

Contents in Brief

Introduction	1
---------------------------	---

Part One. The Monetary Union as a Whole:

Absence of a Deficit Target	13
Chapter 1. Monetary Policy A	15
Chapter 2. Monetary Policy B	20
Chapter 3. Fiscal Policy A	27
Chapter 4. Fiscal Policy B	32
Chapter 5. Interaction between Central Bank and Government	37
Chapter 6. Cooperation between Central Bank and Government	43
Chapter 7. Interaction between Central Bank and Government: A Special Case	50

Part Two. The Monetary Union as a Whole:

Presence of a Deficit Target	57
Chapter 1. Fiscal Policy A	59
Chapter 2. Fiscal Policy B	65
Chapter 3. Interaction between Central Bank and Government A	70
Chapter 4. Interaction between Central Bank and Government B	77
Chapter 5. Interaction between Central Bank and Government C	83
Chapter 6. Cooperation between Central Bank and Government	90

Part Three. The Monetary Union of Two Countries:

Absence of a Deficit Target	95
Chapter 1. Monetary Policy in Europe A	97
Chapter 2. Monetary Policy in Europe B	106
Chapter 3. Fiscal Policy in Germany A	114
Chapter 4. Fiscal Policy in Germany B	119

Chapter 5. Interaction between European Central Bank, German Government, and French Government.....	124
Chapter 6. Cooperation between European Central Bank, German Government, and French Government.....	132

Part Four. The Monetary Union of Two Countries:

Presence of a Deficit Target	141
Chapter 1. Fiscal Policy in Germany A.....	143
Chapter 2. Fiscal Policy in Germany B.....	149
Chapter 3. Interaction between European Central Bank, German Government, and French Government A.....	154
Chapter 4. Interaction between European Central Bank, German Government, and French Government B.....	169
Chapter 5. Interaction between European Central Bank, German Government, and French Government C.....	181
Chapter 6. Cooperation between European Central Bank, German Government, and French Government.....	193
Synopsis	204
Conclusion	207
Result	229
Symbols	235
The Current Research Project	237
References	241
Index	253

Contents

Introduction	1
1. Subject and Approach	1
2. The Monetary Union as a Whole: Absence of a Deficit Target	3
3. The Monetary Union as a Whole: Presence of a Deficit Target	5
4. The Monetary Union of Two Countries: Absence of a Deficit Target	7
5. The Monetary Union of Two Countries: Presence of a Deficit Target	10

Part One. The Monetary Union as a Whole: Absence of a Deficit Target..... 13

Chapter 1. Monetary Policy A	15
1. The Model	15
2. Some Numerical Examples	17
2.1. A Demand Shock in Europe	17
2.2. A Supply Shock in Europe	18

Chapter 2. Monetary Policy B	20
1. The Model	20
2. Some Numerical Examples	22
2.1. A Demand Shock in Europe	22
2.2. A Supply Shock in Europe	23
2.3. A Mixed Shock in Europe	24
2.4. Another Mixed Shock in Europe	24

Chapter 3. Fiscal Policy A	27
1. The Model.....	27
2. Some Numerical Examples.....	29
2.1. A Demand Shock in Europe.....	29
2.2. A Supply Shock in Europe.....	30
Chapter 4. Fiscal Policy B	32
1. The Model.....	32
2. Some Numerical Examples.....	34
Chapter 5. Interaction between Central Bank and Government	37
Chapter 6. Cooperation between Central Bank and Government	43
1. The Model.....	43
2. Some Numerical Examples.....	46
2.1. A Demand Shock in Europe.....	46
2.2. A Supply Shock in Europe.....	47
2.3. A Mixed Shock in Europe.....	48
Chapter 7. Interaction between Central Bank and Government: A Special Case	50
1. The Model.....	50
2. Some Numerical Examples.....	52

Part Two. The Monetary Union as a Whole: Presence of a Deficit Target	57
Chapter 1. Fiscal Policy A	59
1. The Model.....	59
2. Some Numerical Examples.....	62
2.1. A Demand Shock in Europe.....	62
2.2. A Supply Shock in Europe.....	63
Chapter 2. Fiscal Policy B	65
1. The Model.....	65
2. Some Numerical Examples.....	66
Chapter 3. Interaction between Central Bank and Government A	70
1. The Model.....	70
2. Some Numerical Examples.....	73
2.1. A Demand Shock in Europe.....	74
2.2. A Supply Shock in Europe.....	74
Chapter 4. Interaction between Central Bank and Government B	77
1. The Model.....	77
2. Some Numerical Examples.....	80
Chapter 5. Interaction between Central Bank and Government C	83
1. The Model.....	83
2. Some Numerical Examples.....	86
Chapter 6. Cooperation between Central Bank and Government	90
1. The Model.....	90
2. Some Numerical Examples.....	92
2.1. A Demand Shock in Europe.....	92
2.2. A Supply Shock in Europe.....	93

Part Three. The Monetary Union of Two Countries: Absence of a Deficit Target	95
Chapter 1. Monetary Policy in Europe A	97
1. The Model	97
2. Some Numerical Examples.....	101
2.1. A Demand Shock in Germany	101
2.2. A Supply Shock in Germany.....	102
2.3. A Common Demand Shock in Europe.....	104
Chapter 2. Monetary Policy in Europe B	106
1. The Model	106
2. Some Numerical Examples.....	109
Chapter 3. Fiscal Policy in Germany A	114
1. The Model	114
2. Some Numerical Examples.....	116
2.1. A Demand Shock in Germany	116
2.2. A Supply Shock in Germany.....	117
Chapter 4. Fiscal Policy in Germany B	119
1. The Model	119
2. Some Numerical Examples.....	120
Chapter 5. Interaction between European Central Bank, German Government, and French Government	124
Chapter 6. Cooperation between European Central Bank, German Government, and French Government	132
1. The Model	132
2. Some Numerical Examples.....	136
2.1. A Demand Shock in Germany	136
2.2. A Supply Shock in Germany.....	138
2.3. A Mixed Shock in Germany	138

Part Four. The Monetary Union of Two Countries: Presence of a Deficit Target	141
Chapter 1. Fiscal Policy in Germany A	143
1. The Model.....	143
2. Some Numerical Examples.....	145
2.1. A Demand Shock in Germany	146
2.2. A Supply Shock in Germany.....	147
Chapter 2. Fiscal Policy in Germany B	149
1. The Model.....	149
2. Some Numerical Examples.....	150
Chapter 3. Interaction between European Central Bank, German Government, and French Government A	154
1. The Model.....	154
2. Some Numerical Examples.....	161
2.1. A Demand Shock in Germany	161
2.2. A Supply Shock in Germany.....	163
2.3. A Common Demand Shock in Europe.....	165
2.4. A Common Supply Shock in Europe	166
Chapter 4. Interaction between European Central Bank, German Government, and French Government B	169
1. The Model.....	169
2. Some Numerical Examples.....	174
Chapter 5. Interaction between European Central Bank, German Government, and French Government C	181
1. The Model.....	181
2. Some Numerical Examples.....	186
Chapter 6. Cooperation between European Central Bank, German Government, and French Government	193
1. The Model.....	193
2. Some Numerical Examples.....	197

Synopsis	204
Conclusion	207
1. The Monetary Union as a Whole: Absence of a Deficit Target	207
2. The Monetary Union as a Whole: Presence of a Deficit Target	211
3. The Monetary Union of Two Countries: Absence of a Deficit Target	216
4. The Monetary Union of Two Countries: Presence of a Deficit Target	221
Result	229
1. The Monetary Union of Two Countries: Absence of a Deficit Target	229
2. The Monetary Union of Two Countries: Presence of a Deficit Target	231
Symbols	235
The Current Research Project	237
References	241
Index	253