



EINLADUNG ZUR NÄCHSTEN VERANSTALTUNG DES POTSDAM RESEARCH SEMINAR IN ECONOMICS

Wir laden Sie herzlich zur nächsten Veranstaltung des Potsdam Research Seminar in Economics am **11.07.2017** ein.

Das Seminar findet von **14.00 bis 16.00 Uhr** (c.t.) in Raum **3.01.231** statt.

Referent:

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Thema des Vortrages:

Financing of Government Spending in an Incomplete-Markets Model: The Role of Public Debt

Abstract:

We use a heterogeneous-agents, incomplete-markets model to study the influence of different types of fiscal rules on the response of key macroeconomic variables to a government spending shock. In particular, we distinguish between a debt-intensive fiscal rule that leads to a strong increase in public debt and a non-debt-intensive rule that keeps the primary deficit small. We find that the debt-intensive fiscal rule contributes to stabilizing consumption and leisure in the first periods following the change in government spending, whereas the non-debt-intensive fiscal rule leads to a faster recovery of consumption, leisure, capital and output in later periods. The observed differences can be traced back to the different responses of wealth-poor agents who are affected most by the financial market imperfections. Regarding optimal fiscal policy, we find that the debt-intensive fiscal rule leads to the largest aggregate welfare benefit and that the individual welfare gains are particularly high for wealth-poor agents with low productivity. With these findings we contribute to the renewed debate on public debt and financial market imperfections.

Wir freuen uns auf Ihre Teilnahme.