Abstract
For many, the behaviour of the current account occupies a position of special importance related to the sustainability of external debts and the incentive for a country to default. While it is argued that there is a link between sustainability and the time-series properties or stationarity of the current account deficit, evidence in favour sustainability is mixed. In this paper, we test for the stationarity of twenty one OECD account deficits using panel data methods. Our testing strategy addresses two key concerns with regard to unit root panel data testing, namely (i) the identification of which members-states are stationary, and (ii) the presence of cross-sectional dependence. For this purpose, we employ a moving block bootstrap approach to the Hadri (2000) test. While there is evidence that current account sustainability applies to smaller panels comprising EU members, this is not likely to be the case when larger EU and non-EU panels are considered.

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