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		Fiscal policy
		Capital market
		Consumption
		Economics
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		Expenditures, Public
		Finance
		Finance: General
		Fiscal Policy
		General Financial Markets: General (includes Measurement and Data)
		Income economics
		Labor
		Labour
		Macroeconomics
		Macroeconomics: Consumption
		National Government Expenditures and Related Policies: General
		Public finance & taxation
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	Wealth
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Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Contents; I. Introduction; II. The Baseline Model; A. Households; B. Firms and Price Setting; C. Fiscal Policy; D. Aggregation and Market Clearing; E. Steady State and Linearisation; III.Equilibrium, Calibration and Determinacy; A. Equilibrium; B. Calibration; C. Determinacy; IV. Optimal Policy; Figures; 1. Determinacy in the baseline model; A. Social Welfare; B. Optimal Monetary Policy with Exogenous Fiscal Policy; C. Jointly Optimal Monetary and Fiscal Policy; 2. Optimal feedback coeffcients for different values of; 3. Impulse responses to a persistent cost-push shock in the baseline model V. Extensions A. CRRA Preferences; B. Targeted Transfers; 4. Impulse responses to a persistent cost-push shock with CRRA utility, targeted transfers and equal lump-sum tax financing; C. Alternative Financing Assumptions; 5. Impulse responses to a persistent cost-push shock with government debt. .; VI.Conclusion; Appendix; A. Derivation of the Baseline Model; B. Derivation of the Social Welfare Function; C. Solving for Optimal Policy; D. Extensions; E. The 'non-Keynesian' Case; 6. Determinacy for the 'non-Keynesian case; References
Sommario/riassunto	This paper characterises the jointly optimal monetary and fiscal stabilisation policy in a new Keynesian model that allows for consumers who lacking access to asset markets consume their disposable income each period. With full asset market participation, the optimal policy relies entirely on the interest rate to stabilise cost-push shocks and government expenditure is not changed. When asset market participation is limited, there is a case for fiscal stabilisation policy. Active use of public spending raises aggregate welfare because it enables a more balanced distribution of the stabilisation burden across asset-holding and non-asset-holding consumers. The optimal response of government expenditure is sensitive to the financing scheme and whether the policymaker has access to a targeted transfer that can directly redistribute resources between consumers.