

Macroeconomics – Econ202A

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1/2

Interest Rate Elasticity of Saving. Summers (1981)

TABLE 1—THE INTEREST ELASTICITY
OF AGGREGATE SAVINGS

	Value of r		
	.04	.06	.08
$\gamma = .5$			
η_r	3.71	2.26	2.44
S/WL	.121	.274	.451
$\gamma = 0$			
η_r	3.36	1.89	1.87
S/WL	.068	.142	.210
$\gamma = -.5$			
η_r	3.09	1.71	1.54
S/WL	.049	.096	.135
$\gamma = -1$			
η_r	2.87	1.59	1.37
S/WL	.038	.073	.099
$\gamma = -2$			
η_r	2.38	1.45	.122
S/WL	.028	.048	.063
$\gamma = -5$			
η_r	.741	1.09	1.18
S/WL	.014	.019	.025

Note: The calculation assumes $n = .015$, $g = .02$, $T' = 50$, $T = 40$, and $\delta = .03$. The savings rate is measured as a fraction of labor income.

2/2