Poverty and Democracy: Peru Revisted

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Can democracy help alleviate poverty?

• Scholarly debate
  – Weak or no relationship
    • Unclear trends in research
    • Little incentive to invest
  – Strong relationship
    • Improve economic situation indirectly
    • Importance of competitive elections
    • Encourages private investment
    • Progressive institutions
Peru Revisted

• Why Peru?
  – Former colony
    • Other countries with similar history
    • Slower development
    • Marginalized groups
  – Peru during the 1970s

• With the reinstatement of democracy in Peru, there has been a decrease in poverty.
Democracy in Peru

- Volatile democracy
- Competitive political parties
- Low public credibility
  - Corruption
  - Limited access to system
Peruvian Economy

- Strong growth of national economy
- Reliance on natural resource exports
- Underemployment still an issue
- Poverty rates dropping
Formal Market

- Access to formal market
  - Steps to open a business has decreased
  - Days to open a business has decreased
  - Informal economy still huge

World Bank 2009
Conclusions

• Some evidence of democracy helping reduce poverty.
• Results are not conclusive, need to test the relationship of poverty and democracy in other cases.
• Need stronger empirical support that economic growth is tied to the reduction of poverty.