

Estimating the Marshall – Lerner condition for the Bolivian economy: 2003 - 2014

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Abstract

This current research aims to determine the fulfillment of the Marshall-Lerner condition in the Bolivian economy, which states that under certain conditions, devaluation could improve exports and discourage imports, with consequent enhancement of balance of trade.

This implies to determine joint elasticity of exports and imports to verify the fulfillment of the condition. It is important to highlight that hydrocarbons were excluded from the analysis of exports as well as from imports due to factors in its behavior that are beyond purely market conditions.

The results allow conclude that Marshall-Lerner condition is not present in the national context given the low sensitivity of exports and imports to changes in exchange rate. This also implies that competitiveness of exports is related to other variables and consequently depreciation would not dynamize them.

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