
 Download This Paper (Delivery.cfm/98081005.pdf?abstractid=115025&mirid=1)

Open PDF in Browser (Delivery.cfm/98081005.pdf?abstractid=115025&mirid=1&type=2)

 Add Paper to My LibraryShare:    

Optimal Financing by Money and Taxes of Productive and Unproductive Government Spending: Effects on Economic Growth, Inflation, and Welfare

Levy Economics Institute Working Paper No. 241

31 Pages


Posted: 14 Aug 1998

David Alan Aschauer (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=63628)

Bates College - Department of Economics

Abstract

This paper contains an investigation of the effects of different means of financing government spending on economic growth, inflation, and welfare. In this setting, two different types of government spending are considered: productive expenditures which provide services to the private sector in its production activities; and unproductive expenditures which have no direct influence on the private economy. In turn, two different forms of finance are considered: proportional income taxation; and money creation. The primary result of the paper is, perhaps, striking in its simplicity. Specifically, we find that optimal public finance requires productive government to be financed by money creation and unproductive government expenditure by income taxation. Within the model structure? a representative agent, endogenous growth model with money introduced via a cash-in-advance constraint? the basic result is robust to changes in value of all underlying model parameters such as the intertemporal elasticity of substitution in consumption, the rate of time preference, and the output elasticity of public services. The paper proceeds as follows. Section II contains a brief description of the model. Section III presents the economic equilibrium, while Sections IV and V compare the effects of financing productive and unproductive expenditures, respectively, by taxation and money creation. Section VI brings together the previous sections considers the joint financing of government expenditures by taxation and money creation. Section VII concludes the paper and points to directions for future research.

JEL Classification: H61, H63[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/98081005.pdf?abstractid=115025&mirid=1)

Open PDF in Browser (Delivery.cfm/98081005.pdf?abstractid=115025&mirid=1&type=2)

0 References

0 Citations

Fetch Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (https://www.ssrn.com/index.cfm/en/Announcements-Jobs/)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze,

improve, and personalize our content and your digital experience. For more information, see our [Cookie](#)[Policy](https://www.elsevier.com/legal/cookiepolicy) (https://www.elsevier.com/legal/cookiepolicy)

DOWNLOADS

398

[Cookie Settings](#)

Accept all cookies

ABSTRACT VIEWS

4 Citations

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=115025)

Recommended Papers

Public-Sector Capital and the Productivity Puzzle (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=420294&rec=1&srcabs=115025&pos=1)

By Douglas Holtz-eakin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=84888)


The Effects of Public Infrastructure and R&D Capital on the Cost Structure and Performance of U.S. Manufacturing Industries (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=474000&rec=1&srcabs=115025&pos=2)

By M. Ishaq Nadiri (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=49828) and Theofanis P. Mamuneas (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=147167)


Measuring the Contribution of Public Infrastructure Capital in Sweden (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=226728&rec=1&srcabs=115025&pos=3)

By Ernst R. Berndt (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=25679) and Bengt Hansson (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=260041)

[View more >](#)

Feedback 

[Submit a Paper > \(https://hq.ssrn.com/submission.cfm\)](https://hq.ssrn.com/submission.cfm)

SSRN Quick Links 

SSRN Rankings 

About SSRN 

 (<https://www.facebook.com/SSRNcommunity/>)

 ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

 (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)