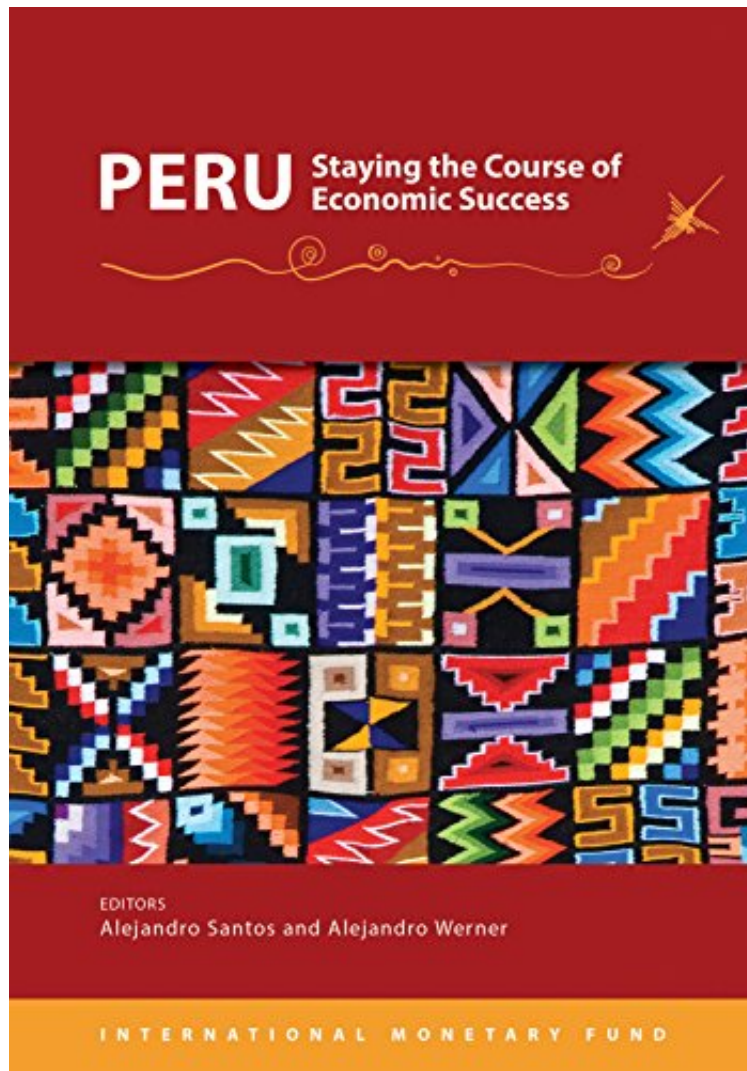


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M. Alejandro Werner, Alejandro Santos : Peru before purchasing it in order to gauge whether or not it would be worth my time, and all praised Peru:

0 of 0 people found the following review helpful. Peru: A View From the Top By Jeremy P. Cliff This volume presents a multifaceted look at Peru's economic accomplishments and future challenges. Each contribution by both international and Peruvian economists and officials, in its own way, explains how the country has been transformed into one of the better economic performers in Latin America, and examines what needs to be done to sustain future growth and development. The common thread throughout the volume—and its essential takeaway—is that structural reforms have provided good payoffs for Peru over the past 30 years. With the external environment now turning less favorable than in the recent past, the authorities will need to revisit this lesson and redouble structural

reform efforts as they confront the tasks ahead. Part I sets the stage by providing a review of Peru's economic history over the past 30 years. Like many countries, Peru implemented misguided policies in response to the oil price shocks of the 1970s, resulting in a profound debt crisis in the 1980s. By 1989–90, the country was mired in hyperinflation, large internal and external imbalances, a multiple exchange rate system, rapid economic decline, and domestic terrorism. But fast-forward 25 years and a completely different picture emerges. In 2014, the Peruvian economy was considered one of the strongest performers in the region. In Chapter 2, Renzo Rossini and Alejandro Santos relate how this transformation was accomplished, describing how the authorities implemented their stabilization programs and reform agenda. The authorities' efforts turned the economy around and continue to bear fruit today. For example, during the commodity price boom and favorable external financial conditions over the past decade, Peru was able to successfully absorb a surge in investment flows without overheating or experiencing financial sector problems. Similarly, when the global financial crisis broke out, Peru had ample buffers and policy space to maneuver around the turbulence, and emerged unscathed. This hefty volume takes a look at one of Latin America's more successful economies. It is a must-read for anyone interested in successfully transforming an emerging market economy. Many observers have noted that the cornerstone of Peru's fiscal turnaround was the passing of a fiscal transparency law in 1999. As discussed by Cesar Liendo in Chapter 6, the law introduced a modern macro-fiscal framework and a fiscal rule, both of which have been gradually modified. These second-generation reforms have made the macro-fiscal framework simpler, more transparent, and more able to accommodate adjustments in the structure of the economy. Reforms in tax policy and in public financial management have helped Peru achieve solid fiscal accounts. Spillovers from the global financial crisis posed a major challenge to Peru's monetary policy. To combat the recessionary effects of the global slowdown, developed country central banks implemented expansionary monetary policies that lowered interest rates to near zero and triggered quantitative easing policies. Within this context, Renzo Rossini, Adriana Armas, and Zeno Quispe in Chapter 13 describe how the BCRP confronted the spillover effects from these developed-country policies, which led to large capital inflows seeking higher yields. Their work offers a particularly close look at how the BCRP formulated a set of reserve requirements in response to shifts in credit and capital flows. In a similar vein, Chapter 14 by Renzo Rossini, Zeno Quispe, and Donita Rodriguez focuses on the BCRP's sterilized intervention policies, providing background information on their rationale and on their impact on financial markets. Peru's financial sector performance strengthened, along with financial supervision. In Chapter 15, Javier Poggi, Lucia Romero, Manuel Luy, and Narda Sotomayor provide a review of how the authorities used these good economic times to modernize and reinforce financial sector supervision and regulation. In Chapter 16, Mercedes Garcia-Escribano investigates how macro-economic stabilization and other policies have helped to gradually reduce dollarization. The main social policy challenge going forward is to eradicate persistent pockets of poverty and social exclusion. Although Peru's social indicators have improved over the past decade in line with rapid economic growth and improvements in public policies, there are still high rates of poverty and malnutrition among the country's rural population, female-headed households, and native language speakers.

IMF economists work closely with member countries on a variety of issues. Their unique perspective on country experiences and best practices on global macroeconomic issues are often shared in the form of books on diverse topics such as cross-country comparisons, capacity building, macroeconomic policy, financial integration, and globalization.

An impressive economic study, this book goes through the transformation of Peru from case study of instability and bad policies in the 1980s to one of the most successful emerging market economies in the twenty-first century. The IMF should feel proud to have accompanied such a successful experience through extensive technical assistance, focused surveillance, and continued financial support in the context of well-designed economic programs. --Michel Camdessus, Former IMF Managing Director.