

# Historical decomposition of growth of Bolivia

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## Abstract

This research explains which productive factors influenced economic growth the most for the period from 1950 to 2018 and the output gap for a similar period is also built. For this purpose, we apply the growth accounting methodology and econometric methods (Hodrick Prescott, Baxter King, Kalman and a SVAR model). The results point out that total factor productivity had the greatest impact during early forty years, followed by human and physical capital in the following thirty years. In addition, the economic cycle in Bolivia lasts about twenty years and each new decade, on average, the observed GDP goes above or below the potential level. Historical decomposition shows that in order to shift upward potential output it is necessary to apply policies related to aggregate supply, since these are the only ones that have a long-term impact.

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