

ABSTRACT

After 1981 the government was unable to generate sufficient revenue to meet its expenditure on current and capital account. This led to the development of significant fiscal deficits. Attempts to reduce the deficits by increasing the tax buoyancy of the domestic economy proved futile. Consequently recourse was made to external financing.

Too great a level of debt, however, can prove to be a burden on the economy as future debt service brings extreme pressure to bear on the domestic economy. The thesis therefore, attempts to identify the debt bearing capacity of the economy and examines the sustainability of present debt policies.

The assessment of debt bearing capacity required an examination of the fiscal and balance of payments situation of Trinidad and Tobago, as well as prospects for debt mobilisation. The study revealed that while Trinidad and Tobago has not reached the limit of its debt bearing capacity it is rapidly approaching it.