

The Sustainability of Public Debt in Taiwan

Authors : Chiung-Ju Huang

Abstract : This study examines whether the Taiwan's public debt is sustainable utilizing an unrestricted two-regime threshold autoregressive (TAR) model with an autoregressive unit root. The empirical results show that Taiwan's public debt appears as a nonlinear series and is stationary in regime 1 but not in regime 2. This result implies that while Taiwan's public debt was mostly sustainable over the 1996 to 2013 period examined in the study, it may no longer be sustainable in the most recent two years as the public debt ratio has increased cumulatively to 3.618%.

Keywords : nonlinearity, public debt, sustainability, threshold autoregressive model

Conference Title : ICBER 2014 : International Conference on Business and Economics Review

Conference Location : Zurich, Switzerland

Conference Dates : July 30-31, 2014