

Nonlinear effect of external public debt on economic growth in Bolivia*

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ABSTRACT

This research paper analyzes the effect of external public debt on economic growth using both linear and nonlinear econometric methodologies. It stands out that access to external credit is essential for economic recovery, but excessive debt can hinder growth by requiring funds allocated to pay interests. Empirical results indicate that external public debt has a positive effect up to a threshold of approximately 48% of GDP, after which it generates negative effects on economic growth. Currently, the relationship between external debt and GDP in Bolivia is below 30%. In this regard, access to external financing can be a key instrument for boosting the development of strategic sectors.

JEL Classification: *F43, H6, C32*

Keywords: *Economic growth, external debt, cointegration models, thresholds*

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