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Fiscal Policy in Colombia and a Prospective Analysis After the 2008 Financial Crisis

Working Paper No. 596 Keep in mind
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The purpose of this study is twofold: First, it provides an empirical characterization of fiscal policy in Colombia over the last decades, by assessing the three most relevant macroeconomic factors: the behavior of fiscal policy over the business cycle; whether it has been coherent with the long-term debt sustainability; and, whether it has been a significant source of macroeconomic volatility. The results are compared internationally. Second, it evaluates the fiscal stance of the Colombian authorities during the 2008 global financial crisis, and examines the adoption of a fiscal rule as an appropriate tool to manage public finances beyond the recovery phase.

Paper presented at the 12th Banca d?Italia Public Finance Workshop, ?Fiscal Policy: Lessons from the Crisis?, Perugia, Italy, 25-27 March 2010. The opinions expressed here are those of the authors and not of the Banco de la República de Colombia nor of its Board.

Fuente: https://www.banrep.gov.co/en/borrador-596