

Current Account in Bolivia 1938 – 1995
Persistence analysis and lessons from two period model

LA CUENTA CORRIENTE EN BOLIVIA 1938 - 1995
Análisis de Persistencia y Lecciones de un Modelo de Dos Periodos

By: **Ernesto Sheriff**

Centro de Investigaciones Económicas para el Desarrollo (CIEDE)

sheriff@accelerate.com

Fax 591-2-2434704

Phone 591-2-70613667

P.O. Box: 4464

La Paz - Bolivia

ABSTRACT

The paper focuses in two aspects about de current account surplus: by one hand evaluates the shocks and its nature and its effects and durability over the current account. In the other hand, with dynamic analysis tries to explain the current account movements across a formal framework with a single two periods dynamic model based in Heymann´s (1993) approach. In this single model, the expectations role is a key factor to improve the predictions and the policy implications. The bolivian data analysis helps to give a empirical support to the main implications of the model.

The paper contains a persistence analysis of current account in Bolivia for the 1938-1995 period. Then, there are some theoretical issues about the current account explanation with a rational expectation approach in a two period model. Then, I deal with Bolivian data to analyze the sources of shocks: exports, imports and debt service, a VAR was estimate founding that the weak exogeneity requisite is not present so, the error correction specification becomes in a simple VAR model. The fifth section contains the conclusions.