

# **Benefits from subsidies and the distribution of surpluses in strategic export sectors: A dynamic stochastic general equilibrium approach estimated with Bayesian techniques \***

## **Abstract**

The purpose of this paper is to evaluate the benefits of subsidies on the main macroeconomic variables through the development of a calibrated stochastic dynamic general equilibrium model estimated with Bayesian techniques that includes the presence of a commodity exporting sector and consumption subsidies for the case of Bolivia. The construction of the model allows for a second-order approximation of the utility function and a simulation of scenarios that make it possible to quantify the effects on a macroeconomic environment with and without the presence of subsidies, considering shocks to the Phillips curve. The main results show that the subsidy policy contains inflationary pressures, avoiding the contraction of consumption and aggregate demand, and that the support of these subsidies depends on the performance of strategic exporting sectors. It is also empirically proven that the presence of subsidies allows the stability of variables such as employment, inflation, consumption, and terms of trade, observing lower volatility thereof.

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