

# The Monetary and Fiscal History of Peru

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- "Latin American countries are the only Western countries that are poor and that are not gaining ground on the United States." CORS, 2004
- What role do fiscal and monetary policy have in affecting this outcome?
- What can we learn about this question by analyzing at the history of these policies in different Latin American Countries?

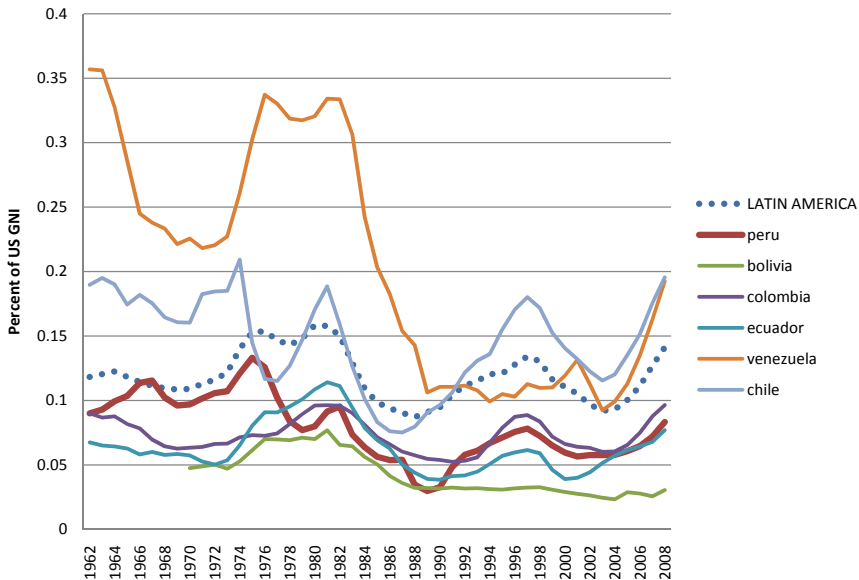
## My discussion: a tale of two paths

- Peru provides an interesting case study
- Up until 1990 Peru is a country torn between two paths: the shining one and the "other" path (the DeSoto one)

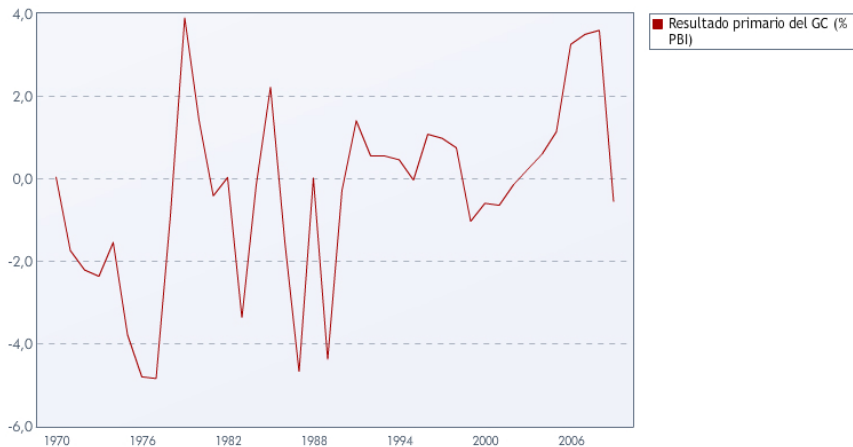
## My discussion: a tale of two paths

- Peru provides an interesting case study
- Up until 1990 Peru is a country torn between two paths: the shining one and the "other" path (the DeSoto one)
- Uncertainty results in poor policy outcome (how exactly?) and disastrous macroeconomic outcomes (easier to understand)
- In this period Peru behaves pretty much like the rest of Latin America

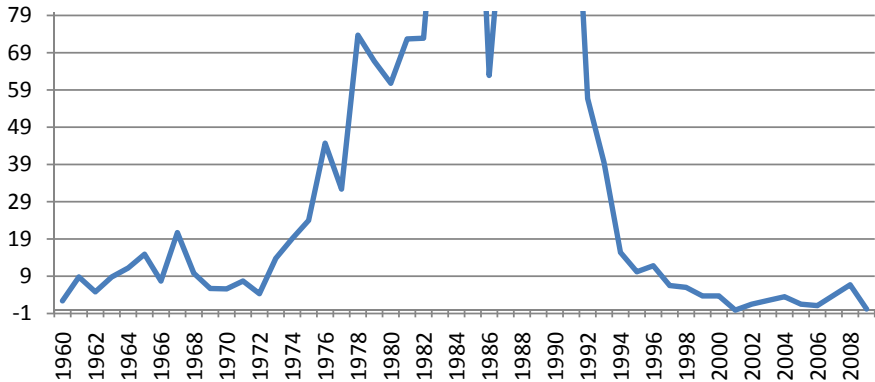
# GNI per capita (% of US)



# Fiscal policy: CG primary surplus (% of GDP)



# Monetary policy: Annual CPI inflation

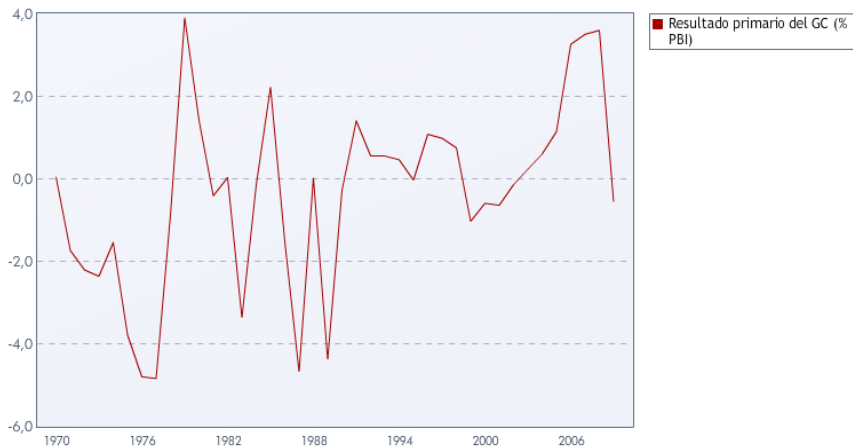




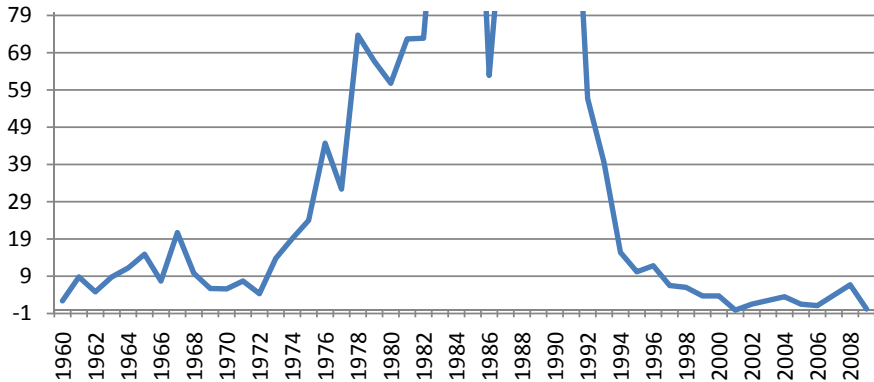
## The other path

- After 1990s Peru (and others but not all LA countries) embrace the other path: fiscal responsibility and market oriented reform
- Fiscal and monetary policy (and other more structural policies) are stable and resemble those of developed countries
- What about macroeconomic performance?

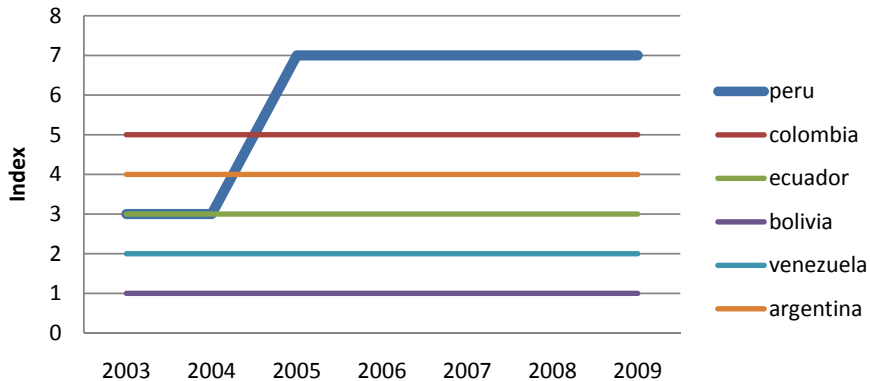
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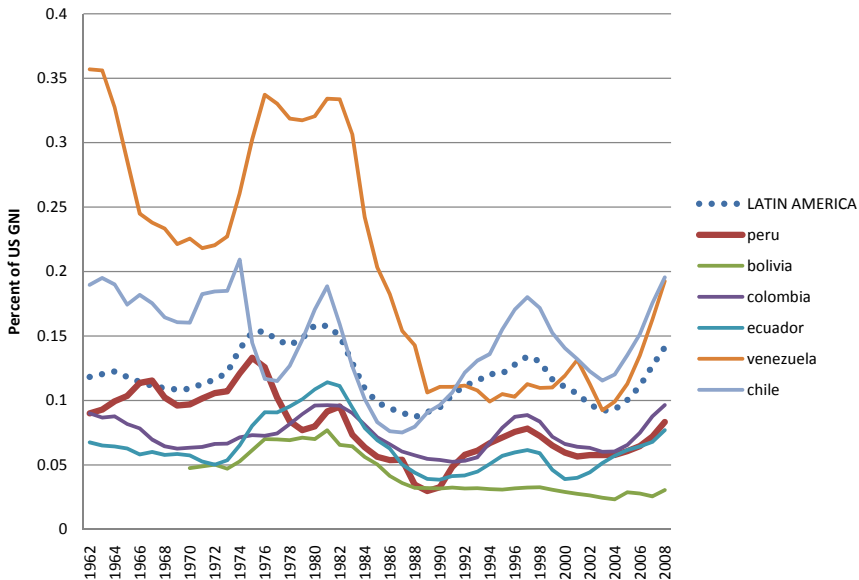
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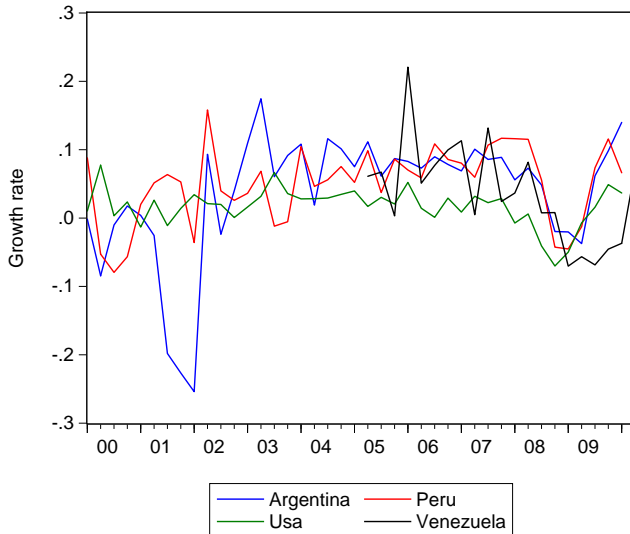
## Strength of property rights (index, US=10)



# GNI per capita (% of US)



# Recent Macroeconomic performance



# Conclusions

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- Obviously forming expectations of good policies might take time and other shocks might happen

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- Its relative macroeconomic performance has been good (but good also in other countries) but not stellar
- Obviously forming expectations of good policies might take time and other shocks might happen
- An important goal of the project would be to use more intensively country specific differences to identify the impact of policies on macroeconomic outcomes