

**Conference on**  
***Fiscal Policy Frameworks, Monetary Policy Implications,  
and Intergenerational Financial Funds***

**Sydney, 23-24 August 2007**

Thursday 23, and Friday morning 24 August 2007

122A Kirribilli Avenue, Kirribilli  
and

Friday 24 afternoon public forum  
31 Bligh Street, Sydney

**Hosted by**

**Centre for Applied Macroeconomic Analysis (CAMA) in the  
College of Business and Economics ANU.**

**and the**

**Lowy Institute for International Policy**

Fiscal policy frameworks have traditionally received significantly less attention than monetary policy frameworks, the interaction of fiscal and monetary frameworks and the long-term sustainability of fiscal policy and public debt.

To fill a large and important gap in the literature and the policy debate more broadly, a primary focus of this Conference is on the role and evolution of fiscal policy frameworks, and their short and long run implications for monetary and public debt policies. Global and individual country perspectives will reflect principles, institutional underpinnings, performance and modelling of the policy frameworks.

The specific issues selected for focus on the afternoon of the 24th involve *Funding for Longer Term Infrastructure Investment* and *Intergenerational Financial Funds*. The funding of infrastructure investment, and intergenerational funds have important implications for short run and long run fiscal policy, debt sustainability, and monetary policy. Intergenerational financial funds differ considerably in degree of coverage of a country's long run pension liabilities, in their governance provisions, in their implications for other major financial funds, and in their investment strategies.

**Note:** The Thursday morning sessions will each run for 60 minutes: 30 minutes for presenters, and 15 minutes each for discussants and general discussion. For all other 50 minute sessions, we have allocated 25 minutes to presenters, 10 minutes to the discussants, and 15 minutes for general discussion. For the Friday afternoon forum, we have allocated 15 minutes to each panellist.

# Program

## Thursday, August 23

- 9am – 9.15 am Welcome by  
**Warwick McKibbin** (ANU, CAMA, LIIP), and  
**Viv Hall** (Victoria Univ. of Wellington, CAMA)
- Chair: Viv Hall**
- 9.15am – 9.45am “Overview of the key issues – an international perspective”  
**David Vines** (Oxford University, CAMA)
- Fiscal Policy Frameworks: Role, evolution, difficulties and successes**
- 9.45am – 10.45am “The Evolution of Fiscal Policy in Australia”  
**David Gruen** (Australian Treasury)  
Discussant: **David Hargreaves** (RBNZ)
- 10.45am – 11.15am Coffee Break
- 11.15am – 12.15pm “Roles of Fiscal Policy in New Zealand”  
**Felicity Barker**, Bob Buckle and Robert St. Clair  
(NZ Treasury)  
Discussant: **Gordon de Brouwer** (Australian Treasury, CAMA)
- 12.15pm – 1.30 pm Lunch
- Modelling the policy interfaces: Small model approaches**
- Chair: Heather Anderson**
- 1.30pm – 2.20pm “What has Financed Government Debt?”  
Hess Chung and **Eric Leeper** (Indiana University, NBER)  
Discussant: **Aaron Drew** (RBNZ)
- 2.20pm – 3.10pm “Stabilising Expectations under Monetary and Fiscal Policy  
Coordination”  
Stefano Eusepi and **Bruce Preston** (Columbia University, FRB  
New York, CAMA)  
Discussant: **Tim Kam** (ANU, CAMA)
- 3.10pm – 3.30pm Coffee Break
- Modelling the policy interfaces: International implications of large  
country imbalances**
- Chair: Warwick McKibbin**
- 3.30pm – 4.20pm “A Party without a Hangover? On the effects of U.S.  
Government Deficits”  
Michael Kumhof and **Douglas Laxton** (IMF)  
Discussant: **Jeff Sheen** (Univ. of Sydney, CAMA)
- 4.20pm - 5.10pm “Title TBA”  
**Tam Bayoumi** (IMF)
- 7.00pm – 10.00pm **Conference Dinner**

## **Friday, August 24**

### **Morning** – continued at RBA College in Kirribilli

#### **Fiscal modelling, and modelling of Fiscal and Monetary Policy Interfaces**

**Chair: Adrian Pagan**

- 9.00am – 9.50am “Is U.S. Fiscal Policy Optimal?”  
**Nicola Giammaroli** (ECB), Luisa Lambertini and Luca Onorante  
Discussant: **Timo Henckel** (ANU, CAMA)
- 9.50am - 10.40am “Monetary and Fiscal Policy Interaction With Various Degrees and Types of Commitment”  
**Jan Libich** (La Trobe University, CAMA), Andrew Hughes Hallett and Peter Stehlik  
Discussant: **Iris Claus** (Inland Revenue New Zealand, CAMA)

10.40am - 11.10am Coffee Break

**Chair: Bob Buckle**

- 11.10am -12 noon “Identifying fiscal and monetary policy in a small open economy VAR”  
Mardi Dungey (Cambridge, CAMA) and **Renee Fry** (ANU, CAMA)  
Discussant: **Junsang Lee** (ANU, CAMA)
- 12.15pm – 1.15pm Lunch (RBA College, Kirribilli)

### **Afternoon- Open Forum, to be held at the Lowy Institute for International Policy – 31 Bligh St, Sydney**

#### **Fiscal Policy, Infrastructure Investment & Intergenerational Financial Funds**

**Chair: Warwick McKibbin**

- 2.00pm to 2.05pm Welcome by Professor **Keith Houghton**, Convenor of ANU College of Business and Economics
- 2.05pm – 2.10pm “Introduction”  
Professor **Warwick McKibbin** (ANU, CAMA, LIIP)
- 2.10pm – 3.45pm “Key messages from Thursday, and Friday morning sessions”  
**David Vines** (Oxford, CAMA)  
“Panel Presentations and Discussion”  
**John Edwards** (HSBC)  
**Henry Ergas** (Charles River Associates)  
**Adrian Orr** (Chief Executive, NZ Superannuation Fund)  
**John Piggott** (Univ. of NSW)  
**Ric Simes** (Access Economics)
- 3.45pm – 4.00pm Coffee Break
- 4.00pm – 5pm General Discussion
- 5pm Conference Conclusion

The Centre for Applied Macroeconomic Analysis gratefully acknowledges the support and contributions from the following organisations for funding speakers although they bear no responsibility for any views expressed by participants.

ANU College of Business and Economics  
European Central Bank  
Internal Revenue Department, New Zealand  
International Monetary Fund  
Lowy Institute for International Policy  
New Zealand Superannuation Fund  
Reserve Bank of Australia  
Reserve Bank of New Zealand  
The Treasury, Australia  
The Treasury, New Zealand  
Victoria University of Wellington, School of Economics and Finance