



ON FISCAL MULTIPLIERS IN NEW KEYNESIAN SMALL OPEN ECONOMY MODELS

Discussion
FISK-Workshop



Contribution

Fiscal multipliers in a Small Open Economy New Keynesian Model

- For various fiscal shocks and horizons
 - Significant variation
- Comparison with RBC results
- Sensitivity w.r.t. parameters
- Ex-post vs ex-ante multipliers



Austrian Calibration

Key differences

- Openness → smaller multiplier
- Exogenous monetary policy → larger multiplier
- How big are those effects, which one “wins”?



Permanent Shocks

Permanent fiscal shocks financed by changes in lump-sum taxes

- Shift from lump-sum taxes to (usually) distortionary taxes
- What do we learn from that exercise?
- Focus is on change in output – but what would be optimal?

Compared to countercyclical fiscal policy

- Results with transitory shock similar



Heterogeneity & Welfare

Focus is on change in output

- Disutility of labour – how does welfare change?

Types of (meaningful) heterogeneity in the model

- Age
- Finance-constrained vs unconstrained households
- How are they affected by fiscal policy?
- Ricardian equivalence still seems to roughly hold for effects on output



Thank you for your attention

Contact:

Markus Riegler
Austrian Parliamentary Budget Office

Phone: +43 1 40 110-2474
E-Mail: Markus.Riegler@parlament.gv.at
Parliament, A-1017 Wien, Dr. Karl Renner-Ring 3