

The joint role of fiscal, monetary and exchange rate policies on economic growth of Bolivia

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Abstract

One of the features of the Economic, Social, Communitarian, Productive Model that Bolivia implements since 2006, is the coordination of the monetary, fiscal and exchange rate policies, oriented to promote economic growth and macroeconomic stability. This document contains the first empirical evidence about the role of these policies on economic growth of Bolivia. It is demonstrated that stability conditions created by exchange rate-and-monetary policies influenced on the effectiveness of fiscal policy to promote economic growth and the mechanisms by which fiscal policy affects it. Thus, sustained levels of economic growth can be understood as a result of the coordinated actions of fiscal, monetary and exchange rate policies in Bolivia. To demonstrate this argument two methodological strategies are implemented, as suggested in the literature: a fiscal policy function and a structural VAR.

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