



KATEDRA HOSPODÁRSKEJ POLITIKY



CENTRUM PRE EKONÓMIU A FINANČIE



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



BRATISLAVA ECONOMIC SEMINAR

21. November 2012

Gerhard Sorger

University of Vienna

Central bank independence and the monetary instrument problem

Abstract

We study the monetary instrument problem in a dynamic non-cooperative game between separate, discretionary fiscal and monetary policy makers. We show that monetary instruments are equivalent only if the policy makers' objectives are perfectly aligned; otherwise an instrument problem exists. When the central bank is benevolent while the fiscal authority is short sighted relative to the private sector, excessive public spending and debt emerge under a money growth policy but not under an interest rate policy. Despite this property, the interest rate is not necessarily the optimal instrument.

Venue: University of Economics in Bratislava, new building, room C1.06,
Dolnozemska 1, Bratislava

Date: 21. November 2012

Program: 15:00 Gerhard Sorger: Central bank independence and the monetary
instrument problem
16:30 coffee