

Comments and Discussions

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In this paper, the author analyzes an endogenous growth model in which the government finances its public investment using income taxation and seigniorage. The author first confirms that the growth-maximizing tax rate is less than the output elasticity of public capital. Then, he shows that an increase in income tax rate reduces (raises) the inflation rate if the income tax rate is lower (higher) than the growth-maximizing tax rate. In addition, the author shows that an increase in money creation rate raises the inflation rate under a plausible assumption.

The results of this paper contribute to clarify the new factor, seigniorage, that plays a critical role in determining the growth-maximizing tax rate. Though the contribution is modest, the paper's extension of previous work is for the most part clear and to the point. Furthermore, this paper is potentially of some interests since it uses the *stock* model of public inputs, while previous studies consider the public input as a *flow* term. Unfortunately, though I am not totally understood why the author has to combine fiscal and monetary policy with public capital provision. The introduction lacks a convincing motivation of why public input as the stock variable is of special interest in the analysis. A detail statement to stress the research motivation is recommended.

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