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Editorial of the special issue on Monetary and Fiscal Policy Stabilization amid a Debt Crisis

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Editorial of the special issue on Monetary and Fiscal Policy Stabilization amid a Debt Crisis

Georgios P. Kouretas and Athanasios P. Papadopoulos

Since 1997 the Department of Economics of the University of Crete has organized an annual international conference on Macroeconomic Analysis and International Finance. The articles included in this Special Issue are peer-refereed versions of papers presented at the 21th International Conference on Macroeconomic Analysis and International Finance held at the University Campus, Rethymno 25-27 May 2017. The topic of this Special Issue is *Monetary and Fiscal Policy Stabilization amid a Debt Crisis*.

Hafedh Bouakez, Rigas Oikonomou and Romanos Priftis in their paper "Optimal debt management in a liquidity trap" study optimal debt management in the face of shocks that can drive the economy into a liquidity trap and they call for an increase in public spending in order to mitigate the resulting recession. Their approach follows the literature on macroeconomic models of debt management, which they extend to the case where the zero lower bound on the short-term interest rate may bind. The analysis aims to identify conditions under which removing long-maturity government debt from the secondary market is an optimal policy outcome. The authors show that the optimal debt-management strategy is to issue short-term debt if the government faces a sizable exogenous increase in public spending and if its initial liability is not very large. In this case, their results run against the standard prescription of the debt-management literature. In contrast, if the initial debt level is high, then issuing long term government bonds is optimal. Finally, they find a role for changes in the debt management strategy during Liquidity Trap episodes, whereby the

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