In recent years, Peru has been one of the fastest growing economies in the world, outpacing emerging giants of the developing world such as Brazil and Russia. From 2003 to 2011 Peru’s GDP per capita almost tripled. Nevertheless, currently almost one third of the Peruvian population still lives in poverty, and the income share by the lowest twenty percent of the population is less than four percent of the total income. Despite Peru’s spectacular economic growth in the last decade, the positive results have only generated gains for some while leaving millions at the margins. The country still suffers from poor education, lack of infrastructure, intense discrimination and social conflicts, chronic poverty, and high inequality. This essay analyzes the factors inhibiting inclusive growth and development in Peru. Conventional wisdom tends to attribute exclusionary growth in developing countries to economic variables such as uneven distribution of foreign direct investment and/or uneven capital accumulation across the country, or to political factors such as lack of decentralization and/or compulsive corruption. In contrast, this essay demonstrates that in the case of Peru, the perpetuity of ineffective social policies and the long absence of the state in the poorer areas of the country are the main factors that have impeded inclusive development. If exclusionary growth continues it will trigger detrimental social, economic, and political implications, which may not be evident in the short-term, but that may be fatal in the long-term.