Table 1

Long-run Partial Effects

A. Fiscal Changes
(lump-sum Tax financed)

	g	h	τ_k	τ_w
$\frac{dl}{(1-l)}$	$-\frac{l}{c}<0$	$-\frac{l}{c}<0$	$\frac{l(1-c-g-h)}{c(1-\tau_k)}>0$	$\frac{l}{1-\tau_w}>0$
$\frac{dk}{k}$	$\frac{\left[(1-\sigma)\frac{l}{c}+\frac{\eta}{g}\right]}{1-\sigma-\eta}>0$	$\frac{(1-\sigma)\frac{l}{c}}{1-\sigma-\eta}>0$	$-\frac{\left[c(1-\eta)+(1-\sigma)(1-c-g-h)l\right]}{c(1-\tau_k)(1-\sigma-\eta)}<0$	$-\frac{(1-\sigma)}{(1-\sigma-\eta)}\frac{l}{(1-\tau_w)}<$
$\frac{dk_g}{k_g}$	$\frac{(1-\sigma)\left[\frac{l}{c}+\frac{1}{g}\right]}{1-\sigma-\eta}>0$	$\frac{(1-\sigma)\frac{l}{c}}{1-\sigma-\eta}>0$	$-\frac{\left[c\sigma+(1-\sigma)(1-c-g-h)l\right]}{c(1-\tau_k)(1-\sigma-\eta)}<0$	$-\frac{(1-\sigma)}{(1-\sigma-\eta)}\frac{l}{(1-\tau_w)}<$
$\frac{dy}{y}$	$\frac{\left[(1-\sigma)\frac{l}{c}+\frac{\eta}{g}\right]}{1-\sigma-\eta}>0$	$\frac{(1-\sigma)\frac{l}{c}}{1-\sigma-\eta}>0$	$-\frac{\left[c\sigma+(1-\sigma)(1-c-g-h)l\right]}{c(1-\tau_k)(1-\sigma-\eta)}<0$	$-\frac{(1-\sigma)}{(1-\sigma-\eta)}\frac{l}{(1-\tau_w)}<$

B. Long-run Expenditure Effects

I. Increase in h

	Financed by Adjustments in: τ_k	τ_w	τ_c
$\frac{dl}{(1-l)}$	$-\frac{l}{c}\left[\frac{\sigma(1-\tau_k)-(1-c-g-h)}{\sigma(1-\tau_k)+\tau_c(1-c-g-h)}\right]$	$-\frac{l}{(1-l)c\theta}[\theta-(1+\theta)l]$	0
$\frac{dk}{k}$	$\frac{-(1-\eta)(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}$	$\frac{\frac{(1-\sigma)}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)}{(1-\sigma-\eta)}$	0
$\frac{dk_g}{k_g}$	$\frac{-\sigma(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}$	$\frac{\frac{(1-\sigma)}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)}{(1-\sigma-\eta)}$	0
$\frac{dy}{y}$	$\frac{-\sigma(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}$	$\frac{\frac{(1-\sigma)}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)}{(1-\sigma-\eta)}$	0

II. Increase in g

	Financed by Adjustments in: τ_k	τ_w	
$\frac{dl}{(1-l)}$	$-\frac{l}{c}\left[\frac{\sigma(1-\tau_k)-(1-c-g-h)}{\sigma(1-\tau_k)+\tau_c(1-c-g-h)}\right]$	$-\frac{l}{(1-l)c\theta}[\theta-(1+\theta)l]$	
$\frac{dk}{k}$	$\frac{-(1-\eta)(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}+\frac{(\eta/g)}{(1-\sigma-\eta)}$	$\frac{\frac{(1-\sigma)}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)+\frac{\eta}{g}}{(1-\sigma-\eta)}$	(1−(
$\frac{dk_g}{k_g}$	$\frac{-\sigma(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}+\frac{(1-\sigma)/g}{(1-\sigma-\eta)}$	$\frac{(1-\sigma)\left\{\frac{1}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)+\frac{1}{g}\right\}}{(1-\sigma-\eta)}$	(1 · (1−(
	$\frac{-\sigma(1+\tau_c)+\frac{(1-\sigma)l}{c}[\sigma(1-\tau_k)-(1-c-g-h)]}{[\sigma(1-\tau_k)+\tau_c(1-c-g-h)](1-\sigma-\eta)}+\frac{\eta/g}{(1-\sigma-\eta)}$	$\frac{\frac{(1-\sigma)}{c\theta}[\theta-(1+\theta)l]\left(\frac{l}{1-l}\right)+\frac{\eta}{g}}{(1-\sigma-\eta)}$	

$\frac{dy}{y}$			(1−