

# **Estimation of money in circulation and monetary multiplier in dollars**

*Walter Orellana Rocha*

## **ABSTRACT**

The paper presents an estimate of the multiplier of banking deposits in dollars. For this, initially it is constructed the monetary base in dollars, estimating foreign currency in circulation through the method of maximum likelihood and the method of the quantitative theory of money. The latter uses the income-velocities of circulation of money, estimated from the Checks Clearinghouse.

The obtained results show the importance, for the economy, of foreign currency in circulation, and enable to view the transcendence of the phenomenon of creation of secondary money in dollars, which limits the last resort lender function of the Central Bank. Countries like Bolivia, with such an open economy and a high dollarization, face particular challenges. The possibility of emerging exogenous factors that limit liquidity of foreign currency in the market drives the necessity to guarantee nimble and timely mechanisms of liquidity, as the Fund of Liquid Assets Requirement (LAR) in foreign currency. Likewise, these challenges imply the need to continue with efforts for increasing the development of the financial market and keep an adequate prudential regulation that ensures the stability of the financial system.