President of Harvard during this period, did not agree and ultimately forced the Service to sever its academic ties to the University.

The final chapter on forecasters spotlights both Wesley Clair Mitchell and Herbert Hoover. As Friedman explains, neither was a forecaster in the sense of the previously described researchers. Their interest was much more oriented toward disseminating statistical data so that managers could make better decisions and reduce economic volatility. Both were firm believers that government policies to promote economic stability would prove fruitless. Mitchell was one of the founders of the National Bureau of Economic Research, an Institution that has hosted a significant group of Nobel Laureates. He was also one of the founders of the New School for Social Research (although he is not mentioned on the University's webpage as a founder). Mitchell became quite well known in academic circles after the publication of *Business Cycles* in 1913. At the same time, Hoover was finishing a brilliant international career in the private sector, first as a mining engineer, then in financial dealings in the mining industry. As a private entrepreneur in London, he amassed a considerable fortune. Public life beckoned and in 1921 he became Secretary of the Department of Commerce. As Secretary, Hoover pursued his goal to increase publicly available information exemplified by publication of the *Survey of Current Business*. The Hoover–Mitchell “merger” came about when Hoover sought formation of the Business Cycle Committee and convinced Mitchell to join and be its spiritual leader. This began a fruitful collaboration that continued through Hoover's presidency. But, as Friedman mentions, the Hoover–Mitchell policies quickly gave way to direct government intervention through the New Deal once Hoover left office.

The last two parts to this book, a brief chapter on the evolution of forecasting since the 1930s and a postscript, examine some additional points of historical interest. Here, the author brings the reader from the primitive Babson model to multi-equation econometric models. This is a very nice summary for an entertaining book. Many professors, I am sure (and I am certainly one of them), have taught the methodology of forecasting, statistical methods in business, and econometrics without knowing much about the pioneers who developed these ideas. We have Walter Friedman to thank for a most informative book connecting the human aspects of these pioneers to the methodologies they developed and espoused.

Santos, A., & Werner, A. (Eds.). (2015). *Peru: Staying the course of economic success*. Washington, DC: International Monetary Fund. 457 pp. \$40.00. ISBN: 978-1-51359-974-8

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Alejandro Santos and Alejandro Werner have collected more than 20 articles to provide an outstanding description of the economic history of Peru. The book is divided into three sections: Part I: “Context”; Part II: “The Successful Economic Story of Peru”; and Part III: “Challenges Ahead.” The narrative in the articles clearly demonstrates that Peruvian economic success is related more to the designed and implemented actions during more than three decades than to favorable external conditions such as commodity prices. As Christine Lagarde, Managing Director of the International Monetary Fund (IMF), describes in the “Foreword” of the book,

The one constant that is woven throughout this volume is that the real story behind Peru's success is one of persistent and consistent effort—to structurally reform the economy and to construct and implement

solid macroeconomic frameworks and policies. These were not easy labors, particularly given Peru's sociopolitical and economic struggles through the 1970s, 1980s, and 1990s. (p. v)

This review will focus on Parts I and III. It summarizes the historical context faced by the Peruvian economy since 1980 and briefly describes the main challenges it will confront in the near future to maintain its relevant position within the global economy.

Historical Context

At the beginning of the book, Renzo Rossini and Alejandro Santos, in their article "Peru's Recent Economic History: From Stagnation, Disarray and Mismanagement to Growth, Stability and Quality Policies," describe the national context that the Peruvian economy experienced between 1980 and 2014. They divided this 35-year period in three phases: Instability from 1985 to 1990, the Great Stabilization from 1991 to 1992, and the Poststabilization from 1993 to 2014.

The stage of instability was represented by "declining growth rates, debt services problems, and accelerating inflation fueled by large fiscal and quasi-fiscal deficits" (p. 11) with government intervention that worsened the scenario. During these years, Peru also suffered from terrorist attacks and political violence. A large part of the population lived in poverty with no adequate access to food, water, or appropriate medical care.

Rossini and Santos further report that

[t]he stabilization program that was implemented in the second half of 1990 and lasted through end—1992 drastically reformed the structure of the economy and created the basis for the solid and sustained growth in the two decades that followed. (p. 15)

The main positive result of the stabilization program was the dramatic reduction of hyperinflation and reaching a two-digit inflation rate. The program was developed with the implementation of a new currency, the liberalization of the exchange rate system, the progressive reduction of tariffs, and the elimination of quantitative restrictions in the area of international trade. During these years, the government started a negotiation process with the IMF as a first step to normalize relations with the international financial community.

The stage named Poststabilization was divided by the authors into four movements. First, from 1993 until 1998, the phase known as Sustained Recovery took place, where different structural reforms were implemented. A tax reform, intended to simplify the tax system, increased tax revenue from 11% of GDP in 1990 to 14.5% of GDP in 1996-1997. A restructuring of the pension system included the implementation of a private capitalization pension system for individual accounts while also maintaining the public system. Public enterprises were privatized and transferred to the private sector. Reform of the financial system included implementation of institutional autonomy, prudential regulations, and the strengthening of supervisory powers of the Superintendency of Banking and Insurance (Superintendencia de Banca, Seguros y AFP [SBS]).

The second period of Poststabilization called Deepening Reforms took place from 1999 to 2007. It was characterized by a temporary slowdown in economic growth, the introduction of fiscal rules, and the implementation of successful inflation-targeting policies. This period also saw the reduction of fiscal imbalances and the issuance "of sovereign bonds to broaden the government's sources of financing while extending the maturity profile of the public debt" (p. 24).

The third period of Poststabilization, from 2008 to 2009, was the result of the financial crisis that hit the world economy as a consequence of years of financial mismanagement on a global level, especially in the United States. Nevertheless, Peruvian reaction was remarkable: The central bank (Banco Central de Reserva del Perú [BCRP]) provided additional liquidity to the system placing repos and swaps in soles and in dollars and also reducing reserve requirements. An

adequate expansive fiscal policy of reduced lending rates to the private sector and a fiscal stimulus concentrating on increased public investment complemented the monetary policies and succeeded in reducing the impact of the external financial crisis.

The last period of Poststabilization, Postcrisis, lasted from 2010 to 2014 and presented a controlled inflation rate but with a diminishing rate of economic growth (in real terms) explained by a reduction of exports, lower commodity prices, uncertainties for private investors due to external conditions, and scandals and corruption at regional-level governments, among other factors.

In the conclusion to this chapter, the authors identify Peru's strong performance with solid macroeconomic indicators and stronger economic fundamentals. In the authors' words,

The lesson, then, is simple and clear. To achieve a more advanced stage of development, Peru needs to preserve macroeconomic stability and deepen structural reforms to secure and sustain high levels of growth in the years ahead. (p. 32)

Challenges Ahead

The book identifies some of the challenges that Peru faces as being related to fiscal policy measures, the monetary policy spectrum, and social issues like inclusion and human development policies.

On the fiscal side, as the minister of economy and finance, Alonso Segura describes in the chapter "Some Thoughts on Fiscal Policy and the Unfinished Agenda," "[t]he prudent management of fiscal policy that has been applied in recent decades in Peru is one of the pillars of the country's current economic success" (p. 401). The fiscal behavior has strengthened investors' confidence by improving government credibility and transparency with a countercyclical design that has helped the Peruvian economy to avoid an international crisis.

Thinking about the future, the main objectives of fiscal policy should include specific measures to tax the informal labor force as an important source of public revenue and also to include explicit actions to simplify the tax system and increase transparency as a way to reduce tax evasion and tax avoidance.

Monetary policy is conducted by the BCRP in Peru, and its main objective is to maintain price stability in the country. An inflation-targeting policy was a tremendously successful tool developed to reduce hyperinflation during the 1980s. As described by Julio Velarde in the chapter "The Future of Monetary Policy," inflation targeting is a conventional policy that also

relies on a number of instruments in addition to the standard policy interest rate . . . (and) aim(s) to reduce the vulnerabilities that financial dollarization generates and contribute(s) to preserving the transmission mechanism of monetary policy during periods of financial stress. (p. 420)

In the Peruvian case, unconventional policies are related to reserve requirements policies associated with "monetary control, the mitigation of dollarization risks, and the lengthening of the maturity of the banking system's external leverage" (p. 420) and to foreign exchange market intervention policies, for which the ". . . main purpose is to reduce the volatility of the exchange rate and accumulate international reserves in order to prevent balance sheet effects on the partially dollarized financial position of the domestic private sector" (p. 422). The challenges of monetary policy are linked to the proper calibration of nonconventional policy instruments with different time horizons. Price stability also remains as an essential element for the economy's health, because it is a way to assure monetary policy credibility and to increase the country's ability to absorb external shocks (p. 425).

In the final chapter of the book by Carolina Trivelli human development and inclusion arise as aspects associated with social policy objectives. During President Humala's administration, the

Ministry of Development and Social Inclusion (known as MIDIS) was created with the objective of ensuring that universal social services as health, education, and civil identity were provided to all citizens. The programs developed by the Ministry are classified into five categories: (a) child nutrition, (b) early childhood development, (c) comprehensive development of children and adolescents, (d) economic inclusion, and (e) protection for the elderly. The results achieved in each category have been uneven. According to Trivelli, “[T]he starting points differed and only limited tools were available for implementing policies and programs under several pillars” (p. 438).

The challenges for the future of Peru are related to the evaluation, further development, scale up, and consolidation of different programs that were developed as pilot or small-scale programs. For example, the initiative *Juntos* (Together), designed to reduce chronic child malnutrition, needs to be continued. The *Seguro Integral de Salud* (Comprehensive Health Insurance) for children is an important way to improve early childhood development. The coordinated plan known as *Aprende Saludable* (Healthy Learning) integrates MIDIS activities with the Ministries of Education and Health and should be replicated to consolidate institutional coordination to achieve better results for the development of children and adolescents. Trivelli points out that economic inclusion “requires that those involved continually identify practices and interventions that generate economic opportunities for the poorest families” (p. 439). In the category of protection of the elderly “. . . the challenge is to combine the effort to achieve good outcomes with the discussion about pensions, protection, and retirement” (p. 440) and represents an area for improvement and for the development of new strategies.

In conclusion, the book provides extensive details about specific programs and activities used by different Peruvian administrations including fiscal policies, the tax system, modernization of the public financial management system, fiscal decentralization, the role of public–private partnership in infrastructure, and dollarization of the banking system and external risks. I believe that *Peru: Staying the Course of Economic Success* is essential reading for academics and policy makers interested in the economy of Peru—its historical context, successes, and future challenges.

Schecter, S., & Gintis, H. (2016). *Game theory in action: An introduction to classical and evolutionary models*. Princeton, NJ: Princeton University Press. 320 pp. \$80.00. ISBN: 9780691167640

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The back cover of *Game Theory in Action*, by Stephen Schecter and Herbert Gintis, promises a tantalizing introduction to game theory and its application, “from traffic accidents to the sex lives of lizards . . . [to] crime control strategies, climate-change negotiations, and the power of the Oracle at Delphi.” Written for undergraduate students who have studied basic calculus and some differential equations, the book claims to be “the perfect way to learn the concepts and practical tools of game theory.”

Game Theory in Action generally delivers on that promise. The book offers a clear treatment of the fundamental tools of game theory. The presentation includes all of the usual suspects: games of complete information in extensive form, games in normal form, dominance, Nash equilibria, mixed-strategy Nash equilibria, extensive form games with incomplete information, *n*-player games, and repeated games. The book also includes two chapters not typically found in books at the introductory level; those chapters are devoted to evolutionary stability and evolutionary dynamics. These last two topics are Gintis’s special passion, and in those chapters, one