

ABSTRACT:

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Fiscal Policy and the Distributional Effects of Energy Price Shocks

Fluctuations in energy prices can have heterogeneous effects on households and firms. Furthermore, since poor households spend a larger share of their income on energy, rising energy prices are associated with adverse distributional consequences. In this analysis, we jointly study the macroeconomic and distributional effects of an estimated energy price shock within a DSGE model calibrated to the German economy. We focus on fluctuating fossil energy prices and compare the performance of a range of fiscal policy measures regarding aggregate dynamics and welfare.