

## **Discretionary Monetary Policy in the Calvo Model**

(with Willem Van Zandweghe)

### **Abstract**

We study discretionary equilibrium in the Calvo pricing model for a monetary authority that chooses the money supply. Unlike the Taylor model with two-period pricing (King and Wolman 2004), policy does not accommodate predetermined prices in a way that inevitably leads to multiple private sector equilibria. For the examples we compute, we find a unique equilibrium characterized by a steady state inflation rate that exceeds five percent.