

COVID-19, uncertainty and money demand*

Mauricio Mora Barrenechea**
Juan Carlos Heredia Gómez***
David Esteban Zeballos Coria****

ABSTRACT

The Covid-19 pandemic caused an exceptional increase in the demand for cash around the world. One of the reasons why households began to demand a greater amount of money was due to a high degree of uncertainty. In this sense, a function of the demand for money is estimated considering the effects of uncertainty for the Bolivian economy, a factor that was not considered in previous studies. Using an ARDL Model, with quarterly data from 2001 to 2020, it is found that both in the short and long term uncertainty has a positive and significant effect on the demand for money. With the inclusion of this variable, the money demand function turns out to be stable so the implementation of monetary policy under monetary targeting would have been adequate during the study period, even in periods of uncertainty.

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** Contact: mmora@bcg.gob.bo; lmaurimorab@gmail.com

*** Contact: jheredia@bcg.gob.bo

**** Contact: dzeballos@bcg.gob.bo