THE FINAL HOURS OF THE ARGENTINEAN AGONY

The papers in this panel illustrate the sad end of a decade that seemed to be successful: For the first time in more than half a century, Argentina managed to stop chronic inflation and the gradual takeover of the economy by the State. The final failure is due to the fact that the takeover, far from disappearing, continued disguised as public indebtedness. This was inconsistent with stability (under any conceivable exchange system) and, finally, end up as a monumental expropriation of wealth.

This is clearly pointed out in the paper by Cortés Conde. His paper looks at the Argentinean crisis of December 2001 from a historical perspective. It emphasizes the differences between the conditions under which the world came out of the 1930 Depression and what was going on in the Argentinean economy towards the end of the twentieth century.

The paper by Schenone indicates that what was going on at the end of the twentieth century in Argentina was the consequence of the policy inconsistency between a regime of fixed exchange rate and half a decade of uninterrupted fiscal deficit. This inconsistency is an asymmetric one: While recurrent fiscal deficits would lead to a devaluation of the peso under any exchange rate regime, any such regime would be sustainable if the public sector kept its accounts in balance.

Guissarri points out that the Argentinean decadence during the last century is not only associated to specific historical episodes, but largely to a systematic choice of economic policies hostile to growth and stability. This recurring choice of sub optimal strategies is shown and compared with the growth path of other similar countries in terms of resource endowments and institutional conditions at the end of the IXX century, except for the electoral system. Historical testimonies about the electoral reform in 1912 suggest that the resulting electoral system could significantly distort the collective action mechanism to choose economic policies and to affect individual decisions. The crisis of 2001 is just the most recent example of this institutional failure.

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