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# What determines the price level?

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## Why is this important?

- The real world: Japan, US, Europe.
- Theoretical models with indeterminate price level, “equilibrium selection” hand-waving.

## How fiscal backing eliminates indeterminacy

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- Sims (2013)

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- Cochrane (2011)
- Sims (1994)
- Benhabib, Schmitt-Grohé, and Uribe (2001)



# Reinterpreting inflation history

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- Bianchi and Ilut (2013) Bianchi (2010)
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- Sims and Del Negro (2013)

# Optimal fiscal policy

- Sims (2001)
- Schmitt-Grohé and Uribe (2004)
- Sims (2013)
- Leeper and Zhou (2013)



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