

# Using an Overlapping Generations Model to Assess the Effects of Financing a Large Government Expenditure \*

Jaeger Nelson<sup>1</sup> and Kerk L. Phillips<sup>1</sup>

<sup>1</sup>US Congressional Budget Office, Washington, DC, USA

October 16, 2020

version 2020.10.a

## **Abstract**

This paper ...

*keywords:* economic policy, taxes, overlapping generations, computational economics

*JEL classifications:* ??

IN PROGRESS

---

\*The views expressed in this paper are the authors' and should not be interpreted as those of the Congressional Budget Office.

# **1 Introduction**

This paper serves two major purposes. First, it documents the effects of various financing methods for funding a major increase in government expenditures. Second, it details and documents a substantive revision to CBO's overlapping generations model.

## **1.1 Literature Review**

Cite the following: ?, ?, ?, ?.

# **2 The Overlapping Generations Model**

This section details CBO's revised overlapping generations model.

## **2.1 Firms' Problem**

## **2.2 Households' Problem**

## **2.3 Government**

## **2.4 Calibration**

## **2.5 Solution Method**

# **3 Results from Financing Options**

CBO paper examines three financing mechanisms:

- Tax on labor income only
- Tax on combined labor and capital income
- Consumption tax

For this paper do we want to consider other mechanisms as well?

- Lump-sum tax
- Other?

## 4 Conclusion