

A Stable Economy via Income Tax
and Taylor Rule :
The Role of Money and Government Expenditure

Seiya Fujisaki*

April, 2014

Abstract

We analyze a relation between policy mixture and equilibrium determinacy in a economy with money and government expenditure used for production or utility. We find that whether equilibrium is determinate or not depends on both fiscal and monetary policy in the economy with productive money and government expenditure in the utility, but it does only on progressivity of tax in the economy with productive government expenditure and money in the utility.

Keywords and Phrases: equilibrium determinacy, progressive income tax, Taylor rule, government expenditure, money.

JEL Classification Numbers: E52, E62.

*Graduate School of Education, Shinshu University, 6-Ro, Nishinagano, Nagano, Nagano, 380-8544, JAPAN (email: fujisaki@shinshu-u.ac.jp)