Dynamic effects of the Costa Rican fiscal policy: the case of a small and open economy

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Paper in Brief and overall Assessment

• What does the paper do? estimates fiscal policy multipliers for Costa Rica, using quarterly data.

• Methodology. SVAR; for expansions/recession smooth transition VAR called STVAR (base on where GDP is compared to potential).

• Do a lot of robustness checks.

• Assessment from 30 thousand feet. Very comprehensive work; Results pass the smell test: multiplier of 0.5 for a small open economy.
Questions and Suggestions

- **Question**: Is the data seasonally-adjusted? Figure 33 suggests it might need. Plot flexible expenditures and revenues as percent of GDP to see if needed.
- **Question**: How do you control for changes in non-flexible expenditures? Within years? Q4 to Q1?
- **Suggestion**: Table of regression results with controls, etc.? Also, helpful to know number of observations when divided to expansions and recessions? Also, helpful to provide definition of expansions/recessions.
- **Suggestion**: Table of comparison of results with other studies.
- **Suggestion**: Can flexible expenditures be broken into current and capital?