\downarrow Q \Rightarrow$ trade surplus, which needs outflow, which get by $\downarrow i$.

5. Importantly, **BoP line flatter (more elastic, i.e., more interest-sensitive) the more mobile is cap**. Cap flows greater in response to $i \uparrow \downarrow$, the more mobile capital. Perfect capital mobility \Leftrightarrow horizontal BoP curve.

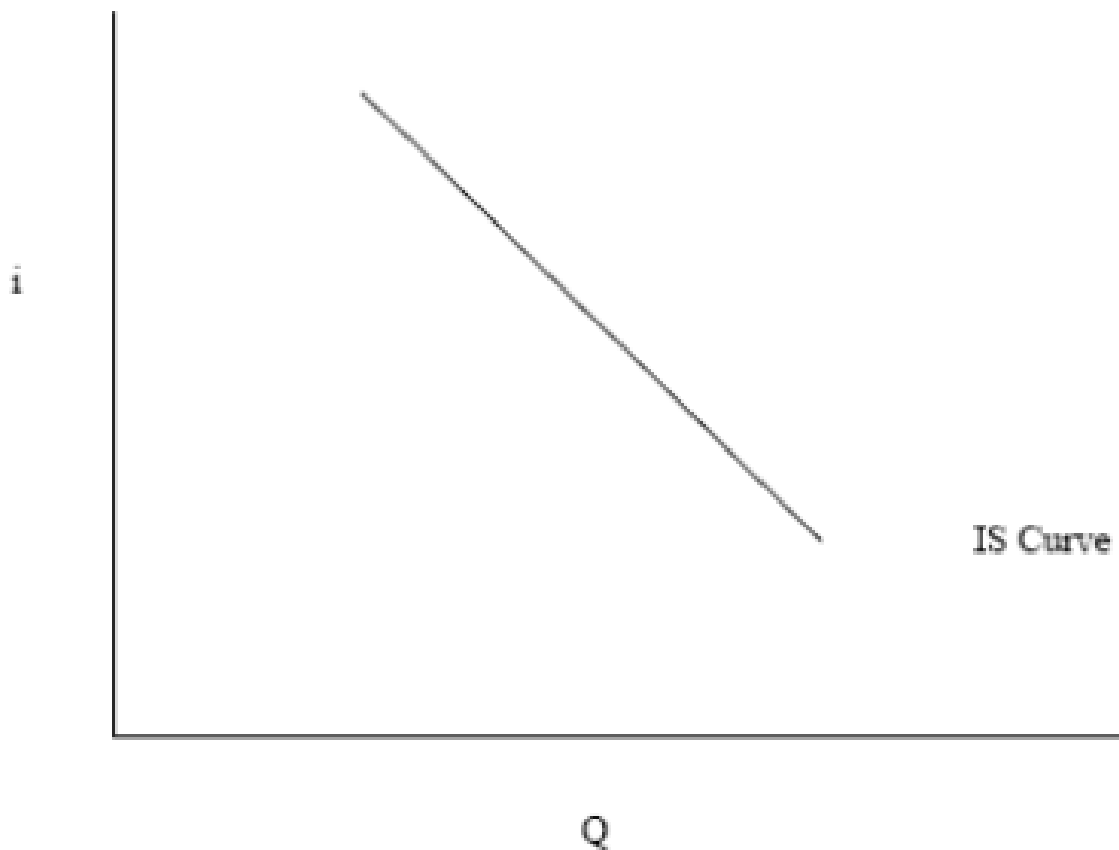


D. IS (investment-savings) Curve (equilibrium in goods markets)

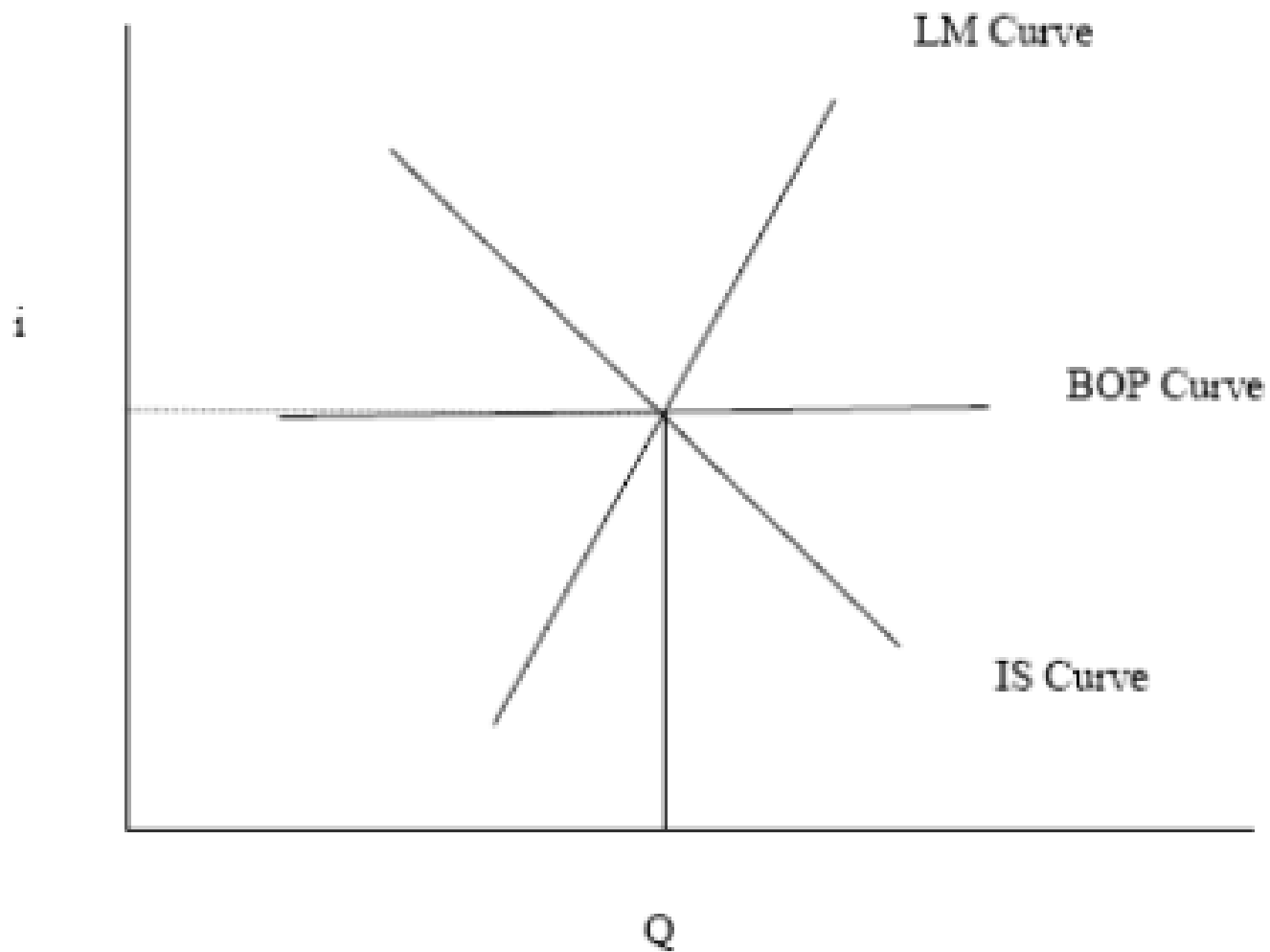
1. National Income \equiv National Expenditures: $Y=Q=C+I+(G-T)+(X-M)$

2. IS-curve slopes downward: For given C , $(G-T)$, & $(X-M)$, any $\downarrow i \Rightarrow \uparrow I \Rightarrow \uparrow Q$.

3. **FISCAL POLICY:** $\uparrow(G-T) \Rightarrow \uparrow Q$ at any given i ; i.e., outward shift of IS curve.



E. General Equilibrium in IS-LM-BoP Model: All 3 Curves Intersect

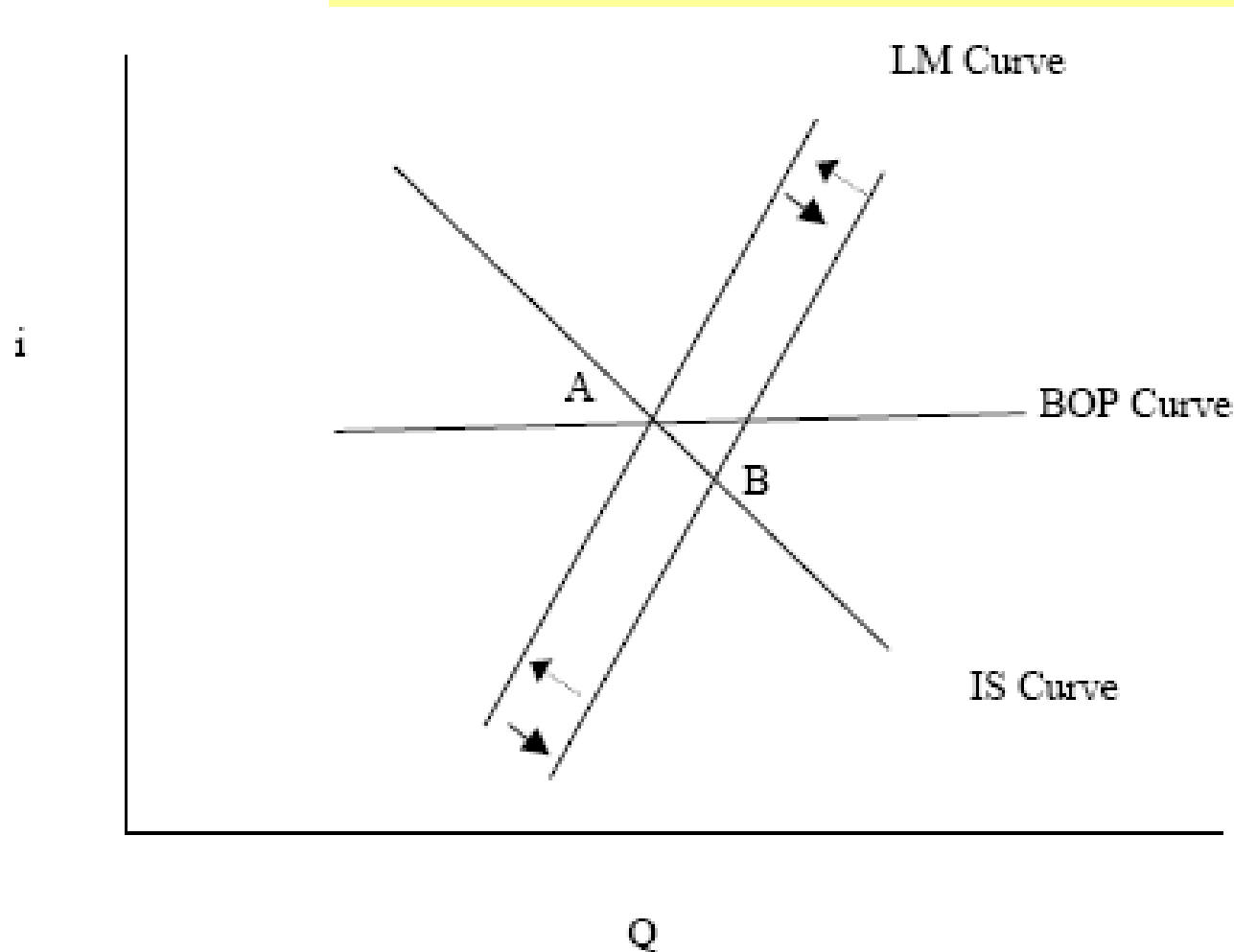


F. Using the IS-LM-BoP Model for Policy Analysis

1. Capital Mobile:

a) Monetary Policy under a Fixed Exchange-Rate Regime with highly Mobile Capital

(1) From pt A: $\uparrow M^s \Rightarrow$ LM shifts out, but this $\Rightarrow \downarrow i$ along IS curve to pt B, but this \Rightarrow capital outflow (investors leaving the lower i for better options elsewhere) \Rightarrow depreciation (b/c selling domestic currency for foreign to buy those better options), which violates Fixity. So pol-maker has to $\downarrow M^s$ back (keep i pegged to i^*).



(2) Monetary contraction, $\downarrow M^s \Rightarrow$...[same chain, opposite direction]... \Rightarrow appreciation, which violates Fixity.

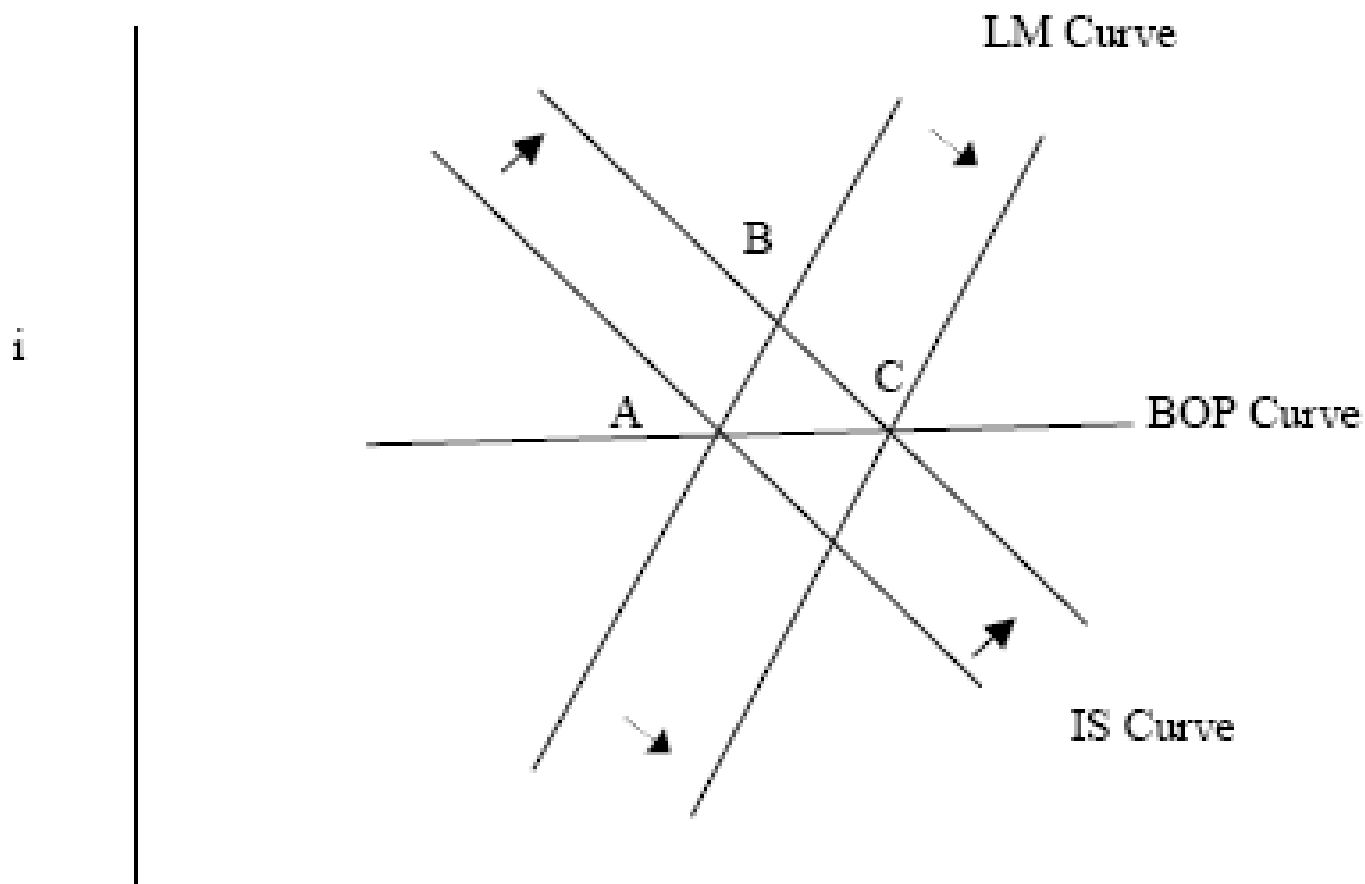
(3) \Rightarrow **Monetary Policy forsaken (wholly unavailable) under perfect Capital Mobility & Exchange-Rate Peg**

b) Fiscal Policy under a Fixed Exchange-Rate Regime

(1) $\uparrow(G-T) \Rightarrow$ IS shifts out (from pt A to pt B), but this $\Rightarrow \uparrow i$ along LM curve, but this \Rightarrow capital inflow \Rightarrow appreciation, which violates Fixity, so monetary policy must accommodate, i.e., M^s must expand to bring $\downarrow i$ back (from pt B to pt C), which amplifies stimulus.

(2) $\downarrow(G-T) \Rightarrow \dots$ [same chain, opp. dir. $\dots \Rightarrow M^s$ must shrink to $\uparrow i$ back, amplifies contraction... [could follow from C to unlabeled pt opposite B as IS shift in, to A as LM curve shifts in also]

(3) **UPSHOT: Fiscal Policy extra-effective under Cap Mob & Peg** (because it forces monetary policy to come along with it (& so amplify the fiscal) in order to maintain peg).

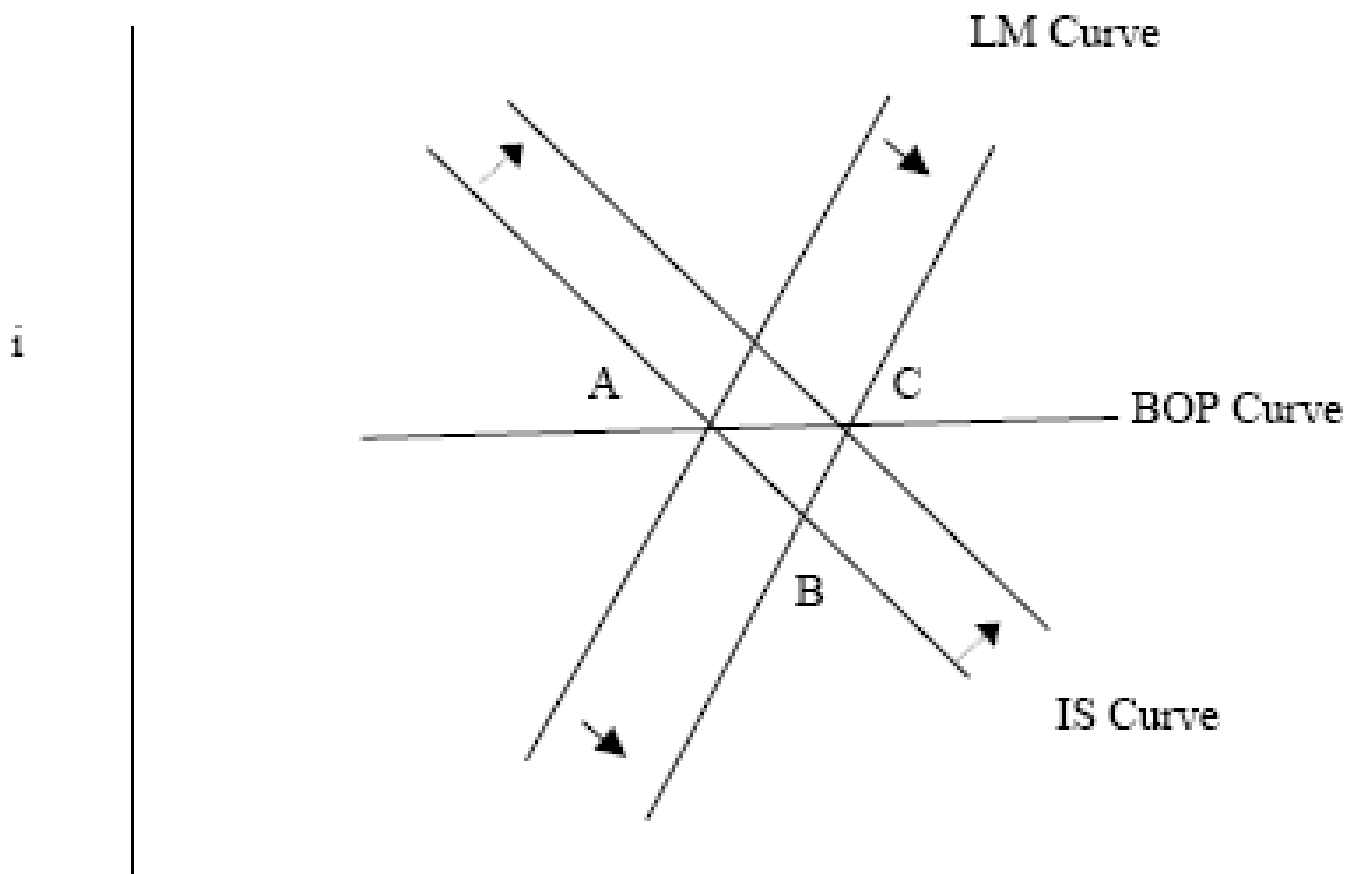


c) Monetary Policy under a Floating Exchange-Rate Regime

(1) $\uparrow M^s \Rightarrow$ LM shifts out, but this $\Rightarrow \downarrow i$ along IS curve (from pt. A to pt B), but this \Rightarrow capital outflow \Rightarrow depreciation, which allowed under float, so $\uparrow(X-M) \Rightarrow$ IS shifts out (from pt. B to pt C).

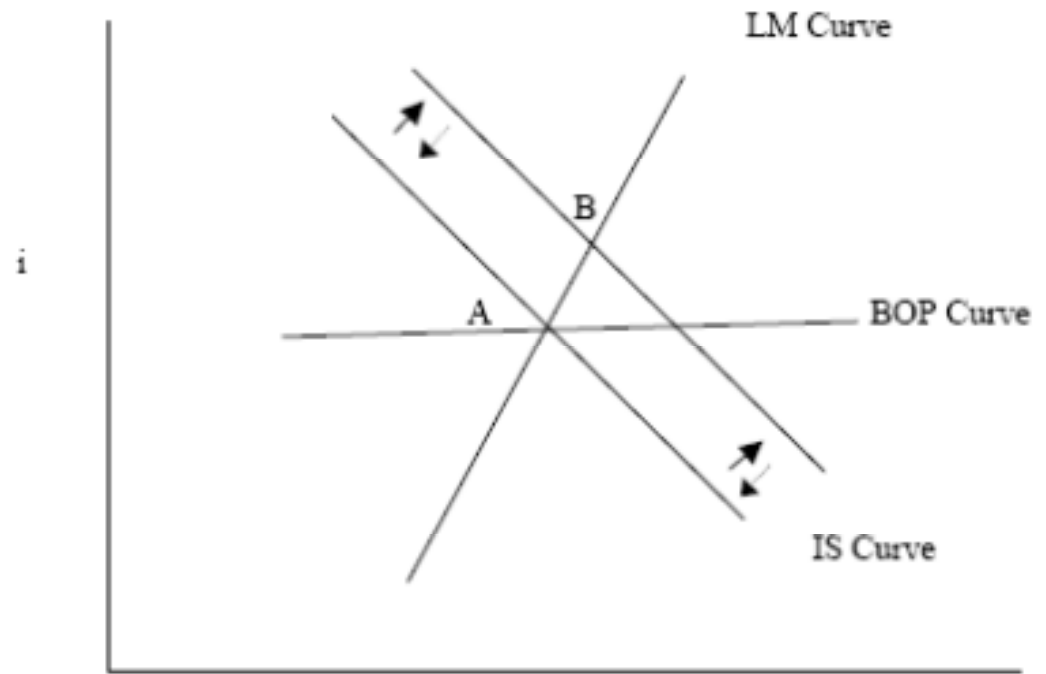
(2) $\downarrow M^s \Rightarrow \dots$ [same chain, opposite direction] $\dots \Rightarrow$ appreciation, which... $\downarrow(X-M) \Rightarrow$ IS shifts in. [could follow from C to unlabeled intersection at opposite of B as LM curve shifts in, to A as IS curve shifts in also]

(3) UPSHOT: *Monetary Policy extra-effective under Cap Mob & Float Exchange-Rate.*



d) Fiscal Policy under a Floating Exchange-Rate Regime

(1) $\uparrow(G-T) \Rightarrow$ IS shifts out $\Rightarrow \uparrow i$ along LM curve (from pt A to pt B) \Rightarrow cap inflow \Rightarrow appreciation (as dollars bought to capture that higher i), which appreciation $\Rightarrow \downarrow(X-M)$, which \Rightarrow some shift back of IS, might be more or less or same as original shift... [...depends on slopes of curves & exchange-rate elasticity of net exports, etc.].



(2) **UPSHOT: Fiscal Policy relatively ineffective if Cap Mob & Float**

2. Capital Immobile: Model reduces to IS-LM (without BoP) (i.e., our simple AD-AS models from before) \Rightarrow

- Can Peg or Float w/o forsaking monetary autonomy, or amplifying or dampening monetary-policy or fiscal-policy efficacy.
- Both fiscal policy & monetary policy retain their normal efficacy from before.

II. Purchasing-Power Parity & Interest Parity

C. Alternative way to see how *Cap Mob* may constrain monetary autonomy

D. **PPP: $P=EP^*$ or, in logs (\ln), $p=e+p^*$**

1. Given free trade, price of basket in one currency must equal price of same basket in another currency multiplied by the exchange rate.

2. Logic of *no-arbitrage*: could make ∞ \$ if this not true & trade is free (& costless).

3. Empirical: PPP holds very well on avg over long periods (annual level or longer); not very well in short run (monthly).

E. **IP: $i = i^* + E(\hat{e})$ (... \hat{e} =% change e.r. & $E(\cdot)$ is “expected”)**

1. Logic similar, relies on *no-arbitrage condition* in diff mrkts (money mrkts) though

2. If not, all investors would want the better-return currency only, so \hat{e} , i.e., expected depreciation must equalize the returns.

3. Empirical: holds very well up to extremely short-run [although one might note that prediction is VERY flexible given difficulty estimating second term on the right...]

4. So: any diff in nominal int-rates (mon policy) will be met fully by nom. exchange-rate depreciation (flexible e.r.) or real exch.-rate deprec. (fixed e.r.). If cap *perfectly* mobile, these capital flows *infinite*, which perfectly unsustainable, so perfect mobility means mon. authorities tiny country must match domestic to foreign policy

D. Clark's Context-Conditional Electoral & Partisan Cycles Predictions: (CBI & CapMob+E.R.Regime being the "context") [My summary version] [See also **same info in flow charts** at end (I think much easier follow)]:

1. *Upshots from IS-LM-BoP, plus CBI:*

- a) If Cap Immob, then both Mon & Fisc available & effective
- b) If Cap Mob & E.R.Flex, monetary extra-effective but fiscal ineffective (to some degree)
- c) If Cap Mob & E.R.Fix, monetary unavailable but fiscal extra-effective
- d) If CB Independent, monetary policy unavailable (to domestic *political* actors).

2. *Political-economic implications for policymakers:*

- a) *If CapImmob OR E.R. Flex*, pol-mkrs can use mon pol for electoralist or partisan purposes \Rightarrow macro cycles by monetary mechanism; these monetary-driven cycles would be dampened by *CapMob* & *Fix E.R.*
- b) *If CapImmob OR E.R. Fix*, pol-mkrs can use fisc pol for electoralist or partisan purposes \Rightarrow macro cycles by fiscal mechanism; these fiscal-driven cycles dampened by *CapMob* & *Flex E.R.*
- c) However, furthermore: *If CBI*, macro cycles by mon mech constrained/damp'd; fiscal-driven cycles still possible (although CB might also work some against these).
- d) \Rightarrow Cycles achievable under any combo except *CBI+CapMob+Flex* [interesting: may be that these developed democracies have been moving in this direction?].

E. Game-Theoretic (Strategic) Model:

1. *Basic Structure*: Govt Controls Fisc Pol; CB Controls Mon Pol, but (conservative) CB Prefs Differ from Govt's Only If [insofar as] Indep.

2. *Model*:

a) *Goals of Policymakers*: $L_i = (y - y_i^*)^2 + \alpha^i (\pi - \pi_i^*)^2$ [DEFINE TERMS]

(1) Real Target: $y_g^* = k_g y^n$: for *electoralist* model: $k > 1$ if election year; for *partisan* model: $k > 1$ if left government; $k = 1$ if non-elect, right, or if $CBI = 1$.

(2) Simplify: $\alpha_i = \pi_i^* = 0 \Rightarrow$ policymakers differ in real target only

b) *Economy*: $y = y^n + \mu(\pi - \pi^e) + \phi g$ [Define terms; note: ϕ =fisc & μ =mon efficacy]

(1) Expectations-augmented Phillips Curve + simple Keynesian fiscal efficacy; *n.b.*, all else equal fiscal-policy preferred to monetary (b/c g not in Loss function, L , but π is).

(2) *CapImmob* $\Rightarrow 0 < \phi, \mu < 1$;

(3) *CapMob, Fix* $\Rightarrow \phi = 1, \mu = 0$;

(4) *CapMob, Flex* $\Rightarrow \phi = 0, \mu = 1$.

c) *Order of Play*:

(1) All learn game structure (E or \sim E; R or L; CBI or $\sim CBI$, all parameters of model); *n.b.*, actually no role for π here; game as modeled entirely b/w CB & govt, no citizens.

(2) Govt chooses g ; then bank chooses π . Note:

(a) Actually, bank chooses π given expects g from govt optimize \Rightarrow some $\pi(g)$; symmetrically, govt chooses g knowing this is how bank will act.

(b) [game somewhat odd for $CBI = 0$ case; because then govt would optimize over g & π]

3. *Implications*: As before but CB not only not act *electorally* or *partisan-ly* but leans monetarily against govt if indep & retains mon. auton.

4. *Predictions*:

a) *If CapImmob*, fiscal manipulation regardless of *E.R.* or *CBI*, but *CBI likely dampens*. [note: fiscal policy Pareto-preferred *ceteris paribus* in this model.]

b) *If CapMob*, fiscal manipulation under *Fixed E.R.* but not under *Flex E.R.*, regardless of *CBI*. [note: fiscal 100% ineffectual under *Flex* in this model.]

c) *If CapImmob*, monetary manipulation in contractionary direction [more generally, monetary counters fiscal policy] if *CBI*.

d) *If CapMob*, monetary manipulation in expansion dir only if $\sim CBI$ & *Flex E.R.*

5. *Main Difference from Non-strategic (Decision-Theoretic) Model*: CapMob, Fix, & CBI \Rightarrow fiscal effective & CB constrained from countering \Rightarrow fiscal cycles, if anything, greater outcome cycles w/ CapMob than w/o .

6. [TABLE 3: *n.b.*, absolute (none, all) statements mostly due to dichotomized conditions & extreme resolution of assignment problem (all fiscal policy); viewed as relative statements should hold though.]

TABLE 3. The Expected Effect of an Increase in Left Governance or the Onset of an Election under Various Conditions

	No Central Bank Independence	Central Bank Independence
No capital mobility	<i>Fiscal policy: expansion</i> <i>Monetary policy: indeterminate</i> <i>National income: expansion</i>	<i>Fiscal policy: (smaller) expansion</i> <i>Monetary policy: contraction</i> <i>National income: (smaller) expansion</i>
Capital mobility and fixed exchange rates	<i>Fiscal policy: (larger) expansion</i> <i>Monetary policy: none</i> <i>National income: expansion</i>	<i>Fiscal policy: (larger) expansion</i> <i>Monetary policy: none</i> <i>National income: expansion</i>
Capital mobility and flexible exchange rates	<i>Fiscal policy: none</i> <i>Monetary policy: expansion</i> <i>National income: (smaller) expansion</i>	<i>Fiscal policy: none</i> <i>Monetary policy: none</i> <i>National income: none</i>

7.NOTE: *CBI, CapMob, E.R.* all viewed as exogenous.

8.Policymaking Highly Context-Dependent; misleading at best to explore [theoretically or] empirically w/o consider context

F. Diagrams summarizing Clark's Central-Bank-Independence, Capital-Mobility, & Exchange-Rate-Regime Conditional Electoral and Partisan Cycles Theory (1st w/ steps elab'd; 2nd just upshots):

