

<<Blanchard and Perotti>>

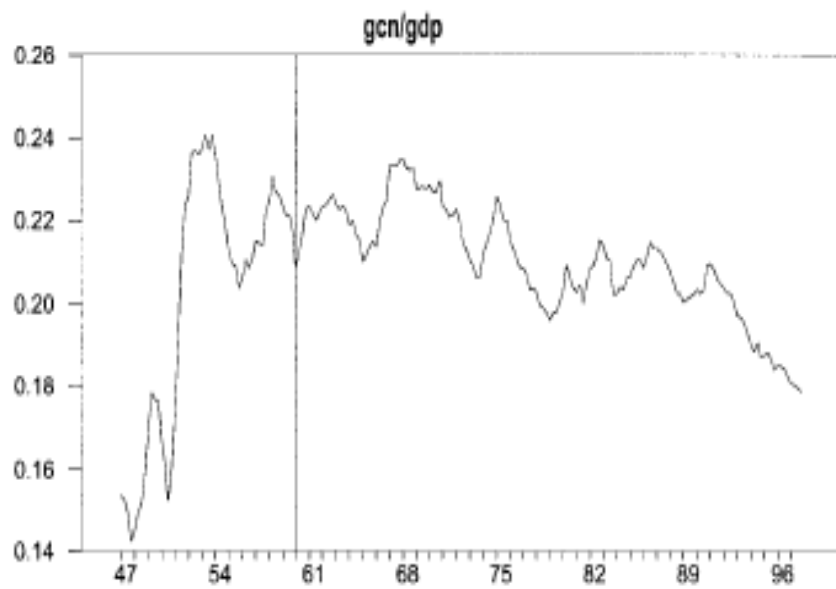
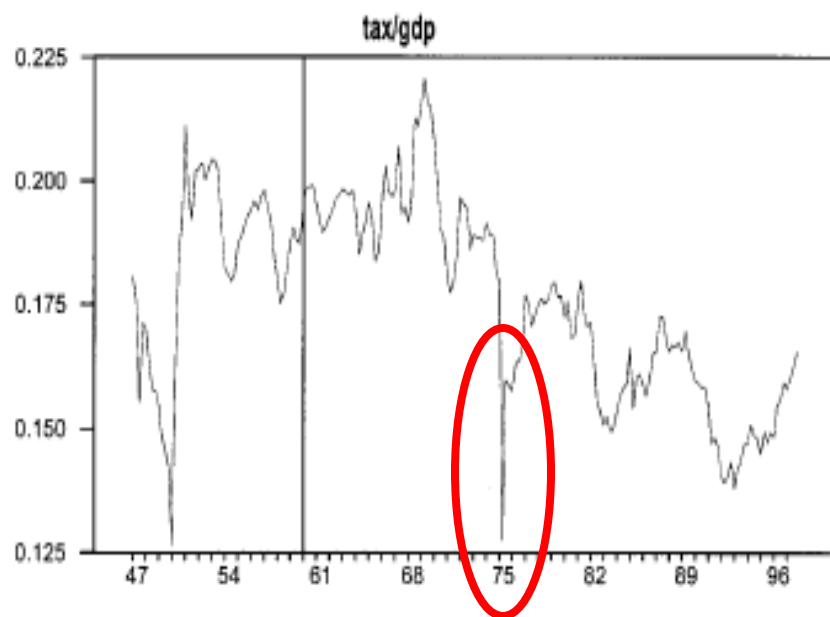


FIGURE I
Net Taxes and Spending, Shares of GDP

TABLE II
ESTIMATED CONTEMPORANEOUS COEFFICIENTS

	c_1	c_2	b_2	a_2
	DT			
coeff.	-0.868	0.956	-0.047	-0.187
<i>t</i> -stat.	-3.271	2.392	-1.142	-1.142
<i>p</i> -value	0.001	0.018	0.255	0.255
	ST			
coeff.	-0.876	0.985	-0.057	-0.238
<i>t</i> -stat.	-3.255	2.378	-1.410	-1.410
<i>p</i> -value	0.001	0.019	0.161	0.161

DT: Deterministic Trend; ST: Stochastic Trend.

Sample: 1960:1-1997:4.

c_1 : effect of t on x within quarter,

c_2 : effect of g on x within quarter,

a_2 : effect of g on t within quarter (assuming $b_2 = 0$, i.e., when spending is ordered first);

b_2 : effect of t on g within quarter (assuming $a_2 = 0$, i.e., when net taxes are ordered first).

All effects are expressed as dollar for dollar.

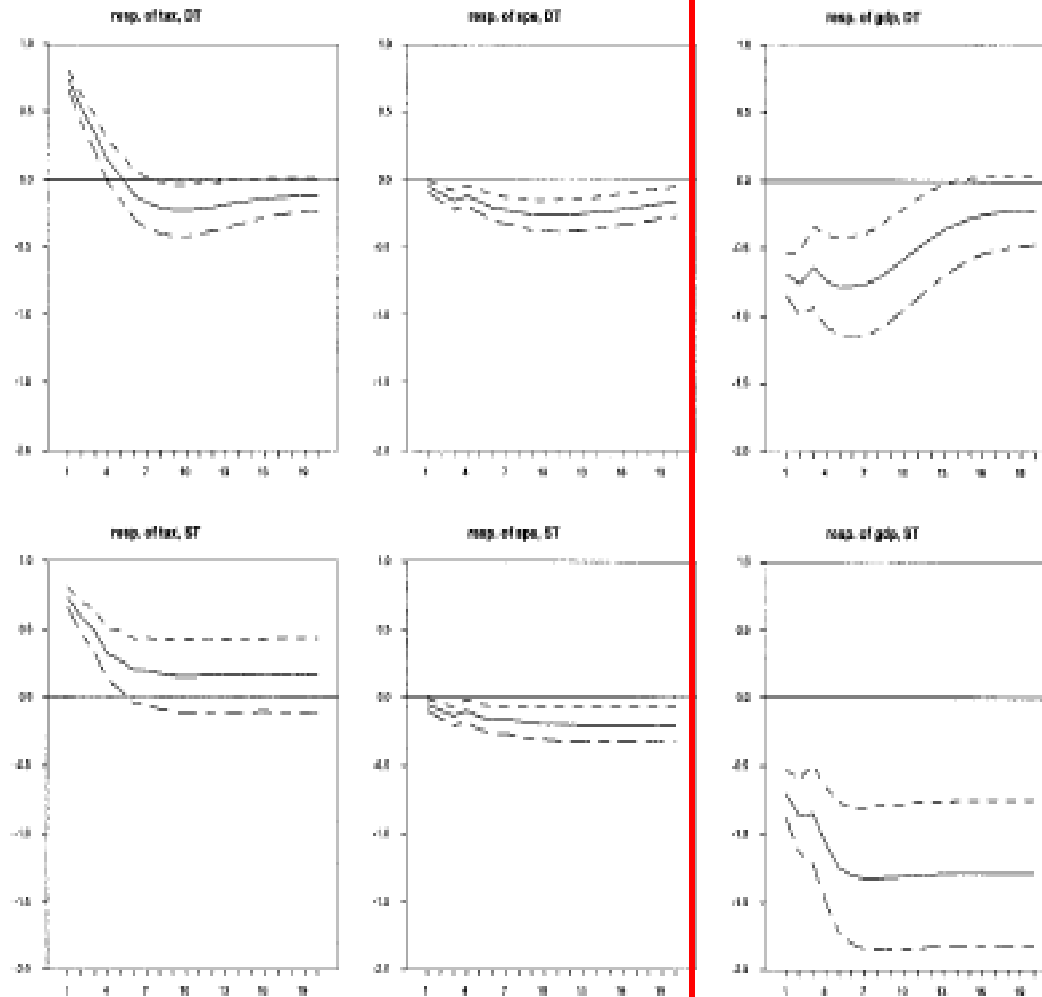


FIGURE III
Response to a Tax Shock

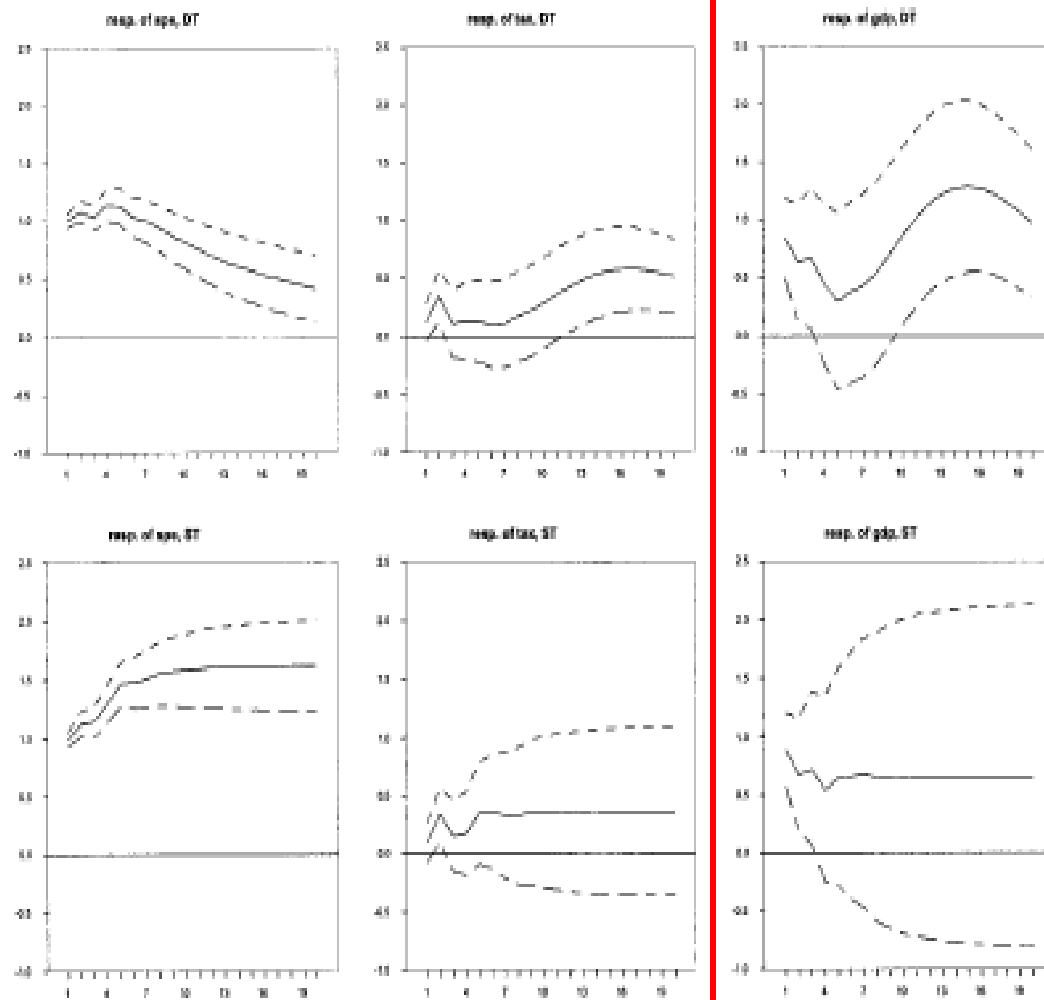


FIGURE V
Response to a Spending Shock

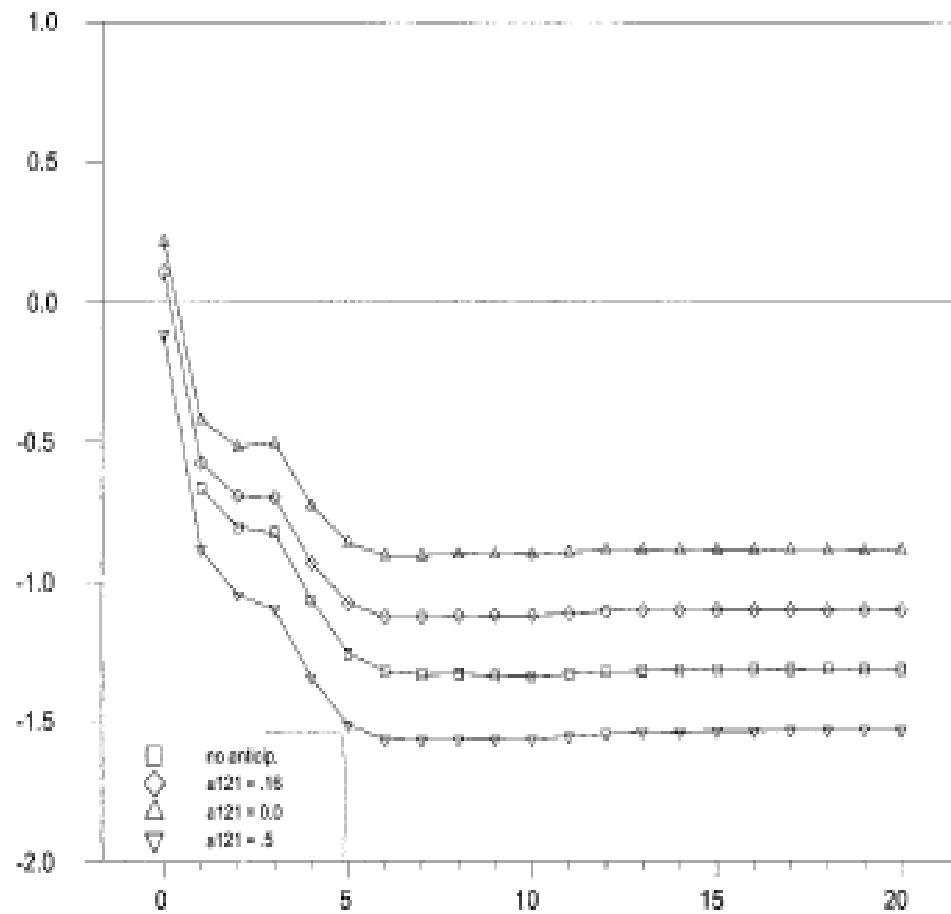


FIGURE VI
Response of Output to an Anticipated Tax Shock, ST

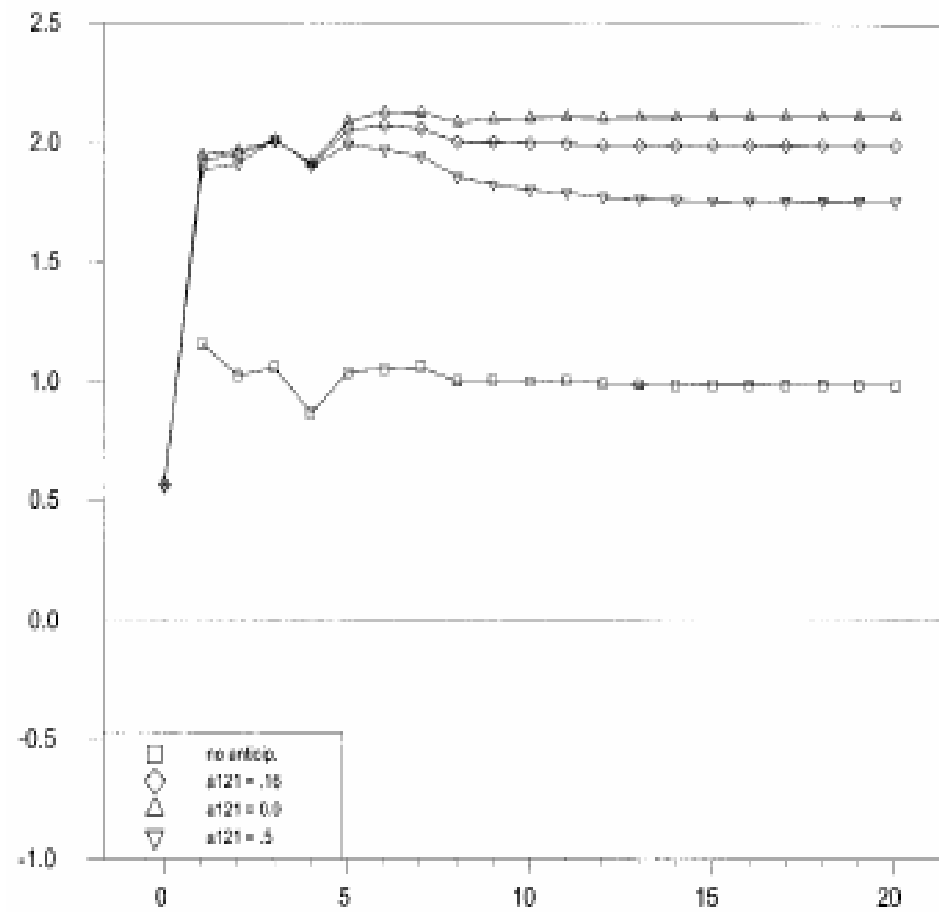


FIGURE VII
 Response of Output to an Anticipated Spending Shock, ST

<<Perotti (2004)>>

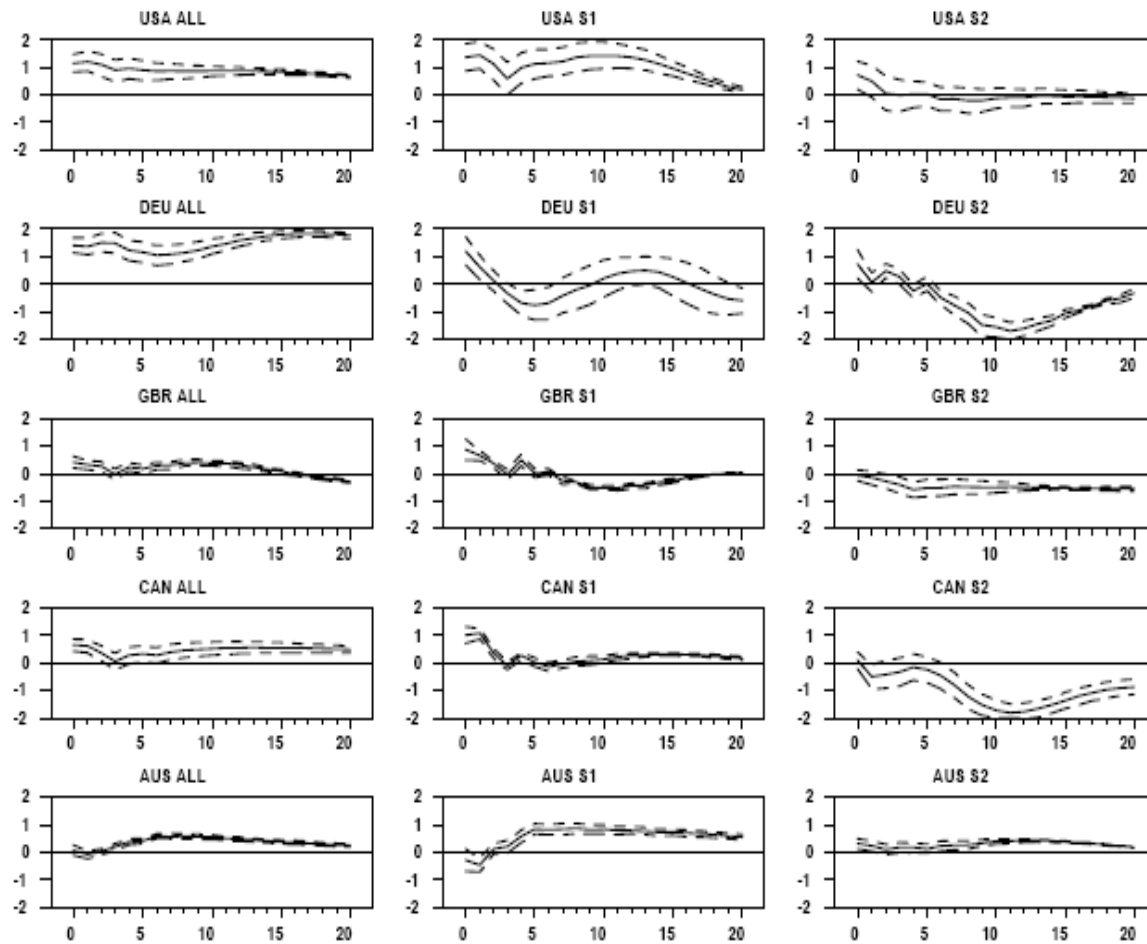


Figure 2: Response of GDP to a spending shock