Inflation in Latin America

By

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May 2023
Bolivia: A classical speculative attack

Foreign Exchange Reserves in Bolivia decreased to 372 USD Million in January from 709 USD Million in December of 2022. Source: Banco Central De Bolivia
Issues, controversies, dilemmas, & dangers

• How high should policy rates be in real terms?
• To dollarize or not to dollarize, that is the question.
• Is the “pass-through coefficient” going up?
• Capital and exchange controls.
• Remittances, monetary policy and sterilization.
• Independent central banks
• The revival of MMT.
A fascinating case study: Chile, inflation and the Chicago Boys market reforms

• Chicago Boys reforms created an economic “miracle.”
• Chile moved from 9th in Latin America to number one in one generation.
• The reforms were maintained after the return to democracy.
• Social conditions improved greatly.
• Inequality was persistently high.
• Purest experience with “neoliberalism”
• In 2019 a massive and violent revolt indicated that there were problems in the “Latin American oasis.”
Income per capita
Poverty Headcount
Rate of Unemployment
A Multitude of Inflation and Monetary Regimes
A Multitude of Inflation and Monetary Regimes

6M-Annualized
Mundell, Harry Johnson and the exchange rate anchor
Was Chile Neoliberal?
Five Phases

• Correcting distortions and mild neoliberalism: 1973-1978
• The birth of a neoliberal regime (Seven Modernizations): 1979-1982
• Pragmatic neoliberalism: 1984-1989
• Inclusive neoliberalism: 1990-2015
• The downfall of neoliberalism: 2019-
The 2019 Revolt: The Downfall of Neoliberalism?
La Revuelta en Chile
A major issue: Old age pensions
A two words conclusion: Success and Neglect
Success

![Graph showing the growth of gross domestic product per capita in international dollars for Chile, Costa Rica, and Ecuador from 1980 to 2018. The graph indicates a significant increase in all three countries, with Chile consistently higher than Costa Rica and Ecuador.]
Neglect: Palma Ratio (10%/40%)
But there is an even more serious form of neglect

- Pro-markets, pro-freedom, pro-liberty individuals withdrew from the “war of ideas”
- The far-left, on the contrary, understood that whoever controls the narrative, eventually controls power
THE CHILE PROJECT
THE STORY OF THE CHICAGO BOYS AND THE DOWNFALL OF NEOLIBERALISM

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