



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, new building, room C1.06, Dolnozemská 1, Bratislava

Date: 21. November 2012

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