

Keep in mind

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This document analyzes the macroeconomic effects of a boom in a small-open economy's natural-resource sector. We study the effects of this shock on the most important macroeconomic variables, the resource reallocation across sectors and on welfare under alternative fiscal rules. We employ a DSGE featuring three productive sectors (non-tradable, manufacturing and commodity goods), government and two types of consumers (Ricardian and non-Ricardian).

Our results show that the introduction of the common leads to an initial reduction of the manufacturing output in the short run, while the long-run effects are ambiguous. In a dynamic model, the introduction of a right increase in trade compared with a balanced budget rule, could be seen as a fiscal shock to a

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