The Division of Economics and the Economic Growth Centre cordially invite you to a seminar by Professor Angus Chu

**Speaker:** Professor Angus Chu  
*Professor of Economics*  
*University of Liverpool Management School*

**Topic:** "Inflation, R&D and Growth in an Open Economy"

**Chairperson:** Professor Ng Yew Kwang  
*Albert Winsemius Chair Professor*  
*Division of Economics*  
*School of Humanities & Social Sciences*  
*Nanyang Technological University*

**Date:** Wednesday, 20 August 2014  
**Time:** 2:30 pm – 4:00 pm

**Venue:** HSS Meeting Room 5 (HSS-04-89)  
*Nanyang Technological University*  
*School of Humanities and Social Sciences*  
*14, Nanyang Drive*  
*Singapore 637332*

**About the Speaker:**

Angus Chu has served as Professor of Economics at the University of Liverpool since 2013. He earned his doctoral degree in economics at the University of Michigan in 2008. His research focuses on macroeconomic theory, monetary economics, economic growth, innovation and intellectual property rights. Angus has published in journals, such as European Economic Review, International Economic Review, Journal of Development Economics, Journal of Economic Dynamics and Control, Journal of Economic Growth, Journal of Money, Credit and Banking, and Review of Economic Dynamics. According to a ranking by RePEc/IDEAS, he is among top 10% economists in the areas of innovation and intellectual property rights. He is also an associate editor at the Bulletin of Economic Research.

**Abstract:**

This study explores the long-run effects of inflation in a two-country Schumpeterian growth model with cash-in-advance constraints on consumption and R&D investment. We find that increasing domestic inflation reduces domestic R&D investment and the growth rate of domestic technology. Given that economic growth in a country depends on both domestic and foreign technologies, increasing foreign inflation also affects the domestic economy. When each government conducts its monetary policy unilaterally to maximize the welfare of domestic households, the Nash-equilibrium inflation rates are generally higher than the optimal inflation rates chosen by cooperative governments who maximize the welfare of both domestic and foreign households. Under the CIA constraint on R&D (consumption), a larger market power of firms amplifies (mitigates) this inflationary bias. Finally, we also calibrate the two-country model to data in the Euro Area and the US to quantify the welfare effects of decreasing the inflation rates from the Nash equilibrium to the optimal level.

**Reservation:**

Admission is free. Please reply to Director-EGC, e-mail:d-egc@ntu.edu.sg to confirm your attendance.