Composition of Government Spending and the Cost of Sovereign Borrowing

Published on April 28, 2020 – Updated on June 22, 2020

Dates
on the October 1, 2019

Focus on Research

Access to capital on international financial markets is necessary for developing countries. However, following the sovereign debt crises, investors required higher yields for holding their bonds. These behaviors can be interpreted as seeking a risk premium. A large literature analyzes the determinants of sovereign bond spreads. However, the contributions focusing on the effects of fiscal policy are rather rare. The purpose of this paper is to study the effects of public spending, with a particular focus on its structure, on the cost of access to international finance.
Jean-Louis Combes
Professor in Economics, Université Clermont-Auvergne, CERDI.

Alexandru Minea
Professor in Economics, Université Clermont-Auvergne, CERDI.

Nestor Sawadogo
PhD Student in Economics, Université Clermont-Auvergne, CERDI.

Reference