United States: Discretionary Fiscal Expansion Scenarios

Box 2.1.3

Source: IMF staff calculations.

Expansion through transfers is defined as a one percentage point increase in debt-financed transfers in year one and 0.5 percentage point in year two. Expansion through labor tax cuts is defined as a reduction in the labor income tax rate by 1.5 and 0.75 percentage points in year one and year two. Expansion through government investment is defined as a combination of higher transfers and an increase in productive government investment by 0.25 and 0.125 percent of GDP in year one and year two.