

# Public and private investment effects on economic growth in Bolivia\*

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## ABSTRACT

The purpose of this research is to find empirical evidence of the crowding-in effect of public investment on private investment in the short and long run terms, as well as the influence of public/private capital on economic growth from a sectorial vantage point. Agriculture, construction, hydrocarbons, energy, industry, and mining are all included in the study. VEC model results demonstrate that there is a crowding-in impact in all sectors. The hydrocarbons sector has the largest impact, followed by construction and agriculture sectors. The results of the recursive PVAR model also show the existence of crowding-in with different magnitudes over time. There is also evidence that public and private capital have a positive effect on economic growth.

**JEL Classification:** E22, E23, E62

**Keywords:** *Public and private capital, error correction model, recursive auto-regressive vectors in panel data.*

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