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## Entry and fiscal policy effectiveness in a small open economy within a Monetary Union

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**Abstract** In this article I develop an imperfectly competitive dynamic general equilibrium model for a small open economy integrated in a monetary union. Here, the type of entry in the non-traded goods' sector affects fiscal policy effectiveness. Fiscal policy effectiveness is enlarged when aggregate demand stimuli increase intra-industrial competition (case I). This is due to the counter-cyclical mark-up mechanism generated by entry. Such a mechanism is absent in the usual monopolistic competition where entry only has a sharing effect (case II).

**Keywords** Small economy · Entry · Fiscal policy · Endogenous mark-ups

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