Accepted Manuscript

Crowding Out in Ricardian Economies

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PII: S0304-3932(17)30026-0
DOI: 10.1016/j.jmoneco.2017.03.002
Reference: MONEC 2909

To appear in: *Journal of Monetary Economics*

Received date: 29 June 2015
Revised date: 1 March 2017
Accepted date: 11 March 2017

Please cite this article as: Andrew B. Abel, Crowding Out in Ricardian Economies, *Journal of Monetary Economics* (2017), doi: 10.1016/j.jmoneco.2017.03.002

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Highlights

- One dollar of government bonds crowds out private bonds by less than one dollar.
- The crowding-out coefficient for a tax cut is decreasing in the size of the tax cut.
- The crowding-out coefficient for a tax hike is increasing in the size of the hike.
- The crowding-out coefficient for a tax hike is at least as large as for a tax cut.
- In the US, the crowding-out coefficient is about 0.75 under Ricardian Equivalence.

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