

# 2021 Research, Scholarship, and Creativity Grant Application

Application Deadline - 5 pm, Monday, February 15th, 2021.

Please direct inquiries about applications to Sarah Wolter ([swolter2@gustavus.edu](mailto:swolter2@gustavus.edu)).

## Guidelines

Research, Scholarship, and Creativity Grants are available to support faculty members in their professional scholarly and creative work. Course improvement projects will not be considered (expenses for such projects should be covered by departmental budgets or other sources.) All proposals should be aimed toward the production of some tangible result, e.g., the publication of an article, chapter, or book; or an exhibit of works of arts. Private, personal creativity projects will not be considered.

\*Grants will be awarded for up to \$1500 in project costs. Grants also include stipends: \$700 for continuing instructors/assistant professors; \$600 for associate professors; \$500 for professors. Faculty may choose to allocate part of all of their stipends to project costs.

\*Applications will be accepted for stipends and project costs, as well as for stipends only.

\*Joint applications are accepted but the maximum allowable project costs and stipend remain fixed.

\*A faculty member cannot receive both the Research, Scholarship, and Creativity grant and the Presidential Faculty/Student Collaboration grant in the same year.

\*RSC grants are awarded through a competitive process but a large number are funded each year.

\*Monies may also be used as matching funds for outside support awarded to the faculty member.

\*Grant recipients need to get IRB approval if their research involves human subjects and IACUC approval for animal research.

\*Applicants whose previous grant reports are past due will not be eligible to apply.

\*Priority will be given to quality proposals submitted by candidates who have not been funded through a Research, Scholarship, and Creativity grant in the past two years.

\*Awards are made in the spring for the following academic year; project expenses must be incurred and reimbursed during that fiscal year (June 1st - May 31st).

For examples of previously funded applications, see <https://gustavus.edu/kendallcenter/grant-opportunities/grant-examples.php>.

## Criteria for Selection

To distinguish among proposals that meet all criteria identified in the application, the committee looks for evidence of exceptional merit, compelling project design, and feasibility of project. Priority will be given to quality proposals submitted by candidates who have not been funded through a Research, Scholarship & Creativity grant in the past two years and to applicants who are not requesting funding for extensions or continuations of projects previously funded by a Research, Scholarship & Creativity grant.

## I. Personal Data

First Name \*

Shu-Ling

Last Name \*

Wang

Gustavus E-mail \*

swang3@gustavus.edu

Campus Phone Number \*

8123619390

Rank/Status \*

- Full Professor
- Associate Professor
- Assistant Professor
- Continuing Instructor
- Visiting Faculty

Department(s)/Program(s) \*

Economics and Management

Administrative Assistant \*

Jane Chouanard

## II. Information on Previous Grants & Permission to Share Proposal

Have you previously received an RSC grant? \*

- Yes
- No

If you replied "yes" to the previous question, briefly describe your previous RSC grant project(s) and outcome(s).

Is your current proposed RSC project an extension or continuation of a project previously funded by an RSC grant? If so, please explain.

If successful, my proposal can be used as an example to assist future faculty applications. This decision will not in any way influence the evaluation of my application. Click "Yes" to give permission. \*

Yes

No

### III. Project Information

Please compose your answers offline and copy/paste into the appropriate text boxes. While answers inputted into this form should be available if you close the form and return in the same browser, we cannot guarantee that this function will work.

A. Purpose: What are the intellectual, conceptual, or artistic issues you will address in the course of the grant period? How does your work fit into the larger field of study? \*

[Project background]:

The Covid-19 pandemic has prompted a large number of countries to take exceptional steps to stimulate their economies and to minimize the welfare losses of their citizens. The European Union (EU) issued a \$857 billion stimulus package to rescue their economies from the ravages of the pandemic. The fiscal position of the governments in the EU has rapidly deteriorated since the financial crisis, with these countries' debt-to-GDP ratio rising by almost 25% between 2007 and 2011. The unprecedented stimulus measures in response to the pandemic exacerbate the fiscal position in these countries. As high-debt economies typically face large risk premium in international asset markets, employing fiscal stimulus programs can be costly due to high interest payments and debt rollover. Moreover, if countries belong to a monetary union, the government has to raise taxes or cut spending to stabilize debt at the same time to avoid further deterioration of the fiscal stance. However, these debt stabilization policies can attenuate the intended stimulus effects.

[Research question]:

As there seems to exist a trade-off between fiscal stimulus and debt stabilization in countries with high public debt and lack of monetary independence, how to best support fiscal stimulus while stabilizing the debt? To answer this question, we search for six optimal fiscal policy rules for Italy (a high-debt economy), which belongs to a monetary union, to study the stimulus and stabilization effects produced by these fiscal rules. We then further compare those effects between Italy (a high-debt economy) and Germany (a low-debt economy), examining whether optimal fiscal rules and policy implications vary with the debt-to-GDP ratio of a country. To conduct the analysis, we will use a small open economy dynamic stochastic general equilibrium (DSGE) model augmented with rich fiscal policy instruments and estimate the model using Bayesian techniques.

[This project fits into the literature on fiscal stimulus and fiscal consolidation]:

This paper is closely related to two strands of literature: fiscal consolidation and fiscal stimulus measures. On the consolidation side, since the global financial crisis that led to a rapid rising debt-to-GDP ratio in many advanced economies, a growing number of studies has begun to focus on fiscal consolidation measures (e.g. Erceg and Linde (2013); Alesina et al. (2015); Camous and Gimber (2018); Forni and Pisani (2018); Glomm et al. (2018)). However, the effectiveness of fiscal consolidation policies on promoting output growth has not achieved a consensus. On the stimulus side, a large volume of existing studies estimate the size of government spending and tax multipliers, producing a wide range of estimates (e.g. Blanchard and Perotti (2002); Romer and Romer (2010); Forni et al. (2009); Davig and Leeper (2011); Coenen et al. (2013); Ilzetzki et al. (2013); Leeper et al. (2017)). Most of these studies assume that fiscal stimulus is either financed by a monetary expansion (Zubairy (2014); Bianchi et al. (2020); Gali (2020)) or debt issuance (Leeper et al. (2010); Drautzburg and Uhlig (2015); Bi et al. (2016)) with no supporting stabilization policies. However, for small open economies that belong to a monetary union and have high debt-to-GDP ratios, debt-financed fiscal stimulus is difficult to implement on the one hand, and monetary expansion cannot be independently conducted on the other hand. Therefore, finding appropriate fiscal stabilization policy is crucial for the efficacy of fiscal stimulus programs.

The analysis conducted in this project will contribute to the literature by bridging the gap between these two strands of studies: we will examine the welfare maximizing fiscal stabilization policies that aim at supporting fiscal expansion without worsening government fiscal imbalance.

B. Feasibility: What qualifications do you bring to this project? What have you done/will you do to prepare for this project? What is the time period for your proposed work (summer, summer and academic year, academic year only)? Please explain how the work's scope is appropriate for the planned time frame. \*

[Qualifications]:

I am a macroeconomist, and my research field lies in fiscal and monetary policy. The topic explored in this project, which is an extension to my dissertation Ch.2, aligns with my research interests. In addition, the methodology utilized in this project is prevailing in the literature.

[Preparations]:

In this semester (Spring of 2021), we will find the data for Italy and German as the preparations for model calibration. The data we plan to search include public debt-to-GDP ratio, public employment, public consumption, public investment, consumption taxes, labor income taxes, and capital gain taxes.

[Time frame for the project]:

This project will be a joint work with Prof. Yin Germaschewski at University of New Hemisphere. In Summer of 2021, we plan to extend the model that we used in the previous joint work to a version that incorporates no monetary independence and a rich set of fiscal rules. Meanwhile, we will calibrate some deep parameters in the model and then utilize Bayesian techniques to estimate the rest parameters. In the Fall semester, we will conduct policy experiments and obtain preliminary results by December. Then we can work on the first draft in J-term. In the Spring of 2022, we will send the draft to 1-2 conferences for feedback. Then we will submit the manuscript to Economic Letters by the end of Spring 2022.

[Work's scope is appropriate for the planned time frame]:

As we plan to finish the most challenging jobs in summer (i.e., solving the model as well as conducting estimation) and in J-Term (i.e., writing the first draft), I believe that we can make good progress as planned. In addition, as this the second joint work I do with Prof. Yin Germaschewski and the scope of this annual project is similar to the one we had before, I believe that the work's scope is appropriate for the planned time frame.

C. Project Design: Please describe your project design and activities, including location, staff, schedule and itineraries, and desired outcomes. \*

[Project design]:

This project will be conducted on my personal laptop at home and/or at Gustavus between June 2021-May 2022, one day a week during the semester (due to my tight teaching schedule) and five days a week in Summer and J-term. The stipend will help cover part of the submission fees and daycare expenses that allow me to work on this project.

[Desired outcomes]:

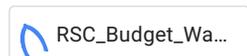
The desired outcome is a very preliminary draft completed by Feb 2022 for us to present at the Midwest Economic Association (MEA) Conference in March 2022 for feedback. We hope to submit the manuscript to Economic Letters by the end of the Spring 2022 for review (publication).

D. How will restrictions due to Covid-19 potentially affect your project? [This is not a criteria for selection of the RSC.]

The daycare may be forced to close temporarily if there is any confirmed case of Covid-19. In this special situation, I will have to take care of my two-year son and a new born at home, which may delay the progress.

#### IV. Budget

Download the RSC budget form here: [https://drive.google.com/file/d/1nSVRzWgV\\_q4sVXuMU0sVPYumer61BEOU/view?usp=sharing](https://drive.google.com/file/d/1nSVRzWgV_q4sVXuMU0sVPYumer61BEOU/view?usp=sharing). Then upload the completed RSC budget form by clicking "Add File" below. \*



Provide a rationale/justification for your budget. \*

The stipend I requested will help cover the submission fees and part of the daycare expenses that allow me to work on this project.

#### V. Additional Information

Have you applied for funding from another source to support this project but do not yet know the outcome of that application? \*

Yes

No

If you replied "yes" to the previous question, please 1) indicate the funding source(s) and amount requested, 2) explain how the RSC grant funds will be used in addition to the other funding if received, and 3) explain how the RSC grant project would be impacted if external funding is not received.

Have you received funding from another source to support this project? \*

Yes

No

If you replied "yes" to the previous question, please 1) indicate the funding source(s) and amount requested, and 2) explain how the RSC grant funds will be used in addition to the other funding received.

If you apply for and receive funding for both the Research, Scholarship, and Creativity grant and the Presidential Faculty-Student Collaboration grant, which will you accept? Grant guidelines specify recipients can only accept funding for one of the grants in a year.

Research, Scholarship, and Creativity grant

Presidential grant

If there are any additional materials that you think would be helpful to the committee in deciding upon your application, please upload them here.

If there are any additional materials that you think would be helpful to the committee in deciding upon your application (e.g. links to Google Drive files), please include URLs here.

#### VI. Area of Focus

One approved RSC grant will also be selected for the Area of Focus award. This designation carries with it an additional \$500. An RSC grant can connect to the Area of Focus in many ways, depending on the individual proposals. The Area of Focus for the 2021-2022 grant period is "Innovation and Technology."

Would you like your proposal to be considered for the Area of Focus award? \*

Yes, consider my application for this designation.

No, do not consider my application.

If you answered "yes" above, please provide a short description of how your project engages this year's area of focus, "Innovation and Technology."

#### Applicant's E-Signature

Signature \*

Shu-Ling Wang

This form was created inside of Gustavus Adolphus College.

Google Forms