

Analysis of inflation effects on economic growth: evidence for the Bolivian economy

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Abstract

This paper analyzes the relationship between inflation and economic growth in Bolivia during the period 1970-2013, taking as a frame of reference the business cycles theory. Applying VAR models, a system has been estimated, including multiple structural changes that were observed and tested in the time series. From the analysis it is concluded that, according to the evidence, there is a negative relationship between inflation and economic growth. In addition, it has been reviewed the importance of the monetary policy of the Central Bank in the pursuit of low inflation and high economic growth.

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