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## **UNCONVENTIONAL POLICIES IN A MONETARY UNION: A POLICY GAME APPROACH**

### **Abstract:**

How does the availability of fiscal and unconventional monetary measures modify the composition of the optimal policy mix, in a monetary union, when ZLB is binding? In order to answer to this question, we have built a simply three-period generalized New Keynesian model, in which we have assumed that non-money assets are not perfect substitutes. Following Friedman (2013), private agents' choice is responsive to a sort of long run interest rate.

We have proved that in a monetary union, greater is the number of member countries adopting autonomous fiscal policy, greater will be public spending and more moderate will be the use of unconventional policies measures by central bank. Anyway, deviations in output and inflation decrease with the enlargement of the monetary union.

### **Keywords:**

Unconventional Monetary policies, ZLB, Fiscal policy, Quantitative Easing, Forward Guidance, Policy game

**JEL Classification:** C70, E52, E60