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FISCAL IMBALANCES, STRUCTURE OF PUBLIC SPENDING AND REAL EXCHANGE RATES: EMPIRICAL INVESTIGATIONS FOR MOROCCO

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Abstract

This paper attempts to study effects of fiscal deficits and public absorption on the real exchange rate in Morocco. Using simultaneous equation models, the paper argues that accumulating budget deficits lead to appreciating real exchange rates. As our empirical investigations reveal, the improvement of the Moroccan external position, in a context of wide trade liberalization, should pass through a prudent and efficient fiscal policy to be focused on a rationalization of public spending and an optimization of public revenues, mainly through a comprehensive struggle against fiscal fraud and evasion.

Key Words: Fiscal Disequilibria, Public Investment, Public Consumption, Real Exchange Rates, Crisis.

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