

**ARE CARIBBEAN GOVERNMENTS OVER BORROWING?**

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**ABSTRACT**

This study determines if, and the extent to which, Caribbean governments are over borrowing using analytical tools developed by Blanchard (1983) and the International Monetary Fund (2003). The empirical findings indicate that over borrowing ratios are lower in commodity exporting countries of Suriname, Guyana, Trinidad and Tobago, and Belize than in tourism-intensive economies. The highest level of calculated over borrowing was observed in Jamaica, St. Kitts and Nevis, Grenada, and Barbados (after the period of 2009). Over borrowing ratios in Dominica, Antigua and Barbuda, and St. Vincent and the Grenadines were higher post 2009 relative to earlier periods. The salient policy message of this study is that it is prudent for countries to pursue ex-ante policies that impel more efficient borrowing in normal times that contribute to entrenching debt sustainability, as opposed to ex-post adjustment policies to reduce debt after a crisis point has been reached.

Keywords: *Optimal Debt, Over Borrowing, Caribbean*