Comments on: *Time-Varying Effects of Commodity Prices on the Bolivian Economy (Mora Barrenechea, 2019)*, by Santiago Bazdresch (Banco de México)

CEMLA’s XXIV Meeting of the Central Bank Researchers Network, Banco de España, Madrid, October 30-31st, 2019
## Index

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Paper highlights</td>
</tr>
<tr>
<td>2</td>
<td>Comments</td>
</tr>
<tr>
<td>3</td>
<td>Suggestions</td>
</tr>
</tbody>
</table>
1. Highlights

- Interesting Empirical Methodology:
  - Looks for changes in the relationship between commodity prices and the rest of the economy.
  - Estimates a Bayesian time-varying parameter, structural VAR which additionally also allows for a time-varying variance-covariance shock matrix.
  - For estimation, both coefficients and V-C matrix parameters are assumed to follow a random walk.
  - OLS estimates for 1992-1999 are used as priors on the parameter distributions.
  - Paper finds changes over time in the effect of shocks (oil prices and international food prices) on the economy.

2. Comments

- Extremely stable parameter estimates!
  - Estimated impulse response functions are nearly identical in 2000 and 2018.
  - This is despite a structural change in the ER regime.
  - Parameters almost all drift towards 0.

- A better exposition of how the estimation is working would be great:
  - It is useful to know how the priors look like at different points in time.
  - It is useful to know how the shocks, and the time-varying volatility parameters, look like over time.

- In other words, imposing a Bayesian structure on the estimation is very welcome and useful, but it is important to know whether it is driving the results.

3. Suggestions

The paper would be improved if it included some useful comparisons:

- To plain VAR coefficients
- To decade-by-decade VAR coefficients.
- To estimates from another commodity exporting commodity – Chile?

It is useful to express the fundamental question in relation to the literature:

- Is there a theory that the paper is confirming?
- Is there a previously known fact that the paper is disputing?
- Alternatively, one can frame the question in relation to a policy: “Does a Fixed Exchange rate dampen or amplify the effect global commodity shocks on output?”
