

---

[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Garrido-Tejada, Daira Restrepo-Ángel, Sergio Rincón-Castro, Hernán](#)

The series [Borradores de Economía \(Working Papers on Economics\)](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

---

---

Publication Date:  
Thursday, 23 of December 2021

## **Abstract**

The objectives of this paper are to analyze for Colombia if there is a relationship between the public saving-investment imbalance and the external imbalance with annual data from 1970 to 2019 and, if there is one, evaluate what causes what and estimate the impact of a disturbance of the cause on the other before and after the international financial crisis between 2007 and 2009. The empirical methodology uses tests of causality from Granger, a standard VAR model and regressions of local projections of Jordà (2005), which allow estimating a model of single equation regression and impulse response functions with fully identified shocks. The results obtained do not reject the presence of the twin deficits, but statistical causality occurs from the external balance to the public balance, contrary to what the Keynesian theory of open economy predicts, on the one hand, and the Ricardian equivalence hypothesis, on the other. It is estimated that a shock of one percentage point of the external imbalance increases the public imbalance on average by 0.25 percentage points in the second year and 0.32 percentage points in the third year. The fiscal impact of an external shock is also found to be greater after the crisis.