

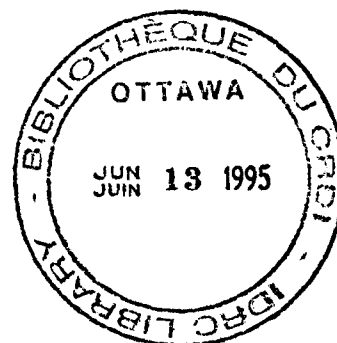
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## Report on the Economic Research Consortium, Peru

Prepared for the Director General of  
the Social Sciences Division of IDRC  
by Juan Antonio Morales

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### **Introduction**

This report includes the final evaluation of the IDRC/CIDA project "Economic Research Consortium, Peru", and recommendations for the second phase of the Consortium.

A restatement of the objectives of the IDRC/CIDA project should be useful for evaluation purposes. The following objectives are included in the project summary of 1989: (a) Strengthening of research capacity in the member institutions of the Consortium. (b) Improvement in the quality of research. (c) Development of linkages among researchers working on similar topics at different institutions. (d) Improved dissemination of research results to serve Peru's needs, bringing them, in especial, to the attention of policy-makers.

The project was expected also to fortify Peru's human resource base and to better the quality of national and sectoral policy formulation. It should be remembered that around 1988-89 there was a great need to increase the capacity for technical discussion of economic policy. A first step to meet this demand was to recognize that there are many competent Peruvian economists, that should be retained in the country or attracted back. Simultaneously, they find the incentives to participate in policy debates and, further on, in policy design itself. In addition, both research and policy formulation would gain by increasing interaction among the researchers. To this end, a network of research institutions had to be developed. This is a main reason behind the creation of a consortium.

The report is organized as follows. Section 1 gives a brief background on recent economic developments in Peru and of the role played by research. Section 2 reviews the member institutions of the Consortium. Section 3 constitutes the core of the report. It is examined there the role of the Consortium in strengthening research and the linkages among the member institutions. This section also provides a summary of comments on the quality of the research and the degree to which the research has responded to the research

priorities of Peru. The comments are sourced in the review of the papers by CEDE of Buenos Aires, the Catholic University of Rio de Janeiro and myself. Section 4 examines the issues of dissemination of results, and of the effects of the research undertaken by the Consortium in policy formulation and in the policy debate. Section 5 includes a list of some problems, as I see them, and as non-academic observers remark. Section 6 contains the recommendations for the second phase. Finally, there are two appendices: Appendix A includes the detailed reports on the papers reviewed by CEDE, the Catholic University and myself. Appendix B provides a short account of my activities in Lima.

The IDRC project summary of 1989 and the interim report of 1991 of Messrs. Albert Berry and Shane Hunt have been very useful guides for the preparation of this evaluation. The many interviews during my visit to Lima have been as useful.

#### 1. Background: Economics and Economic Research In Peru

When the IDRC/CIDA project began in 1989, Peru was facing one of its worst economic crises, with very high levels of inflation, negative or dismal growth of GDP, big balance of payments deficits, an unmanageable array of subsidies, and huge arrears on its external debt. The extremely severe economic condition was further compounded by, what seemed then, unstoppable terrorism.

Four years later, in 1993, the economy and the political situation look significantly better. The salient features of this improvement are as follows. First, there has been a very sharp fall in inflation. Second, Peru's reinsertion in the international financial community is proceeding at a faster pace than initially expected. The reinsertion of Peru in the international financial markets seems more feasible than before after the auspicious negotiation in the Paris Club. Third, economic policy is much more orderly and coherent than during García's administration or even before. Last, terrorism has been largely checked.

Despite the fall in GDP in 1992, partially due to exogenous shocks, Peru's growth prospects for the near future look good.<sup>1</sup> Privatization has begun successfully and foreign capital has been flowing in, especially from Chile and China. More generally, foreign perceptions on country risk seems receding. During 1991-92 an ambitious program of structural reforms was launched. If these

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<sup>1</sup> Preliminary estimates of GDP growth for 1993 yield a rate of 5%.

reforms are fully carried out, the face of the Peruvian economy will completely change.

Notwithstanding the very significant progress since 1989, many important problems remain where the contribution of the research centers is shedding or could shed more light. The following problems can be named. The objectives of the stabilization plan have been met very slowly. The inflation rate has descended since its hyperinflationary levels of 1989 and early 1989, but it is still very high, running at 3-4% per month. The task of obtaining consolidated inflation (as opposed to de facto stabilization) is incomplete. More generally, the correct management of the exchange-rate and public prices is still elusive. The spurts in inflation are alternatively associated with corrections or lack of timely corrections of public prices.

With a stubborn inflation, Peru faced in 1992 a recession of unconventional characteristics. This situation could return. Real interest rates are very high. The possibility of financial crises, caused by non-performing loans in the banking system, that may impinge upon macroeconomic stability, looms in the horizon. Also, the foreign debt reschedulings still posit several difficulties.

Exchange-rate overvaluation persists as a major concern. The policy dilemma of correcting the real exchange rate without refueling inflation remains in its entirety. The use of contractive fiscal policies to this end has not had the expected results.

The governance problems of Peru continue to be very important, despite the successes in controlling terrorism. The deep regional, social, and racial cleavages are a potential source of severe social conflict. The still unstable political equilibrium may condition the quality of economic policy and the growth prospects. Also, the economic (and political) debate is still very much affected by the divisions created by the April 5, 1992 coup. Economic programs are not judged on their merits, but on the position regarding the April 5 coup of their proponents.

The resumptions of growth and investment continue being important researchable problems, where the contributions of academic economists could be very important. A similar comment may be made on the long-term development strategy and the involved sectoral policies. The problems of poverty alleviation, of income distribution and equity, of the labor market, and, not the least, the conditions of education, are clearly in need of more research.

Many economic policy reforms follow the recommendations of

the International Financial Institutions (IFI) or they are inspired by the conservative economic ideology<sup>2</sup> framed in the industrialized countries. Peru's own research and thought can equilibrate the policy debate. The development of a national capacity for the design of autonomous policy should be, in the view of many Peruvians that I interviewed, a major undertaking of the research centers.

The newness of the policy reforms explains the, as yet, little attention in the research centers that they have received. Quite surprisingly, there has not been either significant debate in the press nor in the public on the scope and implications of the reforms. Labor opposition to the reforms also has been soft, even in the very sensitive areas of privatization and social security.

A short comment on how economic policy is done now may help to place applied research in Peru in a proper context. The Ministry of the Economy has now the major responsibility in the formulation of economic policy. The Ministry has only a small number of economists, with their attention very concentrated on the themes of inflation and international financial normalization. Policies are discussed and framed in a very restricted circle. Most of the advice on macroeconomic issues comes from the IFIs.

There is no visible leader of the economic team and no name can be attached to the current program, which reduces simultaneously the scope of the debate in the public opinion and the support for the program. There is nothing close to a Council of Economic Advisers, with enough political strength to establish the trade-offs between different objectives, on which the President and the Minister of the Economy can rely.

No government agency has replaced the functions of the National Planning Institute (INP) dismantled by the current Administration. Yet, the necessity to look at long-term development problems is greatly felt.<sup>3</sup>

The features of policy-making have two contradictory implications for independent research. On the one hand, the ranks of the Administration cannot meet, but very partially, the high

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<sup>2</sup> Neo-liberalism in the Latin American political parlance.

<sup>3</sup> It must be said that the INP had already lost some of its importance before its closing, due to the overwhelming macroeconomic problems that displaced the focus of attention to other centers.

demand for sound economic thinking. On the other hand, the economic team is overburdened and has little time for thorough discussions of academic type.

Universities and other academic research centers, at the time being, are keeping themselves at distance from the government. Aloofness of academia from governments always has been the case, but the particular forms that take decision-making in the Fujimori government has deepened the feature.

Notwithstanding these difficulties, the contribution of research to policy-making is important, and is likely to grow very rapidly. There are already indications that systematic research, of the type undertaken by the Consortium, will be very much in demand by policy makers, once the urgency of the macroeconomic stabilization problems diminishes.

## 2. The Member Institutions of the Economic Research Consortium

It is important to look over again the strengths and weaknesses of the member institutions of the Consortium. It should be recalled that both the Project Summary prepared by the IDRC staff and the interim report of the consultants Messrs. Berry and Hunt in 1991 provide short descriptions of the member institutions. A new review may be called for since the IDRC/CIDA grant has brought changes in the member institutions.

Peru has a small research community of outstanding competence. Many researchers have received their training abroad and are aware of all values that guide research in the advanced centers of the world. Many scholars in Peru do advanced research using sophisticated techniques, especially of the econometric type. They are also familiar with the methods of quality control such as refereeing procedures, and the channels of dissemination. In addition, the scholars in the best Peruvian universities, generally with training abroad, transmit the rules of research to their students.

The best research centers of Peru are in the Consortium. Only exceptionally a good researcher is not in any of its member institutions. The institutions of the Consortium are highly respected by the Peruvian academic community, and by many non-academic distinguished Peruvians. In this second group, the role of the institutions in the training of young economists is especially appreciated.

The five member institutions in the Consortium have diverse strengths. The Economics Departments of the Pontificia Universidad Católica del Perú (henceforth PUCP), the Research Center of the Universidad del Pacífico (henceforth CIUP) and GRADE do their academic work in the tradition of the anglo-saxon universities, where most of their staff received their training. Scholars in these centers heavily emphasize quantitative methods and empirical research, with also some formal modelling.

Researchers of DESCO and the senior researchers of Instituto de Estudios Peruanos (henceforth, IEP) focus more on political economy. Their published work is more on the line of essays. Their research easily transgresses into sociology and political science. This is accentuated by the fact that some of DESCO and IEP scholars are sociologists or political scientists. Junior researchers at IEP work however with similar methodologies as their colleagues in PUCP, CIUP and GRADE.

CIUP depends from the prestigious Universidad del Pacífico. It is a small center of 10 to 15 researchers, with a permanent mixture of experienced researchers and young economists. CIUP possesses the facilities of a well endowed research center: good library, sufficient computers, and up -to-date computer software.

Although the emphasis in the published work is on macroeconomics, researchers at CIUP also pay close attention to the study of particular markets. One project at CIUP financed by the Consortium was the preparation of case studies in economic management, that would serve mainly as a teaching aid. At CIUP there is also a growing interest in institutional and political economy factors, especially in regard to governance. There is a marked interest in developing a national capacity to formulate economic policies, substituting the IFIs in this endeavor.

The Faculty of Economics of the Universidad del Pacífico, to which CIUP is closely associated, has a relatively large number of teachers. The program of the Faculty is heavily concentrated in economic theory and the level of teaching is close to a graduate level in North American universities.

GRADE is a relatively small research center, but not so small. Researchers at GRADE work in applied economics and education science. The staff is young, even the senior researchers are young PhD or PhD candidates. Its director is a very dynamic person, that guides the staff with great intelligence and drive.

It should be underscored that GRADE has associated to its

projects many young economists. Work there has awakened a lasting interest in research in many young graduates.

GRADE has very promising economists, that will be in a few years among the very best of Peru. GRADE's senior researchers have brought to Peru the modern techniques learned during their studies in North American Universities, and the thematic interests. Econometric and statistical techniques are main tools in their research. GRADE is becoming a meeting point for the technically inclined researchers in Lima's area.

GRADE has a good research library and is well equipped in computers and computer software. Observe that GRADE depends very much on research grants for its financing, probably more than the other centers.

At CIUP and GRADE the balance between formal analysis and econometric work in the field of applied economics is heavily tilted on the side of the latter, which has some shortcomings. Sometimes virtuosity in econometric techniques (made the easier by the availability of econometric software) substitute economic analysis. Also, as is frequent with many Latin American economists trained in North America, researchers at CIUP and GRADE tend to favor researchable problems that fit their quantitative methods of analysis. Simultaneously, they neglect in their research agenda issues that may be more urgent or more relevant to Peru, that are less tractable with the techniques learned in their graduate studies.

PUCP is probably the institution in the Consortium with the longest tradition in research. It has been offering a Master's program for more than a decade. The institution has a diversified body of researchers, gathering senior and young researchers, and a diversified research portfolio. Most internationally known economists of Peru, belong to PUCP. The research covers long-run development and income distribution problems, as well as problems of short-run management. PUCP's workshop in macroeconomics enjoys a good reputation. Also, PUCP is the only center in the Consortium with studies in the important topic of taxation.

PUCP has well fulfilled a main objective of the Consortium, namely to retain in academia a significant number of young economists with PhDs or that are PhD candidates. There is also in the faculty of PUCP a number of professors with graduate studies in very good Latin American higher institutions.

With the strengths of PUCP there are also some short-comings.



First, there is a rather casual approach to research. Some projects endure over their lifetime several changes in the researchers in charge and in methodology. Second, interaction among the researchers of PUCP seems low. People working on the same theme seldom meet, because of slight methodological differences. Third, professors have a heavy teaching load, significantly heavier than their counterparts in North American and European universities. Fourth, the publications are, on average, of lower quality than in GRADE and CIUP.

IEP is a multidisciplinary institution in the social sciences, devoted to the study of Peruvian problems. In the 1960s, the IEP contributions to economic thought were very important. In the 1970s it made major contributions to sociology and political science. IEP is also a very important publishing house, having published very important books on Peru. Among its other many activities it maintains a continuing-education program for young political leaders.

IEP sees itself as charged with a definite commitment to the strengthening of democracy, and as such has an important political (although non-partisan) role. It is a meeting ground for many important political leaders. Also, IEP frequently receives foreign visitors and lecturers.

IEP has a large number of researchers, but the group in economics is small, with only five senior researchers. With the support of the Consortium, it keeps an economics area working simultaneously on economic development and structural factors, and on issues of short-term macroeconomic management. The funding of the Consortium also has allowed stages and short sojourns of junior researchers.

IEP's research library in economics is relatively small, with few subscriptions to economic journals. But, as is true of DESCO, researchers can benefit of the inter-library agreement among the member institutions of the Consortium.

Work at IEP is uneven. The production of IEP is smaller than could be expected, given the resources granted by the Consortium. The written work of the senior scholars has the form of essays, with somewhat little empirical work to support the main contentions included in them. The work of the junior researchers is more interesting, both in terms of relevance and of analytical tools.

DESCO is a large NGO, that works mainly in the promotion of social and economic development. It is not easy to capture the

nature of DESCO as a research institution. It is simultaneously an academic center, even a very scholarly center in the social sciences -taking wide views- and a center very much involved in social work.

DESCO supports a small workshop in international economic relations and in economic development. The workshop can be maintained largely thanks to the Consortium. Most DESCO members are senior researchers, whose experience is overwhelmingly in political economy. In a crowded field, at least in Latin America, of essays in political interpretation, their work is outstanding for its depth and systematic analysis. While there is no doubt on the intellectual power at DESCO, there are questions concerning the role of its economics workshop in the organization and, reciprocally, on the interferences that other activities may have on the workshop.

There is not really a research library in economics at DESCO. However, researchers at DESCO benefit of the inter-library agreement reached by the libraries of the member institutions of the Consortium. It also should be mentioned that DESCO has an extraordinarily rich and well organized collection of press clippings, a valuable tool for research in the social and economic contemporaneous issues of Peru.

The Universidad del Pacífico publishes a journal, Apuntes and PUCP another one Economía. The two journals are academic journals, with in-house and outside contributors. CIUP also publishes "Informe Semestral de Coyuntura Económica " [Semi-annual Report on Economic and Financial Indicators] that enjoys a wide audience and influence. Professors at PUCP are the Peruvian correspondents of the very prestigious journal Situación Latinoamericana, published in Spain.

All member institutions of the Consortium publish books and, except DESCO, regularly produce series of discussion and working papers.

The Universidad del Pacífico also publishes a series of University Textbooks, that constitute very useful teaching aids, not only for the publishing institution, but for Latin-American universities at large. The textbooks include recent developments (that until now were available only in English), research results, and case studies drawn from the Peruvian context.

DESCO has two main publications, Pretextos and Quehacer. Pretextos is a high quality publication, catering to the

intellectual élite, that includes topics ranging from philosophy to poetry. The papers in economics are essays. Quehacer is a magazine for the informed public and is sold in newsstands. It is a good magazine of analysis of current topics. Besides the publishing of books mentioned above, IEP publishes Argumentos, a fine newsletter of economic and political events.

### 3. The IDRC/CIDA Project

#### a. The Management of the Project

During the whole period 1989-1993 relations between IDRC, in charge of administering the funds and overseeing the project, and the member institutions have been frictionless. The Peruvian scholars that I interviewed unanimously mentioned the cordiality of the relations. On its side, CIDA has followed a hand-off approach in dealing with the Consortium. The current arrangement is judged well suited by the member institutions of the Consortium.

The Steering Committee has been crucial and is the most important coordination mechanism of the Consortium. The Steering Committee meets every month and sometimes, when the situation requires, more than twice a month. It defines the final research agenda and takes stock of the progress in each center.

The allocation of research funds could have been a source of conflict in the Consortium. The problem has been handled deftly by the Consortium. The procedure follows two steps: first, each institution in the Consortium receives a determined amount; second, each center prepares a list of research projects to be presented to the Steering Committee considering the funds that has received.

In the 1989-90 part of the project, the decision to allocate the funds among the different research proposals was taken in each institution. For the period 1991-92, the decisions were taken by the Steering Committee (with IDRC actively participating) considering the amounts globally allocated to each center. This procedure caused no difficulty to the small centers since they could finance all their research proposals. In the larger member institutions, especially at PUCP, the procedure was challenged. Some researchers felt that there was some arbitrariness and lack of clear rules in the final selection of the projects. Also, the Steering Committee was criticized for not supporting research in

fields as the determinants of investment, technical progress, savings, and the importance of the development of financial markets.

The project included various joint activities to enhance the linkages among the member institutions. One of them was to bring two foreign consultants per year to Peru, on a short-term basis. This possibility has not received the attention it deserved, probably not because of unwillingness but because of neglect. Only once, in the second year of the project, the Consortium benefitted from the visit of foreign scholars. The project contemplated also the possibility of using local consultants. This potentiality has not been used.

The joint activities regarding internal seminars, open seminars, and publications are discussed further below. A mention should be made here to the inter-library agreement reached by the member institutions of the Consortium. This agreement certainly enhances the linkages among the institutions.

The component of small projects in the grant has been very useful. It provides a great flexibility to the research agenda. It has served to attract researchers that were not available when the agenda of main projects was set. In that sense it has had a bridge role. Also, small projects serve also to test prospective researchers. Further, they give the opportunity to fill the missing parts in a research agenda, whose initial characteristics may need to be modified because of developments in the economy.<sup>4</sup> Finally, small projects provide an opportunity to examine data and methodological problems that were not foreseen when the research agenda was established. An example is the work on the quality of the national accounts data.

The project coordinator in Lima has done a fine job. He is a superb organizer and administrator. He has fulfilled his functions, as described in the project summary of 1989, with great competence and motivation. His follow-up of the projects and the publications has been very helpful to the Steering Committee and in the preparation of this report.

An assessment of the degree of fulfillment of the projects on the planned schedules, before more qualitative evaluations, may be helpful. This assessment allows us to gauge the capacity of each

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<sup>4</sup> A good example are the papers on privatization presented at IEP.

institution to plan and implement its research program.

At CIUP, one main project, planned for 1989-1991, has not yet been finished, and there are no definite indications that it will be. Most of the projects planned for 1991-1993 are still unfinished, but they should be completed by September 1993. CIUP has also benefitted of small projects grants. They are not yet completed, but there are already preliminary drafts. CIUP's overall publications record is mixed.

DESCO has two projects planned for a duration of four years. A book manuscript is ready and there is a paper presented at the XI Meeting of Latin American Econometric Society in 1992 in Mexico. Both publications derive from the projects. Most of the other papers concerning these projects are still in the state of preliminary drafts. DESCO has also undertaken a small project, for which there is a preliminary draft. DESCO's publication record is very modest.

GRADE's research projects are almost all completed. It has, by far, the best publication record in the Consortium. The research proposals were flexible enough to fit changes, should they be needed because of changes in the economic context.

GRADE has many final and semi-final publications concerning the planned first two years. The number of preliminary drafts is also substantial. GRADE has also already published papers for the period 1991-1993. GRADE has also undertaken some small projects for which there are preliminary drafts.

IEP's research agenda has suffered many changes during the past four years. This can be attributed to poor planning of the research program and to the high rate of turn-over in the research staff. Also, a project leader has been absent from IEP (and Peru) for a semester. His absence has disrupted the normal pace of work.

Some of IEP's projects, scheduled for 1989-1990, have started only recently, and there are few indications of progress. Two of the projects planned for 1991-93 seem promising, still one of them is at a very early stage. Three small projects have led to preliminary publications. Overall, the number of papers in final and semi-final form is small, as is the number of preliminary drafts.

IEP has a knack for choosing extremely interesting topics; the trouble is that the researchers don't seem able to complete them on time. The delays are unreasonable. For some projects, there is doubt on their completion at all.

On behalf of IEP, it must be said that its projects started later than in the other institutions. This may partially explain the shortage of publications. The economics group at IEP seems more successful at organizing short-seminars on very timely topics, than on long-winded research.

In general, PUCP's projects have run smoothly. Still, one project of PUCP planned for the period 1989-1991 has had a bumpy development. Three books have been published on the projects of the first two years. The projects for the planned period 1991-1993 are under way, and there are already some publications. PUCP has also undertaken some small projects for which there are publications, in semi-final and preliminary draft forms.

b. The Results to Date of the IDRC/CIDA project

Strengthening research capacity

The funding of the Consortium has certainly helped to retain and attract high level researchers in Peru and in the member institutions. Largely thanks to this support young MAs and PhDs, with training abroad, could reinsert themselves in the Peruvian academic centers. It is also important to stress that if it not were for the Consortium support, many economists would have left Peru.

Financial support of the IDRC/CIDA project has been crucial in stabilizing the staff and the research capacity of the member institutions. The stable nature of the Consortium funding has allowed long-term research activities. In addition, continuity in the work of the centers has created an environment that benefits recent BAs and MAs of the Peruvian universities, as well as students.

Without the support of the Consortium, the universities would have had to limit research severely, and the non-university member institutions would have had to reduce personnel. Also, before the Consortium the research agenda of an academic economist was characterized by a great thematic dispersion and by a myriad of consulting activities of short duration. The Consortium has attenuated this.

The Consortium's supplement to salaries of the researchers has thus avoided: (a) an external brain drain; and (b) that top

economists leave academic work, because of large gaps in their salaries with respect to the high salaries in business or in government. The financial support of the Consortium has been especially important for the permanence in research of young professors in the universities.

The financing of the Consortium has allowed research on themes, that being important for a good interpretation of the economic and social evolution of Peru, do not find easily funds in other agencies, either because they are considered too academic or because they are interesting only for the long-term. The priority given to short-term management of the economy makes very difficult to find grants and other forms of financing for studies that take a longer view, either retrospective or prospective. The contribution of the Consortium has been crucial to maintain this type of research.<sup>5</sup>

The member institutions in the Consortium have associated many students to their research projects. Frequently, students became in this way interested in an academic career, pursuing non-professional graduate studies. The best students in the universities were attracted to posts of research assistants, with the expectation of academic (and economic) support for writing their dissertations.<sup>6</sup>

The Consortium also had a project to encourage research among students, with a contest for B.A dissertations. The project was ended because of the excessively heavy load it imposed on the scholars of the Consortium.

The increase in the linkages among Peruvian researchers

There is no doubt that the Consortium has made a very significant

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<sup>5</sup> Observe that the long-view in some studies does not exclude the possibility of policy-implications in the research.

<sup>6</sup> Unfortunately, the recruitment of research assistants is now more difficult than in the recent past, because of the recent elimination of the requirement to write a dissertation for a B.A degree. (Master's students are still required to write a dissertation.) Some universities, like Universidad del Pacífico, have substituted the dissertation with research seminars.

contribution to bring together researchers of very diverse academic background, research interests, and even political views. As a corollary, professional consensus on many points has emerged.

One main benefit of the Consortium was the establishment, on a regular basis, of communications in the research community of Lima. Some researchers knew each other before, but the frequency of exchanges significantly increased with the Consortium. Closer contacts than previously among the research center have developed; also, those contacts are closer among the member institutions of the Consortium than with non-member institutions.

Contacts among the member institutions are gaining in frequency. As an example, the working groups on "coyuntura", (i.e, the analysis of the short-term evolution of the economy, based economic and financial indicators) have been meeting regularly since the final months of 1992. Seminars by foreign visitors have been also an occasion to gather the researchers of the member institutions of the Consortium. A similar comment may be made on the open seminars organized by the Consortium.

The Consortium has given also the possibility to coordinate research agendas among the centers. It is noted that the mere existence of a Steering Committee creates a strong mechanism of information and coordination. Each center is informed of the activities and proposals of the other centers in the Committee. The research themes for the period 1991-93 were jointly discussed. They are also being jointly discussed for the second phase.

The member institutions of the Consortium have been consulting each other on the several methodological problems that surge in the beginning of a given research project.

The SPEAL seminar, that is funded by CIDA through CIEPLAN of Santiago of Chile, has been a joint venture between two member institutions of the Consortium (Universidad del Pacífico and Pontificia Universidad Católica). Other bilateral linkages among the member institutions of the Consortium surge very naturally. GRADE and CIUP have developed some cooperation, as some of GRADE's researchers also teach at the Universidad del Pacífico. Also, some young researchers at IEP are also teachers at PUCP. Joint activities in the Consortium have reinforced these relations.

Although much progress in interaction can be reported, it is not yet sufficient. Technical seminars to discuss progress of specific project have been rare. Only the "coyuntura" workshops have been meeting with some regularity. Technical meetings draw



little support of the member institutions. Attendance is very spotty. Yet, these meetings could have been extremely beneficial in terms of scientific interaction.

It should be noted that each center organizes its own seminars, frequently inviting outside expositors, and sending out invitations. Attendance by researchers of the other member institutions in the Consortium is infrequent. The problem seems to lie in the way that they are organized, more than in a lack of interest. Invitations are sent on short notice and this makes difficult for scholars, that already have a heavy teaching load, to find time to attend workshops in other institutions.

The open conferences, dealing with broad economic policy issues, that carry press coverage and publicity, draw significant attendance. Two large public events took place in the past four years (in November 1990 and August 1992). In the first seminar, also participated foreign discussants. They did not in the second event. Both seminars received wide coverage in the press and were well attended. Observe that the open seminars have been fewer than intended in the Project Summary of 1989.

Following the open seminar of August 1992, a group inter-centers was organized to analyze the quality of macroeconomic data. Thus, GRADE has a joint project with CIUP on a thorough revision of the Consumer Price Index.<sup>7</sup>

To conclude, I concur with the opinion of the Steering Committee that strong ties need time to develop. They cannot appear immediately, given the diversity in the composition of the centers. The Committee insists that cooperation cannot be forced but neither can be disregarded. It is essentially a matter of time.

The peer review process

The peer review process is not fully developed yet, but progress

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<sup>7</sup> The Consumer Price Index has a bearing on many economic and financial indicators: for instance in measures of tax effort, the real exchange rate, and the estimation of underemployment by income. Research on basic indicators is extremely useful to follow Peru's economic evolution, yet is so unrewarded by the profession. Researchers should be encouraged with a premium to generate their own data.

can be reported. Researchers are still little used to criticism, but this is slowly changing. As a first step, reviews are routinely done in each center. Notice that articles in the journals Apuntes and Informe Semestral de Coyuntura (Universidad del Pacífico), and Economía (PUCP) are subjected to internal review. So are the books published by the member institutions of the Consortium.

Reviews by scholars of other member institutions of the Consortium are less frequent but they exist. The use of reviewers, external to the Consortium is even rarer, although there are some cases. When there is external refereeing at all, it takes the soft form of providing comments to improve the manuscript. As yet, it has not taken the nastier form of weeding out unacceptable papers.

The Consortium researchers, as most of their Latin American colleagues, are not used to deal openly with criticism of their work. They frequently fear that refereeing would be tainted by ideological and political differences, or worse by vendettas of other researchers. A system of two (or more) independent referees would attenuate this fear.

The possibility of a joint publication of the Consortium with strict refereeing norms was explored by the Steering Committee. It was felt that, as with other aspects of the Consortium, a joint publication should be the result of a process. The contribution of a publication by the Consortium, if done in addition to the existing ones, probably would contribute very little. Ideally, the new publication should result of merging the existing publications or strengthening one of them (either Apuntes or Economía), but the member institutions are not ready yet to take this step.<sup>8</sup>

The possibility to publish a journal open to all Peruvian (and non-Peruvian) economists, similar to the American Economic Review, was also examined. But then, why not extend the effort to an Andean Journal of Economics? The Steering Committee feels that the situation is not ripe enough. Experiences with this type of publications (for instance, Coyuntura Andina and Coyuntura

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<sup>8</sup> It should be kept in mind that the universities compete with each other for students. All member institutions compete for grants from, frequently, the same donors. Hence, each institution needs to reassert its identity. Still, it is not at all clear that a joint publication would reduce the probability of each individual institution to win in the grants race; on the contrary, it may increase it.

Latinoamericana published by FEDESARROLLO of Colombia, and Situación Latinoamericana published by the Spanish Institute of Cooperation ICE) are not very encouraging. For the time being, the interest of economists in each country is mainly limited to the country's problems. Besides, there are already at least two major periodicals (Trimestre Económico in Mexico City and Desarrollo Económico in Buenos Aires) that have a Latin American character.

It should be noted that in the open seminars, to which I referred above, there were discussants for each paper. Discussants were on occasion very critical of the papers they had to discuss. This is important but not sufficient: the open seminars should include only refereed papers.

A system of "lectorías" [readerships] of the ongoing work was also initiated, but the system has still a very limited reach. The Consortium "lectorías" are, like refereeing, intended to improve the quality of the papers. They are not, in difference to refereeing, a screening process.

#### c. The Quality of the Research Undertaken

From the comments of the reviewers of CEDE and the Catholic University of Rio, and from my revision, it can be concluded that the published papers and books range from acceptable to very good quality. Few papers meet high international standards, but also there is none totally without merit. The evaluations of the papers underline the following features (for a more detailed survey, see Appendix A):

1. The choice of research topics is generally adequate and responds to the research priorities of Peru. The authors motivate the issues well and they cannot be criticized on grounds of irrelevancy of the themes. The papers posit good questions and interesting problems. They also exhibit originality in their approaches to Peruvian problems.

2. The authors, with few exceptions, show good analytical abilities and a thorough knowledge of the research issues.

3. The papers on education are uniformly good. The same thing cannot be said of the papers on economics, where the variance is large. The sector papers on agriculture receive on average better evaluations than the papers on macroeconomics and economic development.

4. Three or four papers at most have reached the mature stage of including theoretical developments and formal analysis. Even in the papers that heavily use econometrics, formal modelling is still scant.<sup>9</sup>

5. The empirical sections are in general more satisfactory than the theoretical sections in the papers. In the theoretical parts of the studies, many hypotheses are unwarranted and their implications are not rigorously derived. The theoretical results are, with some outstanding exceptions, in a very exploratory stage.

6. Sometimes the use of techniques appears as more important than the analysis of the problems, of the results obtained, and of the quality of the information that has been used.

7. In many papers that make extensive use of econometrics, the presentation of results is not standard. This makes more difficult to interpret the estimated regressions.

8. More has to be done on the collection and revision of the empirical data. In general, insufficient attention is given to the quality of the data. Data inconsistencies hinder the value of the studies.

9. An excessive weight given to normative considerations, without appropriate previous theoretical or empirical research, characterizes the weakest papers.

10. Some publications are essays. It is hard to judge essays; still, the general impression is that it is more difficult to advance knowledge with essays than with other approaches. Essays have to be very good in providing insights to really further research.

11. Most papers lack a comparative perspective. Authors seem to think that the "Peruvian case" is a unique case. They don't consider that other Latin American countries have faced similar problems and have found similar solutions to those of Peru. The papers would benefit from comparisons of other experiences.

12. The papers contain few references to the international

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<sup>9</sup> Again, publication of papers with heavy emphasis on theory should come as an end result of a process. Even in the large Latin American countries the production of theoretical papers is very small.

literature, other than the one of the United States. In general, the papers either refer almost exclusively to Peru and the Peruvian literature, or they rely almost exclusively on the literature produced in universities of the United States. Regrettably, authors tend to ignore the economic writings of other Latin American countries.

The Consortium's work has received little international exposure. Very few of the publications have been published in other Latin American countries. Even fewer papers have been published in collections of readings in English. No paper has been published in a refereed journal in English.

Yet, there are certainly high quality papers, that in combination with the world's interest on Peru, can provoke attention in top economic journals. It is unfortunate that the best scholars in the Consortium have not dared to submit their papers to international journals, in Spanish or, better, in English.

#### 4. **Dissemination and the Role of the Consortium in Policy Formulation**

##### a. The Role of the Consortium in Policy Formulation

Academic research influences policy-making and public opinion in convoluted ways. This general observation obviously applies to the Consortium research.

A first step to impact on policy is the dissemination of results. The research of the Consortium clearly needs more dissemination, using channels of wide audience. This is not incompatible with publishing in academic journals. Much of what is done in the Consortium is not sufficiently known by that segment of the public that is eager of information. Moreover, because of inadequate communications the very valuable work of the Consortium is frequently ignored by the government.

Without diminishing the reach of the general comment above, there are however examples of the research of the Consortium influencing policy-making. From 1990 on, the contributions of the research centers began to have significant impact and some research became influential. For instance, the work on the surtax for agricultural imports at GRADE was repeatedly cited in interviews with government officials. This study helped to formulate policy,

and not the least, to provide argumentation to counter the lobby of vested interest groups of importers and producers of agricultural products. Still, this work would not have had the impact that it commanded had it not been for the press. Powerful research plus the press made the indent on economic policy.

There are other examples where recommendations of academic studies have become concrete policy measures. A first example is given by the work of Paredes-Sachs on stabilization, published by GRADE. Even if many recommendations of the study were not ultimately carried out, still the book is an important reference for policy design. A second example comes from the study on pricing policy for the fuels produced by PETROPERU, the state-owned company. A third example is the report on education policy prepared by a PUCP professor. Also, it should not be overlooked that two researchers of CIUP designed the stabilization program of August 1990.

The distinction between the influence of the research and the influence of the researchers is very important. Researchers have been more influential than their research, either because of their professional background (where research is only a facet), or because of sympathies in the government to their policy advocacies.

The Consortium is not yet known as such: it is the individual centers and even more, individual personalities in the centers, that weigh in the public opinion and in policy formulation. Political and business figures have generally very rough perceptions on research. Still, the association of the economists with a respected institution is an element that is considered. The research of PUCP, CIUP and GRADE is better known to policy-makers than the work of DESCO and IEP.

The government and international cooperation agencies working in Peru tend to favor consulting firms over more academic work. This is partially explained by the lack of marketing skills of the universities and the academic research centers. Formal presentations of the consulting firms are simpler and neater than those of academic institutions, although the studies of the latter have significantly more depth.

The failures in impressing policy-makers may be due, not to shortage of information, but to a lack of relevance of the research to policy-makers. Irrelevancy of academic research is a common complaint among them in Peru and, possibly, all over the world. Still, some government officials that I interviewed agree that detailed work on narrow technical topics can find its way easily

into economic policy-making. When depth dominates broadness in a study, academic work has a better chance to be considered. Also, if academic economists concentrate their efforts on underresearched topics they will be heard. On the other hand, they should avoid studies on the day-to-day handling of the economy, where their criticisms to the government only create resentment. They should stick to what they can do well, namely, a detached analysis of the issues arising in economic management and the construction of models whose predictions can be tested. Especially, the work of macroeconomists should concentrate on identifying and discussing trends, and less in keeping track of the very short-term evolution of the economy, that consulting and forecasting firms can do better.

There are several areas where academic research would have been welcome by government officials. For instance, in themes related to taxation and the tax structure.<sup>10</sup> Policy-makers are also worried by the implications of the high reserve requirements on dollar deposits of the banking system. Also more research is needed on the implications of the Peruvian debt rescheduling in the Paris Club. Similarly, additional work is needed on the causes and effects of dollarization, the reform of the social security system from a "pay as you go" system to a system of individual capitalization, and on the macroeconomic effects of financial crashes.

There is one institution with which the centers of the Consortium could have had more interaction: the "Gerencia de Estudios Económicos" [Economic Studies Division] of the Central Bank. The work of the Division is essentially technical and therefore strong contacts with the research community could have been expected. Moreover, the Division has traditionally provided many technical inputs to the government for macroeconomic decisions. Thus, it could have served as a bridge between the government and the academic research community.

The few relations with the Economic Studies Division of the Central Bank may be due to the fact that its work is directed to solve very urgent problems, while academic research has a different pace. Still, the Division has received few invitations to the events organized by the member institutions of the Consortium, that could have caused closer contacts.

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<sup>10</sup> Tax rates seem to be too high. They are discouraging investment and probably giving rise to evasion. Studies on classical topics in taxation, like tax incidence are clearly lacking.

Timeliness is crucial for access to policy-makers. The lag between the completion of the Consortium's projects and the urgent needs of economic policy-making, may make irrelevant a major part of them. Untimeliness, in a very rapidly changing environment, puts a limit to the utility of academic research for policy-makers.

Research results also could be used by the committees in the Congress. This seldom happens, but is not by lack of interest but rather by a failure of coordination. Congressmen are very interested on being informed by professionals on many policy-issues, but frequently they don't know the existing research that could meet their demands. Rarely researchers are invited to testify. Congressmen prefer to call consultants from the many consulting firms in Lima, instead of more academically-oriented researchers.

Researchers of the member institution of the Consortium, on personal basis, have been advising to the technical bodies in the Ministry of the Economy and the Central Bank, and occasionally to the parliamentary committees before April 1992. Still, top and middle-level civil servants in the Ministries are the most difficult group to reach. Under the pressures of high office they don't find the time to read academic papers. The Ministry of the Economy has only a small team of top level economists that don't have enough time to examine academic papers, however relevant.

Some member institutions of the Consortium have established relationships, on a regular basis, with congressmen, with the business community, and with organized labor. Relationships have been also developed with the Armed Forces.

Not all the blame for the absence of communications should be borne by the academic centers. The nature of research is not always perceived by the likely users since they are more familiar with consulting firms, lawyers' firms, and lobbyists. Also, it is not easy to overcome the traditional mistrust of scholarly work that Latin American governments and business associations have.

Last, but not least, it should be kept in mind that students are among the main beneficiaries of academic research. They obtain from academic research both a better perspective on Peruvian problems and better grasp of analytical tools. The main users of the working papers and other work produced by the Consortium are students of all Peruvian universities. It should be underscored that there is a very high demand for these publications among students.



b. Research and the public debate

Many researchers of the Consortium are actively involved in the public debate through the media. Especially the senior scholars enjoy a large visibility. They regularly show up as authors of newspaper opinion columns, and in TV talk shows. Also, like in the larger Latin-American countries, the best known economists of the Consortium are frequently interviewed by the press on a variety of topics.

Besides the appearances of its individual members, the Consortium as such participates in the policy debate with a newsletter, "Boletín de Opinión". The "Boletín" is a publication of high quality in its contents and in its presentation, that should receive attention from government officials, business and labor groups, and the public. It is well written, presents the main research results in plain language, and summarizes very well the different opinions of the members of the Consortium on current economic policy topics. The mailing list of the Bulletin of the Consortium has more than 650 entries. Government, non-Consortium academic institutions, IFIs, business and labor organizations are included in the list.

In addition to the Consortium's newsletter, the financial newspapers of Lima willingly open their columns to academic researchers. Also, the editors of these papers avidly seek the opinion of academic economists when major economic events happen. It seems that academic research, even contracted research, to be noticed by policy makers needs the help of the press. It is the press that causes government officials not to ignore the work of the technical staff. They may have, as a minimum, to comment favoring or opposing the recommendations.

Communication with public opinion, as was the case with government, obviously requires the presentation of results in simple language. This is of course not easy, since many issues are complex and many arguments may even counter the intuition of the public non-trained in economics.

Many economists of the member institutions in the Consortium have become however very skillful in communicating through the media. Their ability to express ideas on difficult policy issues and research results clearly and simply is, of course, to be

congratulated.<sup>11</sup>

The Consortium's open seminars of November 1990 and August 1992 were important in the discussion of policy between researchers and policy-makers. High government officials attended both seminars. The seminars were not however of presentation of research results, but of papers expressly commissioned for the occasion.

There is no doubt that the state of the economy has dominated the public debate in Peru since 1985, or even before. More recently, a marked decline of the public's interest on economic debates has been observed.

### c. The Limits of Policy-oriented Research

The impact of research in policy debate and policy design is a subject where there is much confusion. Funding agencies tend to emphasize the policy relevancy of the research, overinsisting on policy recommendations that can be implemented in the short-term. This emphasis is probably doing more harm than good.

The overemphasis on policy-oriented research may affect the quality of scholarly work in two major ways: (a) it unduly constrains the range of researchable issues, since many policy implications may not arise at a first glance of the research proposal; and, (b) it induces the researchers to dwell more on normative issues than on research in a strict sense.

The accent has to be placed on the quality of the research per se; policy recommendations may be a result of the research but they are not nor should be the whole of the research effort. Unless the topic is very abstract, unlikely in Peru, the policy implications will naturally flow from good research. Hence, quality should be the dominant concern. Good research gets noticed, although this may take time. Excessive pressure by donors on the policy implications pushes researchers, especially junior

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<sup>11</sup> Unfortunately, in more occasions than desirable, comments and statements are based on a blend of general knowledge and quick impressions. The bad consequences of improvisation are aggravated by the fact that the press pressures interviewees to overstate conclusions. Ironically, overexposure in the press may be detrimental to the dissemination of research work.

researchers, to jump rapidly to unwarranted conclusions and recommendations.

Applied research, of the type done by the Consortium, lends itself naturally to the formulation of policy recommendations. Policy recommendations should preferably be extracted by the policy-makers themselves. From good applied research, policy conclusion can be drawn, although not always easily nor directly. It cannot be overlooked that the comparative advantage of academic researchers lies in their ability and training to take a thorough and detached look at the issues, some of which can be very sensitive from a political viewpoint. The pressure for policy recommendations may neutralize this comparative advantage.

## 5. The Problems in the Project

I hold the project in high esteem, but this does not impede my perception of some problems. They must be overcome, at least partially, in the second phase. I want to underline that the discussion below applies to many research centers in Latin America.

### a. Problems with researchers

The most severe problems are related to the research staffs. First, there is a problem with the dispersion of efforts of the researchers, especially among the senior scholars. Besides the research financed by the Consortium, the researchers spend time on other research projects (3 or 4 at the time), on writing research proposals for other agencies, on consulting, on teaching and thesis advising, and on political activities. None of these activities by itself is incompatible with the research funded by the Consortium, but there is a problem with overextension.

The stable nature of the financing by the Consortium was partially intended to overcome this problem of dispersion, but this has not been entirely achieved. The problems of large thematic variance and excess consulting have been attenuated but they have not disappeared.

Second, multi-employment of the researchers, as well as excessive public appearances, afflict some member institutions of the Consortium. Consulting offers - hard to refuse given the significant salary premiums that they carry - interfere with more

basic research. The pressures have become more compelling now that Peru is receiving a large financial and technical assistance. The cooperation agencies are big demanders of qualified technicians, of the type found in the centers of the Consortium.

Consulting, of course, is not always inimical to academic work. Often it can aid a scholar's research (and teaching). Moreover, full dedication to academic research may be even counterproductive, as researchers may lose touch with reality. The problem is the excess.

Third, senior researchers have also many non-academic commitments, frequently of political type. They show up very frequently as authors of newspaper opinion columns and as featured speakers, most of the time without pay, in political meetings, NGO's seminars, and in events organized by specific groups of workers, businessmen, or church institutions. These activities are not, strictly speaking, academic, but they allow the researchers to present their views to the public, many of them shaped by results drawn from their research. Again, the problem surges when this is done at the expense of research time.

Fourth, heavy teaching loads for full time professors (10 hours per week) also hinder research. Administrative responsibilities also take a toll on time that otherwise would be devoted to research.

Fifth, frequent trips and, sometimes, long-term sojourns abroad may, but not necessarily, hurt the normal work of the member institutions. This is especially the case in the centers where leadership is concentrated in one or two persons. During the prolonged absences of the center's leaders, activities of the more junior researchers seem to enter a standstill. Of course, international seminars and even one semester (or a year at most) sojourns abroad can aid to obtain crucial interaction with other scholars. Excessive international commitments, instead of being an asset for research, represent a hindrance.

On behalf of the researchers, it must be said that support from the IDRC/CIDA project has been less than expected when the project started in 1989, due to the overvaluation of the exchange rate. This has obliged the member institutions of the Consortium to seek additional financing to the budgeted amount. This has, of course, diverted time from the Consortium project.

It is also true that the member institutions in the Consortium cannot rely on only one source of financing, however important, and

that they have to diversify their sources of funds. Despite the importance of the financing of the Consortium, it is not and could not be the only source of funds. All member institutions depend overwhelmingly of outside research grants, many of them under the form of research contracts, with detailed terms of reference. Their endowments are very small and therefore the income derived from them. Even for the university centers in the Consortium, both of them private, the money allocated to research out of general income is very small.

Overextension frequently results from uncertainty. An institution undertakes many research proposals to hedge itself against the risks of discontinuity in its financing. Ex-post, the institution may discover that more research proposals than expected have been successful in finding financing, and therefore it has many difficulties in handling all of them.

b. The form of the publications

The criticism concerns working papers and books. Often, the working papers receive a more definite form than they deserve. The working papers produced by the member institutions of the Consortium (somewhat less at PUCP) have the form and the print quality of a final or near-final version. They are not really drafts suitable for comments and presentations. Any experienced researcher would expect a working paper to be sufficiently developed, yet susceptible of improvements. In the form that they are produced now, there are few possibilities of interaction with other scholars. As reports of work in progress, they should be circulated foremost among colleagues and students for comments, instead of aiming at a broad audience with a final form.

Only after a prudent span of time and refereeing, the working papers should receive final publication, either in one journal of the member institutions of the Consortium, in other domestic or international journals, or in books that collect works on similar issues.

The publication of books to disseminate research results also can be criticized. At this stage of the development of research capacity books, except collections of articles and conference volumes, do not have the best format to present new results. Ideas tend to be more dispersed in a book than in an article, where the number of pages is limited. In some books published by the

Consortium or under its auspices, excessive space is devoted to review well known propositions and theories, while relatively few pages contain new results.

c. Non-academic criticisms to the Consortium

Some non-academic critics, with whom I agree only partially, mention that:

(1) Topics that deserve more research do not seem to interest the researchers of the Consortium, simply because results are slow to obtain. The critics can give many examples of under-researched areas.

(2) Academics of the member institutions of the Consortium tend to dwell excessively on broad macroeconomic issues. Struggles among schools of thought seem more important to them than the study of concrete real life problems.

(3) The researchers seem to ignore that many changes have occurred in Peru since 1990. The parameters of the discussion continue to be those of before 1990. Many mutations in economic policy have already taken place, yet much of the academic debate is still on the confrontation between orthodox and heterodox policies, with themes that are irrelevant to the new context.

(4) Too many scholars of the Consortium, instead of leading the community of economists, compete with consulting firms on closely keeping track of the evolution of economic and financial indicators. This "elevator" type of analysis (inflation went up and then down, and the like) is too descriptive and falls short of what can be expected of academic work.

6. **Recommendations**

My general evaluation of the project is positive and I think that it is important to assure its continuity in a second phase, as planned. The project objectives, as detailed in the project summary of 1989 have been achieved to a large extent. Based on the accomplishments in the first phase, the feasibility of the second phase is difficult to question.

A second phase is needed to consolidate the results and to

further the objective of supporting institutional capacity. The results of the first four years are indeed very encouraging, but the formation of a true research community has still a long way to go. Discontinuation of the project may have a strong negative effect on the still limited research capacity in Peru.

I would like to underscore the importance of the Consortium in retaining and attracting back to Peru and to research economists with a solid academic background. This role of the Consortium is more important than ever. Without the financial support of the Consortium the brain drain may resume.

The recommendations below should be helpful for the second phase.

The principle that the Consortium is a network of research centers, with independent but coordinated research agendas should be fully kept. Also, independence from the government and from political parties should continue being valued. This does not exclude the active promotion by the Consortium of research with policy implications.

While each center should maintain independence in the ways it defines its research agenda, some broad guidelines may help to improve subsequent coordination. I would suggest to put emphasis in each member institution on:

- Making more competitive the mechanisms of allocation of research funds.
- Giving a preferential treatment in the allocation of research funds to the proposals of semi-senior researchers. More senior researchers usually, but not always, have more diversified sources of funds than the crucial group of young PhDs, with few years of professional experience.
- Sharing and democratizing the generation of research projects. Projects involving two or more researchers should be preferred in the allocation of research resources.
- More careful preparation of the research proposals, even of experienced researchers. The research proposal is a crucial step in the success of a given project.

The Consortium also would benefit if each institution shares with the other sister institutions its experiences in the administration of research projects. The exchange of ideas on the

management of research projects may be very fruitful for each institution and for the Consortium as a whole. The Steering Committee would continue providing the forum for this exchange.

I would add the following points on the management of the project in the second phase:

1. A closer follow-up by IDRC and the Steering Committee of the research projects is advisable. There is a need of stricter schedules and rules for work completion. Researchers should be required to furnish interim reports on their projects twice a year, preferably under the form of working papers.

The Consortium could require that the universities that are members provide matching grants to its financing, under the form of reduced teaching loads for the researchers.

Failure to meet deadlines and frequent interruptions in a given project, because of prolonged absences of the main researchers or because of other reason, should cause termination of the project.

2. The research projects for the second phase have to bear more on structural reforms than on stabilization. This change in emphasis has to be discussed in the Steering Committee.

Further work on stabilization should stress underresearched topics. One of them is related to labor market adjustments brought about by the stabilization program. More documentation and analysis can be done on open unemployment, underemployment and the changes in the so-called informal sector, as well as on real wages and on changes in the nature of labor contracts.

Research on education should continue to receive top priority in the program.

There is full agenda of structural reforms that is in need of research. We recall that reforms are being executed or foreseen in regard to trade, the public sector, social security, labor regulations, and the welfare schemes for poverty alleviation (emergency social funds and the like). Little of the research of the member institutions in the Consortium has contemplated, as yet, these topics.

The legislation of structural reforms still needs rules of administration. While the general framework of the reforms has been announced, the operative details need still to be worked out.



Research may significantly contribute in this phase.

More emphasis has to be given in the research agenda to taxation, public pricing, and the whole structure of incentives. Up to now, there has been only one project in the research program of the Consortium where the effects of taxation are discussed. Sectoral issues are also in need of more attention, particularly in the agricultural sector.

There is also the need for more academic discussion on the development strategy of Peru. Issues like the role of the state, the degree of openness to foreign trade, the definitions in the public investment program need a thorough, independent, academically-oriented treatment.

3. The member institutions have to organize technical workshops and seminars regularly, following the example of the existing workshop on economic and financial indicators (the "coyuntura" workshop). Also, the workshops and seminars organized in each center cannot not be neglected. Although they are not joint activities of the Consortium, they can be a source of fruitful interaction. Each center could be asked by the Steering Committee to furnish a program to the other centers at the beginning of each semester. While full coordination of the programs is impossible, given the many constraints that the centers have to respect, some degree of agreement can be reached.

The internal Consortium seminars and workshops are extremely important for the project. The scientific interaction has been sometimes hindered by personality clashes. Dissent and professional criticism, that are the trademark of intellectual exchange, seem still to nurture resentment among the researchers, especially among those with strong views. To overcome this problem, researchers need to meet in internal workshops, and not only in open conferences. In public they tend to show more discrepancies than in technical seminars.

4. The IDRC/CIDA project is now at a stage where the attainment of quality should be given top priority. This requires a full implementation of peer review. The current practice of internal review in each center is not sufficient. The procedure could go along the following lines. The Steering Committee would appoint a Review Board, eventually helped by an Advisory Committee. The Review Board would send the working papers to referees, from the member institutions of the Consortium or from outside. The refereeing would be anonymous, with at least two referees for each paper. Referees would receive a small honorarium from the

Consortium for their work, if they send their reports within the delays given by the Review Board.

The referees would evaluate the working papers, with suitable justification, as: (a) acceptable for final publication, with no or minor revisions; (b) acceptable after fairly major revisions; and (c) unacceptable. The referees also should suggest the changes for acceptable manuscripts. Those papers that have to undergo major revisions, once revised by the authors, will be sent back to the referees for a final decision.

Refereed Consortium papers would not need to undergo further refereeing to be published in the journals of the member institutions, nor in the books that collect articles produced by the Consortium. Only accepted manuscripts would be allowed to carry the Consortium's logo and the name "Consortio de Investigación Económica", regardless of the journal in which they appear. Obviously, books published by the Consortium can contain only accepted manuscripts.

Publications with the Consortium's logo and name will be an essential element for the interim and final evaluations of each project. The member institutions will be informed of this.

The norms above don't exclude acknowledgment of CIDA/IDRC support in all publications, refereed or not.

5. The institutions of the Consortium need more international exposure. The researchers in the Consortium should be persuaded to publish in refereed international journals. For instance, an award could be established by the Steering Committee, with money coming from the small projects component, for all Consortium scholars whose work is published in international publications. The budget of the project also should pay all submission fees and the purchase of reprints from the publishers when there is a publication. Submission to an international journal however should have to pass first by the refereeing process in Peru described above.

6. The item in the budget of the Consortium to bring foreign consultants has to be fully used. IDRC has to demand of the member institutions a strict fulfillment of this commitment.

I strongly believe that the development of international relations is crucial to the project. PUCP and other member institutions of the Consortiums used to welcome visiting foreign scholars in their faculty, but political instability forced to stop this practice. Now that the situation is safer than in the recent

past, this practice should be renewed. This can be done without great costs since the visiting scholars usually bring their financing.

It should be noted that the researchers of the Consortium can and should have more contacts with other Latin-American researchers, as well as with scholars in other parts of the world, without necessarily using resources provided by the Consortium. More than one researcher of the Consortium should participate in the IDRC macroeconomics network. Also, a budget item should be established for short visits of scholars of the Consortium to foreign research institutions.

7. The open seminars have to take place every year, at least once in a provincial capital. (Public seminars every six months as included in the project of 1989 would impose a heavier than warranted burden on the centers). The open seminars should constitute extremely important channels both for the diffusion of research results and for policy dialogues. A particular effort should be made to bring to the seminars academics from the provinces.

The papers prepared for the open seminars should present research results, in a language adapted to a wide audience. I stress the need to make known to the public the research being undertaken in the centers. Discussants should be chosen from institutions outside the Consortium. It is important to underline that the seminars should not be of papers containing opinions, not based on detailed research, on the general situation of the economy.

The newsletter "Boletín de Opinión" should keep its present format and circulation. The diffusion of research results in the opinion pages of journals also should continue.

**Appendix A. Evaluation of the Production of the Consortium**

- Report of CEDE, Buenos Aires
- Report of the Catholic University of Rio de Janeiro
- Report of Professor Juan Antonio Morales, Universidad Católica Boliviana

Papers reviewed by J.A Morales

Escobal, Javier. 1989. "Políticas de Precios y Subsidios Agrícolas: Impactos Macroeconómico y Sectorial, Perú 1985-89."  
[Policies on Pricing and Agricultural Subsidies: Macroeconomic and Sector Effects, Peru 1985-89.] GRADE, Documento de Trabajo, No 5.

This very fine paper provides: (a) a carefully documented work on Peru's pricing and credit policies during Garcia's government; (b) a competent analysis of the main issues tracking, as completely as possibly, the effects on the economy of these measures; (c) a balanced evaluation of the potential results and, especially, the shortcomings of the policies followed during Garcia's government. The most important results of this study concern the comparative advantages of the distinct policy instruments.

The author starts examining the rationale behind the pricing policies. An important point to notice from the onset is that García thought to benefit the agricultural sector using two main channels: the price system and credit. The price regulations provided for a system of guaranteed and floor prices for agricultural products. The financing of these policies was to come from the (implicit) tariff charged to agricultural imports commercialized by the state enterprises. The author points out that the system was self-defeating, since expansion of agricultural output meant increasing government support out of a shrinking tax base.

As is true of many of Garcia's policies, the agricultural policy yielded very good short-term results, but on the medium-run not only that it became ineffective but, worse, became counterproductive. Tampering with the price system is always a dangerous policy option.

The price policy to promote the agricultural sector was inconsistent with the policy of multiple exchange rates. The author is very good when he traces the effects of the exchange rate policy and contrasts it with the agricultural price policy. A lower exchange rate than the average exchange rate applied to capital goods and inputs for agriculture, but also to some competitive food imports. Simultaneously, all the exchange rates were overvalued. The author finds that the implied subsidy in the exchange rate, given by the difference to the purchasing power parity exchange rate, reached 2.8% of GDP in the first half of 1988. The subsidy, if the benchmark is the exchange rate that applied to non-traditional exports, was 3.3% of GDP in the first half of 1988. The exchange rate subsidy to imports the agricultural sector was about one third of the total exchange rate subsidy in 1987. Tariffs on agricultural imports could compensate the huge exchange rate

subsidies. Consequently to the structure of subsidies, the domestic agricultural producers suffered a strong discrimination. In addition, the subsidies caused a hefty quasi-fiscal deficit in the central bank.

The chapter on agricultural credit also is very good. Heavily subsidized credit became, unintendedly, the most important transfer mechanism from the government to the agricultural sector. Credit attenuated the discrimination arising from the overvalued exchange rates. Escobal computes a high 1.7% of GDP in credit subsidies to the agricultural sector in 1988. Credit subsidies from the Central Bank via the Agricultural Bank constituted a significant percentage of the expansion of the money base between 1986 and 1988. This expansion was of course inflationary. In fact, in the second half of 1986 and the first half of 1987, the most important factor in the creation of base money was the credit to the agricultural sector. Besides, the negative real interest rate charged to borrowers ended in a decapitalization of the Agricultural Bank. The credit subsidies did not result in incentives for expanding output but only in rents for those that benefitted from them. This interplay of compensated misguided policies obviously caused many inefficiencies.

Escobal also analyzes the effects of the overall economic policy on the composition of production, on rural employment, on agricultural incomes, and on the redistributive aspects. On most counts the macroeconomic policy had negative effects. If there were any positive ones they were short lived. This analysis also is very competent.

Gonzales de Olarte, Efraín and Samamé, Lilian. 1991. El Péndulo Peruano. Políticas económicas, gobernabilidad y subdesarrollo, 1963-1990. [The Peruvian Pendulum. Economic policies, governance and underdevelopment, 1963-1990]. Instituto de Estudios Peruanos.

This monograph reviews Peru's development between 1963 and 1990.

The authors attempt to provide answers to important questions in the political economy literature. The questions are on the autonomy of the political system from the economic system, the exogenous nature of economic policy instruments, the disregard of economic realities by the (uninformed) political elites, the expansion-adjustment cycle in each government before Fujimori, and the role of specific administrative agencies and of political parties. The monograph reiterates some views provided in previous work by Gonzales de Olarte. There are few new results.

The monograph has some strong ideas and contentions, certainly worthy, but it provides personal viewpoints rather than results based on careful research. The work is an essay rather than a report containing research results.

The unifying thread in the monograph is the conflict over the exchange rate between the primary sector exporter and the industrialists in the import-substitution sector. All cleavages in society, be social, regional, or urban/rural derive of the clash on the exchange rate. To the extent that the exchange rate is a major (may be the unique) determinant of wages in the salaried sectors of the economy, and of incomes in the rest of the economy, the authors are right. The argument is however overdone. First, there are other determinants of the (real) exchange rate than policy. Second, changes in the distribution of income, either factorial, sectoral, or regional have determinants other than movements in the real exchange rate.

The external constraint (and the need to squarely face it) is also central in the monograph. The capacity to import and, therefore, to grow is limited by exports and net resource transfers. The authors do not discuss, as they should, the differences in the instruments to cope with the external constraint. As is well known, they lead to different allocation and distribution outcomes. A more complete treatment of the instruments would be more helpful than cursory references to the external constraints. The presentation would have gained in clarity and brevity had the conventional analysis of external shocks and policy shocks been used.

The monograph starts with a description of the long-term trends differentiated from the short-term, regular, cycles. There are some interesting insights on the long-term trends, especially in regard to the decline in tax effort. This decline, according to

the authors, is associated with democratic governments. This point deserves a fuller political economy treatment than the one given in the monograph. The discussion on the declining trends on taxation should have gone in parallel with the growth of public investment. The fall in tax revenues over 1985-1990 should be explained by inflation (the so-called Olivera-Tanzi effect) rather than by a structural trend.

Regarding the business cycles, the authors observe increasingly sharper cycles and that the distance between peaks and valleys seems to have increased over time. Each administration has lived a full economic cycle, starting with its upturn followed afterward by a downturn. They observe that in Belaunde's first government, when populist policies were followed, the rise in public expenditure pushed the cycle upward, without inflation nor significant fiscal deficits, thus contradicting the assertion of Dornbusch and Edwards (1991) that populism causes high inflation and crisis. Dornbusch and Edwards would be right only in the downturn of the cycle. It is implied in the authors' work, but not stated, that it is the policy of leaning against the wind that aggravates the crisis. This is an important insight.

Another interesting insight in the monograph concerns the hierarchy between the state and the market. If the level of economic activity is low, the power of the state is also low. The weakened state leaves the market as the only articulating mechanisms between social actors. Even when the level of economic activity is high, the state cannot violate the market for long-time in an open small economy, except at the expense of high social costs.

According to the authors, instability in economic policy has created uncertainty for long-term private investment. Again, was instability on the real exchange rate that produced this result? Were the threats of nationalization or of other expropriatory measures that deterred private investment? Was the democratic alternation in power the culprit? Unless more detail is given, that instability produces uncertainty may seem a truism.

The economic background to political and social conflict is given by the opposition between the primary sector and the manufacturing urban sector. Economic policies are neatly divided in two categories: conservative (neo-liberal in the Latin-american political language) policies and populist policies. While the description of liberal policies seems adequate, the characterization of populism is peculiar to the authors. Populist policies would be a blend of keynesianism and structuralism (called also heterodoxy). This characterization of populism seems very idiosyncratic to Peru's Garcia and it does not cover other populist periods in Peru nor other Latin American experiences. Also keynesianism and structuralism do not necessarily lead to populism. This identification is unwarranted.



Unfortunately the technical aspects of the monograph have not been treated carefully. There are many typos in the formulae, equations are incomplete, and the econometrics is very clumsy. The carelessness in the details further aggravates the shortcomings of the essay.

Also, there are scattered references in the text to narcodollars as a cushion to the crisis, especially during the García years. This may be true but the reader would have liked some numbers. Also, there are references to the decapitalization of Peru caused by terrorism, but no numbers, not even rough estimates.

#### References

Dornbusch, R., and Edwards, S. 1991. "The Macroeconomics of Populism," in their The Macroeconomics of Populism in Latin America. (Chicago, Ill: The University of Chicago Press) pp 7-13

Escobal, Javier and Saavedra, Jaime, 1990. "Efectos de la Variación en el tipo de cambio real sobre el ingreso agrícola." [Effects of real exchange rate variations on agricultural income]

The paper seems still in preliminary form. In a long introduction the authors state the nature of the problem. The central question that the authors address is whether a real depreciation improves the barter terms-of-trade of the agricultural sector. Somewhat surprisingly the authors ignore the work of Krueger and associates (see e.g., Krueger et al, 1988) that have done a well publicized study on this topic for several countries (although not for Peru).

The paper starts with a discussion on the barter term-of-trade (TOT) between agriculture and the non-agricultural sector, the evolution of agricultural income, and the real exchange rate. The section is very interesting, but for the unfamiliar reader with Peru's context, it would have been helpful to introduce some informations on how real agriculture income is computed (in fact, which is the deflator) and on the causes of stagnation of agricultural output. A tidier discussion, than the one given in the paper, on agricultural price policies and the trade regimes (for exports and imports) would have been a welcome addition. Similarly, a full discussion of the distortions brought about by economic policy (subsidies, price supports, and the like), would help the reader to separate better the effects of sector-specific policies from general policies (including in the latter the exchange rate). A table that summarizes the discussion of the paper in terms of crop volumes and areas, on the evolution over time of the tradeable agricultural sector also could help.

The authors develop three simple simultaneous equations models, for importables, for exportables, and for non-tradables, respectively. The discussion on the expected effects of changes in the real exchange rate on importables, exportables and non-tradables is interesting and complete. This is one of the best parts of the paper. Notwithstanding the generally good quality of this study, a sharper analysis would result with compensated demand curves that will allow to focus on substitution effects. The discussion of income effects is more important for macroeconomic aggregates. Substitution effects are more important for gauging the sectoral effects of the real exchange rate.

The last section of the paper reviews the debate among Peruvian economists on the effects of the exchange rate in the terms-of-trade. The problem revolves around the tradeability of agricultural output. The bothersome point in this discussion is that tradeability itself is endogenous to economic policy. The exchange rate is one of the few policy-instruments that, having the potential of granting protection, keeps the existing division between traded and non-traded. Other instruments may change them.

Finally, the authors present their econometric estimates of the model. Estimation was done using three-stage least-squares. The estimation of the model posits several questions. The period of estimation is not given. The frequency of the data seems annual but this is not stated. If the frequency is annual and the sample covers the relatively long-period, how does the model consider the policy-regime changes? The variable of profitability included in the equations may capture some subsidies, still it gives an imperfect measure of the effects on quantity regulations. The authors formulate an endogenous RER to capture the income effects, but it is difficult to see in the equation the economics of the relationship between the RER and the income effects. The real wage equation depends on the RER and is likely to capture the income effect of the RER, but the theory behind the equation is unclear. We are told that the wage equation is a government reaction equation but then, what is the reaction rule?

The equations of determination of prices of exportables and importables are well defined and they highlight the role of the real exchange rate. On the other hand the equations show some strange results like wrong signs of significant variables (at 5% significance level).

The econometric part is quite disappointing. Definitely more work is needed, both on specification of the model and on the estimation procedures.

#### References

Krueger A.O., M. Schiff., and A.Valdés. 1988. "Agricultural incentives in developing countries: Measuring the effect of sectoral and economywide policies." The World Bank Economic Review. Vol.2. No 3. pp 255-271

Velarde, Julio y Rodríguez, Martha (1992). "Lineamientos para un programa de estabilización de ajuste drástico" [Blueprint for a stabilization program of rapid adjustment] CIUP. Documento de Trabajo No. 1

This is a competent revision of the program of August 1992, its main features, and the philosophy behind the measures. The paper starts with a discussion of the initial conditions in July 1990. The situation was indeed disastrous and rapid and decisive action had to be taken. In this discussion of the initial conditions the labor market is almost absent. We are only told that real wages were 50% lower, the base year is not given.

The stabilization program had the main objective of drastically reducing inflation. This had to be done at the lowest possible cost in terms of foregone output and income.

The authors dwell on the nature of the Peruvian inflation. Although they take the view that inflation has its roots in fiscal and monetary disequilibria they ask themselves if inertia was not also present. They make the point that indexation in the García's years was partial, therefore inertial effects coming from formal backward indexation mechanisms were likely to be small. Besides, wage increases were subjected to ceilings. Public prices moved in an erratic fashion; they were not formally indexed.

The inertia would originate in informal (forward) indexation mechanisms that reflected the expectations on the continuation of inflation. As inflation accelerates, price setters adjust their prices ever more rapidly. Eventually prices become fully dollarized because the dollar becomes the indexing mechanism. At the same time, the flight from domestic money dominates all other causes of inflation.

Velarde and Rodríguez make the point that the real exchange widely fluctuated during García's term. This would suggest that domestic prices were not fully indexed to the dollar. They think that in the Peruvian case, because of this absence of full dollarization, there was not a case of advanced hyperinflation, at least of the textbook variety. This point deserves a more careful analysis, since even in a full fledged hyperinflation, like in neighboring Bolivia, there was real appreciation in the last months, i.e., domestic prices running faster than the parallel (and obviously the official) exchange rate. A plausible explanation for this phenomenon is given by the public's expectations on the type of stabilization measures that the government takes or will take.

Both, the exchange rate and public prices help to form expectations. Public prices usually have an information content

beyond what many people would attribute. Rapid depreciation pushes inflation, but exchange rate stability is not enough to quell inflationary expectations. What happens to public prices shows to be crucial.

In Peru, as in all countries with high inflation, the fiscal deficit financed with money expansion and the distortions in public prices were the main disequilibria. Correction in these two fronts was required. But in addition to the fiscal deficit and excessive seigniorage, distortions in relative prices, especially the exchange rate and relative prices were very significant. The program of 1990 aimed at rectifying simultaneously these disequilibriums.

The 1990 program brought also some surprises. The most important was that the program induced, as expected, a gain in net foreign reserves, but unexpectedly created a conflict between the desired relative prices and monetary control. Since the beginning of the program there has been a persistent overvaluation. Velarde and Rodriguez oppose quite strongly monetization of foreign reserve accumulation, to redress the exchange rate. But their arguments are incomplete and unconvincing. If reserve accumulation is caused by shifts in the portfolio of the private sector, why this shouldn't be recognized by the Central Bank?

Garcia attempted to stabilize correcting public prices more than once. The authors, arguable, contend that the packages failed because adjustment was insufficient. Economic agents perceiving or knowing that relative prices still had to increase did not trust the programs.

Velarde and Rodríguez dedicate significant space to the discussion on the choice of nominal anchors. They give several reasons against exchange rate based stabilization (ERBS). With money based stabilization (MBS) the problem is of course the definition of the appropriate rhythm of monetization. The uncertainty on the money demand makes difficult to assess the appropriate monetization. Policy-makers are left with the task of fine-tuning the monetary expansion, quickly reacting to disequilibrium indicators.

In practice some combination of ERBS and MBE will result. The authors could have discussed more the case, typical of the IMF packages of the 1960 vintage and used in the Bolivian stabilization, of anchoring on domestic credit for a few weeks, and once the exchange rate reaches a desired level, fixing it. After fixing, the system could receive some flexibility by resorting to a crawling peg.

Public price correction has been an elusive problem at least since the early 1980s. It is central in the design of the 1990 stabilization program, yet relatively little attention to it is

given in the paper. More analysis on this is needed. For instance, it is unclear why "overshooting" in public prices is necessary to restore equilibrium. It is also unclear why it is inadvisable to have frequent readjustments with clear rules.

Finally, more empirical data is needed to gauge the issues at hand. In this type of account, weekly (even daily) data on prices, money, and exchange rates can be very helpful.

Velarde, Julio and Rodríguez, Martha (1992). "Los problemas del orden y la velocidad de la liberalización de los mercados" [The problems on the order and the velocity in the liberalization of markets]. Universidad del Pacífico. Centro de Investigación CIIUP. Documento de Trabajo No. 4

The paper introduces a full discussion of the trade liberalization measures enacted by the government of Fujimori since the end of 1990. This is a long paper, somewhat disappointing, where the same arguments are repeated several times. The main themes could have been introduced more succinctly. The main argument in favor of a rapid liberalization of markets centers on credibility and on the minimization of the resistance of vested interests that oppose liberalization. More theoretical background on why the order of liberalization is important could be given. The relevant question is: what are the most important market failures that prevent a smooth transition from a distorted economy to a free market? The papers doesn't really answer this question. Also the paper can be criticized for giving almost no attention to the liberalization of the labor market.

The authors start with a review of the literature on the problems posited by the transition from a highly distorted economy to a market economy. They especially look at the abundant literature on the Southern Cone experiences of the early 1980s. They dwell on the difficulties of an "optimal" transition path. Also they include the important discussion of the relationships, eventually the conflicts, between stabilization and structural reforms.

In the discussions between stabilization and liberalization, and on the order of liberalization of the current account and the capital account of the balance-of-payments, the real exchange rate has a pivotal role. Stabilization can leave the real exchange rate below its long-run equilibrium; so does the opening up of the capital account before the trade account. The authors also draw the conclusion from the revision of the Southern Cone literature that the liberalization of the domestic financial markets must be careful. If not, the realized real rates of interest may be too high.

A point that the authors stress is that when the direction and magnitude of foreign exchange flows are still unstable and when the demand for (domestic) money is still low, the use of the exchange rate as nominal anchor is risky. This is stated as a general principle, that is probably true, but a more detailed explanation of the reasons why would be welcome. One could easily construct a counter argument whereby, if there is much uncertainty, an exchange rate based stabilization program would better guide expectations, since the informational requirements are lower.

The most interesting parts of the paper refer to the Peruvian programs of liberalization. During Fujimori's government liberalization took impulse after Carlos Boloña was appointed Minister of the Economy. Very rapidly and with little discussion, many important reforms were launched.

Trade reform is specially important in the list of structural reforms. The number of import prohibitions was drastically reduced, and the system of previous licenses was eliminated. Tariffs were lowered and uniformized. There are now only three rates: 5%, 15% and 25%. Because of the tariff reform, the effective protection rate for the manufacturing sector has been reduced to 24%, with a variation coefficient of 17%.

Velarde and Rodriguez are right when they stress that the removal of the most obvious domestic price distortions had to be an integral part of the stabilization program. For instance, there is no doubt that exchange rate unification, which is a liberalization measure, was crucial for stabilization. Still, their point that lowering import restrictions was necessary to support the stabilization program is more debatable. The evidence shows that trade liberalization helps the stabilization program only in an indirect way, by increasing its credibility.

Trade liberalization should be judged on its contribution to efficiency, and long-run development. If this view is taken, the speed of liberalization becomes again a relevant question. In addition, if liberalization is presented, as it should be, as a structural reform, the public is assured of its permanence. When liberalization is perceived as transitory there is the danger of speculative imports, that can rapidly turn the foreign exchange surplus into a deficit.

Velarde and Rodríguez make the point that the Peruvian economy was already, before the stabilization program, working with an open capital account. Liberalization meant essentially a reduction on transaction costs.

An interesting argument of the authors is that the opening of the capital account has different effects according to the exchange rate regime adopted. With a fixed exchange rate there is less exchange rate risk, hence a more rapid than desired inflow of capital may occur. On the other hand, with a floating exchange rate system there is always the danger of unanticipated depreciation. This argument fails to consider that the financial innovation of allowing deposits in dollars, obviously and significantly, reduces exchange rate risk.



Velarde, Julio and Rodríguez, Martha 1992. "De la desinflación a la hiperstagflación, Perú: 1985-1990". [From disinflation to hyperstagflation Peru: 1985-1990]. CIUP. Documento de Trabajo No. 5.

The centerpiece of the paper is a discussion of García's economic programs. Velarde and Rodríguez forcefully make the point that García's government had an unconventional and wrong theory of inflation, centered on cost inflation. According to this theory, demand expansion combined with price controls that affect sectors differently should produce both more economic activity, by using more the installed capacity, and lower inflation. The authors correctly mention that it is the over-all economic policy that failed, not only the nationalization of banks in 1988, even if the latter strongly affected expectations.

García's program started off under relatively auspicious macroeconomic indicators. Also, the initial results were encouraging: GDP growth was very high and inflation seemed to recede. The euphoria lasted until December 1986. Even in this phase, notwithstanding the price freeze and the limits placed on external debt service, inflation was still very high. In the first month of 1987, the failures of this policy started to show. Problems in the external sector became especially acute and they brought significant changes in economic policy. The authors stress that excessive money expansion was behind many of problems. Excess money resulted in turn more from quasi-fiscal deficits than from deficits in the non-financial public sector.<sup>1</sup>

After January 1987, economy policy became increasingly incoherent. Despite the inherent defects in the program of August-September 1985, there was still some internal consistency. This was lost in the following stabilization attempts. Policy became more orthodox, some strong corrections were taken but they were partial and, more importantly, they were not sustained. Economy-policy moved back and forth between gradualism and shock measures. Corrections of the exchange rate and public prices are usually components of the programs.

The money expansion was intertwined with a poor management of controlled prices. The cause of excessive money creation was to found more in the undervaluing of public prices and the exchange rate, than in expansions of public expenditure.

According to the authors, García tried to transfer in the last

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<sup>1</sup> The quasi-fiscal deficits arose essentially from the differences in exchange rates applying to exports and imports, and from interest rate subsidies in development loans.

months of his administration all the adjustment costs to the new government. This is a "conspiracy" argument that, if true, needs further elaboration. Inflation is seldom a choice variable, given its high political costs. Probably, what happened was that García was overtaken by inaction. A lame-duck government, in addition fully discredited, could not take any significant measure whose success depended on credibility. To an extent, García had no choice than let the deterioration of the economy run its course.

The economic analysis is competent, but the reader misses a discussion on the "political economy" aspects that were so crucial. García's catastrophic failure cannot be understood without reference to his abrasive style and the traditional mistrust of APRA in the Peruvian upper and middle classes. The unfriendly relations of García with the International Financial Institutions and other foreign creditors reinforced the lack of confidence in his policies in the upper and middle classes.

Gonzales de Olarte, Efraín. 1992. "Reforma del Estado y políticas de estabilización económica 1979-1992: El Perú, un caso especial" [State reform and economic stabilization policies 1979-1992: Peru, a special case]. Instituto de Estudios Peruanos. Documento de Trabajo 41.

This paper could be a very interesting political economy essay, given that the state in Peru is undergoing very significant changes. Unfortunately, the dispersion of themes in the paper and the excessive weight given to normative considerations diminishes the quality of the work.

The paper lacks focus. It covers fourteen eventful years in a cursory review. It starts with a discussion of the main tenets of the Constitution of 1979, then Belaunde's government, followed by García's, and finally with Fujimori and his coup. Despite these shortcomings there are some powerful ideas in the paper. More concentration and elaboration on a few key topics would have rendered the study significantly more interesting.

A recurrent theme in Gonzales', paper is that the failure of the inflation stabilization programs weakened the capacity of the state to design and, especially, to carry out elaborated economic policies. An important insight is that state decay favors rudimentary economic policies, which demand little state participation. Some rudimentary policies seem successful because of the dire initial conditions, not because of their inherent merits.

Unfortunately, the demise of the public sector after the failed stabilization programs is not followed by an expansion of the organized private sector. On the contrary, what surges is an informal, non-structured, private sector of small enterprises with no-growth potential.

Gonzales seems unduly critical of the management of economic policy in a democracy. He lists all the ills of democracy: clientelism, slow decision-making, destructive opposition, and excess sensibility of the electorate to short-term economic outcomes. Democracy, according to him, came to Peru at the wrong moment, when there was a severe economic crisis in the making. This position needs more justification, since there is a body of international data that shows that democracy improves, essentially because of public oversight, the quality of decision-making rather than the contrary. Besides, if urgency prevails, the executive power normally assumes primacy over the other branches in the design and implementation of economic policy. Yet, the legislative branch and the judiciary power remain there to provide checks, should they be needed. A strong executive usually knows how to deal with the other branches, without violating democratic rules.

A main theme in Gonzales' work turns around the question of reform or reconstruction of the state? According to him, the Peruvian state has disappeared or anyhow has become quite ineffective. Therefore, the problem is not so much reform of the state, that has become de facto small, as the restoration of authority, with new roles given by the evolution of the domestic economy and by the new forms of insertion in the world economy. The problem is not of what size the state should be, but what kind of state is needed.

Gonzales is right when he makes the point that misdirected interventionist policies weaken the state, a result opposite to what the policy makers intended. Unsurprisingly, Garcia's government receives most of his criticisms.

Gonzales is also unhappy with Fujimori's policies. He makes the interesting point that the success of the structural economic reforms is too contingent on the success of stabilization.

In a section that seems to fit better in other paper, Gonzales discusses the Central Bank (BCRP) and the National Superintendency of Tax Administration (SUNAT). This discussion is superficial. Peru's constitution mandates an independent Central bank. Gonzales poses the intriguing question of how independent can be a central bank in an otherwise highly regulated economy, as during Garcia's years. Even with Fujimori's liberal stance (in the Latin American sense) some policy mishandling are attributed to failures of coordination between the central bank and the Ministry of the Economy. This is a very important question and more debate would have been illuminating. The discussion on SUNAT is based on anecdotal evidences.

In the last two sections of his paper, Garcia proposes several policies to reconstruct the genuine powers of the state. They are the weakest parts.

Ponencias del Seminario del Consorcio. Programa Económico: Situación Actual y Perspectivas. Agosto 1992. [Proceedings of the Consortium Seminar on the Economic Program: Current Situation and Perspectives].

This is a collection of seven papers. Some papers were expressly prepared for the seminar while other papers present results of ongoing research. As is frequently the case in collections of readings, the papers range from the poor to the very good. In general, papers that are essays are less good than the technical papers that reflect the work of several months.

Two essays, Fernández-Baca's "El sector monetario y fiscal: escenario deseado, logros alcanzados y retos" [The monetary and fiscal sectors: desired scenario, accomplishments and challenges], and Campodónico's "Elementos para análisis del programa de ajuste estructural en el Perú" [Elements for the analysis of structural adjustment in Peru] seem to have been prepared in haste. The first paper repeats the well known facts on the sorry state of the economy right before the inauguration of Fujimori's government. Some statements are too strong, reflecting the political sympathies (or, rather, the animosities) of the author. The paper misses an excellent opportunity to examine with some depth the very interesting fiscal problems of Fujimori's program. The second essay is a long review of the World Bank's literature on structural reform, with only few references to Peru's own reforms. On behalf of the author, it must be said that most of the Peruvian reforms were launched in 1992 and, at the time of the seminar, it was too early to pass a judgment on them.

The third essay is Velarde's evaluation of the two first years of the Fujimori's government. Velarde, who was one of the authors of the Fujimori's program of August 1990, gives a fascinating and detailed account of its objectives, its achievements and its failures.

Velarde obviously defends the conception of the program but he criticizes some inconsistencies in its development. For instance, he states that the tax reform in its final form was short of what was needed. He mentions also unwarranted delays in the tariff reform and in the implementation of a mechanism of control of the finances of the state enterprises. He also criticizes the premature resumption of debt service payments, when there was still great fiscal fragility. His most important criticism is directed to the neglect of macroeconomic policy during Minister Boloña's term. Boloña gave more importance to structural reforms that, while positively influencing expectations in the public, had however a limited direct impact on the main objective of fighting inflation. He is right in pointing out that structural reforms cannot be substitutes of good monetary and fiscal policy. Velarde

also thinks than in many occasions the government reacted too late. In his opinion, this may explain the persistency of inflation.

Verderas's paper "Del shock al golpe: la evolución de la economía peruana entre agosto de 1990 y junio de 1992" [From shock to coup: the evolution of the Peruvian economy between August 1990 and June 1992] falls in the category between an essay and a research paper. He passes many judgements on Fujimori's program without substantiating them with elaborated analysis and data. He could have used better the impressive data set that he collected. One of Verderas's main contentions is that Fujimori accumulated foreign exchange reserves, through tight monetary reserves, in order to pay the external debt and therefore reinsert Peru in the world financial market. This contention is overly strong. Tight monetary policy indeed led on impact to a rapid growth of reserves, but the accumulation could not continue except if more money expansion was allowed. Besides, the reserve accumulation was more important for granting credibility to the program than for servicing the debt.

The paper by Figueroa "Ajuste y Equidad en el Perú" [Adjustment and Equity in Peru] has the quality expected of a very experienced researcher. Figueroa takes the long view when he analyzes the distributive implications of the main macroeconomic policies enacted over 1970-1991. He stresses in his analysis the actual and expected impacts on poverty and on the distribution of income of the stabilization measures of Fujimori. His discussion on the distributive aspects of expenditure on social services and fiscal policy in general is particularly good.

Figueroa's paper is good in general, but it has several shortcomings. First, the paper is too long, covers too many topics, and reiterates well known propositions of elementary economic theory. Second, the mathematics don't add anything to the views presented in words. Moreover, the formulas are unelaborated, insufficiently discussed, and seem there for their sake. Third, section 6.3 seems out of context.

The two very technical papers in the collection are also the best papers. The paper of Pascó-Font and Escobal, "La política económica y su impacto sobre el aparato productivo" [Economic policy and its impact on output] examines the real side of the economy in the aftermath of the stabilization program. One important conclusion that they derive from their careful empirical work is that the observed recession can be largely attributed to the stabilization program. This conclusion runs against the contention of many economists that fighting hyperinflation has no or little recessionary effects.

The econometric work on leading indicators is very interesting and should prove to be very useful. The VAR analysis on the effects of the real exchange rate on the production of tradable and

non-tradable goods also is very illuminating. An important result, drawn on this analysis, is that the fall in the production of traded and non-traded goods lasts longer, when real exchange rate appreciation is produced by an increase in the price of Non-traded goods, than when it is produced by a decrease of similar magnitude in the price of Traded-goods. This has implications for opening the economy.

A minor criticism of the paper is on its length: it is too long. A second criticism, more on the substance of the paper, is the attempt to calculate the extent of overvaluation by sectors. The natural policy implication of this computation would be the need to have a system of multiple exchange rates, to protect each particular system or even of each producing firm. This, of course, would not be a sensible policy. The question should have been rather on the differential effects of the current common real exchange rate.

The other technical paper is Dancourt's on disinflation and overvaluation "Desinflación ortodoxa y retraso cambiario en el Perú: un modelo keynesiano" [Orthodox disinflation and exchange rate overvaluation in Peru: A Keynesian Model]. In this paper, Dancourt examines the dynamics of inflation and of its interaction with the exchange rate and the (regulated) public prices. The subject is of great importance and extremely difficult to tackle. Dancourt's work constitutes a very good first approach. He shows creativity, depth, and technical sophistication in dealing with hard questions. He derives the somewhat strict conditions on which disinflation follows with the "orthodox" policy given by the combination of tight money and a contractive fiscal policy. The contractive fiscal policy is based on planned rates of increase in public prices, maintaining constant real public expenditure. He contends that while disinflation is possible, under most scenarios that he constructs, overvaluation of the real exchange rate would result from the "orthodox" policy. Dancourt's characterization of "orthodox" policy reflects the stylized developments in Peru in the last two years.

Dancourt's paper is very challenging, but it still needs some polishing of both the main hypothesis and their implications. His work would gain in depth and, especially, in audience if it were more receptive to neoclassical analysis. Some hypothesis run against what is accepted by the mainstream in the economics profession. For example, his formulation of the formation of expectations is uncommon. Also, he should have pursued with more detail his discussion on what he labels "passive" policy of public prices, by which public prices are indexed to past inflation.

Escobal, Javier., and Briceño, Arturo. 1992. "El sector agropecuario peruano en 1992: evaluación y recomendaciones para su desarrollo." [ The Peruvian agricultural sector in 1992: Evaluation and recommendations for its development.] GRADE, Notas para el Debate, No 5.

The paper surveys the main problems and policies that affect the agricultural sector. Its nature is more of a policy report than of a research paper, but it contains powerful ideas and suggestions. An interesting feature of the paper is its attempt to predict some consequences on the sector of the very important structural reforms launched by Fujimori. The policy recommendations in the paper are in general balanced and based on a good understanding of the sector.

The paper starts with a survey of the agricultural policies followed during the 1980s. This section picks up many results of Escobal's previous work on pricing and credit policies. In addition, the section examines institutional factors like land tenure, public investment in the sector, credit, technology, and the resource base management.

The discussion is competent, but conventional in this type of reports. For instance, almost everybody agrees that publicly provided rural credit has been badly misallocated and inequitably distributed in Peru (and practically all over Latin America). The question are then: Why? What are the inherent defects in the public provision of credit? The dismantling of the public institutions of credit, currently in fashion with the International Financial Institutions, does not seem to provide either a solution, as the Peruvian farmers and peasants can testify.

Land tenure and property rights is another area where significant more research is needed. The liberalization of the market for land has not been followed by active trading in land assets, as was expected. More analysis is needed on, non-policy generated, market imperfections and distortions. Also, the distributive consequences of the liberalization of the market for land may be very important, and they cannot be shoved under the rug. The discussion in the paper helps, but it falls short of what is required for a policy-oriented understanding of this very difficult area.

The description of Fujimori's policy reforms that have a bearing on the agricultural sector is probably the first systematic work on this in Peru. The analysis on the expected effects of trade reform on the agricultural sector is particularly good. The authors review again their competent and widely cited analysis on the surtax on agricultural imports.



In the final section of the paper the authors argue for activist policies for the sector. Having a good macroeconomic environment and getting the prices right are necessary steps for the development of the agricultural sector, but they are insufficient. They argue that public expenditure in physical infrastructure and in institutions of technology can be crucial for the sector's development. Also, the state cannot be absent from the rural credit market. Finally, the authors rightly make a plea for more legislation and government's regulation in the management of natural resources: land, water, and the forest.

Seminario, Bruno., Beltrán, Arlette., and Sueyoshi, Ana. 1992. "La política fiscal en el Perú: 1970-1989". [Fiscal Policy in Peru: 1970-1989]. Universidad del Pacífico, CIUP, Cuadernos de Investigación, No. 14.

The paper reviews the fiscal accounts of Peru over the period 1970-1989. The authors have made a commendable effort to reconstruct the series over the period. The body of data that they have collected is impressive and will be very helpful to all researchers on public finances.

Some elaborations of the data are also very useful and show great creativity. For instance, the decomposition of the fiscal accounts in an external fiscal account -- that is, revenue and expenditure linked to Peru's foreign sector -- and a domestic fiscal account shows ingenuity. A similar comment can be made on the computation of a series of terms-of-trade of the public sector with the rest of the economy. Since the goods provided by the public sector are far from being perfect substitutes of the goods provided by the private sector, there are strong fluctuations in the public sector's terms-of-trade. Fluctuations in the terms-of-trade imply transfers between the public and the private sectors. The authors notice that the terms-of-trade of the public sector fall in the upturn of the cycle, and increase in the downturn.

Another important finding, given Peru's structure of taxes, is that there is a strong positive dependency of the government's terms-of-trade on the real exchange rate. The authors also emphasize that tax pressure, and not only tax revenue, seems very related to the growth of real GDP. This last observation calls for a more detailed description of the progressiveness features, formal and informal, of the structure of taxes. Also, the public consumption booms seem associated with booms in the foreign trade sector. This shows, not unexpectedly, that public consumption and, more generally, the government's budget are main transmission mechanisms of the foreign trade shocks to the domestic economy.

In a final chapter the authors examine the determinants of the real fiscal deficits. To do this they use a decomposition proposed by ECLA in its project on the fiscal sector in Latin America. Unfortunately, no analysis is provided after the explanation on the methodology and the computation of the tables.

As a general comment, more analysis would have benefitted the paper. One misses a discussion on the links of the fiscal sector with the monetary sector and with the external debt. At what point of time the budget deficit started to be financed with internal sources instead of foreign debt? What did the suspension on debt payments during Garcia's term imply for the public finances? The discussion on the real budget deficit surprisingly does not contemplate Olivera-Tanzi effects.

Seminario, Bruno., and Bouillon, César. 1992. "Ciclos y Tendencias en la Economía Peruana: 1950-1989". [Cycles and Trends in the Peruvian Economy : 1950-1989]. Universidad del Pacífico, CIUP, Cuadernos de Investigación, No. 15.

In this paper the authors review, mostly with time series techniques: (a) The trends and cycles in the Peruvian economy since 1950. (b) The structure of production along the division in primary, secondary and tertiary sectors, and along the uses of production in consumption, investment and exports. They try to replicate, with Peruvian time series and after suitable adaptations, some results obtained by Chenery with cross-country data.<sup>1</sup> (c) The dynamics of relative prices, with special emphasis on the real exchange rate. The analysis focus on the statistical properties of the national income variables, while the effects of policy measures are relegated to a second place, except in the section on the exchange rate.

The paper is very interesting, both for the wealth of data and for the quality of the econometric analysis. Yet, the reader misses a more thorough discussion on the effects of policy. The main policy changes are only outlined, and only the shift from a primary-sector based expansion to an import substitution model receives some attention. The recent literature on the so-called new growth theory stresses that distortions and policy affect not only the current level of income, but also the steady-state rate of growth of the economy.

The authors find 1976 as the year of the structural break in the output trend. From then on, long-term output growth will proceed at a significantly lower rate than in the years before. This regime change is coincidental with populist policies (not described in detail). In an ad-hoc explanation the authors also claim that Velasco's government marks the transition from non-populism and populism. In many ways, the first section of the paper is the quantitative counterpart of the work of Gonzales de Olarte and Samamé (1991).

In the empirical work, what is surprising is not only that the long-term rate of investment to GDP was high over the whole period, independently of populist or non-populist policies being enacted, but also that short run deviations from the long-term rate are short-lived do not last long time.<sup>2</sup> The implication seems that

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<sup>1</sup> Chenery's work of 1975 is cited in the text, but not in the references.

<sup>2</sup> They find that the investment rate follows an AR(2) process.

while the investment rate was not vulnerable to policy changes, the ways of financing investment did differ. With non-populist governments investment was financed with domestic savings and foreign direct investment, while in the populist regimes investment was financed with foreign indebtedness. The authors' analysis could have been completed with a discussion on the domestic saving rate.

Starting in the early 1970s, a pronounced fall in the marginal efficiency of capital is observed. The authors also examine a "sources of growth" equation à la Solow, and they find an important residual, which is negative for the sub-periods 74-89 and 80-89. It would have been interesting to explore in detail the causes of this "technological regression" (in the words of the authors). It may be observed that a negative long-term residual is difficult to match with a huge increase in human capital (proxied by the rate of secondary school enrollments) over the period 1950-89. A plausible explanation for this is that the severe economic policy distortions crushed any potential source of growth.

To separate the cycles from the trend the authors assume that the GDP series (in logarithms) has a unit root, and that the first differences (i.e., the rates of growth of GDP) follow a convoluted stationary process that they identify. The unit root should be explicitly tested, and not given as an assumption. More important, the transitory shocks as reflected in the cycle show to be somewhat less important than the permanent shocks that affect the trend. A measure of the persistence of the shocks, as given for instance by Cochrane's (Cochrane 1988) quotient of variances would have been most helpful.

The most striking feature of the analysis of the sectorial shares in output is the rapid fall of the primary sector share, since the early 1970s, at still low levels of per capita income, contrary to patterns observed elsewhere. Peruvian authors are right in pointing out at policy for that decline. Still, more light could be shed taking also into account exogenous factors, like the long-term evolution of the terms-of-trade.

The discussion on relative prices is centered on the real exchange rate. There is little doubt that the real exchange rate (RER) played a central role during 1950-1989. Still, the discussion is somewhat without focus. First, the authors observe that the RER follows a random walk, but fail to elaborate the implications. Moreover, if the RER follows a random walk it cannot move with the cycle (although in opposite direction) that is a stationary process, as they state. Second, in the discussion it is not always clear whether they are referring to the RER or to the nominal exchange rate. For example, in a fixed exchange rate regime, a commodity boom does not necessarily call for a revaluation of the nominal exchange rate (page 56). Under most circumstances what would happen is an appreciation of the RER.

A section with concluding remarks would be helpful.

References

Cochrane, J.H. 1988. "How big is the random walk in GNP?." Journal of Political Economy. Vol.96. pp 893-920

Gonzales de Olarte, E., and Samamé, L. 1991. El Péndulo Peruano. Políticas económicas, gobernabilidad y subdesarrollo, 1963-1990. Instituto de Estudios Peruanos.

## Appendix B. Visit to Lima

Between May 2 when I arrived in Lima and May 17 when I left, I had two very long meetings with the Steering Committee and meetings with each of the member institutions in their offices. The meetings with the Steering Committee were very stimulating. Thorough revisions of the project were made there. In the member institutions I had detailed discussions with the researchers involved in the project as well as with the directors. I also met with a number of persons that are or were high officials in the government, including Messrs. Carlos Boloña, Felipe Cebrecos, Juan Carlos Hurtado Miller, Roberto Abusada, Renzo Rossini and César Ferrari.

I had also long conversations with two researchers of CIUP involved in the stabilization program, Professors Martha Rodriguez and Julio Velarde. I benefitted also from the general comments of Mr. Rufino Cebrecos, a professor at PUCP, and Professor Gonzales Izquierdo of the Universidad del Pacífico.

I had the opportunity to talk to Messrs. Manuel Romero Caro, editor of the financial daily Gestión, and Felipe Ortiz de Zeballos, director of the well known consulting firm Apoyo. I also met with Gabriel Ortiz de Zeballos and Armando Cáceres of Apoyo.

In the international agencies of cooperation to Perú, I saw Messrs. Jerre Manarola and Arturo Briceño of the AID mission in Lima, professor Shane Hunt, and Mr. Edward Doe of the Canadian Embassy.

Mr. Ignacio Franco, the coordinator of the Consortium was most helpful in arranging the interviews. I had several long conversations with him. His information on the practical details of the management of the Consortium was very useful.

Unfortunately during my sojourn in Lima only one seminar in the member institutions of the Consortium took place. It was the workshop in macroeconomics at PUCP.

Finally, I want to acknowledge the hospitality of GRADE and of its director, Dr. Patricia Arregui. GRADE provided me an office and the facilities to make my stay a pleasant one.

*Annex to evaluation  
report.*

*2.5.32*

**EVALUATION OF RESEARCH RESULTS 1991-1993  
(FINAL EVALUATION)**

**"ECONOMIC RESEARCH CONSORTIUM, PERU"**

**3-P-89-0055**





## **Evaluación de la producción del Consorcio de Investigación Económica del Perú.**

**Por el Area de Economía del Centro de Estudios de Estado y Sociedad - CEDES.**

### **GRADE**

Cáceres, Armando y Javier Nagamine. GRADE. "Determinantes del tipo de cambio dentro de un enfoque de portafolio".

La primera observación que cabe es que se trata de un trabajo que no ha sido preparado para su publicación sino que se trata de un documento de circulación interna de GRADE, el cual se solicita expresamente no citar. En este sentido, algunas de nuestras observaciones pueden deberse al carácter que tiene el documento de borrador, o parte de un cuerpo más amplio, que podría explicar en parte algunos rasgos que comentamos.

El documento presenta un trabajo econométrico destinado a estimar la relación entre las tasas observadas de variación del tipo de cambio y el diferencial de tasas de interés doméstica e internacional. La información considerada es mensual y el estudio comprende el período 1980-1990. El trabajo es principalmente una aplicación de técnicas econométricas modernas a series de tiempo. Adolece de fallas comunes a este tipo de ejercicios: la aplicación de las técnicas parece más importante que el análisis del problema, los resultados obtenidos y la calidad de la información utilizada. Esta desviación, en la cual la preocupación por aplicar una técnica econométrica obscurece los objetivos de la investigación, se encuentra también en muchos trabajos realizados en centros de investigación reputados de primera línea y en publicaciones de renombre, por lo que no es un defecto particular de este trabajo de GRADE.

La ilustración de los aspectos negativos señalados arriba es la siguiente. El trabajo incluye un recuento histórico de los regímenes cambiarios y las políticas de tasas de interés. Esta parte está desconectada del análisis cuantitativo. Las regresiones incluyen variables dummies importantes. Los períodos para los que se introducen las dummies no están especificados en el texto y los resultados acerca de estas variables no se analizan. La discusión teórica (económica) es pobre y desconectada de los resultados obtenidos. Los datos no se presentan ni critican. No parece clara la relevancia de las conclusiones, ni para una discusión general del problema en varios países ni para la política económica en Perú.

Del lado positivo puede anotarse el manejo de las técnicas por parte de los autores. El tema en sí es importante y relevante para la política económica, pero requeriría mayor claridad analítica y de objetivos por parte de los autores. La relevancia del tema es particularmente importante en la actualidad, cuando la economía peruana es más abierta y opera con menos regulaciones que en el pasado y son importantes los flujos de capital vía mercado. Pero el planteamiento de esta temática requeriría

probablemente dar prioridad a la cuestión sustantiva y poner en segundo plano las técnicas econométricas que se utilizarán para estudiarlo.

Cáceres, Armando y Fernando Carrión. GRADE. "Estabilidad de la demanda de dinero en Perú".

Es comentado es un documento de circulación interna de GRADE, que se solicita no citar.

El documento está principalmente destinado a presentar estimaciones econométricas de la demanda de dinero en Perú, utilizando series de tiempo de un período extenso: 1964-1990.

El documento incluye un survey de estimaciones de demanda de dinero realizadas en el pasado por otros autores. El survey no es muy conclusivo: la observación principal de los autores es que las estimaciones difieren tanto en la forma funcional, parámetros y periodización. El aporte principal que los autores parecen sugerir de su propio trabajo es la utilización de técnicas modernas de estimación (Filtro de Kalman, Cointegración, tests de cambios de estructura).

Otro propósito declarado del trabajo es contribuir, mediante la estimación de la demanda de dinero, a la formulación de la política monetaria post-shock de 1990. Al respecto, la principal contribución del trabajo, realizada con datos que van hasta 1990, es que los parámetros son inestables. La consecuente recomendación para el período post-shock es que la política monetaria debe ser "cuidadosa". Otras consideraciones de política que se encuentran al final del documento no se siguen de las estimaciones econométricas.

La estimación de funciones de demanda de dinero es el ejercicio preferido de econometría, dentro y fuera de los bancos centrales en América Latina. Responden aparentemente a necesidades de la llamada programación financiera o programación monetaria, pero en la práctica esta programación es realizada a partir de estimaciones ad-hoc de la demanda de dinero, sin tomar mucho en cuenta resultados econométricos. Las razones de que esto sea así es que las estructuras son tan inestables que es difícil utilizar datos del pasado. Sin embargo, los departamentos de estudios de los bancos centrales dedican bastante esfuerzo a las estimaciones.

En un centro académico debe suponerse que estimaciones econométricas de la demanda de dinero procuran dar respuesta a alguna pregunta de investigación. Este propósito no aparece claro en el trabajo que comentamos. Su contribución más importante es utilizar técnicas modernas en la estimación.

Si el trabajo es leído literalmente resulta teóricamente inconsistente. El modelo teórico del que supuestamente se derivan las ecuaciones estimadas es un modelo en el cual la tasa de inflación se determina instantáneamente por los excesos de oferta de dinero sobre la demanda- con diferentes especificaciones- y en el cual- creemos - la ausencia de variables reales supone el producto permanentemente en pleno empleo. Los propios autores mencionan la existencia de períodos de precios controlados que hacen esos supuestos irreales ab-initio. En realidad, las ecuaciones estimadas terminan

siendo las convencionales y la introducción o ausencia de variables explicativas resulta en la práctica de criterios de bondad de ajuste, lo que no tiene ningún fundamento epistemológico. Cabe aclarar que esto es práctica común en los ejercicios econométricos y no atributo exclusivo del trabajo que comentamos. Pero, en general, estas prácticas pueden justificarse cuando la econometría es utilizada como herramienta de investigación de propiedades de las series, en función de alguna pregunta relevante, pero no aparece clara la pregunta relevante en el caso que comentamos.

Cáceres, Armando y Javier Akamine. "Política Económica y Desarrollo del Sistema Financiero Peruano: Parte 1 (Diagnóstico)", GRADE, Documento de Trabajo 14. "Política Económica y Desarrollo del Sistema Financiero Peruano (Parte 2): Propuesta para una Reforma y Análisis de la Nueva Ley de Bancos", GRADE, Documento de Trabajo 16.

Los dos trabajos comentados son producto de un mismo proyecto y aspiran a un mismo objetivo: producir un conjunto de recomendaciones de aplicación práctica para la reforma del sistema financiero peruano en el contexto de las políticas de estabilización y reforma iniciado en 1990.

El primer trabajo es de envergadura significativa. Contiene una descripción bastante acabada de la estructura y funcionamiento del sistema financiero, realizada con buen nivel profesional utilizando la información accesible a investigadores situados fuera del Banco Central. La descripción y crítica de las políticas financieras y de los procesos de demonetización y desintermediación financiera están bien ilustradas. El aspecto más débil de este análisis es la relación de la evolución del sistema financiero con las políticas y evolución macroeconómica del Perú en los ochentas. Sobre la base del diagnóstico histórico y de estructura, el capítulo 6 formula un diagnóstico de la evolución reciente del sistema (desde 1989 hasta el momento en que el trabajo fue escrito). Este capítulo se aproxima a un análisis de coyuntura del sistema financiero. Esta aproximación tiene la ventaja de facilitar la inserción de las propuestas de reforma en la coyuntura pero tiene la desventaja de la obsolescencia rápida por la velocidad con que se suceden cambios en la situación económica y financiera peruana.

El segundo trabajo es más heterogéneo y menos riguroso. El capítulo 2 contienen una discusión muy superficial y donde las referencias están prácticamente ausentes, de las llamadas políticas de liberalización financiera. El capítulo 3 es un recuento histórico de reformas intentadas en Perú, que termina en el punto 3.3, titulado "La propuesta de reforma financiera del actual gobierno", en el que se discuten las orientaciones formuladas por el ministro Hurtado Miller en un discurso de agosto de 1990. El capítulo 5 contiene la parte medular del documento. El capítulo es normativo: se presenta un conjunto de propuestas de política que definen una fuerte toma de posición respecto de políticas monetarias, financieras, cambiarias, etc. A continuación se presenta una breve discusión de las perspectivas de éxito de una reforma financiera y un análisis del decreto legislativo 637, Nueva Ley General de Instituciones Bancarias, Financieras y de Seguros.

La evaluación de documento es difícil, pues no se trata de un "paper" sino de un documento que parece preparado para tomar participación directa en un debate público sobre la reforma financiera, con fuerte posicionamiento. Cabe comentar que la propuesta contenida en el capítulo 5 no se "deduce" del trabajo analítico ni se presentan explícitos fundamentos de ella. Un punto que merece también señalarse es la ausencia de análisis respecto al impacto esperado de la aplicación de las reformas propuesta en el contexto del programa de estabilización en curso cuando fue presentada.

Modelo de Evaluación del Impacto de las Políticas Vinculadas al Sector Agropecuario. Informe final. GRADE.

El trabajo se compone de: a) un estudio de las características principales de la agricultura peruana -más que del sector agropecuario-, considerando siete productos básicos, y b) de un modelo econométrico de equilibrio parcial destinado a realizar ejercicios de simulación de políticas relevantes para el sector.

En el modelo se incorporan funciones de oferta que dependen de los precios esperados del propio producto, de los cultivos complementarios y sustitutos, del crédito disponible y de variables de clima. La cantidades demandadas son funciones del ingreso y de los niveles de producción industrial de agroindustriales; cabe señalar que una variable relevante no incluida son los precios de los agroindustriales tratándose, como es el caso, de una demanda derivada o de sustitutos potenciales de los bienes primarios.

El modelo econométrico a partir de los cuales se realizan las simulaciones está en la línea de trabajo de los modelos de multimercado. Tiene carácter de análisis de equilibrio parcial aunque considera interrelaciones entre los mercados de los cultivos analizados, así como algunas vinculaciones principales con el entorno macroeconómico.

Sin embargo, el tratamiento de algunos aspectos importantes requiere una consideración más explícita de la interacción de los diferentes mercados y las restricciones presupuestarias que la considerada en el modelo. A modo de ejemplo, cabe citar en este sentido la relación de los niveles de producción de los sectores agroindustriales con el nivel de actividad global y con los desequilibrios fiscales; el efecto derrame del racionamiento en algunos mercados sobre otros; la relación entre el crédito disponible para el sector agropecuario -que se toma plenamente- con el estado de las cuentas públicas.

En resumen, el trabajo se ocupa de aspectos relevantes utilizando adecuadamente una técnica de estimación, aunque la estructura analítica de equilibrio parcial del modelo es limitada para la evaluación de todos los efectos de las políticas definidas en los ejercicios de simulación.

Carmen Montero, "La educación superior tecnológica en el Perú: Rasgos y Procesos". GRADE/Equipo de Educación.

A lo largo del documento la autora realiza una pormenorizada y muy buena descripción de la evolución, la actual estructura y el perfil del estudiantado de los Institutos Tecnológicos en Perú, los cuales han experimentado una muy fuerte expansión desde la Reforma educativa de 1982.

El tema del documento es sumamente relevante tanto en el contexto de la evolución de la educación peruana como también en el desarrollo de la educación superior en el resto de América Latina. Al igual que en muchos países latinoamericanos (Chile, México, Brasil, Colombia) en Perú, el sistema de educación superior se diversificó y descentralizó. Como parte de estos procesos se expandieron a tasas muy altas los institutos superiores no universitarios que ofrecen carreras con una clara especialización laboral en el área de los servicios (mayormente los institutos privados) o de la producción (generalmente los institutos públicos). A medida que la autora va realizando la descripción de estos procesos, introduce preguntas que abren puertas a futuras investigaciones sobre el tema. Entre las más importantes cabe destacar tres. En primer lugar, se encuentra la cuestión si la diversificación observada responde a la canalización de las expectativas frustradas de los jóvenes que no logran acceder a la universidad o si responde a cambios en la demanda ocupacional por roles ocupacionales más especializados. En segundo lugar, se plantea la diferenciación y jerarquización social de las opciones postsecundarias en función de la capacidad de los jóvenes pertenecientes a distintos estratos sociales de acceder al sistema universitario o al no universitario y dentro de cada subsector a diversos circuitos de enseñanza. Finalmente, y vinculado con el punto anterior, se señala la falta de conocimiento sobre el tema de la calidad educativa de los servicios que se han expandido, sus niveles de eficiencia interna y externa. Esta última pregunta, la autora la desarrolla en otro documento donde plantea un proyecto de investigación sobre el tema.

En síntesis, la autora ha descrito uno de los procesos más relevantes de la actual situación de la educación superior peruana, planteando los principales problemas que aquel conlleva y lo ha realizado con un muy buen nivel académico.

Carmen Montero, "Educación Superior tecnológica: Consideraciones para evaluar su calidad", GRADE.

El documento está estructurado como un proyecto de investigación. La autora realiza una buena exposición de los antecedentes sobre el tema de la expansión de la educación superior tecnológica y retoma como tema de investigación uno de los interrogantes que planteó en su otro documento ("La educación superior tecnológica en el Perú: Rasgos y Procesos"). Entre las opciones de evaluación de la calidad que existen, por tratamiento o por producto, la autora opta por la primera alternativa y lo justifica tanto por razones teóricas como metodológicas. Si bien son atendibles las razones que se

exponen, al tratarse de una nivel que crece como demanda por opciones "más pragmáticas" de estudios cortos y certificaciones rápidas, tipo educación tecnológica u ocupacional, la evaluación por producto (el proceso de confrontación entre el egresado del sistema y su capacidad para desempeñar roles ocupacionales "esperados"/"necesarios") debería también ser incorporada al proyecto. Aún cuando sea correcto que la evaluación en función del "tratamiento" (el proceso educativo interno y su capacidad para cumplir sus propios objetivos) debe ser realizada en primer lugar. Por más que el sistema de institutos tecnológicos funcione bajo parámetros relativamente razonables de calidad, sino existe una demanda ocupacional para sus graduados, el nivel de disfuncionalidad de la expansión de este subsector puede ser aún mayor que en el caso de los egresados universitarios. Otro tema que se debería incorporar al proyecto es el rol del sector público en el proceso de acreditación de las instituciones que se incorporan al sistema (sean públicas o privadas) y su grado de control sobre el funcionamiento de las mismas. Este aspecto puede ser relevante para estudiar distintos niveles de calidad de las instituciones según sean públicas o privadas.

Más allá de estos detalles, la autora ha realizado un muy buen planteo del problema y de la metodología a emplear, planteando un proyecto académico de sumo interés.

J. Rodriguez Conzález, "Gasto Público en educación y distribución del ingreso en el Perú", GRADE.

El estudio analiza los efectos del gasto público en educación sobre la distribución del ingreso en el Perú y lo hace analizando el destino del gasto en educación por estratos socioeconómicos y su impacto en el corto plazo en términos de la mejora del ingreso familiar y la modificación de la estructura distributiva.

El autor realiza un trabajo académicamente bien estructurado, comenzando con la descripción del sistema educativo peruano para después dedicarse a analizar la composición de la demanda por educación según estratos de ingreso y las transferencias distributivas ocasionadas por el gasto público en educación según distintos niveles de enseñanza.

A partir del análisis de cuadros donde se exponen la distribución de la población según distintos estratos de ingreso y según sus niveles de demanda efectiva y potencial de educación y otros donde se detalla la distribución del gasto público en educación según estratos de ingreso, se concluye que la política de gasto educativo ha sido regresiva para el quintil más pobre de la población.

En términos generales, el autor ha realizado un sólido trabajo de investigación sobre el tema, apoyándose en el material estadístico disponible, señalando, como en otros trabajos de la literatura sobre el tema, la regresividad de la educación secundaria y sobre todo terciaria y la progresividad de la educación primaria. Si bien los resultados son consistentes con otros expuestos en la literatura latinoamericana sobre el tema, una lectura atenta de los cuadros revela que si bien el caso del quintil más pobre es claro, el de los otros, en particular las transferencias hacia el segundo quintil más pobre,

presenta un resultado muy diferente al quintil inmediatamente anterior. Este dato pone en duda la contundencia con que se puede realizar algunas afirmaciones sobre el impacto redistributivo total de la política. Más allá de esta observación sobre los resultados que se aportan en los cuadros y la posible interpretación que se haga de los mismos, este documento realiza un aporte muy significativo a la temática del impacto del gasto educativo y ha sido realizado con un buen nivel académico.

## DESCO

Los trabajos considerados son los siguientes:

1. Iguíñiz, J. y N. Montes (1990). "Proyecto Nacional: Empresarios y Crisis 1970-1987", Cuadernos Desco Nro. 15, Lima, Perú.
2. Iguíñiz, J. e I. Muñoz (1992). "Políticas de Industrialización del Perú: 1980-1990", Cuadernos Desco Nro. 17, Lima, Perú.
3. Castillo Ochoa, M. (1992). "La Escena Astillada (Crisis, acumulación y actores sociales)", Cuadernos Desco Nro. 18, Lima, Perú.

Iguíñiz, J. y N. Montes (1990). "Proyecto Nacional: Empresarios y Crisis 1970-1987", Cuadernos Desco Nro. 15, Lima, Perú.

Esta publicación reúne cuatro artículos y una propuesta de investigación derivada de los mismos.

El enfoque de los cuatro trabajos es común: analizar la economía peruana desde la perspectiva de la conducta microeconómica de los diferentes actores económicos, así como de sus diversas modalidades de organización institucional.

La hipótesis subyacente es que, en función de la pluralidad de la estructura socio-económica peruana, en la cual coexisten formas de organización capitalistas y no-capitalistas, las políticas macroeconómicas por sí solas son insuficientes para promover el desarrollo económico, y es preciso complementarlas con otras políticas, que los autores definen como "intermedias y pluri-institucionales".

El primer trabajo, "Importancia cuantitativa del pluralismo empresarial en el Perú: 1970-1985" es una minuciosa descripción de la evolución cuantitativa de los diferentes tipos de organización de la producción urbana y rural entre 1970 y 1985, y de su relación con las políticas económicas aplicadas por los distintos gobiernos. Su propósito central es poner en evidencia la pluralidad socio-económica peruana, un rasgo estructural que lo diferencia significativamente de sociedades más homogéneas.

El segundo trabajo, "Proyecto nacional, situación económica y políticas de ingresos en el Perú", partiendo del pluralismo arriba mencionado, discute las limitaciones de las políticas de concertación tripartitas (entre Gobierno, empresarios y trabajadores) como instrumento de redistribución de ingresos compatible con un marco de desarrollo.

En tal sentido, identifica dos condicionantes a su viabilidad: los derivados de la fuerte vulnerabilidad externa de la economía peruana, y los provenientes de la ya mencionada heterogeneidad estructural de dicha economía, que determina que la relación trabajo asalariado-capital abarque sólo a un subconjunto minoritario de la población del país.

Por esta razón, el trabajo alega, la concertación tripartita no es por sí sola un instrumento adecuado de la política de ingresos. En un contexto donde resulta prioritario atenuar la vulnerabilidad externa y avanzar en la integración económica nacional (a nivel regional, sectorial, etc.), es necesario complementar esa política "vertical" con políticas "horizontales" de distribución del ingreso (entre sectores, regiones, etc.) y con programas de empleo.

Poniendo de relieve la dimensión cuantitativa que asume la heterogeneidad de la economía peruana a nivel de empleo, finalmente, el trabajo recomienda aprovechar la diferente capacidad de los diversos tipos de empresas para cumplir distintos objetivos de política (empleo, inversión, innovación, etc.), creando para ello un marco institucional donde tengan cabida y participación todos los actores involucrados.

El trabajo es convincente y está bien fundamentado cuando destaca la importancia de la pluralidad productiva en el caso peruano. También resulta estimulante su idea de asignar distintos objetivos de política a diferentes marcos organizativos. Sin embargo, es menos preciso cuando discute de qué manera se podrían implementar las políticas "horizontales" propuestas.

El tercer trabajo se titula "Perú: crisis, política microinstitucional y empresarios". En él se analizan las causas y el impacto de la inestabilidad del marco institucional-empresario sobre el desempeño de la economía peruana.

El trabajo argumenta, en este sentido, que la indefinición institucional, la inseguridad jurídica, y la ausencia de reglas de juego estables, han sido causas fundamentales del fracaso de los intentos de desarrollo en el pasado reciente. La ausencia de actores institucionalizados capaces de responder a los desafíos del contexto actual, es la carencia más notable desde el punto de vista de las posibilidades de encarar un proceso de inversión y desarrollo sostenible.

El trabajo aborda esta temática desde una perspectiva histórica, reconstruyendo la trama de las intervenciones gubernamentales sobre la institucionalidad empresaria y las reacciones empresariales, a través de las distintas etapas políticas del país entre 1975 y 1987. Su última sección es de naturaleza más especulativa, y presenta diferentes escenarios que en ese entonces se consideraban posibles a la luz de la estatización de la banca llevada a cabo por el gobierno de A. García.

El último trabajo, por su parte, se denomina "Crisis Económica y respuestas empresariales: una primera aproximación explorativa", y en él se intenta una evaluación comparativa preliminar de las



respuestas diferenciales de distintos tipos de empresas manufactureras frente a la crisis y las políticas económicas, en materia de empleo, inversión, innovación, etc. Para ello se trabaja con información de una muestra de 50 empresas, recogida de fuentes primarias y secundarias, y de entrevistas con gerentes y propietarios.

Aunque a un nivel muy preliminar, los resultados obtenidos son consistentes con la hipótesis de que empresas diferentes reaccionan de modo distinto frente a los mismos estímulos. Esta constatación serviría de fundamento para la formulación de objetivos de política diferenciados de acuerdo a los diversos tipos de empresas existentes en el país. Sin embargo, se requiere más investigación para obtener resultados más robustos en este campo.

Iguíñiz, J. e I. Muñoz (1992). "Políticas de Industrialización del Perú: 1980-1990", Cuadernos Desco Nro. 17, Lima, Perú.

Este libro presenta un análisis de la evolución de las políticas que, directa o indirectamente, influyeron sobre el desempeño del sector industrial durante la década del ochenta. En un primer capítulo se sitúa la temática abordada en el contexto económico externo e interno que la delimita. En un segundo capítulo se describen las orientaciones generales de cada una de las etapas por las que atravesó la política industrial en los ochenta, así como la evolución de las principales normas legales dirigidas al sector. El tercer capítulo analiza en detalle el contenido y las repercusiones de la política industrial en sus diferentes facetas (impositiva, financiera, monetaria, cambiaria, arancelaria, promocional y tecnológica). Basado en el análisis previo, finalmente, el capítulo cuatro presenta una evaluación global y desagregada del desarrollo industrial durante el período considerado.

La principal conclusión del trabajo es la ausencia de una política industrial consistente en la década pasada. Ello se debió, en opinión de los autores, tanto a la preeminencia adquirida por las políticas de ajuste, como a la desarticulación del marco institucional y legislativo que debería haber impulsado dicha política.

En efecto, durante el primer gobierno de la década (1980-85), a pesar de dictarse en 1982 una Ley General de Industrias que intentaba reorientar la industria y la economía en un sentido liberalizante, se mantuvo prácticamente intacta la fuerte presencia que el estado había alcanzado en la economía durante la década anterior. En la segunda mitad de los ochenta el problema fundamental fue la inconsistencia de la política macroeconómica y la ausencia de políticas sectoriales específicas.

La caída de la tasa de inversión, la pérdida de dinamismo industrial y la disminución de la participación del sector manufacturero en el PBI, finalmente, configuran a juicio de los autores una situación de "desindustrialización relativa" que exige una profunda reconversión productiva.

Castillo Ochoa, M. (1992). "La Escena Astillada (Crisis, acumulación y actores sociales)", Cuadernos Desco Nro. 18, Lima, Perú.

Este ensayo no se encuadra dentro de los límites tradicionales del análisis económico ni de la economía política. Su marco conceptual es, más bien, el de las relaciones entre la dinámica sociopolítica y la economía.

Desde esa perspectiva el trabajo indaga las razones por las cuales no fue posible cristalizar ningún pacto (implícito) estable entre actores sociales relevantes, capaz de superar la profunda crisis en la que está inmersa la economía peruana desde hace una década y media.

La hipótesis sustentada por el autor es que los factores políticos han sido una de las causas básicas del fracaso económico. En particular, el trabajo afirma que la imposibilidad de construir un espacio público independiente del estado, donde pudiera conformarse un pacto estable, se debió en buena medida a la indisponibilidad de los actores relevantes (incluido el estado) para acordar. Esa falta de disponibilidad, a su vez, está enraizada en factores propios de la cultura política, que son específicos de la historia y las tradiciones de cada país.

A partir de ese enfoque conceptual (desarrollado en su primer capítulo) el ensayo analiza en los dos capítulos siguientes las relaciones entre economía y política en los regímenes de Velasco Alvarado, Morales Bermúdez, Belaúnde y Alan García, y concluye que por diferentes razones (autoritarismo, tecnoburocracia o excesivo protagonismo individual del Ejecutivo) el "actor-régimen" frustró la creación de un pacto (implícito) para la estabilidad y el desarrollo económico.

El trabajo es persuasivo cuando pone en evidencia los mecanismos a través de los cuales se manifiesta la influencia de lo político en lo económico, pero subestima la lógica interna de los procesos económicos y las dificultades técnicas inherentes a la formulación de la política económica. El tono general de la argumentación, por la propia naturaleza del tema analizado, es forzosamente especulativo, y no presenta sugerencias en torno a cómo crear condiciones propicias para el pacto, más allá de una exhortación final a recuperar la capacidad de acción política como condición previa para enfrentar los problemas económicos y sociales.

#### Comentarios Generales sobre la producción de DESCO.

Los textos incluidos en las publicaciones arriba comentadas revelan la existencia de un proyecto intelectual común, y se inscriben en un mismo programa de investigación.

Dicho programa manifiesta una marcada preocupación por desentrañar la especificidad de la realidad económica peruana, a partir de un enfoque que privilegia los problemas del desarrollo y los nexos entre economía, política y actores sociales (Gobierno, empresarios, trabajadores, etc.).

Al mismo tiempo, todos los trabajos muestran un interés explícito por las propuestas y recomendaciones de política que pueden derivarse de sus respectivos análisis.

Entre las principales limitaciones de los trabajos de DESCO, por su parte, cabría mencionar una discusión excesivamente autoreferenciada en el Perú, la ausencia de análisis comparativo (que podría resultar muy fecundo para el tipo de trabajo en cuestión), una cierta desactualización teórica, escasas referencias a la literatura internacional, y un manejo de la información estadística relativamente pobre.

Formalmente, los artículos considerados se acercan más al estilo ensayístico que al del paper académico convencional.

En líneas generales, sin embargo, puede decirse que los estudios considerados presentan preguntas pertinentes y enfoques originales sobre cuestiones relevantes de la economía peruana.

### PONTIFICIA UNIVERSIDAD CATOLICA

Dancourt, Oscar. "Desinflación ortodoxa y retraso cambiario en el Perú: un modelo keynesiano". Serie Documentos de Trabajo, número 102, CISEPA-PUC, Lima, junio de 1992.

Este trabajo constituye un excelente análisis del plan de estabilización desarrollado por la administración de Fujimori desde mediados de 1990.

El punto de partida del trabajo es el planteo de los principales "hechos estilizados" relativos al plan y a sus efectos. De una manera muy clara y concisa se especifican, en la primera sección, las metas básicas del llamado "Fujishock", así como los resultados más importantes, destacándose además cuáles de los principales resultados se adecuaban a las metas del gobierno (por ejemplo, precios públicos reales más elevados que antes del shock, menor inflación, situación fiscal más equilibrada) y cuáles iban en contra de lo planeado (por ejemplo, tipo de cambio real mucho más bajo, e inflación todavía "demasiado elevada", pese a su reducción). En esta descripción estilizada deben destacarse: la claridad, el carácter conciso, la adecuada secuencia lógica y la coherencia de la exposición, que trazan un cuadro fácilmente comprensible en el que los ejes más importantes de la problemática a analizar y los interrogantes que el trabajo se propone explorar están muy bien identificados e interconectados. Además, se hace mención a las líneas interpretativas más importantes que se seguirán posteriormente, y también a algunas interpretaciones alternativas de los mismos fenómenos, desde perspectivas teóricas diferentes, todo lo cual da al lector un panorama muy completo de la cuestión a tratar. Ese cuadro incluye la referencia a aspectos relevantes que, sin embargo, en el análisis posterior no se considerarán, con lo que el autor da al lector, cuidadosamente, un aviso acerca de limitaciones u omisiones en el planteo analítico que pretende desarrollar. Un ejemplo de esto último es la referencia a la "represión salarial" como un factor importante para explicar la desinflación, aunque no aparezca en un rol destacado en la estructura explicativa que se desarrolla más adelante.

Posteriormente, luego de la descripción de los hechos estilizados, se procede -en las secciones 2 a 5- al desarrollo de un macromodelo dinámico de corto plazo que pretende mostrar de qué modo los resultados de la política de estabilización en análisis, tanto los esperados cuanto los no deseados, pueden entenderse como consecuencias del diseño e implementación de dicha política de estabilización, en interacción con ciertas características estructurales de la economía peruana. La presentación del modelo se caracteriza también por la claridad de la exposición, y además, simultáneamente, por

a) el esfuerzo para situar la discusión, mediante numerosas referencias y citas, en el contexto de los debates internacionales -incluyendo por cierto los aportes de otros economistas latinoamericanos- sobre inflación y estabilización y

b) por el esfuerzo de adaptación de los modelos básicos que se toman como punto de partida, a fin de adaptarlos a las particularidades estructurales de la economía peruana en la actualidad, convirtiéndolos así en instrumentos útiles para el análisis de la misma.

En primer lugar, se desarrolla un modelo de determinación simultánea de la tasa de inflación y la tasa de crecimiento del producto, basado en Okun (Prices and Quantities, cap. 6), que incorpora además los desarrollos latinoamericanos relativos a la inflación inercial, donde, por ejemplo, los efectos-ingreso de las variaciones de la tasa de inflación (y de los precios relativos) son muy importantes para explicar el curso del nivel de actividad. El tratamiento enfatiza el rol de la política fiscal (que opera esencialmente a través del control del gasto real y de la fijación de la tasa de variación de los precios públicos) en la determinación de la inflación y de los niveles de actividad, destacándose el hecho de que diferentes combinaciones de política fiscal -es decir, de las dos variables mencionadas- pueden generar resultados muy diferentes (por ejemplo, una política "expansiva" basada en aumento del gasto genera simultáneamente aumentos del nivel de actividad y de la inflación, mientras que una política "expansiva" basada en la sub-indexación de los precios públicos causa también aumentos en el nivel de actividad pero genera una reducción de la inflación en el corto plazo).

Luego, el modelo de precios-cantidades en los mercados de bienes es complementado con un modelo monetario simple con dos activos, dinero y dólares en las carteras de los agentes privados, sin movimiento internacional de capitales, sin mercado de bonos ni sistema bancario. La discusión del modelo financiero es también clara y cuidadosa y se vincula con la literatura internacional en la materia. Se discuten también, en la sección 5, algunas consecuencias del modelo completo, en relación con las políticas fiscales y monetarias, y se examina en qué condiciones una combinación de políticas monetaria y fiscal contractivas (siendo aquí la política fiscal contractiva definida como un ajuste de los precios públicos por sobre la inflación pasada) generarán simultáneamente desinflación y atraso cambiario. La discusión se plantea aquí también con claridad y solvencia analítica.

El análisis de las secciones 2 y 5, eminentemente teórico, está conectado en forma evidente e íntima con el panorama de hechos estilizados descritos en la sección primera del texto. Sin embargo, en el texto en sí, esa conexión está sólo implícita. Quizás este excelente trabajo ganaría si, en su sección final, se retomaran los ejes del análisis descriptivo inicial, estableciendo en forma más explícita las

conexiones existentes entre las conclusiones del modelo formal de las secciones 2 a 5 y las evidencias relativas a la evolución de la economía post-shock.

Dancourt, O. y Mendoza, W. "Tipo de cambio libre, tasa de interés, demanda efectiva y política monetaria".

Este trabajo puede considerarse como un desarrollo preliminar de ciertos aspectos tratados en el artículo comentado precedentemente. En efecto, en el se exploran los aspectos básicos del modelo monetario utilizado en el trabajo citado, cuyos rasgos centrales derivan de la consideración del elevado grado de dolarización de las carteras financieras privadas, en un contexto de tipo de cambio flotante, como también de la ausencia de un mercado organizado para comerciar deudas (acciones o bonos). Si bien parece tratarse de un "desarrollo preliminar" en relación con el trabajo comentado precedentemente, esto no indica que se trate de un modelo más sencillo. Por el contrario, el modelo monetario-financiero aquí planteado es más complejo, en particular porque incorpora al sistema bancario, que está ausente en el trabajo ya comentado. Están más desarrolladas además las conexiones con la literatura internacional relativa a la discusión teórica aquí planteada. Sin embargo, también a diferencia del otro trabajo mencionado, el tratamiento no se extiende sino muy informalmente en el terreno de la determinación de precios y cantidades en los mercados de bienes. En materia de calidad analítica y de la exposición, este trabajo participa de las cualidades señaladas en relación con el comentado precedentemente, aunque el tratamiento formal es menos completo y detallado.

Romero, L., y Mendoza, W. "El modelo IS-LM. Una versión para el Perú". Serie Documentos de Trabajo, número 104, CISEPA-PUC, Lima, agosto de 1992.

Este trabajo puede considerarse como una derivación, para fines fundamentalmente didácticos, del trabajo comentado precedentemente, donde por un lado se simplifica el tratamiento de los mercados de activos al tiempo que, por otro, se articula con más claridad la relación entre el equilibrio de stocks en dichos mercados y el equilibrio de los flujos reales de ahorro e inversión.

El carácter didáctico se hace evidente en el hecho de que el trabajo se presenta como una especificación alternativa del modelo macroeconómico estándar IS-LM ("que se enseña con profusión en las universidades peruanas"), la que se desarrolla paso a paso siguiendo una secuencia similar a las de un libro de texto convencional y culminando con típicos ejercicios de estática comparativa destinados al análisis cualitativo de efectos de política. Como en el trabajo comentado precedentemente, la modificación fundamental en relación con el modelo estándar consiste en que no existe un mercado organizado para comerciar acciones o "bonos". El segundo activo en las carteras de los particulares,

además del dinero, es el dólar. Al igual que en el modelo estándar, un precio flexible equilibra los portafolios privados. No se trata en este caso de la tasa de interés, que está ausente del modelo, sino del tipo de cambio libre o flotante.

El tipo de cambio es el nexo entre los mercados de activos y de bienes, como lo es la tasa de interés en el modelo estándar. En este caso, sin embargo, el nivel de precios de los bienes no es exógeno, puesto que si bien no depende de la relación entre oferta y demanda agregadas (se supone que se fija según una regla de mark-up sobre costos directos) depende del tipo de cambio vía costo de los insumos importados. Así, una política monetaria expansiva se reflejará en subas del tipo de cambio y del nivel de precios, y provocará una reducción de los salarios reales, contrayéndose la demanda agregada por este efecto-ingreso. De modo que el impacto de la expansión monetaria es, al contrario de lo que sucede en el modelo estándar, de carácter recesivo.

El tratamiento es claro y muy detallado, lo que hace al texto muy apropiado como trabajo didáctico, que podría funcionar como nexo inicial entre las discusiones propias de un curso introductorio a la macroeconomía convencional y la problemática macroeconómica específica de una economía periférica en la que la dolarización de las relaciones financieras juega un rol muy importante.

En ese plano, entre tanto, deben señalarse como principales limitaciones:

- a) un tratamiento muy somero de los temas y problemas relativos a la política fiscal, dado que el énfasis está colocado evidentemente sobre la política monetaria,
- b) la ausencia de todo tratamiento de las conexiones de los mercados financieros domésticos con los mercados financieros externos, que se asienta en el supuesto de ausencia de movimientos de capitales. Quizás como consecuencia de esta simplificación, elementos como el endeudamiento externo del sector público y el peso de los devengamientos de intereses de dicha deuda sobre las cuentas fiscales, así como sobre los mercados de divisas, están ausentes de la discusión, a pesar de su indudable relevancia.

**Se incluyó en el envío el siguiente trabajo sin adscripción institucional.**

Fernández-Baca Ll., J. y Canalle B., L. "Rigideces nominales y dinámica de la inflación en el Perú, 1950-1990. Una aproximación empírica", mimeo.

Este trabajo parte de la constatación de que la existencia o no de rigideces de precios es fundamental para determinar el grado de eficacia de las políticas ortodoxas de estabilización y sus efectos recesivos o no. Se señala que habitualmente tanto críticos cuanto defensores de tales políticas argumentan en base a supuestos, pero existe poco conocimiento de base empírica sobre el fenómeno.

Así, estudiando la evidencia sobre el comportamiento de los precios en el Perú en el lapso 1952-90, el trabajo pretende "contribuir a llenar este vacío".

En el mismo se hace efectivamente un gran esfuerzo, tanto en el plano de la discusión teórica cuanto en el análisis empírico, en el sentido indicado, y se logran conclusiones bastante precisas. Sin embargo, las mismas no parecen sólidas y el trabajo debería en realidad considerarse una primera exploración del tema. En esencia, se concluye en la supuesta comprobación de un cambio estructural en la "ley de formación de precios" hacia 1976. Hasta entonces se constatan aparentemente importantes rigideces, pero las pruebas empíricas fallan en encontrar evidencias de rigideces de precios a nivel agregado a partir de ese año (ya sea debidas a inercia, cuanto al llamado "efecto curva de Phillips" o a la existencia de "rigidez pura", conceptos que se tratan de diferenciar siguiendo una aproximación desarrollada por Gordon, que se comenta en el texto).

El núcleo teórico del trabajo consiste en una minuciosa e interesante discusión de un modelo basado en trabajos de Gordon, Fischer y Taylor, que incorpora los distintos "factores de rigidez" ya mencionados. Se trata de un modelo simple de equilibrio general, que puede reducirse a una ecuación de demanda agregada, una de oferta agregada y una ecuación de determinación de los salarios nominales. Sin embargo, si bien la especificación del modelo se discute en detalle, se extraña la ausencia de referencias a las características propias de la economía peruana y al grado de adecuación del modelo considerado. Así por ejemplo, la ecuación de demanda agregada se deriva de una simple ecuación cuantitativa, y el principal determinante de las variaciones en la demanda agregada es la variación de la liquidez real. En esa especificación no hay, por ejemplo, ningún rol para los efectos ingreso asociados a las variaciones de las tasas inflacionarias y a los cambios de precios relativos, que tan importantes resultan para explicar las variaciones de demanda en otros contextos teóricos. O, por otro lado, la oferta agregada es de tipo "clásico", de modo que "si los salarios crecen menos rápidamente que los precios, el costo de producir se abarata y la producción puede crecer...". Naturalmente, esa especificación de la curva de oferta agregada, como sabemos desde Keynes -o al menos desde el Patinkin del capítulo 13- reposa en el supuesto de "mercado ilimitado". En situaciones de desequilibrio, entre tanto, es posible encontrar una asociación incluso positiva entre salario real y oferta (efectiva).

Una vez planteado el que se identifica como "modelo de Gordon", y sin haberse discutido suficientemente su adecuación a la economía que se pretende analizar, se utiliza el referido modelo para evaluar, mediante la aplicación de técnicas econométricas, la existencia o no de rigideces de precios en la economía peruana. El trabajo econométrico lleva a los autores a concluir, en particular, que, de acuerdo con los coeficientes estimados, "...no existen evidencias sobre rigideces de precios para el período 1976-90", mientras que sí parecen constatarse para el período previo a 1976. Por cierto, en tanto la adecuación del modelo no se discute en el texto, sino que se da de hecho por supuesta, es fácilmente posible que quienes creen que la evidencia de rigideces es abundante, utilicen esta conclusión en sentido opuesto al seguido por los autores: el test no prueba la inexistencia de rigideces, sino simplemente la

inadecuación del modelo de Gordon para la economía peruana.

Merece también objeción la operacionalización de algunas variables (y/o su interpretación) en el trabajo econométrico, así como la interpretación que se da a algunos coeficientes. Así, por ejemplo, considérese la ecuación estimada siguiente:

$$p(t) = a.p(t-1) + b.x(t) + c.Q(t) + d.z(t),$$

donde  $p$  es la tasa de variación de los precios implícitos del producto,  $x$  es la tasa de variación del PBI nominal (neto de la tasa natural de crecimiento del producto),  $Q$  es la variación absoluta del PBI real y  $z$  es una variable que capta los shocks de oferta. En primer lugar, el coeficiente "a" pretende captar el elemento inercial de la inflación. Aquí debe observarse que se trabaja con períodos anuales, y que si los períodos de reajuste de las variables nominales son distintos del año o los reajustes son defasados en relación con el año calendario (y pueden ser además defasados entre sí, para distintas variables), dicho coeficiente no reflejará apropiadamente la operación de los factores de inercia. Adicionalmente, en relación con la variable  $x$  cabe destacar que la misma se interpreta como "crecimiento exógeno en la demanda agregada", interpretación muy restrictiva y que puede resultar inadecuada. Pero dada esa interpretación de "x", el coeficiente "b" es a su vez interpretado como la elasticidad de la tasa de inflación frente a los shocks de demanda, concluyéndose que en tanto "este coeficiente sea menor que la unidad se tendrá una primera evidencia de rigidez pura de precios, y cuanto más pequeño sea ese coeficiente mayor será el grado de rigidez". Es justamente el hecho de que ese coeficiente no resulte, en la estimación efectuada para el período 1976-1990, significativamente diferente de la unidad, lo que mueve a los autores a señalar la aparente ausencia de rigideces de precios en el referido lapso. Una observación obvia en sentido contrario surge de considerar que, en períodos de muy alta inflación -como lo es el período en cuestión- la tasa de variación del PBI nominal y la variación de los precios implícitos son de tal magnitud que toman despreciable a la diferencia entre  $p$  y  $x$  debida a la consideración de la tasa de crecimiento del PBI real en relación con su tendencia. Por las limitaciones señaladas, el trabajo puede ser considerado un primer y provocativo avance hacia el estudio de las rigideces de precio, que debería dar lugar a trabajos posteriores a fin de integrar mejor la discusión teórica con la problemática específica del Perú, por un lado, y a mejorar paralelamente el tratamiento econométrico, corrigiendo algunos problemas como los relativos a la interpretación y operacionalización de variables que se han señalado más arriba.



## Report on "Deuda Externa Peruana: Problema Solucionado?", by Jorge Rojas

The objective of the paper is to evaluate the problem of the Peruvian external debt. In particular it raises the issue that the recent improvement in the Peruvian external accounts are due mainly to extremely favorable temporary circumstances which can be reversed very easily. The paper is developed in three sections. The first one reviews the literature on the causes, consequences and solutions for the problem of the latin american debt. The second one builds a formal framework for the long-run analysis of the debt problem. The last one uses that framework to approach the Peruvian problem.

The first section identifies as causes of the debt problem the excessive liquidity of the international financial system in the seventies and the bad use of the resources by the indebted countries. Although the debt problem was caused by mistakes from both banks and debtors, the author argues that only debtors are suffering the consequences of that mistake. The indebted countries became net capital exporters in the eighties, sacrificing their production growth: A list of proposed solutions is classified into two categories: the optimistic ones - which require no major changes in the institutions or in the structure of the countries - and the pessimistic ones - which require major changes.

The second section develops a simple growth model to evaluate different scenarios for the ratio debt/product under three set of assumptions, of increasing complexity and realism. The purpose of the first and second sets of assumptions is only didactic. In the third set, it is assumed that exports and GDP grow at constant (not necessarily equal) rates and that the value of imports is a constant share of GDP. Since imports grow at the same rate of GDP, the trade surplus growth depends on the difference between the growth rates of export and GDP (imports). The debt accumulation obviously depends on the comparison between the interest rate (the rate at which the debt accumulates) and the growth rate of the trade surplus (the rate at which the capacity of payment is growing). The author derives an explicit formula for the debt/product ratio. He, then uses observations of the period 70-88 and the derived equation to classify the situation of the Peruvian economy in each year, according to the ranking of the variables. For most of the years the values (interest rate, export and GDP growth rates) are such that the debt/product ratio would tend to increase, according to the equation derived. Although in the recent years the values for those variables indicate a decrease of the debt/GDP ratio, he argues that the favorable values for those variables now are temporary. He seems to imply that values for the variables in the long run will probably look much more like the values observed in the period 70-88. For that reason the recent improvement in the debt/product ratio is only a result of an unsustainable positive shock in the values of the relevant variables (specially the interest rate). The author does not offer any explanation for that belief, which should be based on a historic analysis of the Peruvian economy.

The paper is very well written. Each specific point is clearly explained. The author shows analytical ability and knowledge of the relevant issues. However, the analysis of the Peruvian situation is built almost exclusively on hypothesis about the parameters of the formal model developed, leaving the review section as an isolated part, unrelated to the two other sections. In fact, to base the conjectures about the Peruvian situation only on past observations of the variables of the

simple formal model constructed is not the safest strategy. A section on the history of the Peruvian external accounts would be very useful for the evaluation of the situation now.

Report on "Precios Relativos, Produccion Interna y Exportaciones en Modelos de Competencia Perfeita," by Mario D. Tello

The paper builds a model of imperfect competition with two sectors: domestic and external. For simplicity it assumes that the demand in the external sector is infinitely elastic. The main contribution of the paper is to build a very flexible model where several specific issues may be approached. In particular, it includes the possibility of economies or diseconomies of scope among sectors. The theoretical results are intuitive and not very exciting. It is good model for empirical analysis, which however is not pursued in this paper.

There are three sections that constitute the core of the paper. The first one builds a general model of imperfect competition and derives the effects of cost and demand shocks. The second introduce the external sector into the model. It assumes perfect competition for the external sector while it maintains the flexibility for the domestic sector (the type of competition could range from perfect competition to monopoly). It also allows economies of scope between the domestic and external sector. The effects of demand, cost, and international price shocks on the domestic price and on the domestic and external productions are derived. The third section is a continuation of the second where the effects on the total production are derived in the case of homogeneity between the internal and external product. Also, the analysis of the section before is specialized for the case of perfect competition in the domestic market.

The paper is carefully done. It is excellent for didactic purposes or as a framework for empirical analysis. It is not very exciting as a theoretical paper, though.

Report on "Política Monetária en una Economía Dolarizada: un Modelo para el Peru," by Oscar Dancourt and Waldo Mendoza.

The objective of the paper is to construct a model for the analysis of monetary policy effects in Peru. For that purpose it uses the framework proposed by Tobin (1982) in his Nobel Lecture. The model tries to capture some features of the Peruvian monetary institutions as the absence of bond markets and the prominence of a foreign currency (the dollar) in the portfolios of households and banks. The absence of bond markets implies that the monetary authorities cannot do monetary policy through open market operations. The importance of the dollar in the agents' portfolios makes the monetary authorities operations with dollars in the domestic market, an instrument of monetary policy that most often is not taken into account in standard models.

In section two, those features are introduced in the balance sheets of the agents in the economy: monetary authorities, banks and households. The demand function for each kind of asset is formulated considering the accounting structure imposed by those balance sheets. Section three uses those relations to establish the equilibrium conditions in four markets: credit, dollar, money and goods. The Walras's Law is called up to eliminate the dollar market. Hence, the model equilibrium is obtained through the equilibrium conditions in the three remaining markets. Section four presents a graphic representation of the model, and section five performs comparative statics exercises based on the effects of changes in the values of the central bank instruments. Section six offers concluding remarks about monetary policy in Peru.

The main result of the paper is that a contractionist monetary policy raises the interest rate, causes an appreciation of the domestic currency and reduces the level of activity. Thus, a contractionist monetary policy is expansionist. This peculiar result comes from an unreasonable assumption: the exchange rate does not affect the trade balance. So, the only direct effect of an appreciation of the exchange rate on aggregate demand is through the increase in real wages caused by the price level reduction (nominal wage is assumed to be fixed). A higher real wage increases the aggregate demand. Aggregate supply does not depend on real wages or on any variable of the model other than aggregate demand. As we see, the peculiar result obtained does not follow from the specific structure of the financial markets assumed, but from unreasonable assumptions in the market for goods.

We can summarize our comments in the following form. The authors choose an interesting problem: that of the monetary policy effects in a country with a peculiar financial structure. They choose an adequate framework: Tobin's general approach for monetary analysis. They model the financial peculiarities in a competent way. However, they obtain their peculiar results from uncommon assumptions in the market for goods.

Title of the paper: "Impacto de la Política de Precios y de Crédito Agrícola sobre la Distribución del Ingreso en el Perú: 1985-1990", by Javier Escobal D'Angelo, GRADE.

### Objectives

The main objective of this paper is to evaluate the distributive impact of the minimum prices and credit policies for the agricultural sector in Peru implemented during the government of Alan García. Such policies had as their main objective the promotion of the agricultural sector in order to increase the supply of foodstuff and thus reduce their prices. In the context of the Programa de Reactivación Agropecuaria y Seguridad Alimentaria (PRESA), the government established minimum prices for the basic agricultural goods (based on an estimate of direct costs and an average profit margin of 20%) and provided subsidized credit to agriculture producers.

### Relevance of the theme

The theme is certainly relevant. The agricultural sector plays an important role in the Peruvian economy where: a significant share of the poor live in the country side, foodstuff account for 51% of the budget of the average family and for 82% of the budget of the 20% poorer. In face of the importance of the sector, the objectives set by the García government seem very justified, that is, to promote agriculture production through minimum prices and subsidized credit, thus increasing the income of agricultural producers and reducing the cost of foodstuff.

### Success in fulfilling objectives

The paper is very successful. The arguments are well developed and the data used seem very appropriate for the points which the author wants to make.

The paper presents convincing evidences that subsidized credits favored the production of goods and producers in regions where the poorer agriculture producers are a minority. The access to subsidized credit and agricultural implements did not take as a criterium the distribution of wealth among the producers. As a result, the distributive effects of the policy were regressive. The paper also shows that the effect on the reduction of agriculture prices was not significant.

A central objective of the program was to increase the supply of agricultural products and, as noted by the author, "la demanda del cultivo en los mercados urbanos fue un criterio determinante en [la] elección [de los cultivos]" (p. 24). I think that the paper does not answer the following two questions:

1. To what extent the policy was able to increase the supply of the agricultural goods demanded by the urban areas? Even if the policy was regressive in the agricultural area, it might have succeeded in increasing the supply of agricultural good which was, in fact, its main objective.
2. To what extent the goods produced by the richer producers are exactly those with greater demand in the urban areas? Put in other words, is not there a positive correlation between the goods produced by the wealthier producers and the goods demanded in urban markets? If such correlation exists, it would have been very difficult to attain two objectives at the same time, namely, to implement a policy which redistributes income in favor of the poorer producers

in the agriculture sector and which increases the supply of goods demanded in the urban markets.

Title of the paper: "Políticas Liberales en una Economía Abierta hasta 1960", by Jorge Rojas, Universidad Católica.

### Objectives

The objectives of the paper are threefold: 1. to show that up until 1960 the tone of the economic policies in Peru was essentially "liberal"; 2. to present the basic reasons accounting for this; and 3. to discuss the factors which in the 1940's and 50's gave rise to a more interventionist policy regime.

### Relevance of the theme

The theme is unquestionably relevant. All over Latin America we are seeing a decrease in the interventionist approach --with a reduction in protectionism and a reduction in the "size" of the State-- and it seems very appropriate to examine the historical background which led to State intervention in the different countries of the region. Understanding the origins of greater intervention may be important to understanding the current trends towards smaller intervention.

### Success in fulfilling objectives

The paper is only relatively successful in attaining the three objectives listed above. It shows that, compared to other countries in the region, the economic environment and the policies in Peru were liberal: tariffs were low and quantitative controls of imports were rare, (as a consequence) the economy was open, and the public sector was small. It cites the fact that the manufacture sector was oriented towards exports as another evidence of the liberal environment. Yet, for reasons given below, I do not see why this is an evidence of liberalism.

The paper provides relatively convincing reasons for the liberal environment up until 1960 and the growth of a more interventionist approach therein. The arguments for the sustainability of the liberal environment until 1960 are: 1a. that the export elite was strong enough to influence the economic orientation of the government; 1b. that exports were diversified thus reducing the degree of economic instability; 1c. that the urban middle class was small and could not push for interventionist policies; and 1d. that interventionist policies failed in the 1920's and 1945-48.

The causes for greater intervention are: 2a. a decrease in the profitability of exports; 2b. the balance of payment crises of the 1940's and 50's; 2c. and social and demographic changes --growth of the urban middle class-- which increased the social demand for intervention.

In relation to point 1a, why should exporters have any preference for a liberal as opposed to interventionist State? I think that this is an important question for the paper. Depending on the circumstances, they may prefer an interventionist government. Exporters prefer policies which promote exports. Indeed, as shown in the paper, exporters were perfectly happy in Peru with the active exchange rate policy. It is a mistake to think that an export bias is a signal of liberalism or that exporters favor liberalism. The potential conflict between protectionism and the interests of exporters results from the tendency of overvaluation of the currency whenever tariffs are high or other types of import control are used.

To some extent, reasons 1b and 2a seem to be inconsistent: the diversification of exports was not sufficient to assure the success of the export-oriented model.

If this is what the author suggests, I tend to agree that the growth of the urban middle classes imposed social restrictions to devaluations and hence influenced the adoption of

import restrictions associated with more a interventionist approach.



Title of the paper: "Una alternativa al Actual Sistema de Sobretasas Agrícolas en el Peru", by Javier E. D'angelo and Arturo B. Lira, GRADE.

#### Objectives

The objective of this paper is to evaluate the impact of the adoption of a system of flexible over-tariffs on the import of a selected group of agricultural goods in Peru after 1991. The study examines the extent to which there has been trade deviation, and the repercussions on the nominal and effective rates of protection of domestically produced goods, on fiscal revenues and on the variability of prices.

#### Relevance of the theme

The theme is relevant to the extent that agriculture is an important sector for the Peruvian economy and that price variability can have negative effects on the decisions to produce and invest.

#### Success in fulfilling objectives

The paper is successful in attaining its objectives. The main objective of the adoption of the system of flexible over-tariffs as stated by the government was the stabilization of prices. This objective was accomplished. The paper provides evidences that the system had the following side effects:

1. The system led to trade deviation with the import of goods not subject to the over-tariff being subject to significant variations as a result of changes in the protection of those subject to over-tariffs.
2. There was an increase in fiscal revenues but on the other hand there was an increase on the prices paid by consumers.
3. The system gave rise to recurrent changes in the rates of effective protection for the same good over time and among goods. The uncertainty which accompanies these changes in the structure of protection is obviously undesirable.

Title of the paper: "Incidencia Tributaria sobre las exportaciones no Tradicionales en el Peru", by Jorge G. Vega, CISEPA-PUC.

### Objectives

The paper has three objectives: 1. to discuss the theoretical implications of alternative systems of export promotion through fiscal incentives; 2. to present the international legislation (GATT) and that of the US concerning fiscal incentives to exports and the corresponding retaliatory instruments; and 3. to estimate the fiscal burden on manufactures goods in Peru. Based on the latter estimation and on the current levels of drawback permitted by the Peruvian legislation, the author attempts to access the degree of export promotion of the current system.

### Relevance of the theme

The theme is relevant to the extent that the trade system in Peru, as well as in other Latin American countries, is going through a major revision. The most notable aspect of such revisions is the reduction on the average level of tariffs on imports. However, changes in the system of export promotion are certainly very important too.

### Success in fulfilling objectives

The first and second objectives stated above are not particularly ambitious. The author reviews the theoretical and institutional bases of export promotion through fiscal incentives, and does this efficiently.

The third objective is certainly more challenging but I am not sure that the author is very successful for two reasons. First, notwithstanding the laborious effort to estimate the total tax burden on different branches of the economy using the input-output matrix, the author is the first to admit that the estimate is not very precise, and that further investigation is required. However, he does provide an estimate which serves as a bench mark.

The second shortcoming is more serious. Based on his estimates, the author concludes that the tax burden in Peru is heavy, and that the level of drawback permitted by the Peruvian law is low. The problem is that nowhere in the text is stated in comparison to what the burden is heavy and the exemptions are low. This shortcoming obviously makes the conclusions of the paper weak.

Title of the paper: "Un Modelo de Equilibrio General para la Estimacion del Sesgo Antiexportador en la Economia Peruana", by Jorge Vega and Miguel Ostos, PUC.

### Objectives

The objective of this paper is to estimate the anti-export bias of the imposition of tariffs on imports. This is done using a general equilibrium model in which the economy is disaggregated into three sectors, namely, non-tradable, importable and exportable goods, and among the latter, between non-traditional (manufactured) and traditional (minery and agricultural) goods.

### Relevance of the theme

The theme is relevant to the extent that the trade system in Peru, as well as in other Latin American countries, is going through a major revision. The most notable aspect of such revisions is the reduction on the average level of tariffs on imports. However, changes in the system of export promotion are certainly very important too.

### Success in fulfilling objectives

The authors are successful in attaining their objectives. The method used is interesting in itself. The authors first estimate the elasticity of the price of non-tradable goods with respect to the price of importable goods (both relative to the price of exportable goods). With this estimation it is possible to calculate the degree of effective protection of the import substitution industry and the rate of implicit tax on the production of exportable goods. The size of such "implicit tax" is a measure of anti-export bias.

The results of the estimation show that the degree of protection of import substitution industries is smaller than the nominal level of protection and that the export sector does pay an implicit tax ranging from 20 to 36% in the case of non-traditional exports and 16 and 30% in the case of traditional export goods. The difference is the result of differences in the structure of production of the two sectors: while the traditional exports sector uses non-tradable inputs more intensely, the non-traditional exports sector (manufacture) uses importable goods more intensely.

Comments on the paper

## **Hyperinflacion y cambio de regimen en el Peru: un analisis comparativo**

by Gloria Canales and Alan Fairlie

Documentos de Trabajo n° 95 CISEPA, PUC-Peru

also published in ECONOMIA vol. XX n° 27, June 1991.

- The paper is a broad exploration on the nature of the recent Peruvian inflation. It reviews briefly existing papers on the subject and provides some evidence on a number of peculiar aspects of the Peruvian experience. The conclusions are somewhat unusual, especially the evidence on the small importance of dollarization and on the active role played by public prices to the acceleration of inflation. These conclusions are important enough to warrant further research on the topic.
- The paper starts with a critical analysis of several other papers on the same subject, comprising those offering an orthodox (fiscal-monetary) view of the inflationary process in Peru and others emphasizing a wide range of issues, foremost among which the alleged increase in "dollarization". Although the practice of starting an investigation with a literature review is surely a desirable one, it is certainly to the benefit of the reader if ideas and established results are organized according to the issues involved rather than by author, or by paper. The paper could improve quite substantially if the issues are sorted out and, say, "schools of thought" are identified. Orthodox, heterodox and "inertialists" are clearly identified, though one is not sure to understand what are the true differences between those.
- Regarding the orthodox, for instance, one should not be convinced by the dismissal of their views on the basis of the rather superficial comments made on the early part of the paper. The econometric work of the later part of the paper does not address the importance of monetary-fiscal issues. Inertial and distributional conflicts notwithstanding, it is difficult to conceive a comprehensive treatment of the Peruvian inflation without a more careful consideration of fiscal issues.
- The core of the paper is the characterization of the high inflation and the hyperinflation regimes, apparently following the typology developed by Roberto Frenkel (1989). These regimes are defined according to values assumed by the parameters of a price equation,

or more specifically by the nature of wage indexation. The treatment is rather superficial and does no justice to the complexity of the issues involved. The authors do need to draw from the recent literature on the topic, which has gone much further than this. See, for instance, Végh (1992), Cukierman(1988) and Helpman & Leiderman (1988).

- Despite the weakness in the analytical treatment of the issues the paper offers an interesting panel of empirical regularities of the Peruvian inflation. It is true that the form by which regressions are presented is quite inadequate to the reader, but even so, it is possible to draw several conclusions of interest. The little importance assumed by dollarization is rather surprising and confronts the recent work of Guidoti & Rodriguez (1992). The reduction in contracts' length is interesting, though the authors could state more clearly how the changes in coefficients observed by regressions with data of different periodicity establish the conclusion. Finally, the leading role played by public prices is surprising conclusion that well deserved further analysis.

- The paper has weaknesses but it motivates the issues quite well. More research on these topics is badly needed.

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Comments on the book

**El Pendulo Peruano: políticas económicas, govenabilidada y desarrollo, 1963-1990**

by Efrain Gonzales de Olarte and Lilian Samamé

Instituto de Estudio Peruanos.

- The book is a very interesting investigation on the political economy of the Peruvian economic development in the post war years. Its account of the political business cycle involved in the conduct of economic policies in Peru is illuminating and novel.
- The book starts with a review of the historical experience that emphasizes the shifting orientation of economic policies in Peru. The reader unfamiliar with the Peruvian experience cannot fail to be impressed by the sharply contrasting orientation of policies enforced by the successive administrations ruling the country.
- The second chapter presents an imaginative model connecting economic instability to structural features of political representation in Peru. The fragmented aspects of political representation leads to predatory political competition within a fragile institutional context, which translates chronic political deadlocks into economic instability.
- The third and fourth chapters are the less original parts of the book. They provide an examination of distributive conflicts in Peru and even attempt some empirical testing of the presence and intensity of such conflicts. The book could benefit quite a lot from a more extensive use of the relevant literature on distributive conflicts in Latin America.
- By and large, the book succeeds in making a very convincing case on the connection between economic and political instability, and also advances very sharp observations of the role of institutions to the solution of conflicts in a fragmented society.

To: celine@CSB DGSI  
From: Fred Carden@CSB DGSI  
Cc:  
Bcc:  
Subject:  
Attachment: erc-peru  
Date: 97/05/13 16:04

the attached should be filed with the evaluation - it is a quick translation by trish of a spanish evaluation. Keep electronic and on file. thanks.

\*\*\*\*\*

Fred Carden  
Senior Program Officer, Evaluation Unit  
International Development Research Centre  
P O Box 8500, Ottawa, K1G 3H9, Canada  
tel: +1 613 236 6163 ext. 2107  
fax: +1 613 563 0815  
email: fcarden@idrc.ca

Economic Research Consortium Peru  
evaluation conducted 1993  
an IDRC/CIDA project  
evaluation of first phase, contributed to design of next phase

**Results of the evaluation:**

- has helped to retain and attract Peruvian researchers to work in -country through financial stability created by the long term project
- this has also meant some of the best students in the country had solid research projects on which to work in-country with their supervisors
- building of the research community in Lima, through linkages amongst researchers but this needs to be further developed
- quality of research publications acceptable, but more work needs to be done to encourage more publication
- needs more dissemination to have policy impact
- **impacts** to date include: contribution to the policy on surtax on agricultural imports (the press play an important role in ensuring the GRADE research involved played a key role in the policy development process -- without it the import lobby group would have won the day)

**Role in future work with the consortium by IDRC**

played a role in strengthening the next phase, but did not result in significant changes; consultants essentially confirmed the views of IDRC on the project:

concluded the project going fairly well, and recommended:

an external advisory Board, which has been done

need to strengthen dissemination and publication, which has also been done



2.2.16

## **II. Makerere: Health Sciences Rehabilitation**

a project focussed on developing the community health stream at Makerere University in Kampala, a new stream for study at that school.

an end-of-project evaluation, with no commitment at outset to have follow-up work undertaken by IDRC

no funding to this project this FY, but some funding next FY under consideration by EARO

suggested some re-organization which would affect how research and teaching are organized, and with some recommendations on curriculum; need for strategic planning put forward; and therefore it is anticipated that IDRC funding would await the university response to the recommendations: it is too soon to anticipate responses

2.1.48

**III. RIMISP: Red Internacional de Metodología de Investigación de Sistemas de Producción**

- food systems research methodology network

to increase the adoption rate of new technologies in small scale Latin American farming systems by improving the methodologies of the research and transfer processes

- found that so far that the group is in the vanguard in terms of scientific methodological research, but if they are going to have an impact they have to permeate the larger agricultural research community. **dissemination** should be the major focus for next activities.