

Macroeconomic stabilisation in heterogeneous societies

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Objectives

- To construct a quantitative model where distributional issues matter
- To use that model to analyse previously unconsidered shocks
- To display new interactions between fiscal and monetary policies useful for stabilisation purposes

ADEMU has been heavily engaged in developing new models for macroeconomic stabilisation which combine frictions in goods and labour markets. When these features are combined, new implications arise for macroeconomic stabilisation. Some of these issues and stabilisation policies are particularly important in the face of idiosyncratic risk and incomplete markets because of the amplification that can arise through countercyclical earnings risk, and because of a new source of interaction between monetary and fiscal policies.

Further reading

To read the full paper which accompanies this policy brief, see chapter four (pages 45-51) of the ADEMU e-book published by VoxEU.org:

www.voxeu.org/The-emu-after-the-crisis

You can see a short video summary of this topic by the author at:

www.ademu-project.eu/ademu-explained-macroeconomic-stabilization-with-heterogeneous-agents-video-with-morten-ravn

This topic also relates to the following policy briefs:

A European Unemployment Insurance System

www.ademu-project.eu/an-unemployment-insurance-system-for-the-euro-area-with-arpad-abraham-and-joao-broqueira

Recessions following expansions: The instability of market economies

www.ademu-project.eu/recessions-following-expansions-the-instability-of-market-economies

Reassessing tax policies and tax coordination: The case for a tax on automation

www.ademu-project.eu/reassessing-tax-policies-and-tax-coordination-the-case-for-a-tax-on-automation

Stimulus packages? Better be persistent!

www.ademu-project.eu/stimulus-packages-better-be-persistent

There are 38 working papers related to this topic. See the full list:

www.ademu-project.eu/ademu-working-papers-related-to-work-package-2

www.ademu-project.eu



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