

The Fiscal and Monetary History of Bolivia, 1960 -2005

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- Very important project.
- Experiences interesting to learn/discriminate theories.
- Experiences also important (mostly) to avoid as policies.
- Value added (relative to large standardized data sets):
 - continuous coverage, institutional details, unified framework.
- Sadly, several countries seem to repeat them even now.
- Collective amnesia and fads on policy makers/experts.
- Overall a sad story of stagnation and macroeconomic volatility.

In discussing this subject with various people, I have encountered the view that the events described here are so extreme and bizarre that they do not bear on the subject of inflation in the contemporary United States.

On the contrary, it is precisely because the events were so extreme that they are relevant.

The [incidents] we have studied are akin to laboratory experiments in which the elemental forces that cause and can be used to stop inflation are easiest to spot.

I believe that these incidents are full of lessons about our own, less drastic predicament with inflation, if only we interpret them correctly.

Internal (domestically held) Debt

- How is the domestic market for debt?
 - Section 5, Figs 4-5, 12-13 and most of analysis of Section 6 ignore it.
 - Figure 19 in section 6 display share of domestic debt.
 - Denomination of debt (just one comment)
 - Why is not taking into account in the exercise for Section 6 Table 4?
- How is the monetary policy conducted (historically) in Bolivia?
 - In particular are there open market operations? Against what?
 - Or are (were) direct transfers of the central bank to the treasury?
 - Or are (were) direct transfers of the central bank to the public enterprises?

Monetary History

- Description of monetary policy/institutions almost absent.
- But Bolivia has an interesting history, including hyperinflation mid-80s.
- Monetary aggregates and nominal interest rates historical data.
- Sachs and Sachs-Morales interesting, but now we can have better perspectives.
 - Use of nominal exchange rate as anchor.
 - Dollarization: denomination of assets and quoting on prices.
- Effect of output: compare with Sargent's end of 4 big inflation.

Stabilization plans

- NEP is akin to a Sargent's change of regime, and recognized early on.
- But, Sachs-Morales described the stabilization strategy used as only appropriate for very high inflation.
- They comment that for lower inflation approach as in Argentina/Brazil mid 80s more appropriate.
- That is: gradual, "heterodox", income policies, etc.
- Renew interest given current cases of high inflation in Latin-America.
- Current "conventional wisdom": gradual approach, inflation targeting.

Sudden Stops

- Are (were) private short term financial capital inflows/outflows?
- It seems not, but then why does the paper talk about sudden stops?
- Also, average maturity of external debt seems relatively high.
- Finally, a small part is privately held.
- Two large debt-forgiveness program (Figure 4):
Can they be used as a reverse sudden stop of a kind?

Public Firms' (fiscal) role

- Section 6 makes clear that direct measurement using accounting data (not as residual) will be quite important.
- How do nationalizations/privatizations affect accounting of sources and uses of funds for the government?
- It will be interesting to consider 2006-2012 period in more detail (recent wave of re-nationalizations).
- Can public firms borrow? Is this important?

Miscellaneous

- What is the structure of taxes in Bolivia?

Are their mostly excise taxes and import duties?

(Footnote 8, states that there is no income or capital taxes!)

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- Contribution of rate of return of debt (Table 4, Fig 20).
Why is consistently negative?
Why is volatile and not (apparently) correlated with interest rates?