

## Preface

This book studies the coexistence of inflation and unemployment in a monetary union. The focus is on how to reduce the associated loss. The primary target of the European central bank is low inflation in Europe. The primary target of the German government is low unemployment in Germany. And the primary target of the French government is low unemployment in France. The European central bank has a quadratic loss function. The same applies to the German government and the French government. The key questions are: To what extent can the sequential process of monetary and fiscal decisions reduce the loss caused by inflation and unemployment? Is monetary and fiscal cooperation superior to the sequential process of monetary and fiscal decisions?

The present book is part of a larger research project on European Monetary Union, see the references given at the back of the book. Some parts of this project were presented at the World Congress of the International Economic Association, at the International Conference on Macroeconomic Analysis, at the International Institute of Public Finance, and at the International Atlantic Economic Conference. Other parts were presented at the Macro Study Group of the German Economic Association, at the Annual Meeting of the Austrian Economic Association, at the Göttingen Workshop on International Economics, at the Halle Workshop on Monetary Economics, at the Research Seminar on Macroeconomics in Freiburg, at the Research Seminar on Economics in Kassel, and at the Passau Workshop on International Economics.

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