

# **A Model of Dynamic Stochastic General Equilibrium for the analysis of monetary policy in Bolivia**

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## **ABSTRACT**

In this paper is presented simulations from a General Equilibrium Model Dynamic Stochastic calibrated for the Bolivian economy in order to evaluate the effectiveness of the monetary policy response to exogenous shocks in exports, productivity, and interest rates. The results suggest that, under these shocks, a monetary orientation that only cares about deviations of inflation, is less successful in stabilizing the real economy and even the prices, with respect to that which also considers deviations of output. The findings are proof of the countercyclical character of monetary policy in Bolivia which has as main objective to control inflation, and to stabilize the product as a not so explicit goal.

***JEL Classification:*** E47, E52, F37

***Keywords:*** Models of dynamic stochastic general equilibrium open economy; nominal rigidities; mechanisms of monetary policy transmission