

# **Public Intermediate Goods in Household Production and Fiscal Multiplier Effects**

by

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## **Abstract**

Under imperfect competition, this paper explores fiscal multiplier effects on national income of government spending on a public intermediate good contributing to household production, and the optimal provision of this good. When the public good functions as a Hicks-neutral enhancement of productivities of home inputs, the second-best level of the public good provision is identical to the first-best because the multiplier effect is independent of the public good. However, when the public good is non-neutral, for a purely goods- (labor-) saving public good the second-best supply level is lower (greater) than the first-best.