



SOME MACROECONOMIC STATISTICS FOR COUNTER- CYCLICAL AND GROWTH- FRIENDLY POLICIES

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THE HARD DATA

- 1. Significant rise in the volume of exports.
- 2. Low inflation and reduced fiscal deficits, but great instability of aggregate demand and RER.
- 3. Only in 1994, 1997, 2008 & 2012 economic activity was close to potential GDP (GDP*) (4/27!). All other years exhibited significant recessive or output gaps.
- 4. Investment ratios quite low (needed for ec growth). Only in 2012 GKF ratio approached 1970s average.
- 5. LACs GDP growth in 1990-13 was merely 3.2%p/y (2.8% to 2016). No Develop Convergence.

Chile: Economic growth, exports and rest of GDP, 1974-2013

(average annual rates of growth, %)

	PIB	X	Rest of GDP
1974-89	2,9	10,7 (1,6)	1,6 (1,3)
1990-98	7,1	9,9 (2,0)	6,5 (5,1)
1999-03	2,6	5,5 (1,4)	1,7 (1,2)
1999-07	4,0	6,4 (1,7)	3,2 (2,3)
2008-13	3,8	1,0 (0,2)	4,9 (3,6)

A DEPRESSIVE ASYMMETRY

- In the economic cycle, actual GDP fluctuates not around but below GDP^* . Hence, instability implies underutilization of the stock of capital and labor and of actual TFP, and a discouragement for capital formation; usually biased against less trained labor and SMEs.
- Using the standard Trend GDP estimate (which assumes away the asymmetry in the path of actual GDP between productive capacity and below it instead of symmetrically

DEPRESSIVE AND REGRESSIVE ASYMMETRIES II

- The financial investor can adjust to unexpected changes of relative prices and expectations instantaneously. The investor of GKF –whose allocation of resources is irreversible– needs long periods from starting to completing its investment. Instability favors speculative investment (capital gains) vis-a-vis productive investment (productive gains).
- SMEs are more deeply affected by domestic instability than large firms: (i) have less access to credit, (ii) are less diversified, and (iii) nearly all operate in the domestic market.

CHILE: GDP Growth, 1974-2016

(average annual rates, %)

	GDP	Exports	Rest of GDP
1974-89	2,9	10,7	1,6
1990-98	7,1	9,9	6,5
1999-2013	3,9	4,4	3,8
2014-16	1,9	0,2	2,6

Sources: Based in R. Ffrench-Davis (2010), *Economic Reforms in Chile: from Dictatorship to Democracy*, second edition, Palgrave Macmillan, London and New York. Updated with Banco Central de Chile, chained base serie 2008. Prom 74-13=4,2%, below the 1960s.