Candidate: Hulya Unlusoy  
For the degree of: Doctor of Philosophy  
Department: Political Science  
Title: Do Parties Matter? A Political Model of Monetary Policy in Open Economies  
Committee: Dr. Gunther Hega, Chair  
Dr. Kevin Corder  
Dr. Priscilla Lambert  
Dr. Michael Ryan  
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10 am to noon  
3301 Friedmann Hall  

This study presents an original political model of monetary policy in open economies that reframes the Mundell-Fleming model when party politics and long-term interest rates are examined with the three economic variables (monetary policy autonomy, capital mobility, fixed exchange rate). The Mundell-Fleming model explains that there is no monetary policy autonomy in the short term under high capital mobility and there is a fixed exchange rate system. To see whether this study arrives at a different conclusion than the Mundell-Fleming model, it poses the following two research questions: 1) What explains the variations in monetary policies? 2) What is the effect of political parties in power on monetary policies? These research questions are significant because they further the debate in political science literature about whether political parties matter for monetary policies. This study contributes to the debate by comparing the effect of political parties on monetary policies across a fixed exchange rate era versus a floating exchange rate era, and it tests three hypotheses with a political model of monetary policy in open economies.

First, this study reviews political science and economic literature to detail the debate about whether differences in monetary policies exist in a country based on left or right party in power, while providing background insights into the three hypotheses
of the study (concerning the effects of political parties in power, increased capital mobility, and central bank independence on monetary policies). Second, using a sample of eighteen advanced industrial democracies, this study conducts a quantitative analysis of monetary policy autonomy in a fixed exchange rate period versus in a floating exchange rate period to test the hypotheses with this model. Third, case study research is used to consider the qualitative reality of the United States, a country from among the eighteen. Finally, this study compares the results of quantitative and qualitative analyses and arrives at a different conclusion than the Mundell-Fleming model. It concludes that a country may have monetary policy autonomy under high capital mobility and a fixed exchange rate system.