

Dynamic Stochastic General Equilibrium Model for the analysis of the monetary policy of the Central Bank of Bolivia*

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ABSTRACT

The document aims to describe the Dynamic Stochastic General Equilibrium Model (DSGE), developed within the Central Bank of Bolivia, to contribute to the analysis of monetary policy in the Bolivian economy. This model has been called “MEGDE-Bolivia”. The document examines, in particular, the theoretical structure of the model, describing in detail its components and the existing interactions. The contribution is important to the extent that the model incorporates several non-standard characteristics, in an attempt to internalize intrinsic aspects of the Bolivian economy and its exchange and monetary regime. In particular, the incorporation of various types of dollarization and the use of alternative monetary policy rules, together with intervention instruments in the foreign exchange market, stand out.

JEL Classification: *E32, E52, C61, F41*

Keywords: *DSGE, partial dollarization, commodities sector, monetary policy*

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The document does not necessarily reflect the view of the Central Bank of Bolivia or its authorities.

** Prepared by public officials of the CBB.