Recent Evidence on Budget Deficits and National Savings

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This paper examines the recent United States experience with sustained budget deficits and concludes that the events of the last five years cast significant doubt on the proposition that the timing of taxes does not affect national savings. Rather than raising private saving, the recent deficits have if anything coincided with reduced saving and increased consumption. These findings suggest that realistic analysis of fiscal policies must recognize that consumers are liquidity constrained and/or myopic.

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"Finite Lifetimes and the Effects of Budget Deficits on National Saving." From Journal of Monetary Economics, Vol. 20, No. 2, pp. 369-391,(September 1987).

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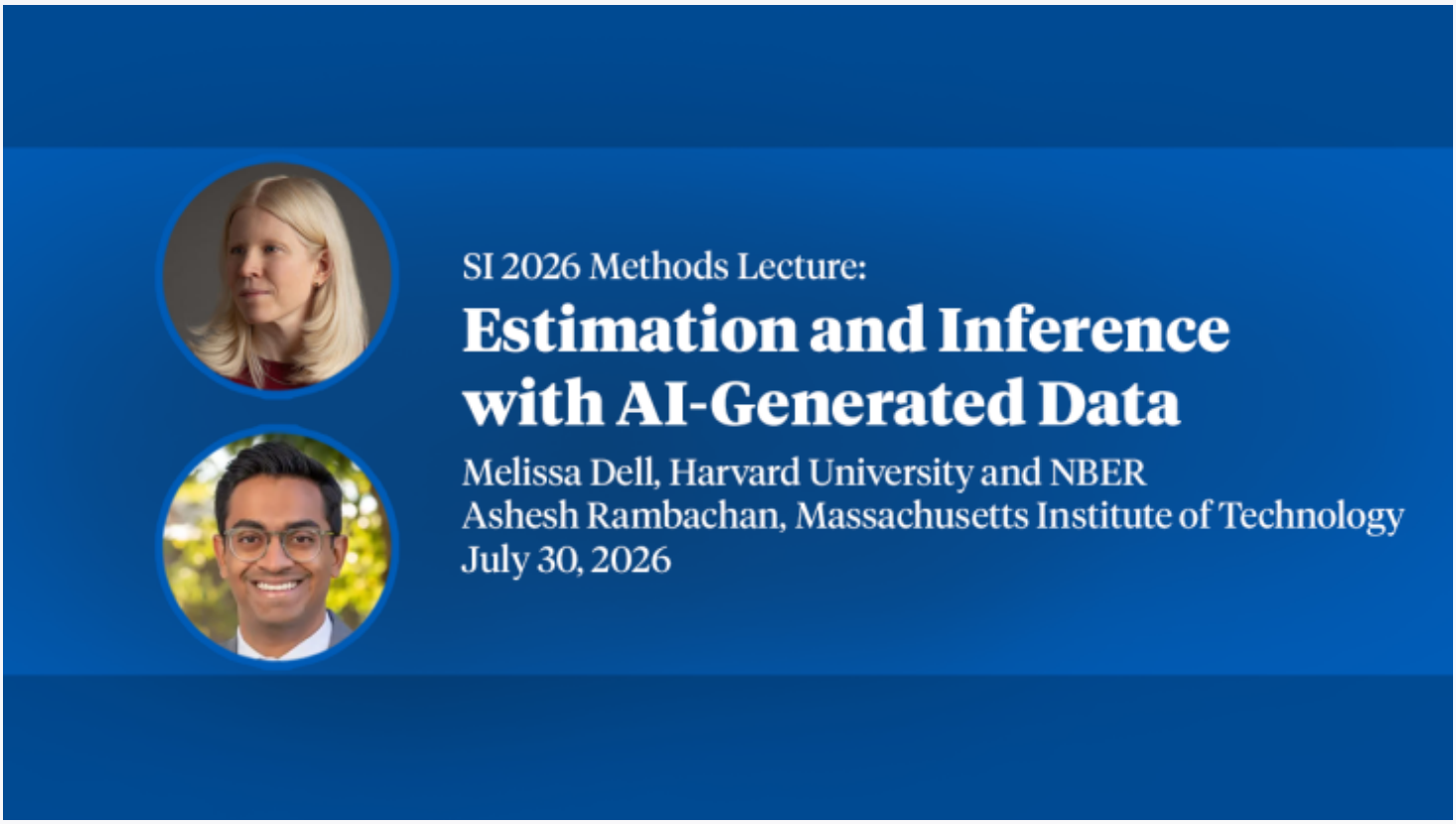


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