

Ac	ACTIVE VS. PASSIVE POLICY			
	Core issue: there are <i>limits</i> or <i>restrictions</i> that each policy-settin authority places on the actions of the other			
	Analysis so far: the period- t choices of one policy authority restriction choices of other policy authority <u>in period t</u> (i.e., in short run)			
	$P_{t}g_{t} + B_{t-1} = T_{t} + P_{t}^{b}B_{t} + M_{t} - M_{t-1}$ Period- <i>t</i> consolidated GBC			
	A more realistic view: the period- <i>t</i> choices of one policy authority may restrict the choices of the other policy authority in period <i>t</i> and/or period $t+1$ and/or period $t+2$ and/or period $t+3$,			
	Emphasizes that the limits may not be realized immediately, but can occur later (in the economy's/government's lifetime)			
	Requires analyzing the present discounted value (PDV) version of the consolidated GBC (aka lifetime consolidated GBC)			



















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	Monetary-Fiscal Interactions			
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	 FTI: effects of inflationary finance felt as a long and sustained (though not necessarily very sharp) rise in inflation In period t <u>and/or</u> in future periods 			
	 FTPL: effects of inflationary finance felt as a short-lived but very sharp rise in inflation A <u>one-time</u> (i.e., in period <i>t</i>) change in prices, but no further inflation in future periods 			
	Many historical episodes in developing countries of FTPL Little empirical evidence for developed countries			
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