

You are kindly invited to attend the Joint Macroeconomic Seminar co-organised by the National Bank of Belgium and the Belgian universities (KU Leuven, UAntwerpen, UCLouvain, UGent, ULB, ULiège, UNamur and VUB).

by

Campbell Leith (University of Glasgow)

on

Central Bank Independence, Government Debt and the Re-Normalization of Interest Rates
(co-authored with Tatiana Kirsanova and Ding Liu)

Abstract

We develop a New Keynesian model augmented with a rich description of fiscal policy, including debt maturity structure, where two policymakers - an independent inflation-averse central bank and a (potentially) populist fiscal authority – interact strategically. Central bank independence initially improves inflation outcomes, but this results in reduced fiscal discipline and increased debt. Eventually this leads to inflation lying above pre independence levels. Introducing a ‘flight-to-safety’ regime, which suppresses the interest rates households require to hold government debt, and a conventional regime, where their time preferences return to normal, allows us to explore how changes in the natural rate can dramatically affect debt dynamics and inflation outcomes. The model offers an explanation of the buildup of government debt since the financial crisis and the subsequent emergence of significant inflation.

The seminar will take place on **Thursday, September 26th** from **16:30** until **18:00** in the meeting room on the 3rd floor of the office building at **Place Sainte-Gudule 19, 1000 Brussels*** *and will also be able to be followed via a Microsoft Teams meeting.*

** Please note that due to office renovations, the seminar will take place at a slightly different location. We kindly ask you to report to the front desk at Place Sainte-Gudule 19 - Sinter-Goedeleplein 19, next to the cathedral.*

Please reply by email to nbbmacro.seminar@nbb.be if you wish to participate to this seminar or if you want to have an appointment with the speaker.

Please let us know if you will be physically present or will be following online by Teams. After registration and if you have indicated that you want to join online you will receive a confirmation email with *the link to the seminar.*

In case you want to access the NBB Parking (rue Montagne aux Herbes potagères 41), please also provide us with your name and the license plate of your car.

Kind regards,

Pierrick Clerc (ULiège), Ferre De Graeve (KU Leuven), Romain Houssa (UNamur), Robert Kollmann (ULB), Yasin Kursat Önder (UGent), Luca Pensieroso (UCLouvain) and Raf Wouters (NBB).