

# The Monetary and Fiscal History of Venezuela 1960-2005

by Diego Restuccia

Discussion by: Fabrizio Perri  
Minneapolis Fed

Monetary and Fiscal History of Latin America 1960-2016  
Becker Friedman Institute  
December 2017

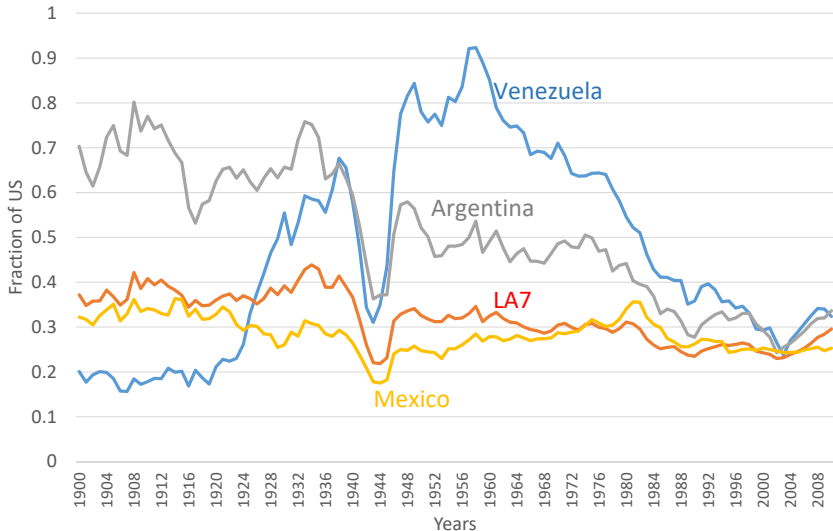
# Outline

- Is Venezuela Different?
- Policies and Outcomes
- The Resource Curse?

# Maddison Data

- Geary-Khamis Constant (1990) International Dollar (PPP) GDP per capita
- Going back to 1900 (even longer for some countries)

# Venezuela looks very different!



# Venezuela looks very different!

- Maddison Data: Venezuela 1950-2010 veritable **secular stagnation!**

## Venezuela looks very different!

- Maddison Data: Venezuela 1950-2010 veritable **secular stagnation!**
- GDP per capita from **78% (1950-1955) to 32% (2005-2010)** of US!
- Real GDP per capita grows at **0.04%** over 60 years!
- Way worse than other LA7 country (Argentina second worst with 1.1%)

## Venezuela looks very different!

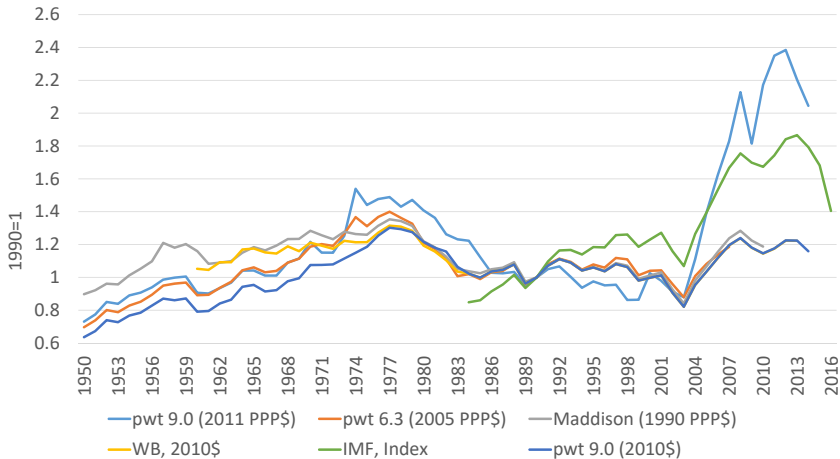
- Maddison Data: Venezuela 1950-2010 veritable **secular stagnation!**
- GDP per capita from **78% (1950-1955) to 32% (2005-2010)** of US!
- Real GDP per capita grows at **0.04%** over 60 years!
- Way worse than other LA7 country (Argentina second worst with 1.1%)
- Collapse even more remarkable when compared with 1900-1950 growth miracle (4.6% growth sustained over 50 years)

# Data Quality Issues

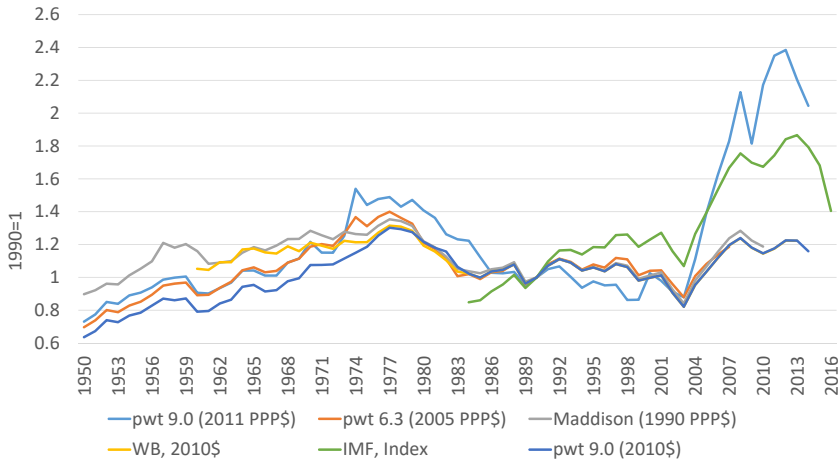
- Maddison data not only source of comparables GDP (IMF,WB,PWT)
- Unfortunately other sources do not fully align
- For Venezuela problem seem more severe than in other LA countries
- Pinkovskiy and Sala-i-Martin (2016) suggest using light data to pick more accurate series



# Venezuela Real GDP, 1950-2016

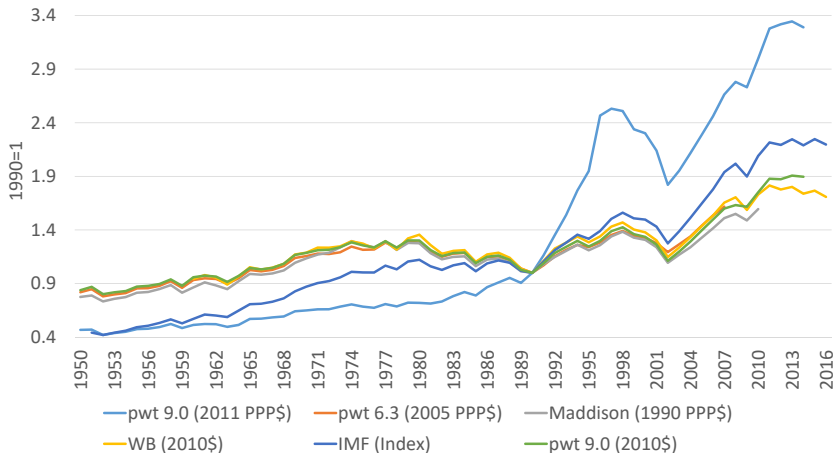


# Venezuela Real GDP, 1950-2016



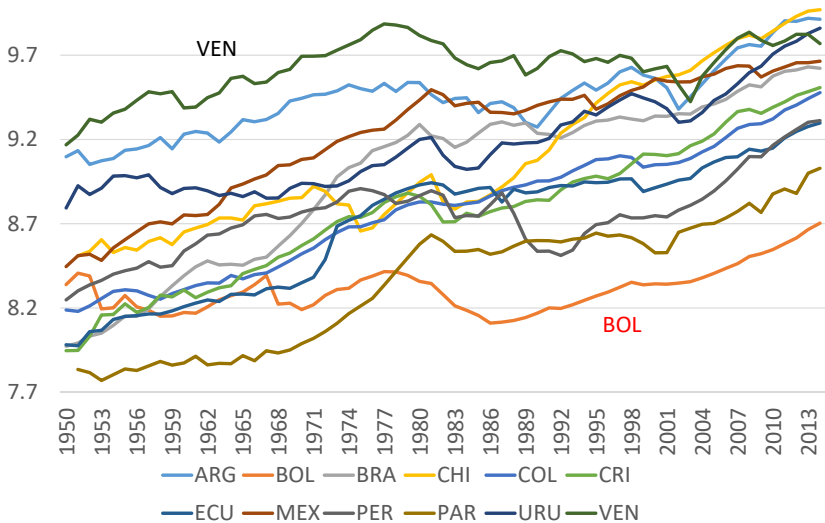
- 50-80 and the Chavez era 99-13 quite different across data series

# Argentina Real GDP, 1950-2016



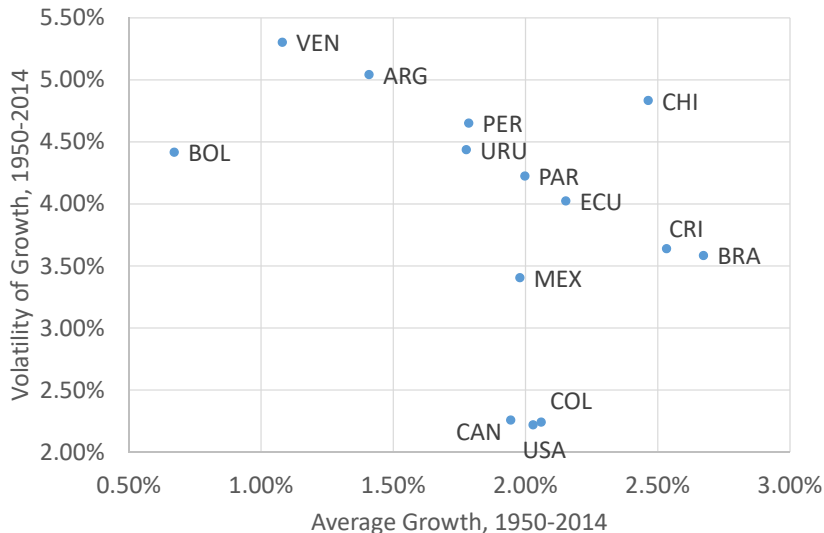
- Based on this pick PWT 9.0 (not PPP)

# Log GDP pc, LatAm 12, 1950-2014



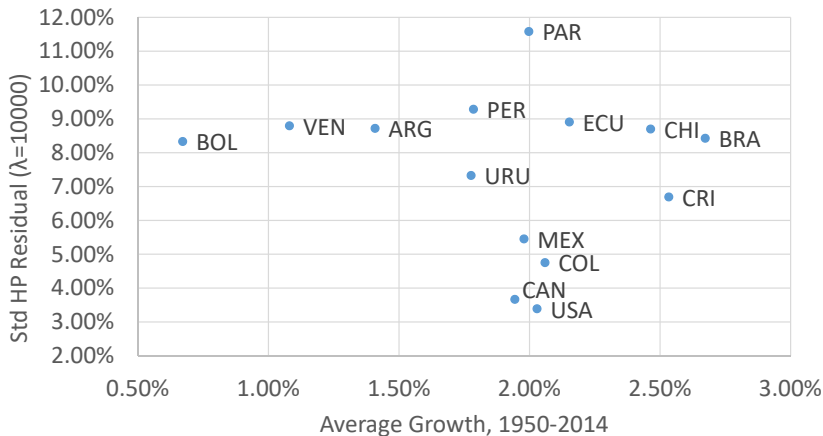
- Little Growth, High Volatility, Venezuela looks less different

# Growth and Volatility of Growth, LatAm 12, 1950-2014



- Little Growth, High Volatility
- Venezuela at the bottom of the pack

# Growth and Volatility of GDP at lower Frequencies, LatAm 12, 1950-2014

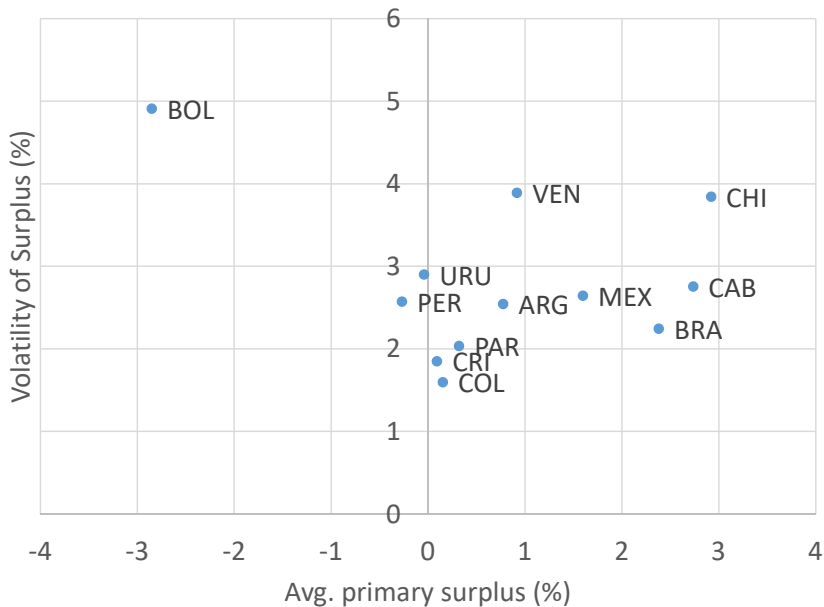


- Very high (and common) low frequency volatility (Aguiar and Gopinath, 2007)

# Are Fiscal and Monetary Policy a prime suspect for explaining the Venezuela disaster?

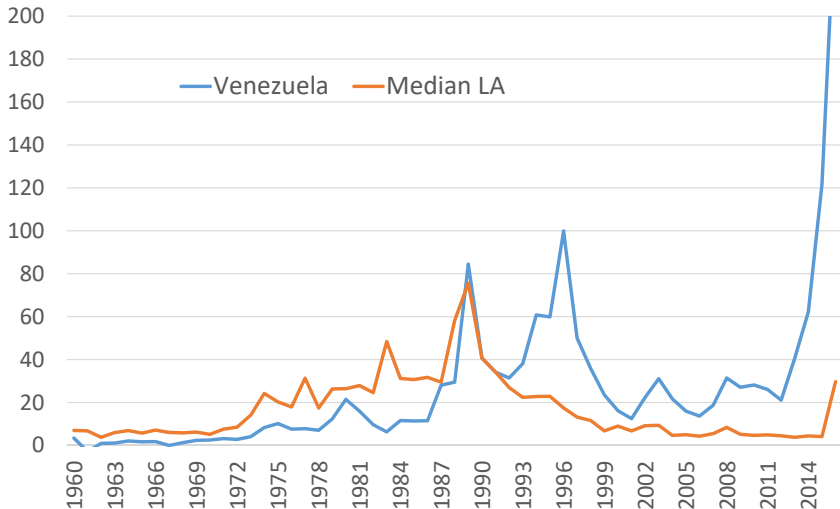
- Hard to say, but more no than yes!

## Fiscal Policy: Primary Surplus





# Monetary Policy: Inflation



- Early on lower inflation than average, later higher

## A Concluding Story (Resource curse)

- Venezuela is special in LA as it discovers oil early
- Caselli and Tesei (2016) show that natural resources in an autocracy make the autocracy work, but do not have an effect on democracies
- Early on oil wealth reduced the need for poor policies and allowed modest growth
- But oil wealth also weakened the fragile democracy
- Also increased power struggle instead of investment in institution (Caselli 2006), which resulted in poor policies and even weaker growth in the second part of the sample.