

# Macroeconomic Risk, Policies and Institutions

## *Editors' Preface*

Increasing international integration generates new challenges for macroeconomic policies and institutions aimed at coping with macroeconomic risk. Current policy regimes are under debate and in a state of flux. Should the welfare state be expanded or diminished? Does a common currency raise the risk of banking crises? How is the time-inconsistency problem inherent in monetary policy affected by the fact that economies become increasingly open?

On the fiscal policy side, high and growing public debt has forced many governments to curb fiscal policy measures, but with uncertain effects. How do fiscal contractions affect the distribution, and will they give rise to majorities against such contractions? Does an expansionary effect of fiscal contractions depend on a real depreciation? How is the debt managed?

During the past decade, a number of countries have chosen an explicit inflation target for their monetary policy, combined with granting the central bank more independence. This change has led to a renewed interest in monetary policy. Should the central bank be secretive or transparent about its policy? What is the optimal degree of transparency for monetary policy-making?

This special issue of *The Scandinavian Journal of Economics* features a series of papers which endeavor to grasp these topical issues. Some of the research was originally presented at two workshops: "Structural Change and European Economic Integration", sponsored by the Economic Policy Research Unit (EPRU) at the University of Copenhagen and held in Liseleje, Denmark, in September 1999, and "The Transparency of Monetary Policy: Theory and Empirical Evidence", sponsored by the Bank of Finland and the Centre for Economic Policy Research (CEPR) and held in Helsinki, Finland, in April 2000. The remaining contributions were regular submissions (all of the papers underwent a regular refereeing process).

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