

# Monetary Policy trade-offs in a heterogenous currency area

53<sup>rd</sup> OeNB Annual Economic Conference  
in cooperation with SUERF

Vienna, Austria  
June 18-19, 2026

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## CALL FOR PAPERS

*Submission deadline: March 2, 2026*

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Monetary policy in a heterogeneous currency area faces inherent trade-offs because differences across countries, regions, sectors and groups shape both how shocks are transmitted and how effectively policy works. A single monetary policy action—such as adjusting interest rates—affects agents differently, stabilizing prices and output for some while potentially increasing risks to output, employment, or financial stability for others. These variations generate multiple trade-offs: When pursuing disinflation, policymakers may need to balance the goal of lowering inflation with potential costs across sectors and regions. Conversely, a single expansionary monetary policy aiming to avoid below-target inflation at the aggregate level may perpetuate inflation or create financial imbalances in some sectors, regions or countries. The tools available to central banks—policy rates, balance sheet operations, and communication—are limited and cannot address all these trade-offs on their own. Complementary fiscal and macroprudential policies are essential in supporting the overall economy and managing sectoral or regional disparities. A clear understanding of heterogeneity within the monetary union is crucial for calibrating macroeconomic policies that support economies operating near potential, sustain inflation close to target, and mitigate the risk of creating or worsening financial or economic vulnerabilities.

This conference seeks to deepen our understanding of how heterogeneity shapes **monetary policy trade-offs** and of the complementary role that fiscal and macroprudential policies can play in achieving better outcomes. Bringing together policymakers, academics, and financial industry experts, it aims to foster an exchange of ideas at the intersection of policy practice and academic research. The program combines **policy-oriented discussions** designed to stimulate dialogue and analytical exchange with **academic sessions** dedicated to the presenting and critically assessing new research.

We particularly welcome **theoretical and empirical papers** that advance the policy debate on monetary policy design and effectiveness in a heterogeneous currency area. Submissions addressing the following topics and themes are especially encouraged (though other topics within the broader conference theme are also welcome):

## **1 Household Heterogeneity and its Macroeconomic Impact**

Differences in household savings, leverage, skills and income risk affect the transmission of monetary policy across the euro area. Rate hikes, for instance, may stabilize aggregate demand but disproportionately affect indebted, liquidity-constrained and low skill and low-income households. This session explores the interaction between household heterogeneity and monetary policy:

- Should monetary policy account for households in the tails of the distribution (highly indebted or high savers)?
- How does household heterogeneity affect monetary policy transmission?
- Should central banks explicitly consider distributional effects, or is this exclusively the remit of governments and fiscal policies?
- In what ways can sectoral data and sectoral models support more accurate policy design and calibration by illuminating differences in sector dynamics and policy responses?

## **2 Firms, Productivity Dispersion, and Sectoral Shocks**

In the euro area, firms differ in their markups, productivity, positions within production networks, and other characteristics, which complicates aggregate disinflation and the transmission of sectoral and economy-wide shocks. Sectoral shocks—such as energy price increases—propagate heterogeneously across firms and sectors, potentially requiring the ECB to balance overall price stability against persistent, sector-specific inflation pressures. This session explores the challenges that sector and firm-level variations pose for achieving aggregate price stability in the euro area

- Under what conditions do sectoral shocks warrant a policy response?
- How does firm heterogeneity affect the speed and effectiveness of disinflation?
- Should policy tolerate more sectoral inflation divergence in the short run to preserve growth and investment?

## **3 Housing Markets, Mortgages, and Regional differences**

Mortgage systems, collateral arrangements, regional housing supply elasticities and rental markets vary significantly across euro area countries. This session explores how these structural differences shape the inflation process, the transmission of monetary policy, the dynamics of housing markets, and the trade-offs between price stability and financial resilience?

- Should monetary policy take into account housing market heterogeneity, rent inflation and real estate prices, or leave these areas entirely to governments and macroprudential authorities?
- How do national mortgage designs alter the trade-off between price stability and financial stability?
- What lessons emerge from cross-country comparisons of housing market structures?

## **4 Labour Markets, Wage-Setting, and Employment Stability**

Bargaining institutions, indexation practices, and contract staggering vary across euro area countries, influencing how wages respond to inflation and monetary policy. These differences can create tensions between disinflation objectives and employment stability. This session explores how such institutional and contractual heterogeneity affects wage dynamics, the transmission of monetary policy, and the trade-offs policymakers face in balancing price stability with labour market outcomes.

- How does wage-setting heterogeneity alter the wage–price loop and policy transmission?
- How can diverging wage dynamics across countries and sectors hamper monetary policy effectiveness?
- What coordination, if any, would be useful with labour market institutions? How should national and sectoral wage setters operate in a monetary union?
- Given the role of inflation perceptions and expectations for wage and price setting, should central banks pay attention to regional/national inflation perceptions and expectations in their assessment of monetary policy credibility and policy?

## **5 Fiscal–Monetary–Macroprudential Coordination in a Heterogeneous Union**

Divergent fiscal positions, public debt structures, and macroprudential capacities across euro area member states create asymmetric constraints on the single monetary policy. Effective coordination across policy domains can help mitigate fragmentation risks while preserving incentives for fiscal discipline. This session explores how these differences influence the transmission of monetary policy, the management of financial stability risks, and the interplay between national policies and euro-area-wide objectives.

- How do differences in sovereign debt levels and maturity structures affect monetary policy transmission across countries and in general?
- How might rising fiscal imbalances across countries influence euro area and foreign monetary policy decisions?
- Can high fiscal debt ratios in certain countries lead to fiscal dominance in a monetary union?
- What should be the central bank's role in the stabilization of sovereign debt markets?
- Where do liquidity backstops end and monetary financing begin?
- Can EU-level fiscal instruments reduce fragmentation risks while maintaining incentives for sound national public finances?

Papers should be submitted through the [online submission form](#) in PDF format by **March 2, 2026**. Papers published prior to the conference are not eligible, working/discussion papers are eligible.

#### Timeline:

<b>Paper submission deadline</b>	<b>March 2, 2026</b>
<b>Notification of acceptance (only authors of accepted papers will be notified)</b>	<b>April 15, 2026</b>
<b>Paper presentation</b>	<b>June 18-19, 2026 Vienna</b>

Submitted papers will be assessed by an expert board consisting of OeNB economists and a **scientific committee**. **Selected papers will be invited to be presented at the conference in Vienna** and will be **shared among all conference participants**, including policymakers, academics and financial market participants from around the world, as well as posted on SUERF's conference website. Only authors of accepted papers will be notified.

Authors of presented papers will be invited to publish a **short policy-oriented summary** of their paper as a [SUERF Policy Brief](#).

In the event of onsite presentation, the OeNB will pay for **accommodation and travel costs** (economy class) of the presenting author if the presenter's institution cannot cover these costs. Speakers from central banks, financial and policy institutions are invited to cover their costs in full.

#### Scientific Committee:

Ass.-Prof. Maximilian Breitenlechner (University of Innsbruck)  
Prof. Jesus Crespo Cuaresma (WU Vienna)  
Prof. Emanuel Gasteiger (TU Vienna)  
Ass.-Prof. PD Michael Pfarrhofer (WU Vienna)  
Prof. Paul Pichler (University of Vienna)  
Prof Guido Schäfer (WU Vienna)  
Prof. Philipp Schmidt-Dengler (University of Vienna)  
Prof. Martin Wagner (University of Klagenfurt)