

Inflation and policies of Central Bank of Bolivia

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RESUMEN

Increased inflation in 2007 has generated concern in Bolivia. This document prove that inflation has been a feature of the economic history of the country, and that it implies costs for society mainly because it directly influences in poverty and income distribution inequality, whence its control is primordial. Likewise it is exposed that Central Bank of Bolivia can control core inflation through monetary and exchange rate policies, although these ones have lagged effects and their effectiveness depends on other aspects, as the confluence of different shocks to the economy, expectations evolution, and external shocks.

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