

Monetary policy of Central Bank of Bolivia

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ABSTRACT

The work exposes the particularities of the monetary policy in Bolivia, according the attributions granted to Central Bank, and constraints imposed by the Bolivian economy characteristics, which is small, open, and highly dollarized. Through instrumentation based on intermediate targets of Net Internal Credit, a careful management of exchange rate policy and the usage of indirect instruments it has been achieved to reduce, in a consistent way, the inflation rate and to preserve an adequate level of foreign exchange reserves to guarantee internal and external payments. The analysis of the mechanisms of transmission shows an effect from the monetary issuance and from depreciation, on prices. Nevertheless, the transmission from monetary policy to real activity is less clear. This evaluation, proposes important topics about which Central Bank must continue considering.

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