

Review of: "Necessity of budget deficit in a growing economy where people hold money and leave a bequest"

Hyun Woong Park¹

¹ Denison University

Potential competing interests: No potential competing interests to declare.

Presenting a OLG with money in the utility model, the paper try to prove that budget deficit is necessary to maintain full employment in a growing economy with constant prices.

There are two major issues: First, the solutions of the model presented on p.4 are not complete; they includes b_t which are endogenous. The solution for b_t also needs to be obtained. Second, the paper looks like it is 'work-in-progress' in the sense that it is not fully written yet.

More specifically, the paper can be improved by addressing the following points.

1. The opening sentence of Abstract should be replaced by something else.
2. The introduction is too short; provide some more backgrounds, motivations, and a more systemic and thorough literature review.
3. When building the model, and especially when introducing variables, parameters, specifications, assumptions, it would be better to provide more comments, explanations, or supporting evidence as needed. Similarly, more thorough discussions of the main result of the model, such as equation 12 and Proposition, are necessary.
4. Labor market equilibrium is not analyzed; at least some comments need to be made on simplifying assumptions adopted.
5. The assumption of constant prices needs to be better motivated.
6. Obtain the solution for b_t and rewrite the solutions of the model.
7. Typo: "the younger consumers" (towards the end of p.4) → the older consumers
8. Typo: The definition of profit on p.5 omitted p_t on the second term on the RHS. It should be $\pi = p_t y_t - p_t r_t K_t - w_t L_t$.