

DESCRIPTION OF GOVERNMENT FOR DYNAMIC SCORING MODEL

Version 1.0

OVERVIEW

Government will have four functions in our model:

1. The government runs a tax and social security system
 - The tax system will be input by the user and/or determined by the current tax law (the default unless the user supplies changes)
2. The government makes transfers to households outside of the tax/social security system
3. The government produces output that contributes to private consumption goods (e.g., education)
4. The government purchases capital and hires labor to produced a non-rival public good (e.g., national defense)

GOVERNMENT BUDGETING

$$D_{t+1} + T_t^\tau = (1 + r_t)D_t + T_t^H + G_t^{subs} + G_t^{emp} + I_t^G \quad (1)$$

0.1 Rule for long-term fiscal stability

TRANSFER SYSTEM

GOVERNMENT PRODUCTION OF PRIVATE GOODS

GOVERNMENT PRODUCTION OF PUBLIC GOODS

STEPS FOR ADDING GOVERNMENT TO THE DYNAMIC MODEL

1. 1 firm
2. 1 firm + gov't
3. 2 firms + gov't
4. tax 2 firms + gov't
5. N firms with taxes + gov't