

# Fair-Price-and-Weight Markets as instruments to control food inflation in Bolivia

Darwin Ugarte Ontiveros

## Abstract

This paper highlights the importance of food price shocks for the behavior of inflation in Bolivia. It demonstrates the effectiveness of the so-called Fair-Price-and-Weight Markets (*Ferías del Precio y Peso Justo*, in Spanish) as instruments for controlling food inflation. The work suggests that unconventional monetary policy instruments of Bolivia's Central Bank (BCB) have been successful in controlling monetary inflation; however, as mentioned in Monetary Policy Reports, supply shocks in food prices are an important risk factor that BCB cannot control. We suggest that these Markets can be effective in this regard. Using daily data of food prices for the years 2016-2017, we show that the realization of Fair-Price-and-Weight Markets reduced food inflation by 1.8% in the cities of La Paz and Santa Cruz.

**JEL Classification:** E31, L11, P42

**Keywords:** Inflation, unconventional monetary policies, Fair-Price-and-Weight Markets