Structural Inflation Redux

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Summary

Theories of inflation derived from the Latin American structuralist thought contain a set of contributions that, although fragmentary and discontinuous in time, have an analytical depth and richness rarely recognized. A comprehensive and integrated review of these contributions is given in this paper without detracting from the many different facets that the inflationary phenomenon can have for structuralists. First we assume that the structural theory of inflation is the dual representation of the Keynesian theory of equilibrium output, as explains variations of a nominal variable, as the price index, generated by variations in relative prices. A number of situations can be identified as causes of variations in relative prices, summarized by structuralists in the so called basic and circumstantial pressures. The paper also clarifies how the distributive conflict between groups of interest underlies the structural approach of inflation. The conflict results from changes in relative prices that are not distributively neutral. We show that for the structural approach, when inflation threatens serious distributional effects, the institutionalization of certain defense mechanisms may lead to inflationary persistence or accelerations. Conflict is transferable to public finances if the budget restriction, for example, is endogenous to the inflation rate, or if it is destroyed by tax concessions to groups of interest related to the public sector. Conflict can exist, also, between the rest of the world and domestic agents as a result of commercial or financial bottlenecks in the external sector.

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