

# Preface

This book studies the dynamic interactions between monetary and fiscal policies in a world economy. The world economy consists of two monetary regions, say Europe and America. The policy makers are the central banks and the governments. The primary target of a central bank is low inflation. And the primary target of a government is low unemployment. However, there is a short-run trade-off between low inflation and low unemployment. Here the main focus is on cold-turkey policies. Another focus is on gradualist policies. And a third focus is on policy cooperation. There are demand shocks, supply shocks, and mixed shocks. There are regional shocks and common shocks. The key question is: Given a shock, what are the dynamic characteristics of the resulting process?

The present book is part of a larger research project on European Monetary Union, see The Current Research Project (pp. 265 - 269) and the References (especially p. 274). In principle there are two approaches. One approach is to study the Nash equilibrium. Another approach is to study dynamic interactions. The present book deals with dynamic interactions.

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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Michael Carlberg

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Carlberg, M.

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