Debt Limit and Fiscal Space: Analysis for Colombia and Other Emerging Markets

I. Lozano-Espitia and J. M. Julio-Román

Discussant: A. Alichi
Paper in Brief and overall Assessment

• What does the paper do? calculates the public debt limit and fiscal space for 13 countries, including Colombia and 5 other LATAMs.


• Assessment from 30 thousand feet. Very short, to the point, and convincing. Nice that gives a number for the debt limit to policymakers.
Questions and Suggestions

• **Question**: endogeneity in Table 2? Is an IMF program cause or effect of lower primary balance? How about inflation?

• **Suggestion**: For robustness, might be helpful to use the spline method and endogenous spreads for the advanced economies in the sample?

• **Suggestion**: maybe find a way to offer a range, rather than a single number, for debt limit? Hard to think a debt of 55.5 percent of GDP for Colombia is sustainable, but a debt of 55.7 isn’t sustainable.