

## **Policy Rules In The Euro Area And International Interdependence**

**Bas Van Aarles, Harry Garretsen, Florence Huart**

**Bas.vanaarles@econ.kuleuven.ac.be**

This paper studies the design effect and interactions of monetary and fiscal policies in the euro area. A stylized New Keynesian model with backward and forward dynamics is developed and augmented with monetary and fiscal policy rules. Numerical simulations are used to assess the effects of demand and supply shocks of monetary and fiscal policies in their transmission.

JEL Codes F31 F41 G15

Key words EMU, Fiscal Policy