1. The marginal cost of taxes

Estimates of the cost of raising an additional dollar range from $1.10 according to Robert J. Barro and Charles J. Redlick,\(^1\) to $2.50 according to James Cloyne,\(^2\) to $3.00 according to Christina D. Romer and David H. Romer,\(^3\) to between $1.20 and $4.30 according to Paul M. Jones and Eric Olson depending on monetary policy,\(^4\) and to $5.00 according to Andrew Mountford and Harald Uhlig.\(^5\)

In a recent study, Karel Mertens and Morten O. Ravn\(^6\) review this literature in order to attempt to determine why these estimates diverge so widely. They conclude in favour of the higher results, and rule out the lower results of Oliver Blanchard and Roberto Perotti\(^7\) that go from $0.45 to $1.45 depending on the hypotheses used and the periods examined, as well as the $0.50 estimate of Carlo Favero and Francesco Giavazzi,\(^8\) since overdetermined by their model.

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2. Comparisons of OECD countries according to their budgetary policies

The *Economic Note* focuses on the OECD countries, and the numbers cited come from the authors’ calculations based on the quarterly GDP indicators and tax data series compiled by the OECD, as well as Eurostat for Iceland and Slovenia. We exclude Chile and Turkey because of the unavailability of certain data. Norway and Switzerland are also excluded because these two countries had budget surpluses at the beginning of the period studied.

Table A-1 presents the data used to construct Figure 1 and Table 1 in the *Note*. It also includes the alternative method of analysis based on the 75% efforts discussed in the *Note*. The similarity of the results obtained using the two methods attests to the robustness of the analysis.
Table A-1
Comparison of countries according to budgetary policies

<table>
<thead>
<tr>
<th>Country group</th>
<th>Deficit relative to GDP in 2009</th>
<th>Variation in the deficit relative to GDP (percentage points), end of 2013</th>
<th>Variation in spending relative to GDP (percentage points), 2009-2013</th>
<th>Variation in revenues relative to GDP (percentage points), 2009-2013</th>
<th>Average annual GDP growth, 2009-2013</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries that reduced their spending</td>
<td>7,4 %</td>
<td>-4,3</td>
<td>-2,5</td>
<td>+1,8</td>
<td>+0,8 %</td>
<td>17i</td>
</tr>
<tr>
<td>Countries that increased their spending (including Greece)</td>
<td>6,1 %</td>
<td>-0,4</td>
<td>+2,9</td>
<td>+3,3</td>
<td>-0,3 %</td>
<td>8ii</td>
</tr>
<tr>
<td>Countries that increased their spending (excluding Greece)</td>
<td>4,8 %</td>
<td>0,0</td>
<td>+2,5</td>
<td>+2,5</td>
<td>+0,4 %</td>
<td>7</td>
</tr>
<tr>
<td>Countries having reduced their revenues and their spending</td>
<td>2,1 %</td>
<td>-2,0</td>
<td>-3,7</td>
<td>-1,8</td>
<td>+2,4 %</td>
<td>4iii</td>
</tr>
<tr>
<td>75% of efforts coming from spending cuts</td>
<td>5,0 %</td>
<td>-2,1</td>
<td>-1,9</td>
<td>+0,2</td>
<td>+1,3 %</td>
<td>12iv</td>
</tr>
<tr>
<td>75% of efforts coming from tax increases</td>
<td>6,9 %</td>
<td>-2,3</td>
<td>+1,1</td>
<td>+3,5</td>
<td>-0,4 %</td>
<td>8v</td>
</tr>
</tbody>
</table>

2 Belgique, Danemark, Finlande, France, Slovénie, Japon, Mexique et Grèce.
3 Canada, Estonie, Corée du Sud et Luxembourg.
5 Belgique, Danemark, France, Grèce, Italie, Japon, Mexique et Portugal.

3. Sources for data on Quebec and Canada