

TABLE 6—GOVERNMENT SPENDING MULTIPLIER IN SEPARABLE PREFERENCES MODEL

	Closed economy aggregate multiplier	Open economy relative multiplier
<i>Panel A. Sticky prices</i>		
Volcker-Greenspan monetary policy	0.20	0.83
Constant real rate	1.00	0.83
Constant nominal rate	$\infty$	0.83
Constant nominal rate ( $\rho_g = 0.85$ )	1.70	0.90
<i>Panel B. Flexible prices</i>		
Constant income tax rates	0.39	0.43
Balanced budget	0.32	0.43

*Notes:* The table reports the government spending multiplier for output deflated by the regional CPI for the model presented in the text with the separable preferences specification. Panel A presents results for the model with sticky prices, while panel B presents results for the model with flexible prices. The first three rows differ only in the monetary policy being assumed. The fourth row varies the persistence of the government spending shock relative to the baseline parameter values. The fifth and sixth rows differ only in the tax policy being assumed.