

---

[Working Paper No. 397](#)

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*). 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.

AUTHORS AND/OR EDITORS

[Rincón-Castro, Hernán](#)

[Restrepo-Londoño, Jorge Enrique](#)

Structural VAR and Structural VEC models were estimated for Chile and Colombia, aiming at identifying fiscal policy shocks in both countries between 1990 and 2005. The impulse responses obtained allow the calculation of a peso-for-peso (\$/\$) effect on output of a shock to public spending and to the government's net tax revenues, providing a good notion of the incidence of fiscal policy shocks in both countries. When public finances are under control, as they are in Chile, fiscal policy seems to be more effective than when they lack stability and credibility, as seems to be the case of Colombia since the mid

nineties.

---