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REVIEW ARTICLE

Comparative Analysis of the Protectionist and Liberal Economic Models in Peru: 1961–2021

Análisis comparativo de los modelos económicos proteccionistas y liberal en el Perú: 1961-2021

José Adolfo Hinojosa Pérez.*

Economista. Doctor en Ciencias Económicas por la Universidad de París VIII-Francia. Profesor en la Facultad de Ciencias Económicas de la Universidad Nacional Mayor de San Marcos (UNMSM) de Lima, Perú. Cod. ; ORCID: 0000-0002-6171-8521
*Correspondence to email: jhinojosap@unmsm.edu.pe

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Abstract

The objective of this research is to carry out a comparative analysis between the two models of growth and development that have been applied in Peru over the last 60 years (1961–2021). That is, to study both the Import Substitution Model (ISM) and the Liberal Model (LM), and, based on this, determine which of these models was superior or worse in terms of economic growth and social well-being for the country. For this purpose, qualitative and quantitative research approaches were used, along with other scientific research methods, employing documentary review as the main information-gathering technique. Thus, among other economic indicators, the study analyzed the performance of the main indicator of economic growth, GDP, in real terms, in order to eliminate any data distortions caused by inflation. Likewise, the main social indicators were studied and compared to measure the country's social well-being during the years under review. The results of the study show that the LM, developed between 1990 and 2021, far outperforms the ISM in terms of economic growth and improvements in social well-being for Peruvian society. However, this does not mean that the model has completely solved the country's economic and social problems.

Keywords: Protectionism, liberalism, economic growth, economic crisis, real GDP per capita, poverty.

Resumen

El objetivo de este trabajo de investigación es el de desarrollar un análisis comparativo entre los dos modelos de crecimiento y desarrollo, que se aplicaron en el Perú, en los últimos 60 años (1961-2021). Es decir, analizar tanto el Modelo de Substitución de Importaciones (MSI) y el Modelo Liberal (ML), y a partir de ello, establecer cuál de estos modelos fue superior o peor, en términos de crecimiento económico y de bienestar social para el país. Para cuyo caso, se utilizó el tipo de investigación cualitativa y cuantitativa, usando para ello la revisión documental como técnica de recolección de la información. Se ha analizado entre otros indicadores económicos, el comportamiento del principal indicador del crecimiento económico como es el PBI, en términos reales, para despejar toda distorsión de data, por efectos de la inflación. Asimismo, se tomó en cuenta el estudio comparativo de los principales indicadores sociales, para medir el bienestar social del país durante los años de estudio. Los resultados del análisis demuestran que el ML, desarrollado entre 1990-2021, supera ampliamente al MSI, en términos de crecimiento económico y mejora del bienestar social para la sociedad peruana. Sin que ello signifique que este modelo, haya resuelto por completo los problemas económicos y sociales del país.

Palabras clave: Proteccionismo, liberalismo, crecimiento económico, crisis económica, PBI real per cápita, pobreza.

1. Introduction

The general objective of this research work is to analyze and compare the two economic models applied in Peru, during the last 60 years, in the line of Kondratieff's long cycles. 30 of which correspond to the implementation of the Import Substitution Model (MSI) [1961-1990] and the other 30 concern the Liberal Model (ML) [1990-2021], also called the "neoliberal" model. In other words, what is at stake is to compare the results of both models of economic and social development, in terms of first their economic performance and then their effects on the social well-being of the Peruvian population. (Cvetanović, 2018)

The Import Substitution Model began in Peru in 1959, with the enactment of Law No. 13270 of Industry Promotion, during the government of Mr. Manuel Prado, proposed the domestic production of durable and non-durable final manufactured consumer goods, to satisfy the domestic demand for these same goods. In order to implement this industrialization policy, the State applied a set of specific policies aimed at protecting the domestic market from foreign competition, through the progressive imposition of tariff rates, as well as the exemption from taxes on imports of inputs and capital goods (machinery and equipment), and also the granting of fiscal incentives for the recapitalization of companies. But, in addition to applying this type of measure, the State also implemented a policy of exchange rate control, which included preferential exchange rates for the import of industrial inputs and capital goods. (Uriarte, 1980) (Baer, 1972)

All these industrialization policies produced a significant attraction of foreign capital to the country, highlighting the participation of capital, especially North Americans, in the manufacturing industry during the 1960s, after having done so during the preceding decades, in the mining and oil sectors. (CEPAL, 1984)

But, towards the end of the 80s, the MSI had reached a situation of exhaustion and crisis, since the Peruvian economy was literally in a situation of bankruptcy "Failed Nation", since the serious economic crisis as a result of the stagflation that hit the country, since 1975 and especially during the 80s, added to political violence of a terrorist nature; had caused a serious deterioration in the economic and social well-being of the population, which is why ECLAC would call the decade "The Lost Decade", in terms of economic growth and quality of life, of a brutal increase in poverty levels, the quasi-disappearance of the middle class and the emigration of vast sectors of the population to countries of the developed North.

In this context, in 1990, a change of government took place, presided over by Mr. Alberto Fujimori, whose objective was first to stabilize the country's economy, and secondly to implement a set of structural reforms in the economy. These measures, conceived and recommended by the so-called "Washington Consensus",1 agreed upon by the main industrialized economies, as well as international financial organizations, such as the International Monetary Fund (IMF) and the World Bank (WB), tended in the short term (PC) to resolve the inflationary and recessionary crisis that was plaguing the country, and in the long term (LP), to apply a new development strategy, completely opposed to the protectionist and interventionist development strategy (Inward Growth) that was applied in the preceding decades, as was the case with the MSI.

The Stabilization Policies in the Neoliberal Model, recommended by the aforementioned consensus and implemented by the government of Mr. Fujimori, consisted of the application of a set of economic policies, consisting of fiscal policies and monetary policies, the latter being the exchange rate policy. Thus, according to Seminario (1995), in August 1990, the following measures were enacted to restore the macroeconomic balances lost due to the economic crisis: a) The elimination of the fiscal deficit b) Strict monetary control (to avoid inorganic issuance) c) The unification and liberalization of the exchange rate (to move from a fixed exchange rate regime to a flexible one) c) The stabilization and correction of public prices (Sincerity of public services provided by the State).

As for structural adjustment policies, in the LP, these were aimed at transforming the country's development strategy, liberalizing the price control system and changing in turn the statist economy for an economy of free market competition. In other words, the central objective of these policies was to change the regime of economic accumulation, and to establish a new pattern of growth in Peru, through a Liberal Model of Economic Growth. (Seminario, 1995)

The structural adjustment policies included the following structural reforms: (a) Fiscal reform (Tax reform) (b) Liberalization of the financial market (c) Trade liberalization (tariff reform) (d) Labor reform and (e) New role of the State and privatization of public enterprises.

To conclude this part, this paper is justified by the importance of analyzing and comparing the two economic models with the greatest impact and the greatest controversy in the modern economy. Since the world, especially after the industrial revolution, is torn between the application of these two types of models, as has been happening in recent months, with the protectionist and interventionist policies of Mr. Donald Trump, in the USA, which are disrupting the world economy. This work is also justified by the scant economic research on the subject, especially from the comparative angle between these two models. Finally, it is considered that this work will contribute to a better understanding of these models by academia, and that it will also transcend the field of politics, so that political authorities have better elements of judgment in decision-making on economic and public policies.

In this context, the following research problem arises: To what extent have the Protectionist Economic Model and the Liberal Model had an impact on the economic and social development of Peru?

2. Materials and Methods

The research methodology used has been descriptive-explanatory and applicative, as well as the historical-comparative method, to contrast the behavior of the two economic models under study. Also, a quantitative analysis, because macroeconomic data and time series of time periods are used, in order to respond to the problem statement. The method is also analytical and qualitative because a theoretical analysis is carried out taking into account the different economic theories and currents of thought (Gonzalez-Cáceres, 2024).

The methodological design is non-experimental and longitudinal, because it allows the study of economic phenomena throughout the established time of the 60 years of analysis, establishing the relationships of cause and effect.

Therefore, in order to achieve the objective of this study, an organized work of information search and systematized documentary review was developed, from national and international secondary sources.

3. Results and Discussion

3.1 The Import Substitution Model (MSI): 1961-1990

Economic Growth in the MSI

During the first decade and a half of application of the MSI, this model showed significant dynamics. Since the industrial sector exhibited significant levels of economic participation, which had a favorable impact on the growth of the country's total GDP. Thus, as can be seen in Table No. 1, in 1960, the manufacturing sector contributed 17% to the generation of GDP, and in 1975, this participation in the total GDP had increased to 26.2%, which explains why industrial activity increased substantially in that period, as a result of the application of the MSI.

The axis of this model, also called Industrialization by Import Substitution (ISI), according to Rodríguez (1977), with data from the Ministry of Industry and the National Planning Institute (INP), was the production of non-durable and durable consumer goods, where the food industry, alcoholic and non-alcoholic beverages, footwear, tobacco and printing. These industries together represented approximately 39.2% in 1960 and in 1973 37.3% of total industrial activity. Then the other component of non-durable goods is light industry, in which the textile industry, together with wood, leather and rubber, all of them accounted for 19.8% in 1960 and 17.4% in 1970. For its part, the durable consumer goods industry, composed of the production of household appliances, metal products and transport equipment (vehicles)2, had a participation in the total manufacturing sector of 8.8% in 1965, in 1970, it will be 9.6%, and in 1975 it will be 15.5%.

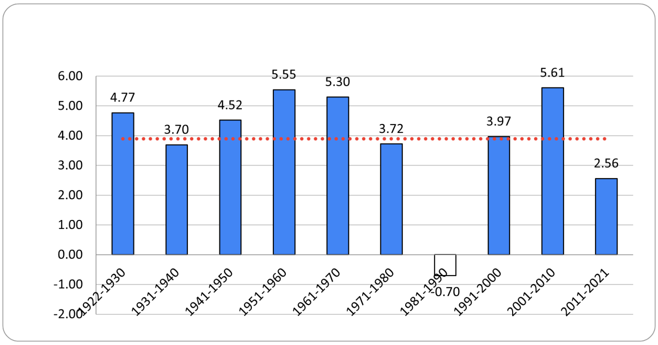
Table 1. Peru: GDP structure, 1950-1975 (in percentages)

Year	Agriculture	Fishing	Mining	Manufacture	Construction	Others
1950	20.4	0.4	6.8	13.6	6.3	52.5
1960	18.5	1.4	10.4	17	5	47.7
1965	14.6	2.6	8.8	23.6	3.8	46.6
1975	12.7	0.7	6	26.2	6.0	48.3

Note. Data taken from the Central Reserve Bank of Peru (BCRP, 1975).

This important dynamic of the industrial sector was reflected in the growth of the total GDP, according to Figure No. 1, the growth rate in the period 1961-1970 was 5.3% and between 1971-1980 it was 3.7%. In this way, the MSI became one of the driving forces of national economic activity, which meant at the same time that the country ceased to be a predominantly agrarian country, to become a relatively modern country, with a limited industrial fabric, but active and dynamic.

Figure 1. Peru: GDP Average Annual % Change, 1922-2021



Source: BCRP 100-year statistics

The MSI crisis and stagflation

However, towards the mid-70s, the ISI model began to show its first problems. Thus, the first cause of the crisis of this model has to do with the strong intervention of the State in the country's economic activity, since it had nationalized large foreign companies in the primary-export sector (mining and oil), which ended in the creation of important public companies owned by the State. By 1975, these companies reached a share of three quarters of total exports and half of imports. The same the production of public enterprises represented more than 30% of GDP, for that same year. It was also responsible for half of the gross fixed investment. All of which had a completely pernicious impact on the fiscal deficit, given that these companies on average were responsible for 3.1% of this deficit between 1980 and 1984 (Hinojosa, 1993). (Dancourt, 1999)

The second cause, for which the MSI entered into crisis, is the bases on which this model, also called the "primary-export model", rested, in which the Exports of raw materials were essential for the generation of foreign exchange necessary to pay for imports of inputs and capital goods essential for the development of the manufacturing production process (Douglas, 2020). And as a derivation of this dynamic, the model had become "devourer of foreign currency", (Salama, 1989) since the need to import the aforementioned inputs and capital goods, made this type of industrial growth increasingly demand a greater amount of foreign currency to develop economic activity. Thus, for example, the more domestic production of the assembly industry increased, the acquisition of imported inputs for this assembly branch increased substantially. This pernicious practice that promoted the MSI, led to what is called the "external restriction", which originated in foreign trade due to the continuous increase in the foreign exchange deficit, and its highly negative repercussions on the balance of payments account [BP]. (De la Cuba, 1988) (Ariel, 2015)

More specifically, throughout the development of the MSI, the balances of trade (CB) were frequently negative, but particularly during the 1980s. In this context, the continuous deficits in the Central Bank, together with the deficits in the balance of services (BS), would be the cause for the balances in the current account balance (BCC) to be equally negative in most of the 60s and 70s. And during the 1980s, there was only a surplus of this account in 1980, 1985 and 1988. (BCRP, 1990) (Hinojosa, 1998)

The continuous deficits in the BCC caused at the same time a profound instability in the exchange rate; Such is the case of the first great devaluation of the sol in 1967, when the exchange rate went from an exchange rate from S/ 26.82 soles per dollar in 1966 to S/ 30.78 in that year (BCRP, 1968). However, after a relative stability of the exchange rate during the first five years of the 70s; From 1975 onwards, the volatility of the exchange rate was increasing, reaching unusual levels of instability in the 80s, to the point that in 1990, the exchange rate reached 187,885.67 intis per dollar, after the change of monetary sign from the sol to the inti in 1983 (Hinojosa, 1998).

As a correlate of the vicious circle caused by the continuous imbalances in the external accounts, the country's debt levels also tended to increase in a sustained and alarming manner. Since the deficits in the BCC were mainly covered with financing from international financial organizations (3). This, particularly from the second half of the 70s and during the first five years of the 80s. And, in the second half of these years, Peru was declared an "ineligible country", that is, not subject to new international credits, by financial organizations. This is due to the limitation of payments of the foreign debt, to only 10% of total exports, by the government of Mr. Alan García. Thus, according to Ariel (2015), the structural imbalance of the external accounts was inevitably reflected in the continuous increase in the financial expenditures of the national budget, destined to the payment of the external debt. Thus, in 1984, the percentage allocated to the payment of amortizations plus interest on the debt amounted to 43.6% of the total national budget for that year. Therefore, leaving without the necessary resources to attend to the government's public policies, in terms of education, health, and other social expenditures of the State (Hinojosa, 1993).

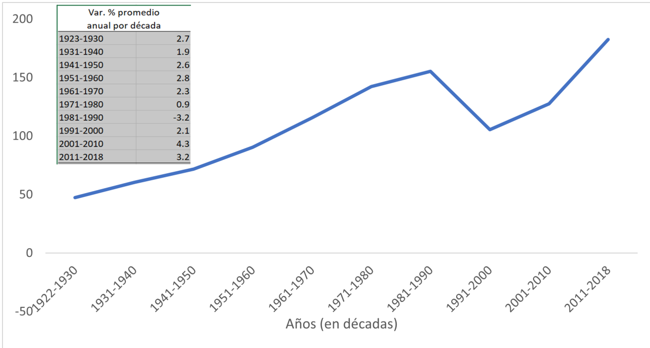
Therefore, the strong interventionism of the State, through public companies, which caused significant public deficits. Then the "bottleneck" of the country's foreign trade, its consequences on the deficit in the BP, its also pernicious effects on debt levels, and its impact also on public financial spending, caused the unleashing of unusual hyperinflationary rates in the country. According to Hinojosa (1998), if in 1976 the inflation rate reached 44.7%, by 1983, this rate was 125.1% and in 1990, this rate would reach 7,649.6%. All of this, combined with high levels of recession, since the real GDP growth rate in 1978 was -1.8% (BCRP, 1979), and during the decade of the 80s, it worsened seriously, to the point that the real GDP of those years on average was about -0.7% (See Figure N° 1), reaching a peak of -12.3% in 1988 (BCRP, 1990), resulted in a complete picture of stagflation.

GDP per capita and other Social Indicators in the Liberal Model

To measure the social results of the Peruvian economy, as a result of the application of the two models under study, which cover a total of 60 years, three indicators are presented: Real GDP per capita, poverty indices and the Gini coefficient.

According to Figure 2, in the period 1961-1970, there was an increase in real GDP per capita of 2.3%. In the period 1971-1980, it grew by 0.9%. This means that the MSI has contributed to this improvement, given the nature of industrial activity, which by definition generates important multiplier effects in the economy as a whole. However, between 1981–1990, this indicator fell to -3.2%, as a result of the high inflation rates in the country, since a phenomenon like this destroys the purchasing power of workers. In summary, during the little more than thirty years of the MSI, the variation in real GDP per capita was zero-sum (0).

Figure 2. Peru: Real Gross Domestic Product per Inhabitant, 1922–2018 (index 1960=100)



Note. Source: BCRP 100-year statistics

As for the poverty index, it responds mainly to the growth rate of total GDP. Thus, periods of negative GDP growth are related to significant increases in poverty rates, and periods of positive growth in this indicator are directly related to the decrease in poverty rates. Thus, according to Piñeira (1978), the percentage of poor people in Peru in 1961 was 57.8% and in 1971, it fell to 52%. And according to Figure 7, one year after the end of the MSI, that is, in 1991, the poverty level amounted to 59% of the total population. (Banco Mundial, 2005)

Another index used in this work, to measure the impact of public policies on people's well-being and poverty levels, is the Gini Coefficient. This index, for the Peruvian case, reveals that, in 1961, it stood at 0.58, Web (As cited in Saavedra and Díaz, 1999), and in 1971 it stood at 0.55, Amat and León (As cited in Saavedra and Díaz, 1999)4.

To conclude this subchapter, during this period, taking into consideration the three social indicators analyzed above, a relative improvement in the quality of life of the Peruvian population is observed during the first 10 years of the MSI. But the results for this variable were unfavorable during the other 20 years of the model's validity, due to its crisis, which began in 1973. As a result, the MSI generated a relative improvement during the first years of its implementation, but a sharp deterioration in the second stage of the model.

Finally, as far as the analysis of the MSI is concerned, it is to contribute to a better understanding in terms of its implications for the economic growth and social welfare of the country, of advances and setbacks for the national economy.

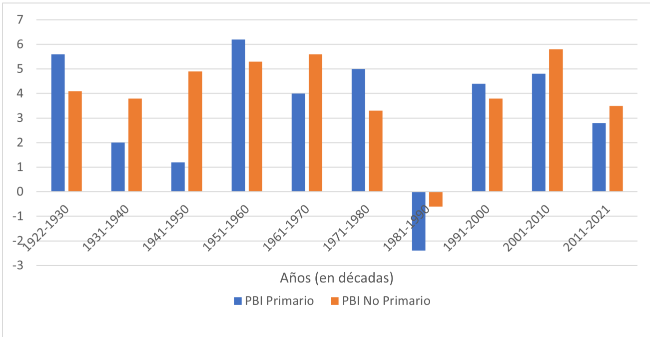
3.2 The Liberal Model (LM): 1990-2021

Economic Growth in the Liberal Model

The economic and financial stabilization program also known as Fujishock – aimed at rebalancing and resolving the serious crisis in which the Peruvian economy had been plunged, due to the failure of the MSI – generated a sharp contraction in GDP growth. In 1990, output contracted by 16.86% (Seminario, 1995); But soon the Peruvian economy showed significant levels of recovery, since, after another slight fall in 1992 at -1.8%, the product exhibited growth rates of 5.6% in 1993, 13.0% in 1994 and 7% in 1995. And overall, during the 1990s, rates will be positive. (BCRP, 2000)

Thus, in the long term, when comparing the performance of each of the economic models, that is, between the ISI (30 years) and the neoliberal (30 years), according to Figure No. 3, we observe that the country's average primary real GDP5 per year, between the period 1961-1990, grew by 2.2%, while this same type of product for the period 1991-2021 increased by 4%. which means that the latter was clearly 1.8% higher than the former. As for the annual non-primary real GDP, for the period 1961-1990, it grew by 2.7% on average, while this same product for the period 1991-2021, increased by 4.3%, also higher than the previous period by 1.6%. This behavior of the model comparatively means that the neoliberal model was superior in relation to the MSI, in the two types of GDP analyzed. More specifically, according to the BCRP (2022), the longest cycle of GDP growth in Peru's economic history was between 1999 and 2019, where output multiplied by 2.5 times.

Figura 3. Peru: Primary GDP and Non-Primary GDP, 1922-2021 (Annual Average % Variation)



Source: BCRP 100-year statistics

The sectors that show the greatest dynamism in growth between 1991 and 2021 are mining and hydrocarbons, as these grow in this period on average by 4% per year and the agriculture sector, for its part, also grows by 4% in the same period. Construction between 2001 and 2010, grew by 9%. Meanwhile, the manufacturing sector is the one that grows the least, as it does so at 3.5%. (BCRP, 2022).

The favorable evolution of the mining sector is due to several factors, the first, thanks to the policy of promoting the production of minerals, such as copper, zinc, lead and gold, which resulted in strong foreign investment in important mining projects, and that mining production was also benefited by the terms of trade in favor of the country and in particular between 2002 and 2013. due to the highly positive evolution of the international prices of these minerals6. The latter, stimulated at the same time by the advent of a new omnipresent player in the international market such as China, which has become the current manufacturing workshop of the world.

This favorable behavior of the economy, according to Jiménez (1999), is explained by the stabilization policies and structural reforms applied during the liberal model, but at the same time, according to him, these measures promoted the reprimarization and deindustrialization of the economy, which meant truncating the industrialization process. Dancourt (1999), on the other hand, ratifies what Jiménez said, saying that, with the radical liberalization of international trade, the primary export model was resumed, similar to the 1950s. Since industrial activity had lost weight and many branches of this sector stopped producing, while the participation of the primary sectors increased significantly.

It is relevant to note that, in the first five years of the 2000s, the government of Mr. Alejandro Toledo, formulated the first National Strategic Export Plan 2003-2013 (PENX), whose objective was to "Achieve a diversified exportable supply with significant added value." Trying to overcome the condition of primary-exporting country and at the same time achieve (Mincetur, 2003, p . 32)penetrate the global market with manufactured goods or goods with higher technological content. In other words, this new trade strategy had as its essential objective the promotion of non-traditional exports [NCDs]. (Ponce, 2010)

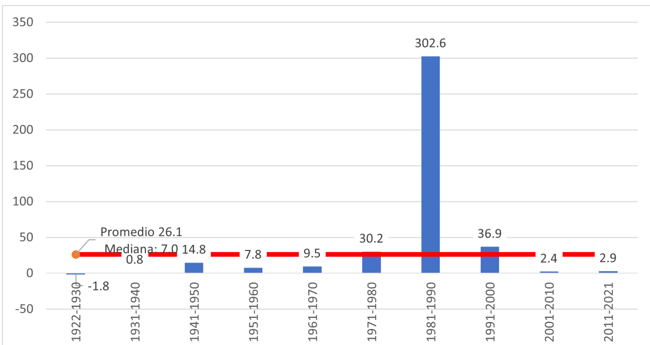
In this regard, in order to implement these policies, the government authorities encouraged the signing of free trade agreements (FTAs), in order to facilitate the tariff-free entry of our products to the countries with which these commitments were signed. And in this framework, the first FTA was signed in 2006, with the government of the United States of America, the same one that is still in force today (although in recent months, it has been torpedoed by the Trump administration). This translated into the increase in NCDs in the following years, so much so that Peru ranks first in the increase of these exports in Latin America; between February 2021 and January 2022, these show a year-on-year expansion of 29.1%, followed by Brazil, Colombia, Mexico and Chile. Thus, although it is true that the economic and trade policies of the last three decades have promoted the development of a primary-export model. However, the national authorities have also sought to improve our commercial insertion in the international economy, through the export of new products, that is, NCDs, in order to get out of what English economists call the trap of the " (BCRP, 2022)Curse of natural resources" .(Thorp, 1978)

Inflation and Exchange Rate in the Liberal Model

The first stabilization measures, applied in August 1990, were quickly and favorably reflected in the average annual inflation rate, which fell from 7,481.7 per cent in 1990 to 409.5 per cent in 1991. In 1992, this fell to 73.5%, to stand at 11.1% in 1995. (BCRP, 1996)

According to Figure 4, during the period 1991-2000, the average annual variation in the inflation rate was 36.9%. To be below the inflation target range established by the BCRP from 2001 to 2021; that is, less than 3%. This behavior clearly reveals that in just over thirty years, the control of inflation by the country's monetary authority has been effective, which has provided the necessary monetary stability for the decision-making of economic agents, as well as the preservation and protection of the purchasing power of the population during this long economic cycle.

Figure 4. Peru: Average Inflation, 1922-2021 (Annual Average % Variation)

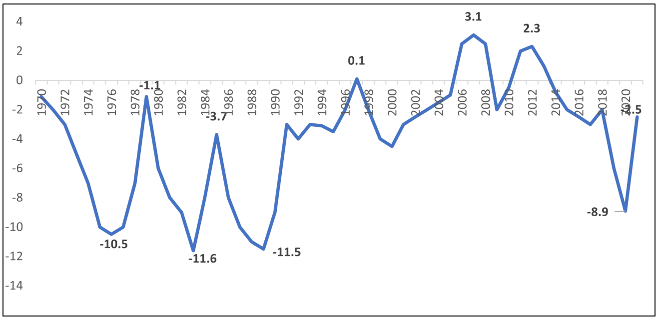


Source: BCRP 100-year statistics

One of the causes that explain the reduction in runaway inflation has to do with mainly, the application of a rigorous fiscal policy that consisted of the drastic reduction of fiscal deficits in the non-financial and financial public sector, since these fell from -5.5% in 1989 to -1.5% in 1991. And during the first five years of the 90s it continued its reduction, reaching surpluses of 0.1% in 1997, in 2007 3.1% and in 2012 2.3% and falling to -8.9% in 2020, but this, due to the effects of the pandemic and not due to the management of macroeconomic policies in the country. (See Figure No. 5). In this context, it is also important to highlight that another main cause for the continuous reduction of the fiscal deficit is the privatization policy undertaken by Mr. Fujimori's government, which in recent years has caused strong fiscal deficits. (BCRP, 2007).

With regard to the exchange rate, the first measures adopted by Mr. Fujimori's government tended to liberalize the foreign exchange market, within a framework of comprehensive liberalization of the

Figure 5. Peru: Economic Result of the Non-Financial Public Sector (NFPS), 1970-2020 (% of Nominal GDP)



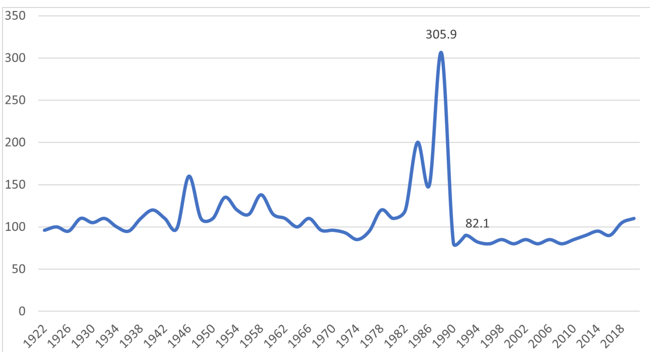
Source: BCRP (2022)

Peruvian economy. Thus, in August 1990, a fixed exchange rate regime directly controlled by the central government (and not by the BCRP) was changed to a flexible or "dirty floating" regime, which to this day prevails as the current exchange rate regime. Where the monetary authority intervenes, but only to stabilize the exchange rate and not to fix prices, as was done in previous decades, thereby distorting the laws of the market.

In the thirty years that correspond to the liberal model, the exchange rate in the country maintains a remarkable stability unlike the 80s. When looking at Figure 6, the multilateral real exchange rate (MRER)7, after reaching its maximum annual value of 305.9 in 1988, was located above all after 1990 onwards, at levels below the index of 2009=100. In relation to the average nominal bank exchange rate, it has also shown very low volatility in three decades, so much so that since 1995, it increased from S/ 2.32 to 3.82 in 2021, and between 2006 and 2022, it increased by only S/ 0.50 cents (BCRP, 2022).

This performance in the exchange rate is largely due to the good performance of Peruvian foreign trade; that is, due to the increase in total exports, as these increased from US$ 3,329 million in 1991, to US $ 35,565 in 2010 and US $ 63,151 in 2021 (BCRP, 2022). But within the total exports, it is worth noting the importance of NCDs, made up of agro-exports (along the Peruvian coast), textile products, fishery products, chemicals, metalworking, wood, paper and others. Thus, these NCDs, in 1991, amounted to US$ 951 million, in 2003 to US$ 2,620 (BCRP, 2003) and in 2020 they amounted to US $ 12,890 million (BCRP, 2020) which is equivalent to a variation of approximately 1,200% in almost thirty years.

Figure 6. Peru: Multilateral Real Exchange Rate (MRER), 1922-2018 Index 2009=100



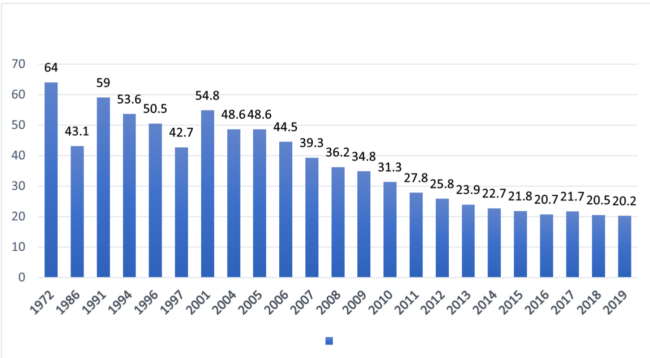
Source: BCRP 100-year statistics

GDP per capita and other Social Indicators in the Liberal Model

During the decade 1991-2000, real GDP per capita on average grew by 2.1%, compared to the decade 1961-1970 of 2.3%. However, from 1994 onwards, this indicator did not stop increasing, in the period 2001-2010, this index reached a variation of 4.3%, the highest in the last 100 years in the economic history of the country and between 2011 and 2018 it grew by 3.2% (See Figure No. 2). This means that in these last three decades of the ML's validity, not only did output multiply by 2.5 times, but GDP per capita also multiplied by 2.4 times (BCRP, 2022). In summary, according to IndexMundi (2025), based on data from the World Bank, real GDP per capita in constant dollars in 1961 was US$2,819, in 1990 it was US$2,700 and in 2021 it reached US$6,547.

In relation to poverty levels, during the liberal model, Figure 7 shows that, of the total Peruvian population and a peak of 59% poverty reached in 1991, it falls to 31.3% in 2010. For the year 2015, it drops to 21.8% and 2019, it falls to 20.2%. But he is coming back in 2021; this because of Covid-19.

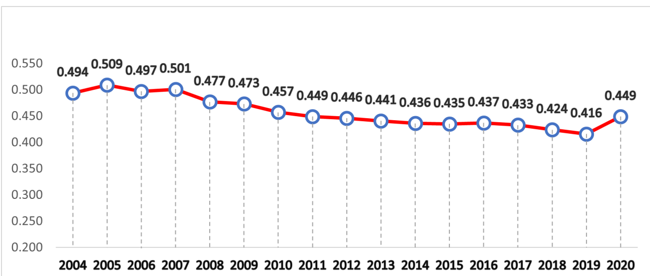
Figure 7. **Peru Evolution of the Population in Poverty, 1972-2019 (Percentage of the Total Population)**



Source: Prepared with data taken from Verdera, F. (2007), CEPLAN (2011), INEI (2020)

With respect to the Gini coefficient, there is also a reduction from 0.509 in 2005, to a level of 0.416 in 2019, to rise to 0.449 in 2020, the year in which the pandemic began (See Figure No. 8).

Figure 8. **Perú: Evolution of the Gini Index, 2004-2020**



Source: Instituto Nacional de Estadística e Informática

In summary, there is a substantial improvement in real GDP per capita during the liberal period compared to real GDP per capita achieved during the MSI. Likewise, in relation to poverty levels, there is a substantial reduction in poverty levels of 34.6 points between 2005 and 2019. And if in 1971 poverty reached 52%, in 2019, it drops to 20.2%, evidencing a clear improvement in this type of indicator over the years. Finally, as for the Gini Coefficient, there has also been a relatively significant reduction over the last few decades, since if this index stood at 0.55 in 1971, in 2019, it had fallen to

0.416. All of which configures a situation where it is proven that, in terms of social welfare, ML is also vastly superior to MSI. However, it is true that these indicators during the ML period show significant progress in reducing social inequalities in the country. However, much remains to be done in this field, to make Peru a country with increasingly smaller social gaps, and in this way achieve a more equitable and inclusive economic and social development that benefits Peruvian society as a whole.

To conclude with the comprehensive analysis of the ML, it is considered that the contribution of this work is to contribute to a better knowledge about the implications of this model in the development of the Peruvian economy and society. This, in terms of its conception, its transcendence, its impact and its future projections on the Peruvian economy as a whole

4. Conclusion

1. The MSI shows two types of results, the first between 1961-1975, in which this model is performant, since it presents a relatively important economic expansion. The second, which covers the period between 1975-1990, whose results are completely adverse for the country. Overall, this model first presents a significant economic expansion and then shows a strong economic contraction.
2. Likewise, in social terms, the MSI, in the first period, shows a relative improvement, although the model is essentially exclusive of vast sectors of the population. And the second period is disastrous, because of the completely negative economic results.
3. For its part, the ML, since its implementation from 1990 to 2021, has shown strong solidity and sustainability over time in terms of the most important macroeconomic indicators, such as relative GDP growth, inflation control, fiscal discipline, and exchange rate stability. This statement is also valid for social results, since the ML shows a fairly favorable trend in the LP, as social inequities in the country decrease, according to the social indicators analyzed.
4. As a general conclusion, the Liberal Model (ML) shows a better performance than the Import Substitution Model (MSI), both in terms of economic growth and improvement of the social welfare of the Peruvian population. For this reason, it has been shown that ML is superior to the latter in both planes. For this reason, the most recommendable economic model for the economic and social development of Peru is the ML. Finally, we encourage the highest political authorities to continue developing this current model in the country, due to the effectiveness of its results, demonstrated not only in the Peruvian economy but also in Latin America.

Finally, it is recommended that subsequent work continue to focus its research on issues related to the importance of regulating, controlling or protecting domestic markets, or liberalizing or deregulating them, as a condition for solving countries' economic and social problems.

Author Contribution

José Adolfo Hinojosa Pérez: Conceptualization, research, methodology, visualization, writing - original draft, editing, revision, and revision

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The author declares that she has no conflict of interest

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