

The Effect of Communication and Credibility on Fiscal Disagreement: Empirical Evidence from Colombia

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Abstract

This study analyzes the effects of communication and credibility on disagreement in fiscal expectations. We analyze the case of Colombia, a small emerging economy that monitors fiscal expectations through surveys and has made efforts to achieve its fiscal targets. Our methodology consists of observing fiscal targets over time to create a credibility index based on the objectives announced by the government and then estimating the effects of credibility on disagreement. The econometric results show that fulfillment of fiscal targets

can reduce disagreement and the effect changes according to the economic cycle. In addition, international risk must also be monitored because it generates uncertainty, fiscal problems, and dispersion in expectations. The main policy recommendation is to improve fiscal policy management by designing more systematic communication strategies to anchor expectations to targets.

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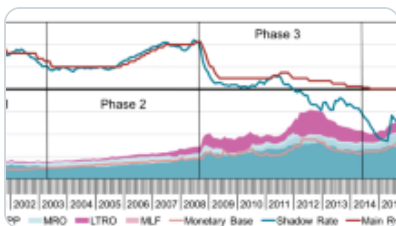
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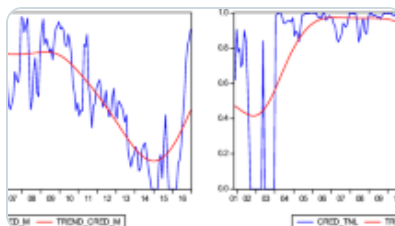
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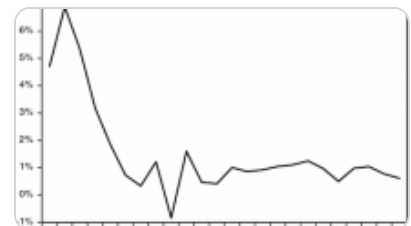
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Ethics declarations

Conflict of interest

There is no conflict of interest or ethics in the manuscript.

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Appendix

See Tables

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Table 5 Descriptive statistics

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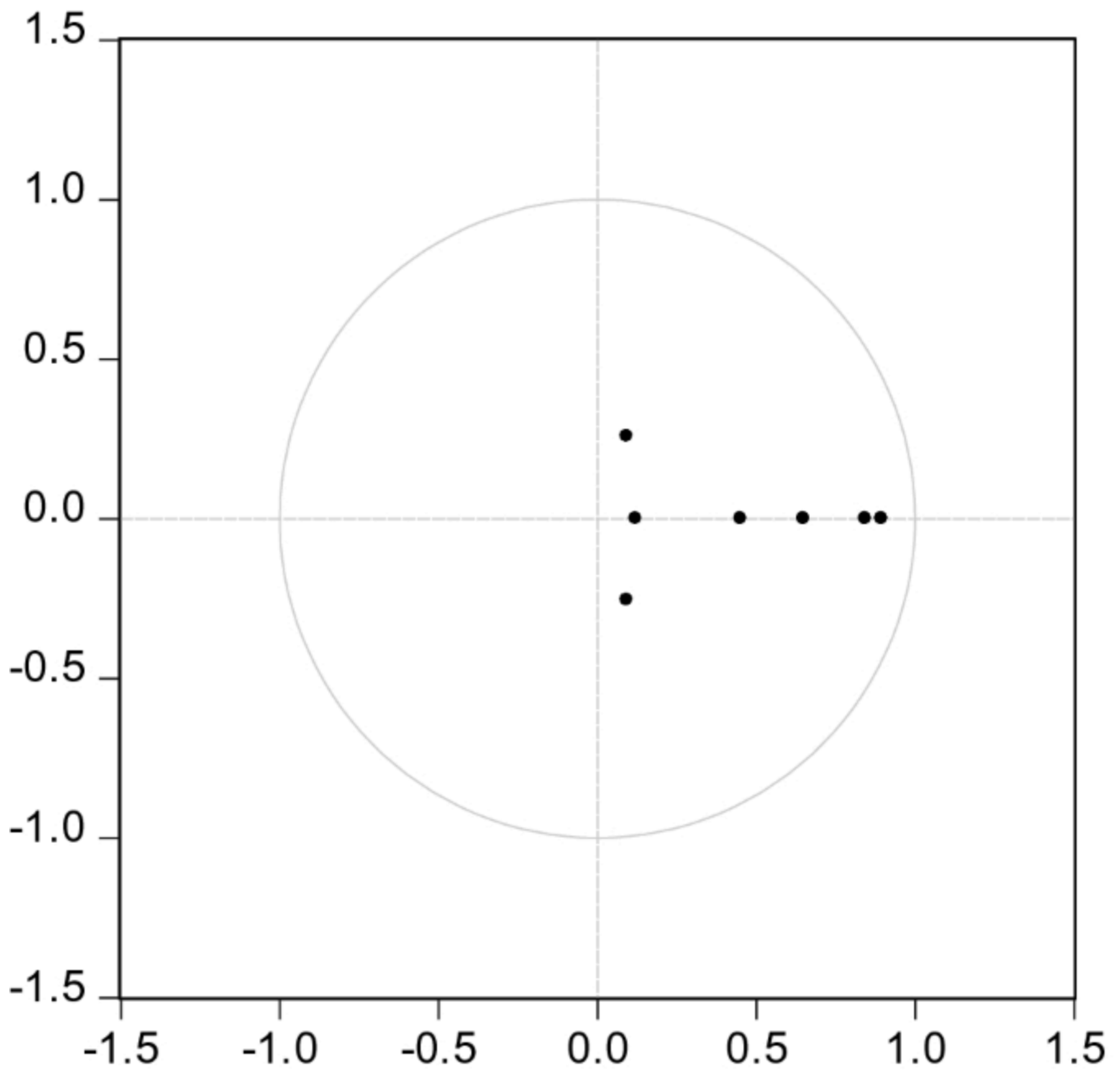
Table 7 VAR lag order selection

[7](#),

Table 8 List of GMM instruments Source Created by the authors

[8](#) and Fig

Fig. 8



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