Analysis of growth and business cycles: a general application to Bolivia

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ABSTRACT

This research characterizes the macroeconomic performance of the Bolivian economy and tests the performance of a Dynamic General Equilibrium Model (EGD), extending the basic neoclassical specification, including the government sector, four types of stochastic shocks, and considering nominal variables and fiscal policy. It is found that Bolivia has low output volatility, and growth is explained, by almost 50%, by the contribution of labor. In general, was possible to successfully replicate the stylized facts of the Bolivian economy, which supports the popularity of this type of models. In particular, the simulation of real and nominal variables could reproduce the volatility and the correlation with product observed in the data; however care must be taken in its use as not all the results are robust using the methodology of measurement of the cyclical component of variables.

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