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**FISCAL POLICY IN A GROWTH MODEL WITH  
BEQUEST-AS-CONSUMPTION**

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**Abstract**

This paper analyses a growth model wherein saving results from bequest-as-consumption. It first looks at the market equilibrium and at the optimal solution. Then it turns to the issue of decentralizing the optimal solution with various taxes and transfers. Depending on the available instruments, either a first-best or a second-best optimum can be achieved. Throughout the paper the results are contrasted with those obtained in the standard altruistic (dynastic) model and in the overlapping generation model without intergenerational transfers.

**Keywords:** bequests, fiscal policy, optimal growth.

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