

**Table 2**

Long-run Effects of Fiscal Shocks

A. Lump-sum Tax Financed

	$\tau_k$	$\tau_w$	$\tau_c$	$g$	$h$	$l$	$c/y$	$\mu_1, \mu_2$	$k_g/k$	Priv. cap. rel. to base	Pub. cap. rel. to base	Output rel. To base	Long-run govt. bal	Long-run welf. gains
<b>Base Economy</b>	<b>0.28</b>	<b>0.28</b>	<b>0</b>	<b>0.08</b>	<b>0.14</b>	<b>0.706</b>	<b>0.642</b>	<b>-0.03428</b> <b>-0.1040</b>	<b>0.582</b>	<b>0.570</b> <b>(=1)</b>	<b>0.332</b> <b>(=1)</b>	<b>0.297</b> <b>(=1)</b>	<b>0.2976</b>	<b>--</b>
higher $h$	0.28	0.28	0	0.08	0.20	0.685	0.583	-0.03428 -0.1025	0.582	1.104	1.104	1.104	0.6009	3.13%
higher $g$	0.28	0.28	0	0.14	0.14	0.685	0.583	-0.03428 -0.1025	1.019	1.415	2.477	1.415	0.5783	4.35%
higher $\tau_k$	0.40	0.28	0	0.08	0.14	0.713	0.665	-0.03426 -0.1062	0.699	0.698	0.837	0.837	0.1058	-3.54%
higher $\tau_w$	0.28	0.40	0	0.08	0.14	0.743	0.643	-0.03430 -0.1049	0.582	0.826	0.826	0.826	-0.0896	-5.35%
introduce $\tau_c$	0.28	0.28	0.10	0.08	0.14	0.726	0.643	-0.03429 -0.1045	0.582	0.906	0.906	0.906	-0.0213	-2.66%