

## **NBER International Seminar on Macroeconomics 2004**

Richard Clarida, Jeffrey Frankel, and Francesco Giavazzi, editors

### **Summary**

The International Seminar on Macroeconomics (ISOM) meets every June in a European city, bringing together American and European economists to study a variety of topics within “macroeconomics” defined very broadly. This volume contains a selection of the papers originally presented at the 26<sup>th</sup> and 27<sup>th</sup> International Seminars on Macroeconomics. Seven of these papers were presented in Reykjavik, Iceland, June 18-19, 2004. The meeting was kindly hosted by the University of Iceland, Faculty of Economics and Business Administration. Thor Gylfason was the local host, and the program was organized by Richard Clarida and Francesco Giavazzi. Two of the papers were originally presented in Barcelona, Spain, June 13-14, 2003. This meeting was kindly hosted by the Centre de Recerca en Economia Internacional, of the Universitat Pompeu Fabra. Jordi Gali was the local host, and the program was organized by Zvi Eckstein and Ken West. Jeff Frankel is overall co-director of ISoM.

From 1990 to 2003, ISOM was organized jointly by the National Bureau of Economic Research and the European Economic Association. One goal was to help narrow what was perceived to be a gap between the two continents: European academic macroeconomists several decades ago were more insular than their American counterparts. That proposition may appear to be at odds with the observation that the United States as a whole has at times appeared the insular place. Regardless, times have changed. In 2004, both sponsoring parties decided that the collaboration had accomplished its mission. Starting with this volume, the NBER has become the sole sponsor of ISoM. We will continue to work with a local host in a different European country each summer. This 27<sup>th</sup> annual ISoM proceedings and future proceedings are being published by MIT Press as a companion volume to the NBER Macroeconomics Annual.

The nine papers published in the 27<sup>th</sup> volume of ISoM, as usual, cover quite a range of topics. They are as follows:

- the source of historical economic fluctuations
- optimal macroeconomic policy in the case of a liquidity trap
- the interaction of monetary and fiscal policy in the European Monetary Union
- constraints on fiscal policy such as so-called balanced-budget rules among US states
- the effect of the exchange rate regime on the degree of price flexibility
- rules for monetary policy if central banks learn over time
- the correlation of returns and investment within multinational companies
- the decision of adult children in Italy and the Netherlands to live with their parents and its implications for household saving, and
- an assessment of the prospects for the 10 countries that entered the European Union in 2004 (most of them in Central Europe) based on the experiences of the preceding round of entrants in the 1980s.