

Conventional and unconventional monetary policy in Bolivia: A synthetic control approach

Wilder Guarachi Cusi

Lisbeth Limachi Cruz

ABSTRACT

The 2008 global financial crisis led to the introduction of unconventional monetary policy measures by central banks. Thus, from 2009 and 2010, the Central Bank of Bolivia applied the use of unconventional monetary policies as a complement to conventional measures. In this context, the main objective of this study is to estimate the impact of the set of conventional and unconventional monetary policies on inflation and the Gross Domestic Product measured in Purchasing Power Parity. Using the synthetic control method with panel data at the country level for the period 2000 - 2022, a synthetic counterfactual was created that assumes the non-application of the set of monetary policies. The effectiveness of these policies was evaluated by comparing the observed results with the estimates made. The findings obtained confirmed an adequate management of inflation together with a positive and significant impact of these policies on the Gross Domestic Product. Therefore, the results show that the monetary authority fulfilled its function of maintaining the internal purchasing power of the currency to promote the economic and social development of the country, established in the New Political Constitution of the State.

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