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# Democratic accountability and the exchange-rate policy of the euro area<sup>1</sup>

C. Randall Henning

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# Notes

<sup>1</sup> Sources: Eurostat database and U.S. Census Bureau, Foreign Trade Division.

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1. Prepared for the project on 'Legitimacy and Efficiency: Revitalizing EMU ahead of Enlargement', organized by Erik Jones, Tal Sadeh and Amy Verdun. The author would like to thank Jacqueline Best, Daniel Daco, Andreas Falke, Kathleen McNamara, Jonathan Kirshner, Georges Pineau, Jens van Scherpenberg and two anonymous reviewers for comments on previous versions, as well as the editors and other authors and participants at the project meeting at SAIS Bologna in December 2005. He also wishes to acknowledge the valuable research assistance of Alina Milasiute and Bella Nestorova.

2. This framework thus adopts a concept of accountability that is procedural, institutional and rationalist. A normative concept, grounded in constructed norms and rights, represents an alternative that is certainly worth pursuing in scholarship on the accountability of policy within the euro area and European Union. Without intending to foreclose

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7. These are critical contributions to a debate over global current account adjustment that is broad ranging. This paper does not hinge on the normative questions in this debate – such as the sustainability of the imbalances and the responsibility of the United States, euro area and East Asia, among other actors, for reducing them – interesting as such questions are. The argument developed here hinges instead on the impact of China's exchange rate policy on the economies of the United States and euro area and the responses of the two authorities.

8. See <http://www.chinacurrencycoalition.org/members.html>. Accessed December 11, 2006.

9. Search conducted on <http://thomas.loc.gov/home/c109query.html> in December 2006. [Hufbauer et al. \(2006\)](#) count 23 such bills between February 2003 and March 2006.

10. European Commission, 'Bilateral Trade Relations with China', accessed June 22, 2006 at [http://ec.europa.eu/comm/trade/issues/bilateral/countries/china/index\\_en.htm](http://ec.europa.eu/comm/trade/issues/bilateral/countries/china/index_en.htm)

11. 'We continue to monitor exchange markets closely and cooperate as appropriate. In this context, we emphasize that more flexibility in exchange rates is desirable for major countries or economic areas that lack such flexibility to promote smooth and widespread adjustments in the international financial system, based on market mechanisms'. Statement of G-7 [Finance Ministers and Central Bank Governors \(2004\)](#).

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15. To the extent that the available data allow a comparison. See Eurostat database, Foreign Direct Investment, available at <http://epp.eurostat.ec.europa.eu>.

16. While applauding China's modest revaluation in mid-2005, [Weber \(2005\)](#) and [Issing \(2005\)](#) take this essential position. Ahearne and von Hagen (2005) and [Pisani-Ferry and Sapir \(2005\)](#) inveigh against European complacency with respect to the renminbi, which they also describe as pervasive.

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