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# Deficit Rules and Monetization in a Growth Model with Multiplicity and Indeterminacy

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## Abstract

This paper develops a formal analysis of deficit monetization in a monetary endogenous growth model based on transaction costs, in which economic growth interacts with productive public expenditures. This interaction generates two positive balanced growth paths (BGP) in the long-run: a high BGP and a low BGP. Transitional dynamics shows that multiplicity cannot be rejected if transaction costs affect both consumption and investment expenditures, with possible indeterminacy of the high BGP. Deficit monetization is shown to reduce the parameters-space producing indeterminacy.

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