Abstract

We use Bayesian prior and posterior analysis of a monetary DSGE model, extended to include fiscal details and two distinct monetary-fiscal policy regimes, to quantify government spending multipliers in U.S. data. The combination of model specification, observable data, and relatively diffuse priors for some parameters lands posterior estimates in regions of the parameter space that yield fresh perspectives on the transmission mechanisms that underlie government spending multipliers. Posterior mean estimates of short-run output multipliers are comparable across regimes — about 1.4 on impact — but much larger after 10 years under passive money/active fiscal than under active money/passive fiscal — means of 1.9 versus 0.7 in present value.