

# On the Burden of National Debt in an Under-employment Economy

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## Abstract

In this paper we investigate the burden of national debt in a simplified fixed-price OG model with the household's bequest motive. Two types of bequest motives are considered: the "selfish" motive where the level of bequest itself enters the parent's utility function and the "altruistic" motive where the offspring's utility enters the parent's utility function. We demonstrate that in the former case a debt finance of a given government spending is Pareto-superior to a tax finance of it, while in the latter case both policies generate the exactly same equilibrium consequence and accordingly there is no difference between debt finance and tax finance even under a Keynesian framework.

**JEL Classification:** D50, E12, E13, E60

**Key word:** national debt, fiscal policy, overlapping generations, non-Walrasian model, Keynesian economics

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