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$s) + [\sigma(1 - s) + \gamma(\sigma - 1)](1 - s) = -(1 - \tau)\phi_{2\sigma s} < 0$  under condition B. As a consequence,  $RH(s)$  is decreasing in  $s$  under condition B.

13. 13. To summarize the benchmark parameter values, economic growth rate = 0.02,  $t = 0.2$ ,  $\delta = 0.05$ ,  $\rho = 0.025$ ,  $\sigma = 2$ ,  $\theta = \eta = 0.5$ ,  $u = v = 0.5$ ,  $\alpha = b = 0.8$ ,  $a$  (earmarking) = 0.2179 and  $a$  (general fund) = 0.2064.
14. 14. To summarize the benchmark parameter values, economic growth rate = 0.02,  $t = 0.2$ ,  $\delta = 0.05$ ,  $\rho = 0.025$ ,  $\sigma = 2$ ,  $\theta = \eta = 0.5$ ,  $u = v = 0.5$ ,  $\gamma = 0.3$ , and  $a = 0.1512$ .
15. 15. We thank an anonymous referee for bringing this point to our attentions.

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