ISRG Journal of Multidisciplinary Studies (ISRGJMS)

ISRG PUBLISHERS
Abbreviated Key Title: isrg j. multidiscip. Stud.
ISSN: 2584-0452 (Online)
Journal homepage: https://isrgpublishers.com/isrgjms/
Volume – III, Issue - VII (July) 2025
Frequency: Monthly

THE EFFECT OF THE EXTRACTIVIST ECONOMIC MODEL ON INFLATION AND A PROPOSAL FOR VIRTUOUS CIRCULAR GROWTH IN BOLIVIA

César Daniel Vargas Díaz[1*], Hernán Delgadillo Dorado[2] and Shirley Consuelo Claure Fuentes[3]

[1] University of Granada, Campus Cartuja, Granada, Spain

[2, 3] Universidad Mayor de San Simón, Cochabamba, Bolivia

| **Received:** 02.07.2025 | **Accepted:** 07.07.2025 | **Published:** 09.07.2025

***Corresponding author:** César Daniel Vargas Díaz
University of Granada, Campus Cartuja, Granada, Spain

Abstract

Bolivia repeats its cause and effect with its economic crises marked every twenty years, with many common and determining factors, mainly the shortage of foreign currency, which generated known macroeconomic imbalances, due to high levels of inflation, devaluation of the exchange rate, fiscal and trade deficit, due to the high internal and external public debt, as well as the significant fall in international reserves and of course the Gross Domestic Product each of these variables will be the subject of study in the last period 2006 to 2024 for the present research. It should be noted that Bolivia's history was identified by having models of circularity of development and economic growth applied and characterized by non-renewable resources such as the exploitation of its mineral and hydrocarbon raw materials, exported without added value focused on attracting foreign exchange, but with a weak private productive apparatus causing labor informality. unemployment, country risk and poverty that was growing year after year. That is, they start with virtuous economic circularity with high reserves of raw materials and end with the depletion of these raw materials and with an economic crisis of vicious circularity. In this understanding, the objective of this article is to propose an economic model of virtuous circularity with stability, profitability and sustainability of development and economic growth for the Bolivian economy based on a productive apparatus with renewable sectors with formal and stable employment based on a knowledge economy in science, technology and innovation.

Keywords: *circular growth, virtuous, stability, profitability, sustainability*

DOI: 10.5281/zenodo.15844834

Introduction

Bolivia, strongly founded on the lineage of an economic model of non-renewable natural resources such as hydrocarbons and minerals and labor informality, unemployment and poverty and environmental deterioration, demands a structural transformation towards an economic model of renewable resources of employment and income generation and without mistreating the environment and of course getting out of poverty (Vargas *et. al.*, 2024a). Therefore, Bolivia not only needs a more circular economic model, but also a virtuous one, where development and economic growth that does not depend on direct and dissimilar extraction, but on a method of redesign, with equity and stable, profitable and sustainable value creation. Therefore, this transition is viable if it is built with territorial, technological, intellectual, and innovative sovereignty at the local, regional, and national levels, where actors such as the public and private sectors, universities, and society are connected and in the same goal of creating development and economic growth with formal employment and well-being (Vargas, *et. al.*, 2024b).

In addition to the above, we study the virtuous circularities of economic development and growth, such as investment, savings and indebtedness, and how each of these variables affects employment in terms of productive human capital supported by science and technology, which are a fundamental part of a country's economy, as has been evidenced by neoclassical theory. classical and modern development and growth with virtuous circularity basically by the accumulation of productive factors of capital and labor, we can mention some of them, such as Adam Smith, Shumpeter (1944), Harrod and Domar ((1939 and 1946), Kaldor (1961), Romer (1986) and Barro (1989), Sen (2000) and considering Fontela and Guzmán (2003) and others. In addition, considering the studies of international organizations such as the IMF (2023), the OECD (2021), the World Bank (2006) and the UN (2015) focus on the structural analysis that allows the identification of virtuous and vicious circularities and their respective hierarchy for the solution of problems.

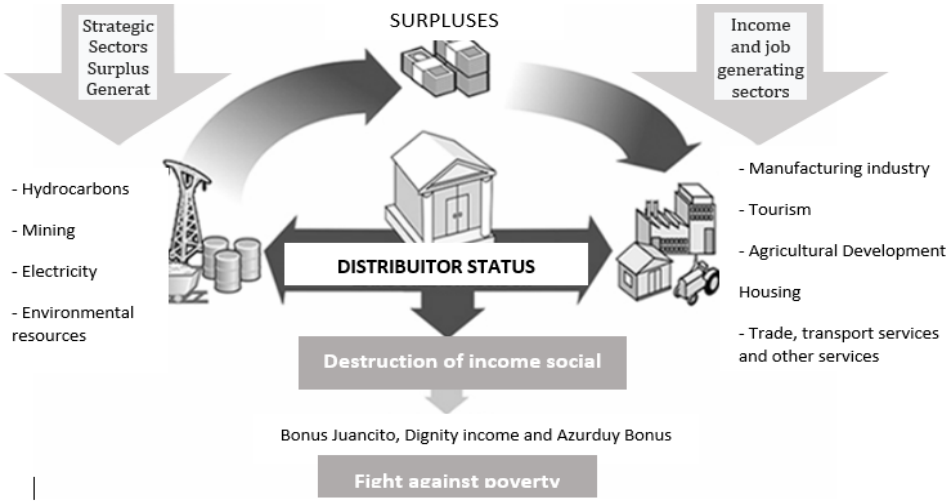
On the other hand, we can mention some research at the national level of Bolivia such as Afcha *et. al.* (1992), Bandeira and García (2002), Jiménez and Mercado (2005), Morales (2007), Larrazábal (2021) and Vargas *et.al.* (2024c) all these studies agree that Bolivia begins with a virtuous economic circularity with high reserves of raw materials and ends with the depletion of these raw materials and with an economic crisis of vicious circularity.

Therefore, Bolivia repeats its cause and effect with its economic crises marked every twenty years, with many common and conclusive elements that we will study in this research, especially the scarcity of foreign currency, which forged macroeconomic imbalances characterized in its different periods of economic cycles, by high levels of inflation, devaluation of the exchange rate, fiscal deficit and public debt, as well as the significant fall in reserves and of course in their production, each of these variables will be the subject of study for the economic, social, community and productive model in the last period 2006 to 2024. In this understanding, the objective of this article is to propose an economic model of virtuous circularity with stability, profitability and sustainability of development and economic growth for the Bolivian economy based on a productive apparatus with renewable sectors with formal and stable employment based on a knowledge economy in science, technology and innovation.

1. Circularity of the Bolivian economic model 2006-2024

Bolivia entered a new economic stage in 2006 with the Plurinational State and with the Economic, Social, Community and Productive Model (ESCPM), with the National Development Plan (PND) 2006-2011 and a new structural policy according to the authors Morales (2014), Paz *et. al.*, (2019) and Arce (2020) with this model, a democratic, productive and sovereign Bolivia was sought. According to the proposal of the authors Quiroz and Arce (2015) on the mathematical formalization of this model and applied by the government of the day since 2006 through the Ministry of Economy and Finance of Bolivia (2014), where three pillars were identified: the first pillar, the surplus-generating sector, the model identifies four strategic sectors that generate economic surpluses: hydrocarbons including natural gas; mining among gold, tin, lithium and others; electricity and other non-renewable resources, the second pillar is the sector that generates income and employment that includes the manufacturing industry, tourism, housing, agricultural development and the third pillar a government of the day that plays the role of a distributing State and generator of employment with its strategic public companies, in order to develop a productive Bolivia with a virtuous circle economic growth, see Figure 1.

Figure 1. Productive, Social, Community and Productive Economic Model of Bolivia



Source: Prepared by the Ministry of Economy and Finance (2014)

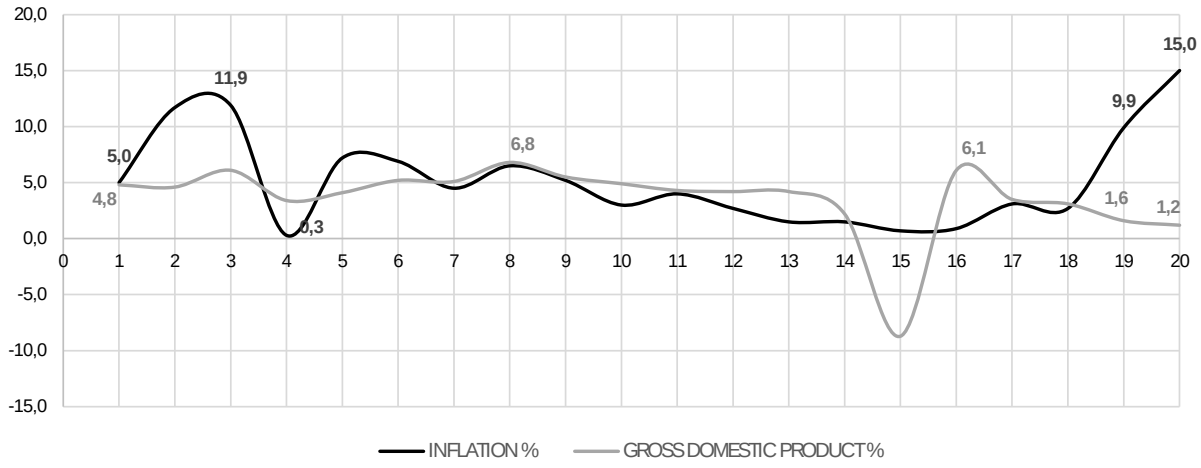
DOI: 10.5281/zenodo.15844834

The economic, social, community and productive model was applied from 2006 to 2025. In this sense, we will explain the two main variables of economic growth within the Bolivian economy, such as the Gross Domestic Product and inflation.

With respect to the Gross Domestic Product the average in twenty years from 2006 to 2024 was 3.7%, of GDP had a cyclical trend starting in 2006 with 4.8% reaching its peak in 2013 to 6.8% from that year low until 2019 reaching a growth of 2.2% this year was affected by COVID and a government transitory year where the model stopped being implemented, but from 2020 to the present the economic model is back in force but with GDP growth with a decreasing trend from 2021 it reached 6.1% and fell to 1.6% in 2024 and by 2025 according to the World Bank report (2005) it projected to reach 1.2, as can be seen in Graph 1.

Graph 1. Gross Domestic Product and Inflation in Bolivia

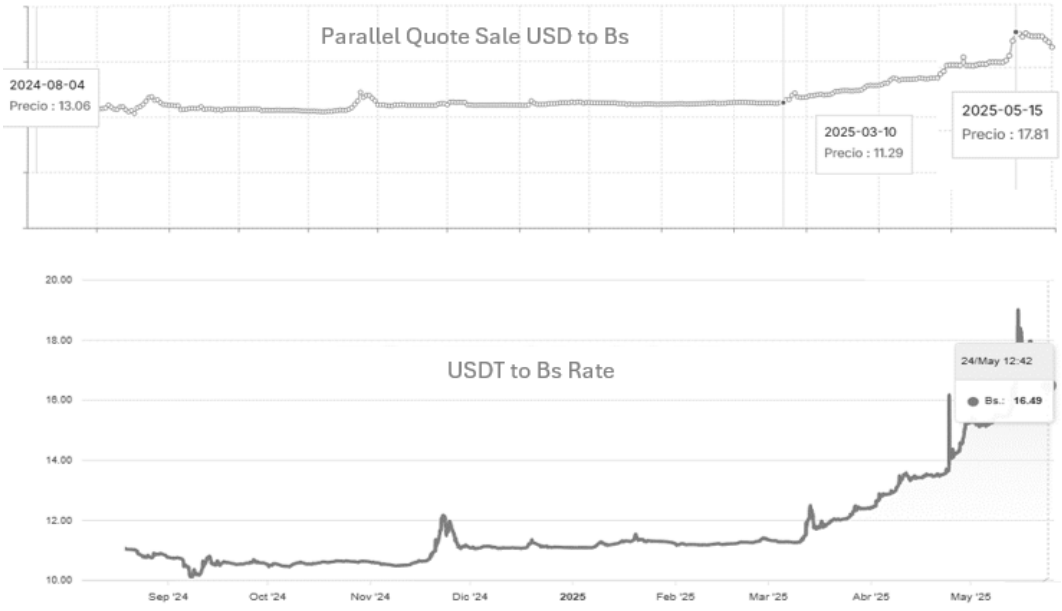
Period: 2006 to 2025 (In percentages)



Source: From the National Institute of Statistics (2023 and 2025) and the Ministry of Economy and Finance (2025)

On the other hand, between 2006 and 2024 average inflation was 5.2% according to the National Institute of Statistics (2025) in 2006 inflation was 5% and reached 9.97% by 2024, according to the World Bank (2025) in its report project for the year 2025 an inflation of 15% but for the month of May 2025 it reached 9.87%, exceeding the projected budget for 20025 of 7.5%, due to a lack of dollars and a shortage of diesel and gasoline fuels, see Graph 1. Inflation with respect to the exchange rate gap, as we can see in Graph 2, the difference between the official exchange rate of the banking system and exchange houses trading at 6.96 bolivianos per dollar (Central Bank of Bolivia, 2025) and the parallel exchange rate (Bolivian Dollar Today, 2025) and the digital or blue exchange rate of virtual currencies such as USDT (USD Bolivia, 2025) which doubled the official rate and reached levels of paying 17 bolivianos per dollar with a devaluation of the exchange rate of more than 170%, that is, close to tripling and a depreciation of the national currency against the dollar of almost 100%, that is, with 1,000 bolivianos we acquired 150 dollars with the official fixed exchange rate and with the parallel and digital exchange rate we acquired only 50 Dollars.

Graph 2. The Official, Parallel and Digital Exchange Rate (In Bolivian Pesos)

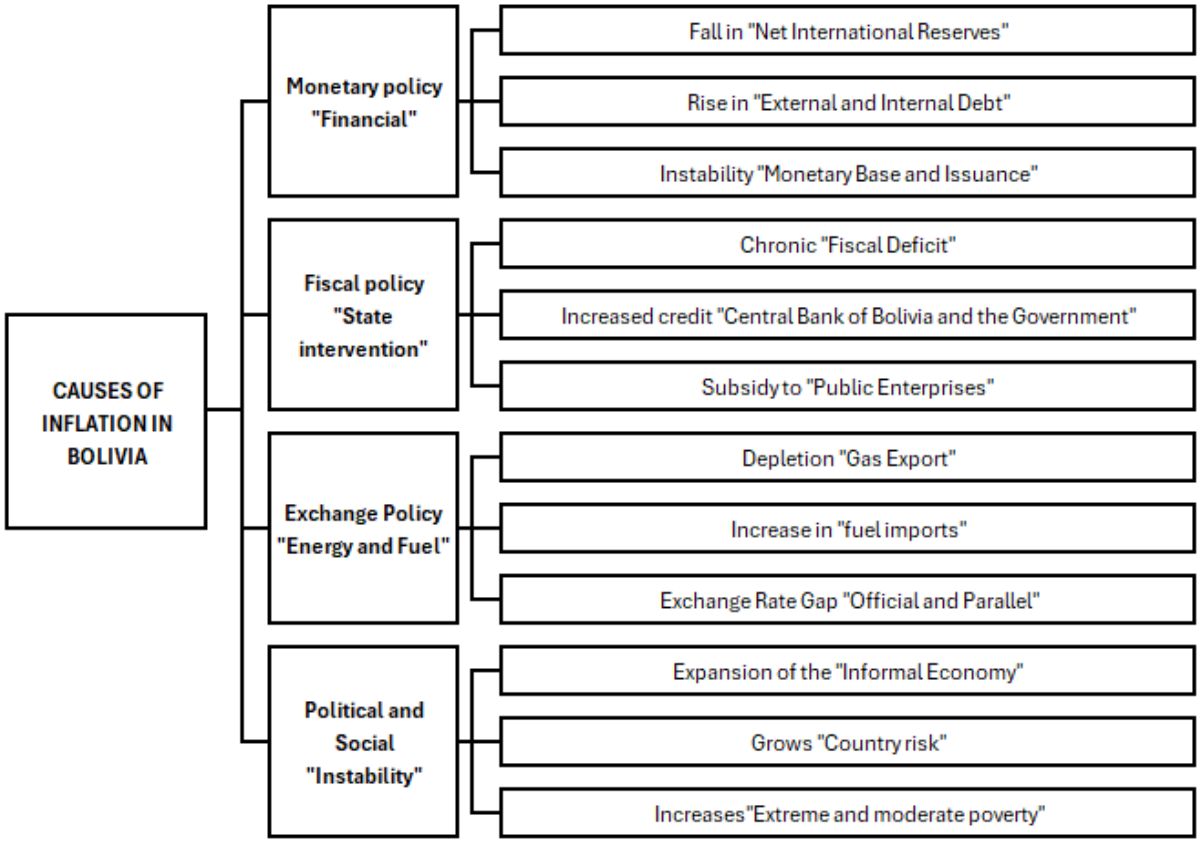


Source: From USD Bolivia (2025) and Bolivia Dollar Today (2025)

DOI: 10.5281/zenodo.15844834

In addition to the above, we identify the fundamental causes of inflation according to the authors Vargas *et. al.* 2024b) and data from the Central Bank of Bolivia (2025), the Ministry of Economy and Finance (2025) and the National Institute of Statistics (2025), for a better understanding we will study each variable for each economic policy, whether monetary, fiscal, exchange rate or social, see Figure 2.

Figure 2. The causes of inflation in Bolivia



Source: Authors' elaboration based on the Central Bank of Bolivia (2025), the Ministry of Economy and Finance (2025) and the National Institute of Statistics (2025)

It should be noted that the Bolivian economic, social, community and productive model, according to the authors Vargas *et al.* (2023) the aforementioned model had wear and tear due to the fall in reserves and exports of natural gas and that caused a shortage of foreign currency, mainly dollars, which caused a macroeconomic imbalance, in the significant fall of net international reserves and a significant increase in internal and external public debt and additional inflation, devaluation of the exchange rate and the depreciation of the national currency Vargas *et. al.* (2022). The authors Vargas *et. al.* (2023) deduce that all this is mainly due to the fact that the Central Bank of Bolivia in the last 18 years, has not been able to be independent and is dependent on the government of the day which sustains its chronic fiscal deficit for more than twelve consecutive years of 9% on average, with the savings of the reserves and the monetary base which it used since 2014 going from15 billion dollars to only 2 billion dollars by 2024 (Central Bank of Bolivia, 2025). Below, we detail the imbalance of each of the economic policies.

1.1. Monetary policy imbalance

In Graph 3, it can be seen according to data from the Central Bank of Bolivia (2025) that Net International Reserves plummeted by 86% from December 2014 to June 2024, they have been affected by several factors, including the exchange rate policy that was affected by the fall in commodity prices, that is, due to the decrease in gas and mineral exports, generating a decrease in foreign currency in the face of government obligations, also due to the deficit in the balance of payments both in the current account where expenditures are higher than foreign exchange income, as well as the capital account with an increase in imports and a decrease in exports, causing a decrease in the savings of the RIN.

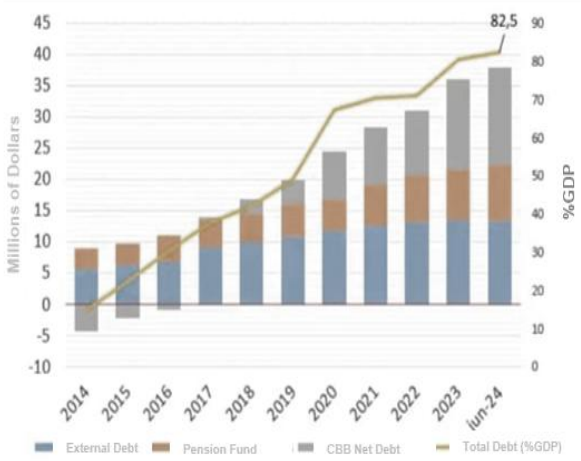
Likewise, fiscal policy was affected where the expansion of public spending and policies of subsidies and subsidies that led to a more intensive use of monetary policy with the savings of international reserves, leaving them with a scarce monetary base from 40 tons in 2014 to 22.5 tons of gold by April 2025 (Central Bank of Bolivia, 2025).

According to the Millennium Foundation (2025), at the same time, government policies were in search of public debt to cover the aforementioned imbalances, such debt has had a considerable growth since 2014 and by June 2024 they reached 82.5% with external debts with bilateral and multilateral international organizations and with countries and also with internal debt mainly with pension funds and government debt. It should be noted that in its report of the International Monetary Fund Article IV Consultation of 2025 it points out that the total public debt amounts to 95% of the Gross Domestic Product (International Monetary Fund, 2025), see Graph 3.

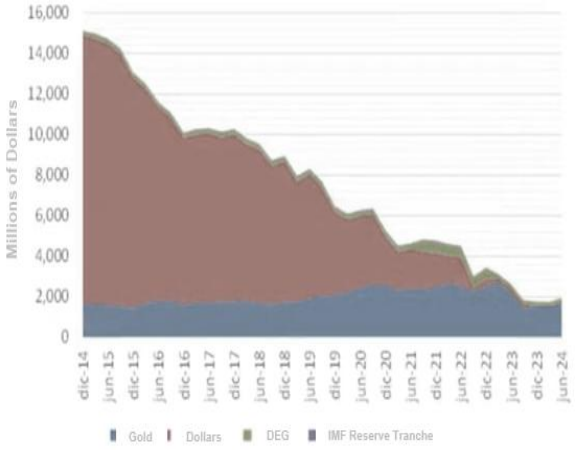
DOI: 10.5281/zenodo.15844834

Graph 3. International reserves and public debt

Total Public Debt



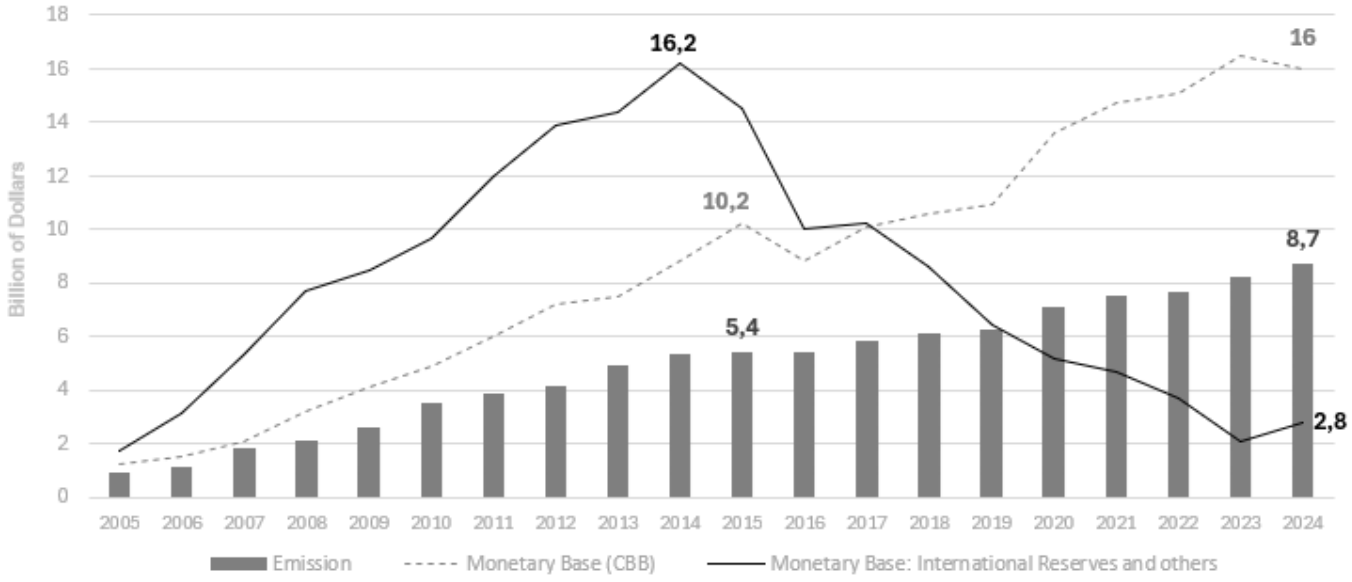
International Reserves



Source: Millennium Foundation (2025) from the Central Bank of Bolivia (2025)

In Graph 4, monetary policy was totally out of balance mainly due to the fall in net international reserve savings and the significant increase in total public debt, as explained in previous paragraphs, causing a greater monetary issuance in national currency from 1.2 billion two hundred million dollars in 2005 to 8.7 eight billion seven hundred million dollars in 2024 and an increase in the monetary base of 16 billion dollars by 2024 according to sources from the Central Bank of Bolivia (2025) and cited by Fundación Milenio (2025).

Graph 4. Monetary Base and Issuance



Source: From the Central Bank of Bolivia (2025) and Fundación Milenio (2025)

It should be noted in Graph 4 that net international reserves only reached 2.618 billion dollars according to sources from the (Central Bank of Bolivia, 2025) and is the most significant figure of the monetary base, the reality of the monetary base would be 2.8 billion dollars plus the liquidity of the financial system (Central Bank of Bolivia, 2025) with respect to the 8.7 billion dollars of the issuance of national currency in 2024 with a monetary balance deficit of -5.9 billion dollars, that is, the national currency does not have a backing with its monetary base in gold bars of 22.5 tons of gold as of April 2025, that is, 18.5 tons of gold are abroad as collateral, 2.5 tons in refining and in vaults of the Central Bank only 0.9 tons of gold, with a value of 2,618 million dollars, of which 92% are in gold, 6% in foreign currency and 1% special drawing rights, of which 92% are in gold, 6% in foreign currency and 1% special drawing rights (Central Bank of Bolivia, 2025).

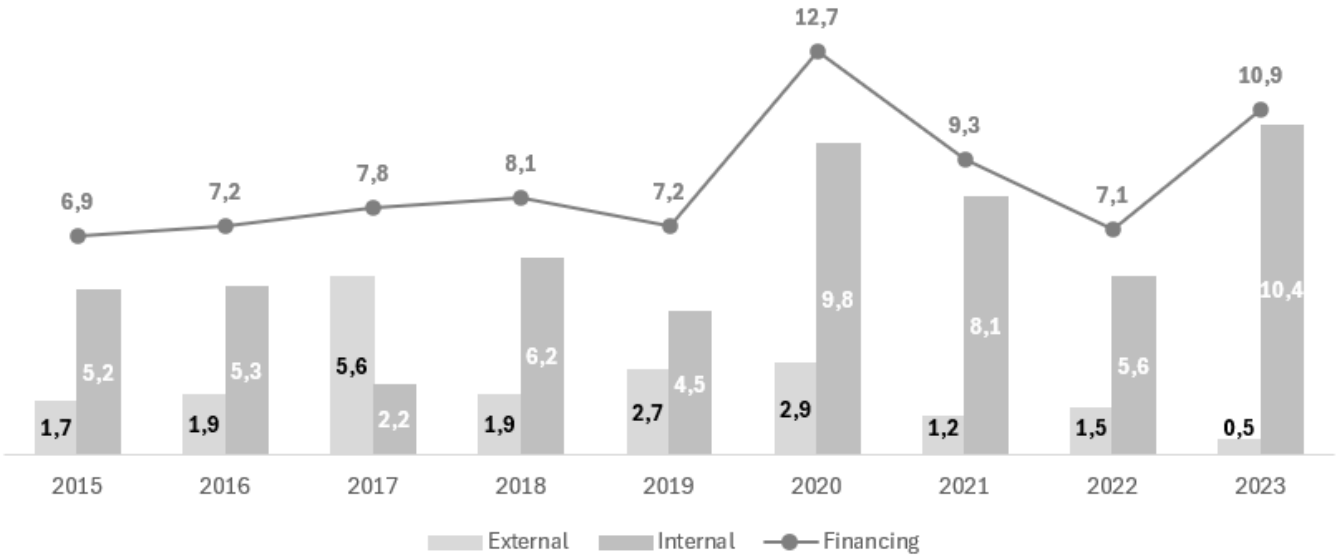
1.2. Fiscal policy imbalance

The fiscal balance is affected by the financing of the fiscal deficit of the external and internal non-financial public sector according to data from the Ministry of Economy and Finance (2025), if we look at the data in Graph 5, external financing has an average of 2.1% and is lower than internal financing with an average of 6.3% in the period 2015 to 2023, except for 2017 when external financing is higher than domestic financing by 3.4%.

DOI: 10.5281/zenodo.15844834

Graph 5. Financing the Fiscal Deficit of the Non-Financial Public Sector

Period: 2015 to 2023 (In percentages)

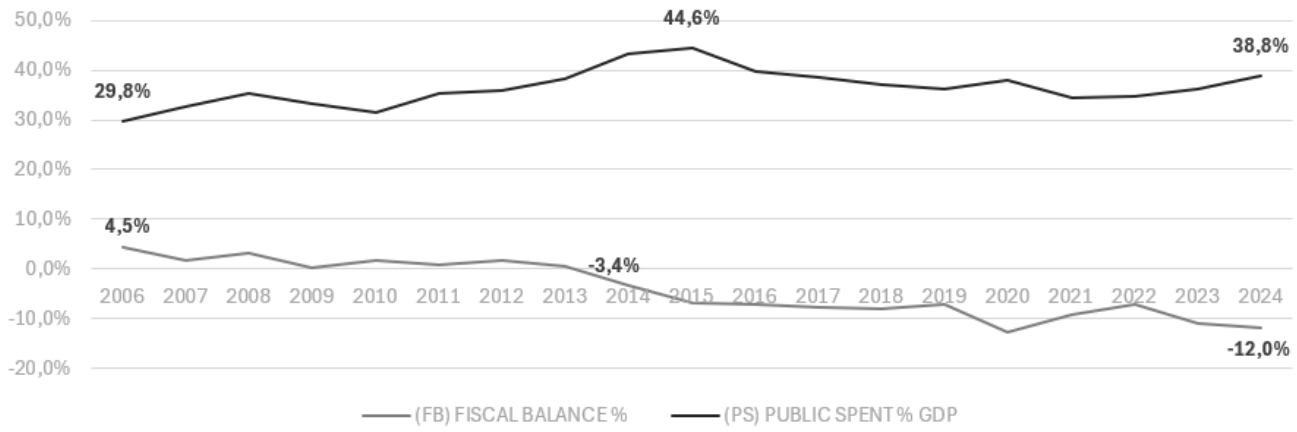


Source: Ministry of Economy and Finance (2025) and Millennium Foundation (2025)

As can be seen in Graph 6, the fiscal balance in the period 2006 to 2013 shows an average surplus of 1.8%, however, there is an average fiscal deficit of (-8.4%) from 2014 to 2024, the growing trend of the fiscal deficit until 2024 rises even more (-12%). Similarly, public spending with respect to the Gross Domestic Product grew since 2006 from 29.8% to 38.8% by 2024 and that is due to the significant increase of a non-meritocratic government public apparatus simply partisan and not of a rule of law where meritocracy is the fundamental pillar. the projection for 2025 is a higher expenditure of 41.3% from the Ministry of Economy and Finance (2025) and the determining factors of the fiscal deficit (Vargas *et. al*. 2024d).

Graph 6. Fiscal Balance

Period: 2006 to 2024 (In percentages)



Source: From the Ministry of Economy and Finance (2025)

1.3. Trade policy imbalance

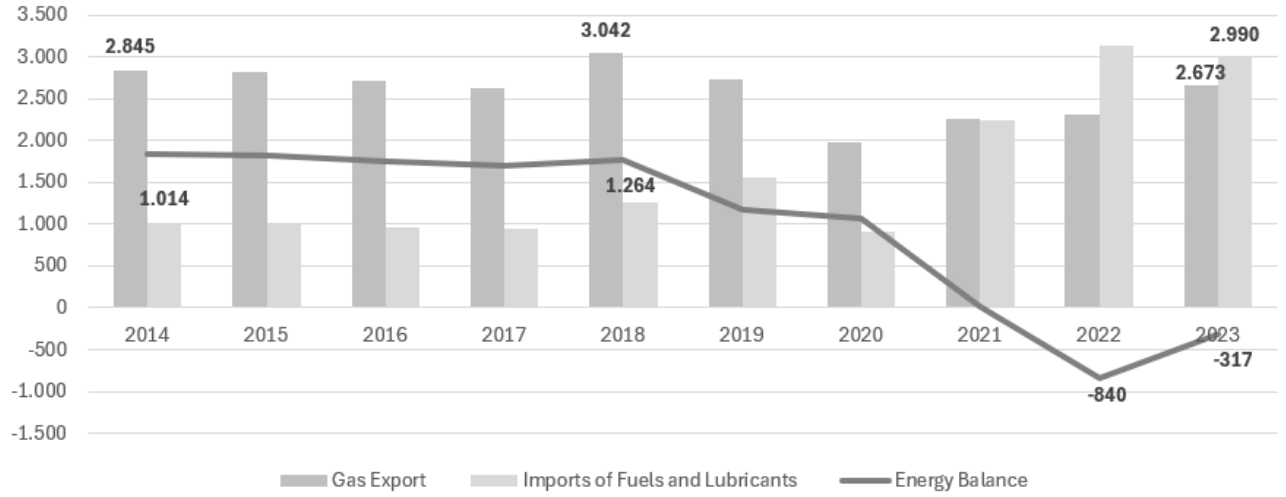
Bolivia has maintained a positive energy trade balance and surplus according to sources from the National Institute of Statistics (2025), this is due to the fact that natural gas export revenues were higher than imports of diesel and gasoline fuels and derivatives in the period 2014 to 2020, as can be seen in Graph 7, reaching its highest peak in 2018 of 3,042 million dollars in gas exports and 1,824 million dollars in fuel imports, from 2021 to 2023 it goes to an energy trade deficit due to the fall in reserves and gas exports until contracts are fulfilled and exports to Argentina are closed. for the year 2022 the energy trade deficit amounts to -840 million dollars and by 2023 it reached -317 million dollars (Vargas *et. al.* 2024a).

It should be noted that there was a change of government in 2020 presided over by Luís Arce Catacora, where energy trade policies change, the export of natural gas increases from 2020 from 1,900 billion dollars to 2,673 billion dollars by 2023, but fuel imports increased significantly from 2020 from 920 million dollars to 2,990 billion dollars by 2023, that is, it tripled by 2,070 billion dollars, it is more than 225% with a moderate growing vehicle fleet, causing a shortage of foreign currency and the beginning of the current economic crisis of illiquidity of dollars.

DOI: 10.5281/zenodo.15844834

Graph 7. Energy Balance: gas exports and fuel imports

Period: 2014 to 2023 (In millions of dollars)



Source: From the National Institute of Statistics (2025) and the Ministry of Economy and Finance (2025)

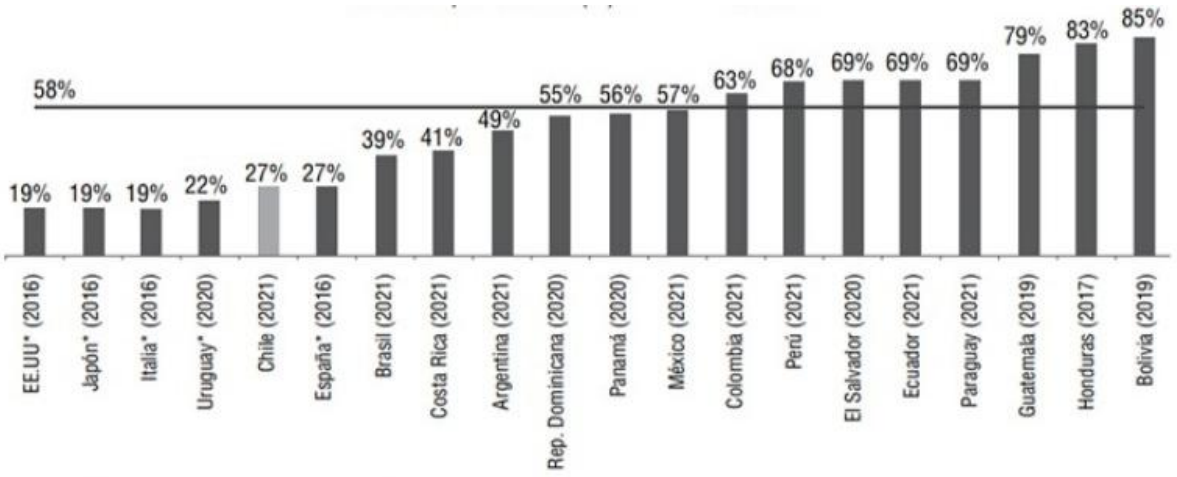
As of 2015 there is a deficit in the trade balance %GDP until 2023 and that is mainly due to the fall in the energy balance due to growth in fuel imports and lower gas exports as is the case in 2019 that reached (-3.9%), mention that in 2021 there is a surplus in the trade balance %GDP of 4.7% and the energy balance is almost zero, this it is due to the fact that Bolivia received a payment from Argentina for outstanding debts and higher exports of the productive apparatus due to the rebound of COVID, but from that year onwards there was a deficit in the trade balance % GDP of (-1.3%) and an energy trade balance of (-307) million dollars, generating a crisis of illiquidity of foreign exchange and a macroeconomic imbalance (National Institute of Statistics, 2025), see: Graph 8.

1.4. Imbalance in social policy

According to the authors Vargas, *et. al.* (2022), the Bolivian economic model depended mainly on hydrocarbons, i.e., natural gas, selling or exporting this raw material for foreign exchange income, a non-renewable resource, and taking the surpluses to savings and public investment, mainly to new strategic public companies. These public companies did not contemplate qualified human capital and did not consider state-of-the-art technology, generating losses in these public companies and a great important burden for the State, converting the savings of the Net International Reserves into small reserves at the same time the significant increase in the External and Internal Debt, both destined to public investment but destined to public spending and to cover the fiscal deficit, caused mainly by strategic public enterprises, also to cover the subsidy of diesel fuels and gasoline that is in foreign currency and the external debt with its respective interest rates and capital amortizations (Vargas, *et. al.* 2023).

According to the Bolivian Ministry of Economy and Finance (2023) the State is the redistributor, the one that must have the capacity to transfer resources from surplus sectors to those that generate employment and income, but in reality the Government with the same party focused on investing in strategic public companies that did not create large formal jobs and much less foreign exchange income for the Bolivian population with these companies and according to the World Bank (2023) and the OECD (2021) labor informality was generated by 2019 of 85% of the economically active population of Bolivia, compared to other countries in the region, see Graph 9.

Graph 9. The informal employment rate by country and the average (percentages)



Source: World Bank (2023) and OECD (2021)

DOI: 10.5281/zenodo.15844834

With respect to rating agencies, Bolivia is considered in economic and financial terms as a country of speculation with a high level of risk, as can be seen in Graph 10, rating agencies such as Fitch Ratings (2025) maintained the risk rating of the Bolivian economy at "CCC" and adjusted the outlook from stable to negative. Moody's (2005) downgraded Bolivia's credit rating to "Caa3" and warned of the risk of default on debts and imports and Standard & Poor's (2025) ratified Bolivia's sovereign credit rating as negative from "CCC+" and according to the Emerging Markets Bond Index (EMBI) rating agency (2025) Bolivia closed the year with one of the highest country risk levels in the region. reaching 2,065 points.

Graph 10. Bolivia's country risk rating

Level	Moody's	Standard & Poors	Fitch Ratings
High-risk speculation	Caa1	CCC+	CCC
	Caa2	CCC+	
	Caa3	CCC-	
	Ca	CC	CC
	C	C	C
		SD	RD
		D	D

Bolivia

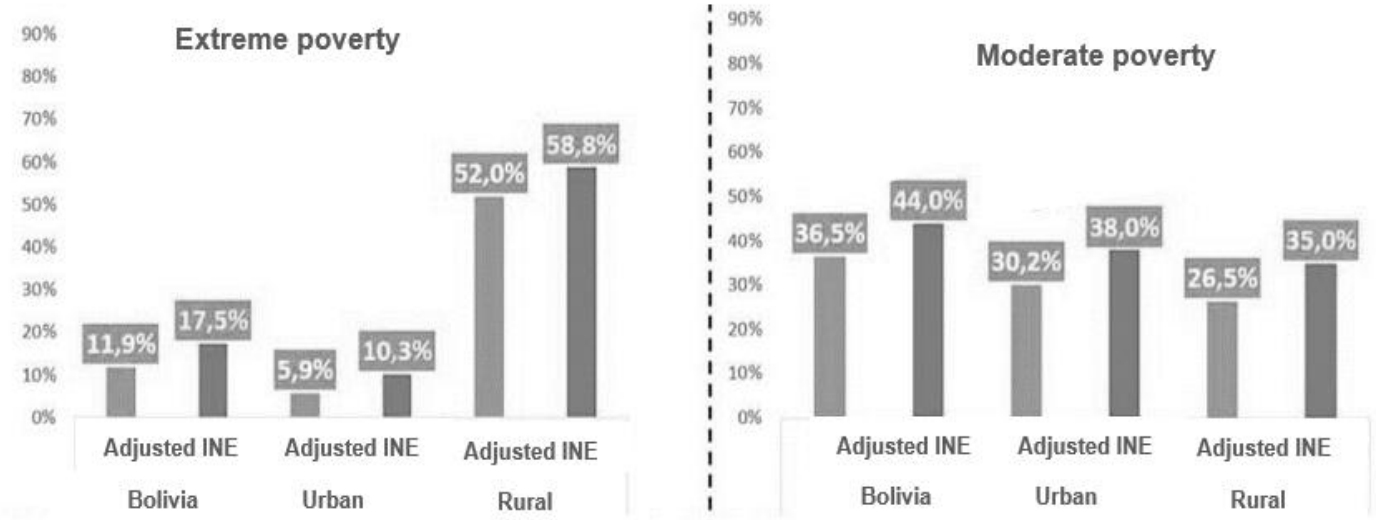
Source: Fitch Ratings (2025), Standard & Poor's (2025) and Moody's (2005) reports

In relation to poverty in Graph 11, we can see the data from the National Institute of Statistics (2025) and the Millennium Foundation (2025) that have published studies on extreme and moderate poverty in Bolivia, revealing worrying figures. According to the INE, extreme poverty stands at 11.9% in Bolivia, 5.9% in urban areas and 52% in rural areas (National Institute of Statistics, 2025).

The Millennium Foundation (2025) points out that in its study it applied an adjustment of the data and these go to higher levels: in Bolivia extreme poverty is 17.5%, urban 10.3% and rural 58.8% (Fundación Milenio, 2025). With respect to moderate poverty, according to the INE, it places moderate poverty at the Bolivian level at 36.5%, urban 30.2% and rural 26.5% (National Institute of Statistics, 2025) and according to the Jubilee Foundation (2025), with the adjustment of the data in the same way, moderate poverty increases at the Bolivian level to 17.5%, urban 10.3% and rural 58.8% (Fundación Milenio, 2025).

Graph 11. Incidence of moderate and extreme poverty and adjusted by rural and urban area

(In percentages)



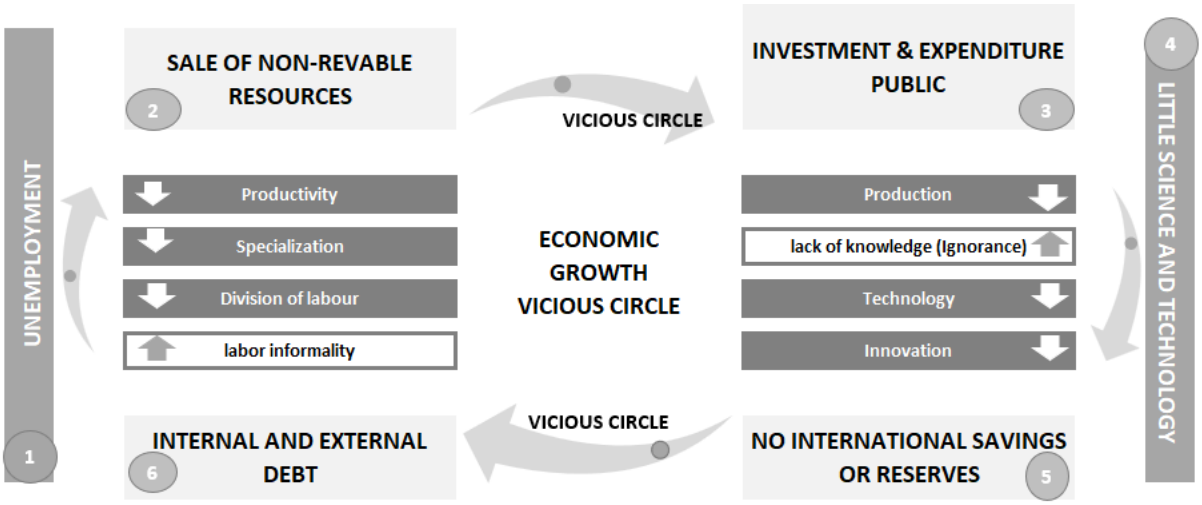
Source: From the National Institute of Statistics (2025) and the Millennium Foundation (2025)

The Millennium Foundation (2025), in its most recent reports, points out that Bolivia's economic situation continues to slope downwards, with fiscal, monetary, exchange rate and financial imbalances, which could lead to a setback in the deepest poverty and inequality indicators.

As we were able, observe and analyze the official data, we finalized that the Plurinational State and its Economic, Social, Community and Productive Model of virtuous growth in the short and medium term, went to a vicious growth in the long term, mainly because it focused on creating public companies and enlarging the government of the day supported by a Government of the day that creates a State without meritocracy. generating low productivity, scarce specialization, division of labor and labor informality, with low production of the private productive apparatus, stimulating ignorance, with low technology and innovation focusing on all RIN savings, external and internal debt and pension funds to investment in public companies with few surpluses to export and bring in foreign currency, generating a chronic fiscal deficit of twelve years accompanied by an energy trade deficit in the face of the significant increase in imports of diesel and gasoline fuels and a fall in its exports of natural gas, inciting a lack of dollars that led to inflation, devaluation and deeper poverty, see Figure 3 of the extractivist economic model from a virtuous circle to a vicious one.

DOI: 10.5281/zenodo.15844834

Figure 3. From an extractivist economic model of a virtuous circle to a vicious one



Source: Own elaboration

2. Proposal of the virtuous economic model

From neoclassical theory, economic growth is basically determined by the accumulation of productive factors of capital and labor by Adam Smith cited by Adelman (1974), Furtado (1974) through Shumpeter (1944) where economies grow in the long term of investment and savings and require technologies that allow them to combine productive factors more efficiently. obtaining higher levels of production as mentioned by Sunkel and Paz (1973).

Going through the dynamization approach of Harrod (1939) and Domar (1946), who worked with Leontieff's production function, they addressed the problems of unemployment, instability and income growth in mature capitalist economies, considering technical progress that is exogenous, the result of the basic sciences, argued Solow (1956), Sunkel and Paz (1973). following the theory of the author Kaldor (1961), likewise, the models of Romer (1986) and Barro (1989) established that, through externalities, or the introduction of human capital, Batrancea (2022) determinants of economic growth in the European Union.

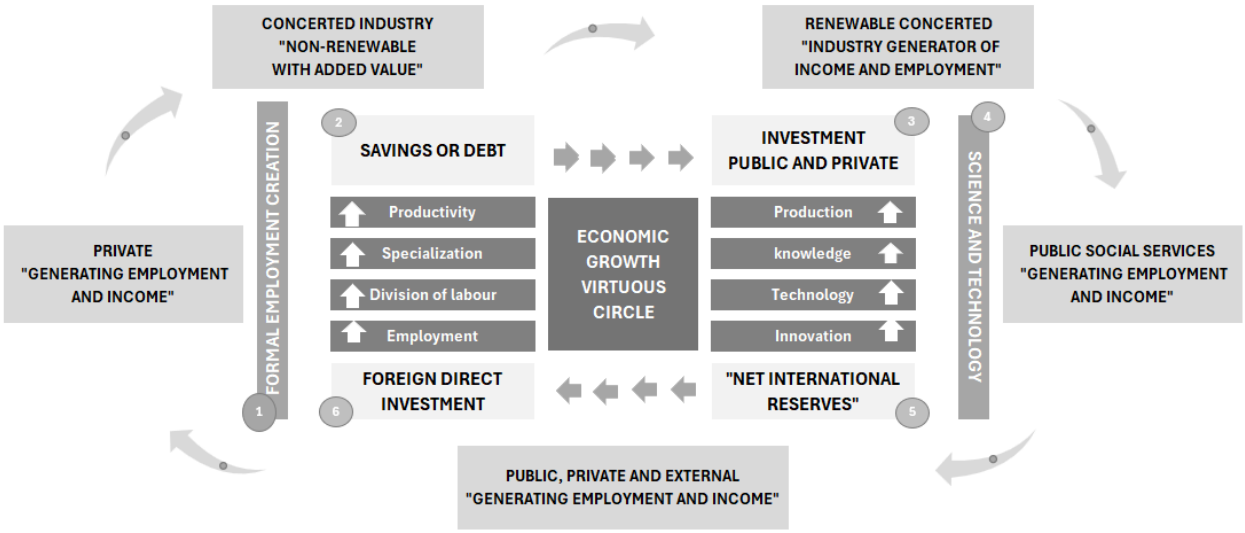
Thus, knowledge becomes a new cumulative factor of growth, without which physical capital does not adjust to the requirements of the economic environment Sen (2000) convergences towards greater economic growth in the long term were generated, these circularities are interrelated and amplified with each other, resulting in a very complex explanatory system of development processes Fontela and Guzmán (2003). In addition to the above, international organizations such as the IMF, the OECD, the World Bank, the UN and the EU focus on structural analysis that allows the identification of virtuous circularities and their respective hierarchy for the solution of problems. In the case of Bolivia, we can mention some research such as Afcha *et. al.* (1992), Bandeira and García (2002), Jiménez and Mercado (2005), Morales (1991, 2007, 2014), Larrazábal (2021) and (Vargas *et.al.*, 2024).

Considering all these theories, research and studies, mainly the research of the authors Vargas, Delgadillo and Villca (2022, 2023, 2024a, 2024b) Vargas, Delgadillo and Vásquez de la Vega (2024c and 2024d) we go on to propose the economic integration model for Bolivia based on a development and economic growth of virtuous circularity with stability, profitability and sustainability, based on the following variables and objectives that can be seen in Figure 4.

- Objective one we will consider the variable of creating formal and stable employment to have a profitable and sustainable productive apparatus by taking 85% of labor informality to formal work with social security, retirement and housing, of course with the variable of the concerted renewable industry of development in the formal productive apparatus .
- The second objective is to consider the monetary base variable, which will have a new fundamental pillar which is the white gold mainly as Bolivia is one of the largest reserves in the world and of course the yellow gold and other minerals that are quoted in the stock market, in addition to considering another variable is to create a national currency protected in lithium would be called bolivianos in lithium (BsL) with these short-term measures We will stabilize monetary policy, mainly inflation, the exchange rate and the appreciation of our currency and therefore the savings and debt variables focused on investment.
- The third and fourth objectives, once the monetary policy is healthy, we will reactivate the economy by injecting economic resources with flexible credits and with low active interest rates to the variables of public and private investment with science, technology and innovation, generating greater production and knowledge economy, we will also consider variables of improving public services with a Modern State founded on electronic government, seeking efficiency, effectiveness, equity, economicality and excellence.
- The fifth and sixth objectives are to promote the variables of our international reserves with more foreign currency and with control over our renewable and non-renewable resources and attracting foreign direct investment with greater generation of formal public and private employment with private and legal security, in search of greater development, specialization and labor productivity with a private productive apparatus at the micro level. small and large companies. In this way, we close the virtuous circle of Bolivia's development and growth model.

DOI: 10.5281/zenodo.15844834

Figure 4. Virtuous circularity economic growth and development model



Source: Own elaboration

Thus, we conclude that the State of Bolivia and its new model of economic integration of Bolivia will be based on development and virtuous growth with stability, profitability and sustainability in the short, medium and long term, fundamentally on the renewable resource of formal employment in the manufacturing industry, tourism, housing, agricultural development and other sectors and with a profitable productive apparatus. sustainable and stable.

With a Modern State with meritocracy in all its legislative, judicial and executive powers and with a new power of social security and eliminate the electoral power and with a transitional government focused on democracy, eliminating corruption, bureaucracy, nepotism, clientelism betting on an administration and public management with electronic government based on science, technology and innovation, generating high productivity, specialization and labor formality, with a high production of the concerted productive apparatus, eliminating ignorance and promoting the knowledge economy with better levels of education with more savings in the RIN, less external and internal debt and greater pension funds.

It will be encouraged with greater investments in public and private concerted companies that generate surpluses in energy matters to export and bring in foreign currency, reducing the fiscal deficit accompanied by surpluses of foreign currency in foreign currency, eliminating inflation, devaluation and extreme and moderate poverty.

Conclusions

From all that has been studied, we can conclude that Bolivia repeats its cause and effect with its economic crises marked every twenty years, characterized by capitalism and socialism both with different nuances but with the same objectives of living off extractivism and labor informality with poverty and high levels of corruption, now it is the turn of the economic model, social, community and productive with many common and determining factors and repeating over and over again the circularity from virtuous economic growth in the short and medium term to vicious in the long term when the reserves of raw materials are exhausted.

Thus, we conclude that Bolivia is once again entering that vicious circularity with a lack of foreign currency or dollars and a shortage of fuel where fuel imports tripled in 2020 from 920 million dollars to 2,990 billion dollars in 2024, added to the year-on-year inflation to April 2025 of 15% and with an increasing trend, with an exchange rate of 170% and a depreciation of the national currency, with totally unbalanced macroeconomic indicators and disorderly economic policies with a fiscal deficit for more than 12 years 9% and a trade balance that is also in deficit and a monetary balance with scarce international reserves that do not guarantee the monetary base and much less the monetary issuance and high debts almost reaching 90% of GDP. A social balance with 85% of labor informality of the economically active population and that continues to rise year after year, a growing extreme and moderate poverty and with a high level of country risk, that is, an exhausted and vicious model of economic growth.

Therefore, we conclude that it is necessary to have a new economic model of development and growth with virtuous circularity, for this we propose the model of economic integration with stability, profitability and sustainability with the creation of a Modern State with meritocracy in all its legislative, judicial and executive powers and with a new power of social security and eliminate the electoral power and with a government focused on democracy, eliminating corruption, bureaucracy, nepotism, clientelism by betting on an administration and public management with electronic government based on science, technology and innovation, generating high productivity, specialization and labor formality, with a high production of the concerted productive apparatus, eliminating ignorance and promoting the knowledge economy with specialized education and with more savings, less external and internal debt and larger pension funds with creation of formal and stable employment. It will be encouraged with greater investments in public and private concerted companies that generate surpluses in energy matters to export and bring in foreign currency, reducing the fiscal deficit accompanied by surpluses of foreign currency in foreign currency, eliminating inflation, devaluation and extreme and moderate poverty. And to have a Bolivia prospers with an economic model of development and virtuous growth and to leave the government of the day that believes itself to be a state and that resets itself every five years with clientelism, abuse of power and corruption.

DOI: 10.5281/zenodo.15844834

Bibliographic

1. Adelman, I. (1964). Theories of economic development. Mexico: Fondo de Cultura Económica.
2. Afcha G., Devarajan S., de Franco M. Larrazábal E. (1992). External Vulnerability, Fiscal Policy and Macroeconomic Adjustment: The Bolivia Case. Journal of Economic Analysis, Economic Policy Analysis Unit (UDAPE) 1992. Vol. 3: Bolivia. https://www.udape.gob.bo/portales_html/analisisEconomico/analisis/vol03/art03.pdf
3. Arce Catacora, Luis (2020). A fair and successful economic model. The Bolivian economy, 2006-2019, Mexico: Fondo de Cultura Económica. https://editorialestado.bo/EditorialNoticias/el-presidente-luis-arce-presenta-su-libro-un-modelo-economico-justo-y-exitoso-la-economia-boliviana-2006-2019/
4. Central Bank of Bolivia (2025). Statistical Bulletins (2006-2024) https://www.bcb.gob.bo/
5. World Bank (2006). Poverty reduction and growth: virtuous circles and vicious circles. World Bank studies on Latin America and the Caribbean. https://documents1.worldbank.org/curated/en/952741468276883172/pdf/353480PUB00SPA00Box0361520B0PUBLIC0.pdf
6. World Bank (2023). Global Economic Outlook. Report of 10 January 2023. https://www.bancomundial.org/es/publication/global-economic-prospects
7. World Bank (2025). Outlook on the global economy. World Bank Group Report. June 2025. https://www.worldbank.org/en/publication/global-economic-prospects
8. Bandeira, A. and García F. (2002) *Reforms and growth in Latin America*. ECLAC, No. 77, Chile. https://www.cepal.org/sites/default/files/publication/files/10826/077083100_es.pdf
9. Barro, R., & Becker, G. (1989). The choice of fertility in a model of economic growth. Econometrica, 57(2), 481-501. doi:10.2307/1912563. https://www.jstor.org/stable/1912563
10. Batrancea, Larissa M. (2022). Determinants of Economic Growth in the European Union: An Analysis of Panel Data on Small and Medium-sized Enterprises. Sustainability 2022, 14(8), 4797; https://doi.org/10.3390/su14084797
11. Bolivia Dollar Today (2025). Parallel market price https://dolarboliviahoy.com/
12. Fitch Ratings (2025). Country risk ratings report. https://www.fitchratings.com/research/sovereigns/bolivia-10-02-2025#:~:text=Fitch%20Ratings%20downgraded%20Bolivia's%20credit,up%20to%20the%202025%20elections
13. International Monetary Fund (IMF) (2025). Bolivia: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Bolivia. June 2, 2025
14. International Monetary Fund (IMF) (2023). The outlook is uncertain again, surrounded by turbulence in the financial sector, high inflation, the effects unleashed by the Russian invasion of Ukraine and three years of COVID-19, April 2023. https://www.imf.org/es/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023
15. Fontela, E., & Guzmán, J. (2003). *Vicious and virtuous circles of economic development.* Presentation IV Meeting of the World Economic Society. La Coruña. https://www.researchgate.net/publication/28088676_Circulos_viciosos_y_virtuosos_del_desarrollo_economico
16. Millennium Foundation (2025). Bicentennial Plan, to overcome the crisis and build the future. April 2025. www.fundacion-milenio.org
17. Furtado, C. (1974). *Theory and Policy of Economic Development.* XXI century. Mexico. https://books.google.co.ve/books?id=7Rpewr-CLu8C
18. Harrod, Roy, (1939). "An Essay in Dynamic Theory," Economic Journal, 49 (June), 14-33. http://digamo.free.fr/harrod39.pdf
19. National Institute of Statistics of Bolivia (INE) (2023). National Institute of Statistics: Statistical Yearbook 2023. Plurinational State of Bolivia. Ministry of Development Planning. https://www.ine.gob.bo/index.php/publicaciones/bolivia-en-cifras-2023/
20. National Institute of Statistics of Bolivia (INE) (2025). Electronic statistics. https://www.ine.gob.bo/index.php/comunicacion/
21. Jiménez, E. & Mercado, M. (2005). *Economic growth, poverty and institutions. A case study from Bolivia. https://repositorio.cepal.org/bitstream/handle/11362/3911/S2011035.pdf.txt*
22. Kaldor, Nicolás. (1961). Capital accumulation and economic growth. Revista Economía. 1953, pp. 263-88- http://docenti.luiss.it/protected-uploads/623/2017/05/20170515153917-Kaldor_1962_Capital_accumulation-and-economic-growth.pdf
23. Larrazábal Antezana, Erick (2021). Accumulation of Reserves, External Vulnerability and Economic Growth in Bolivia. Clinical case. March 2021, http://www.scielo.org.bo/pdf/rfer/v21n21/v21n21_a12.pdf
24. Ministry of Economy and Finance (2014). Economic, social, community and productive model. https://repositorio.economiayfinanzas.gob.bo/documentos/2018/UCS/materialesElaborados/publicaciones/modelo_decima_edicion.pdf
25. Ministry of Economy and Finance (2025). The 2025 Financial Fiscal Program. https://www.economiayfinanzas.gob.bo/viceministerios/vtcp/programa-fiscal-financiero
26. Morales, Juan A. (1990). "The Bolivian Macroeconomic Adjustment from 1985 to 1989", Institute of Socio-Economic Research, No. 09/90, pp. 1-27. https://www.econstor.eu/bitstream/10419/72861/1/622431188.pdf
27. Morales, Juan A. (1991). "Structural Reforms and Economic Growth in Bolivia", Institute of Socio-Economic Research Institute, No. 04/91, pp. 1-39. https://iisec.ucb.edu.bo/assets_iisec/publicacion/1991-4.pdf
28. Morales, Juan A. (2014). "The Bolivian economy of the last fifty years: reflections on long-term development", Science and Culture, no. 33, pp. 107-135.

DOI: 10.5281/zenodo.15844834

http://www.scielo.org.bo/scielo.php?script=sci_arttext&pid=S2077-33232014000200005
29. Morales, Juan Antonio (2007). "Financial Deepening and Economic Growth in Bolivia", Institute for Socioeconomic Research, Working Paper No. 05/07, June 2007. https://www.researchgate.net/publication/228457158_Profundizacion_financiera_y_crecimiento_economico_en_Bolivia
30. Moody's (2005). The Insurance System shows stable indicators, although challenges persist in the macroeconomic context. https://moodyslocal.com.bo/reporte/el-sistema-asegurador-muestra-indicadores-estables-aunque-persiten-desafios-ante-el-contexto-macroeconomico/
31. United Nations (UN) (2015). Report of the World Commission on Environment and Development. New York: UN Recovered from https://digitallibrary.un.org/record/139811
32. Organization for Economic Cooperation (OECD) (2021). A new economy: the changing role of innovation and information technology in growth. https://libgen.is/book/index.php?md5=8C3CC94C0EBEBD56A79BBB4BD6249260
33. Quiroz, S. David and Arce C., Luís (215). Mathematical formalization of the economic, social, community and productive model. Cuadernos de Investigación Económica Boliviana. Unit for the Analysis of Fiscal Studies of the Ministry of Economy and Public Finance. Vol. 1(1), Oct. 2015. Legal Deposit:4-3-131-15P.O. htttp://gyg-design1.blogspot.com/
34. Romer, Paul M. (1990). "Endogenous Technological Change" Journal of Political Economy, 98. https://www.jstor.org/stable/2937632
35. Schumpeter, Joseph Alois ([1911] 1944), Theory of Economic Development. An Inquiry into Profits, Capital, Credit and the Economic Cycle, Fondo de Cultura Económica, Mexico. https://doi.org/10.4324/9781315135564
36. Sen, A. (2000). Development as freedom. New York: Alfred Knopf. http://fs2.american.edu/dfagel/www/Philosophers/Sen/DevelopmentAsFreedomIntroNch1NEW.pdf
37. Solow, R. M. (1956). A contribution to the theory of economic growth. Quarterly Journal of Economics, 70(1), 65-94. https://www.jstor.org/stable/23606794
38. Sunkel, O., & Paz, P. (1973). *Latin American Underdevelopment and Development Theory.* XXI century. Mexico. https://repositorio.cepal.org/server/api/core/bitstreams/011fa262-0b9c-4845-a7cf-9c85284865fb/content
39. Standard & Poor's (2025). Perspectives 2025. https://www.spglobal.com/en/research-insights/special-reports/2025-outlooks
40. USD Bolivia (2025). Virtual currency exchange rate https://usdtbol.com/
41. Vargas Díaz, César; Delgadillo Dorado, Hernán and Villca Copali, Eloy Wilson (2022). The fall in gas exports, international reserves and economic growth in Bolivia. International Journal of Economics, Energy and Environment 8(4), 91-98. https://www.researchgate.net/publication/373008067_The_Fall_in_Gas_Exports_International_Reserves_and_Economic_Growth_in_Bolivia
42. Vargas Díaz, César; Delgadillo Dorado, Hernán and Villca Copali, Eloy Wilson (2023). Inflation is a risk in Bolivia: given the decumulation of natural gas and RINs and the vulnerability of external debt and fiscal deficit. Newman Business Review. Newman Business Review Vol 9 No. 2, December 2023 p. 21 - 39 ISSN: 2412-3730 DOI: http://dx.doi.org/10.22451/3002.nbr2023.vol9.2.1008
43. Vargas Díaz, César; Delgadillo Dorado, Hernán and Villca Copali, Eloy Wilson (2024a). The deterioration of economic growth and the lack of transparency in Bolivia: in the face of the fall in gas exports, net international reserves and the increase in external debt and fuel imports. Newman Business Review. Vol 9 N° 1 | June 2023, p. 04 – 23. http://dx.doi.org/10.22451/3002.nbr2023.vol9.1.10080
44. Vargas Díaz, César; Delgadillo Dorado, Hernán and Villca Copali, Eloy Wilson (2024b). The economic model of the fixed exchange rate in Bolivia: towards price stability and economic instability. International Journal of Economics, Energy and Environment. February 2024, Vol 9, No. 1, pp 13-21. https://www.researchgate.net/publication/378889356_The_Economic_Model_of_the_Fixed_Exchange_Rate_in_Bolivia_Twards_Price_Stability_and_Economic_Instability
45. Vargas Díaz, César; Delgadillo Dorado, Hernán and Vásquez de la Vega, Álvaro (2024c). The factors of economic growth in virtuous and vicious circularity: applied to the case of bolivia. Journal Economics, Business & Management. Vol. II. Issue. III (May – June) 2024 ISSN: 2584-0916 (Online) https://isrgpublishers.com/isrgjebm/
46. Vargas Díaz, César; Delgadillo Dorado, Hernán and Vásquez de la Vega, Álvaro (2024d). The Determinants to Finance the Fiscal Deficit In the Face of the Shortage of US Dollars in Bolivia. World Economics Journal. Vol. I. Pages. 23 https://www.world-economics-journal.com/Papers/The-Determinants-to-Finance-the-Fiscal-Deficit.aspx?ID=932

DOI: 10.5281/zenodo.15844834