

Accepted Manuscript

Optimal fiscal management of commodity price shocks

Pierre-Richard Agénor

PII: S0304-3878(16)30038-4
DOI: doi: [10.1016/j.jdeveco.2016.05.005](https://doi.org/10.1016/j.jdeveco.2016.05.005)
Reference: DEVEC 2076

To appear in: *Journal of Development Economics*

Received date: 2 June 2015
Revised date: 21 May 2016
Accepted date: 27 May 2016



Please cite this article as: Agénor, Pierre-Richard, Optimal fiscal management of commodity price shocks, *Journal of Development Economics* (2016), doi: [10.1016/j.jdeveco.2016.05.005](https://doi.org/10.1016/j.jdeveco.2016.05.005)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Optimal Fiscal Management of Commodity Price Shocks

Pierre-Richard Agénor*

Final version: May 19, 2016

Forthcoming, *Journal of Development Economics*

Abstract

This paper analyzes how low-income countries should optimally respond, through fiscal policy, to commodity price shocks. The model accounts for imperfect access to world capital markets and a variety of externalities associated with public infrastructure, including utility benefits, a direct complementarity effect with private investment, and reduced distribution costs. However, public capital is also subject to congestion and absorption constraints, with the latter affecting the efficiency of infrastructure investment. The optimal windfall allocation rule between spending today and asset accumulation is determined so as to minimize a social loss function defined in terms of the volatility of private consumption and either the nonresource primary fiscal balance or a more general index of macroeconomic stability, which accounts for the volatility of the real exchange rate.

JEL Classification Numbers: F41, H41, H54

*University of Manchester, United Kingdom, and Centre for Growth and Business Cycle Research. I am grateful to Alessandro Flamini for useful discussions, the Editor and two anonymous referees for many helpful comments, and to Keyra Primus for research assistance. A more detailed version of the paper, together with technical Appendices A, B and C, are available upon request.

Download English Version:

<https://daneshyari.com/en/article/5094317>

Download Persian Version:

<https://daneshyari.com/article/5094317>

[Daneshyari.com](https://daneshyari.com)