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CONFLICTING CLAIMS OVER INCOME DISTRIBUTION AND FINANCIAL DOLLARISATION IN ARGENTINA

Fabián Amico

Amico, F. (2025). Conflicting claims over income distribution and financial dollarisation in Argentina. *Cuadernos de Economía*, 44(93), 87-116.

From a long-term perspective, and based on a political economy approach, the article presents the complex interaction between the distributional conflict, the different roles of the exchange rate and persistent capital outflows. This articulation occurred throughout the cycle of Peronist governments (2003-2015) and subsequently became even more complex with the unsustainable increase in external debt and the attempts at neoliberal restoration.

Keywords: Distributive conflict; financial dollarisation; external debt; exchange rate.

JEL: E11, E44, F41, N16.

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Amico, F. (2025). Conflicto distributivo y dolarización financiera en Argentina. *Cuadernos de Economía*, 44(93), 87-116.

Desde una perspectiva de largo plazo y basado en un enfoque de economía política, el artículo muestra la compleja interacción entre el conflicto distributivo, las distintas funciones del tipo de cambio y las persistentes salidas de capital. Esta articulación se dio a lo largo del ciclo de gobiernos peronistas (2003-2015) y posteriormente se complejizó aún más con el aumento insostenible de la deuda externa y los intentos de restauración neoliberal.

Palabras clave: conflicto distributivo; dolarización financiera; deuda externa; tipo de cambio.

JEL: E11, E44, F41, N16.

INTRODUCTION

This article attempts to explain the economic dynamics that led to the current crisis of the Argentine economy. A long-term analytical perspective, strongly rooted in political economy, is necessary to understand the fundamental reasons for the financial dollarisation and high inflation that distinguish Argentina from the experiences of the other countries in the region.¹

With that objective in mind, it will be necessary to analyse the most stylised features that characterised recent history. In order to develop this analysis, it is necessary to make some prior clarifications regarding the different roles played by the nominal exchange rate and the real exchange rate (section 2).

To this end, the analysis will be carried out taking into account two major historical periods:

1) The stage opened with the crisis of 2001 and gave way to the long cycle of the Peronist governments of Nestor and Cristina Kirchner (2003–2015). This stage has several specific features but one is crucial: the default of the external debt in 2002 produced the possibility, for the first time since the 1960s, that economic policy was driven by *internal* objectives, regardless of the conditionalities of the International Monetary Fund (IMF) (Section 3).

2) From 2016 onwards, a new cycle of external debt accumulation emerged, and economic policy once again fell under the decisive influence of the IMF.

As will be explained, this will have decisive implications on the foreign exchange market and the trajectory of the exchange rate and therefore on the different resolutions regarding the distribution conflict. Likewise, the policies implemented between 2016 and 2019 will imply severe constraints for future governments, in particular the heavy indebtedness with the international private market and mainly with the International Monetary Fund (IMF) (section 4).

Although the dominant argument in the political forum as well as in the media characterises the entire period of more than four decades since the democratic recovery as a long period of decline and crisis, strictly speaking, this argument is false and does not correspond to the empirical evidence.

If we look at the Table (see Appendix 1) concerning the stylised facts of Argentine development (1970–2022), it is easy to see that the period from 2003 to 2015 was an important break in a declining trend. Paradoxically, this stage is considered, in an orthodox interpretation, as the worst example of a “populist” economic policy.

The last stage in this long historical trajectory is the ascent of Javier Milei to the presidency of the national government (December 2023). Many political analyses try to explain the causes of Milei’s rise in different ways, but practically all agree that the failure of the neoliberal restoration (2016–2019) as well as the nation-

¹ For a discussion of the causes of informal dollarisation in Argentina see Amico et al. (2022).

al-popular government (2019-2023) (Section 5) are powerful reasons. In fact, the neoliberal restorations (both under the Macri government and now with Javier Milei) have as their only real crux the attempt to put an end to the distributive conflict and as part of the same policy to radically change the orientation of the economic policy that favoured the “populist” income redistribution. The general features of Javier Milei’s economic policy are analysed in section 6. The article closes with a few concluding remarks (section 7).

THE DIFFERENT ROLES OF THE NOMINAL AND THE REAL EXCHANGE RATES

In this section we will discuss the different roles played by the *real* exchange rate and the *nominal* exchange rate, which will be fundamental to the interpretation sustained in the following sections.

In the various heterodox approaches to the subject, there seems to be a consensus with regards to the idea that there is not an equilibrium nominal exchange rate nor one based on “fundamentals” towards which the effective exchange rate would adjust. Indeed, the level of the nominal exchange rate is fundamentally an (exogenous) institutional or political variable.

Vernengo (2001) suggested that more or less sustainable levels of the exchange rate are “conventional” in nature and highly influenced by policy choices, in contrast to the “natural” equilibrium exchange rate determined by the purchasing power parity (PPP) condition. The perspective adopted here assumes that money is not neutral in the long run and therefore the economy does not tend to the condition established by PPP.²

Besides, in a *price taker* economy in the international market, given the international price of tradable goods in that price-taker economy, the exchange rate determines their domestic price and, assuming that nominal wages are given, affects the profitability of the tradable sector.

In this case, the domestic price level of good i (P_i) must be equal to the international price level of i (P_i^*) multiplied by the nominal exchange rate (e). The assumption here is that the international price is an *exogenous* datum.³

² The fact that in many countries the nominal exchange rate has a significant influence on inflation rates can give the wrong impression that PPP tends to prevail in the long run. But this is not the case, since the causality runs from the exchange rate to cost-driven inflation and not the other way around (Vernengo, 2001).

³ This relationship between the domestic price of the commodity and its international price is not arbitrary. A situation like $P_i > eP_i^*$, could not be persistent since it would be cheaper for domestic consumers to import the commodity than to buy it from domestic producers, which would force deflation. The opposite $P_i < eP_i^*$ would not be durable either. Domestic firms would obtain a higher unit income from exports than in the domestic market, which would force the domestic price to rise. Thus, the domestic price of a commodity in a country that is a price taker cannot differ persistently from the international price expressed in national currency.

But this is not the end of the story. Over time, the profit rates of the tradable and non-tradable sectors tend to influence each other through the action of competition. This means that an increase (depreciation) in the nominal exchange rate, given the nominal wage, will directly lead to an increase in the profit margin of the tradable sector. Then, if this increase were persistent over time, it would lead through the competition to an increase in the profit rate of the non-tradable sector, leading to a rise in the *general* rate of profit.⁴

Structuralist economists had observed an inverse relationship between real wages and the real exchange rate (Braun & Joy, 1968). But the approach summarised above allows to extend this inverse relationship between real wages and the profit rate to a more general level: that of the functional distribution of income between profits and wages in the *whole* of this specific type of economy (price taker). Thus, the *real* exchange rate is fundamental to understanding relative prices, inflation and income distribution.

On the other hand, the *nominal* exchange rate and *expectations* about its future evolution play a crucial role in determining capital flows. Together with the internal-external interest rate differential, and the country risk premium, the *expected* change in the nominal exchange rate will be a determinant of short-term capital flows.⁵ In turn, the interest rate differential influences the variation of the *effective* exchange rate through short-term capital flows. Finally, in interaction with other components of the balance of payments (current account deficit, long-term capital flows and level of international reserves), a certain dynamic of the nominal exchange rate will be determined.

An important aspect in heterodox or non-marginalist approaches is that the change in the exchange rate will be considerably magnified by the action of expectations since the nominal exchange rate is determined as the price of an asset subject to speculation. These approaches agree on the fact that there is no “fundamental” or equilibrium level of the nominal exchange rate towards which it tends. As Vernengo (2001) states, the exchange rate is ultimately an institutional or policy

⁴ Through an econometric study, Dvoskin et al. (2024) confirms for the Argentine case the previously mentioned interrelationship between the profit rates of the tradable and non-tradable sectors.

⁵ Thus, in the short run we have:

$$F_{SRt} = \gamma \left[\frac{(1+i_t)}{\left((1+i_t^*) (1+\rho_t) \left(\frac{E_{t+1}^e}{E_t} \right) \right)} - 1 \right]$$

Where i is the domestic interest rate, ρ is the country risk, i^* the international interest rate, $\frac{E_{t+1}^e}{E_t}$

is the expected devaluation of the exchange rate and the parameter γ measures the sensitivity of the capital flows to the interest differential, the country risk premium and the expected change in the nominal exchange rate (See Serrano et al., 2021).

variable and the levels considered more or less sustainable for the exchange rate are of a “conventional” nature, subject to multiple influences and, especially, highly influenced by policy options, in contrast to the “natural” equilibrium exchange rate determined by the purchasing power parity (PPP) condition. A second aspect of agreement in the heterodox literature is that the *expected* exchange rate is always an important determinant of the *spot* and future exchange rates.⁶

In this context, Serrano et al. (2021) proposed an alternative line of research focused on the notion of *elastic expectations* in the sense of Hicks (1946). This notion implies that the expectation regarding the future exchange rate (or better, the *expected change* in the exchange rate) is influenced by agents’ past observations about the effective exchange rate. While, on the contrary, inelastic expectations are independent of past observations of the exchange rate and could be determined by market conventions, such as inflation expectations, belief in fundamentals, etc. A central aspect of this point of view is that whatever the “intrinsic” expectations (whether conventionalist, fundamentalist or chartist), these initial expectations will be, at least, partially revised considering the actual behaviour of the nominal exchange rate.⁷ As we will see in the following sections, these two dimensions of the exchange rate will have very different implications at each stage.

THE ERA OF GROWTH AND RESURGENCE OF DISTRIBUTIVE CONFLICT (2003-2015)

The great Argentine crisis of 2001/2002 and the default on the foreign debt were turning points in the country’s economic and political development. Since 2003, the Argentine economy has experienced an unprecedented phase of accelerated growth and social improvements, although it occurred in the context of a resurgence of conflict over income distribution and therefore led to a higher rate of inflation.

A fundamental condition for the success of the process that took place in the 2003-2015 period was that restrictions on economic policy were removed in two ways. On the one hand, economic policy was freed from the suffocating burden of external debt payments. But at the same time, and just as important, economic policy was freed from the need to issue signals (fiscal and monetary adjustment) to allow the refinancing of debt payments.

⁶ For example, Harvey (2019) and Lavoie and Daigle (2011).

⁷ This point had been noted by Davidson (1982) when he pointed out that if in the presence of a devaluation of the domestic currency this is considered a signal that even larger devaluations will take place, then the elasticity of expectations “will be elastic” and the flows of resulting currencies will tend to reinforce this bias. In line with Hicks’ approach, elastic expectations create *instability* and induce a *cumulative process* in exchange rate dynamics. In this sense, speculative behaviour leads to assess these dynamics.

That is, at the same time that the debt default alleviated the balance of payments constraint, it also made it possible for the government to apply a more pragmatic economic policy, focused on expanding the levels of activity and employment.

In a suggestive analysis, Damill et al. (2005) questioned the idea that the debt default was the main factor responsible for the Argentine crisis. The authors mentioned above showed that the brutal contraction of activity and employment occurred largely *before* the default, at the same time that the government was subjecting the country to great efforts to keep up with debt payments. Thus,

Actually, the default turned out to be one of the conditions that allowed the recovery that took place soon after (Damill et al., 2006, p. 6).

More importantly, the authors concluded with a statement that is once again surprisingly relevant today:

Our conclusion is that when a country faces a crisis motivated by firm expectations of default, what is really costly is the postponement of the default and not the default itself (Damill et al., 2006, p. 6).

In this context, the rapid recovery of the Argentine economy since 2003 has produced a systematic reduction in unemployment, a general improvement in the labour market (a persistent increase in the minimum wage and a reduction in informal employment) and an increase in union density. The combination of these factors has led to a persistent increase in average real wages above productivity (Frenkel & Friedheim, 2017, Trajtemberg et al., 2015) and has resulted in a permanent improvement in the wage share on income (Amico, 2020).

In principle, the non-tradable sector of the economy tries to pass on higher labour costs in its prices. But in the tradable sector, because it is essentially a price-taker economy, passing on these higher costs in prices is not possible. Given the growth rate of average nominal wages, the only way to compensate for higher labour costs is by raising the nominal exchange rate.

However, over a considerably wide range of values, the nominal exchange rate is an exogenous variable, strongly dependent on the objectives and policy decisions of the central bank and the government.

Certainly, the government intended to satisfy the demand for wage increases from workers and unions, who constituted the social base of support for its political-electoral coalition. But the systematic growth of real wages above productivity, although very gradual, eventually ends up eroding the profitability of more and more tradable sectors and thus ends up squeezing the profit rate of the entire economy through the mechanism described in the previous section.

In the very long term, the squeeze on profitability can affect production destined for export (and analogously can encourage the penetration of imports to the detriment of domestic production). Notwithstanding, long before reaching that hypo-

thetical situation, the gradual deterioration of profitability affects more and more productive sectors, strengthening a growing political and social business bloc that questions economic policy and demands changes that restore profitability.

In this context, around 2007 the government began to adjust the nominal exchange rate more quickly with the intention of at least partially offsetting the loss of profitability of the business sectors. But the increasing devaluations of the currency made the distributive conflict more intense and led to an acceleration of the inflation rate.

The nominal race between the exchange rate and wages was a clear expression of the conflict over income distribution. But it also had other consequences related to the external position of the economy that would aggravate the initial distributive conflict. The increasing nominal devaluations of the exchange rate produced a growing erosion of the expected profitability in dollars of domestic financial assets, inducing the resident private sector to become increasingly dollarised, and discouraging the inflow of international capital that at that time was flowing into other countries in the region. This growing dollarisation of portfolios had a particularly negative effect on the balance of payments and led to greater exchange rate pressure.

Besides, the improvement in wage share led to a higher propensity to consume in the economy and, together with a clearly expansionary fiscal policy, led to a strong expansion in the level of output and employment. But it also induced a strong growth in imports and led to a gradual external current account deficit.

In itself, this did not seem serious. In fact, practically all of the countries in the region also showed external current account deficits.⁸ But these countries more than compensated for such current account deficits with persistent capital inflows (FDI and portfolio capital). Moreover, in almost all these countries capital inflows were the basis for a significant accumulation of international reserves.

Even in these cases, and under the established approach, it has been explicitly recognised that exchange rate fluctuations can have strong *distributional effects*, with particular emphasis on appreciations, because, in principle, they reduce the profitability and competitiveness of export and import industries (although the established approach restricts this effect only to the tradable sector).

Chang (2007) underlines the case of some recent experiences of exchange rate appreciation where strong political pressures on the monetary authorities have been evidenced so that they intervene and *reverse* the appreciation, something that further strengthened the process of accumulation of international reserves.

Chang (2007), for example, argued that the accumulation of reserves in Brazil, Colombia, and Peru in the early 2000s was too large to be justified by international

⁸ In the Argentine case, the current account deficit emerged later than in other similar countries and was of a smaller magnitude.

liquidity concerns. Rather, it seemed like a deliberate effort by the Central Bank to prevent further exchange rate appreciation and preserve the international competitiveness of different productive sectors.

But again, in this respect Argentina presents an important difference. While in other Latin American countries the accumulation of reserves was connected to the nominal *appreciation* of the exchange rate and had stabilising effects, in the Argentine case it was associated from 2007 onwards with the nominal *devaluation* of the currency and had destabilising effects. Thus, while the external current account surplus began to run out and financial dollarisation grew, central banks continued to accumulate reserves until at least 2011, placing even more demand pressure on the foreign exchange market.

After a series of devaluations, speculators expect the price (the exchange rate) to be higher in the future, and they buy today (or delay sales), which causes the price to rise even further. In a “pure” floating exchange rate regime, this instability does not stop, but rather induces a “snowball” effect in the foreign exchange market (Serrano et al., 2021). This cumulative instability is what underlies the well-known “fear of floating” pointed out by Calvo and Reinhart (2002).

In summary, initially the distributive conflict between wages and profits generated significant pressure on the exchange rate policy and led to a high rate of devaluation. Later, the higher rate of devaluation produced expectations of further devaluations, producing a negative return differential, and stimulating an incessant dollarisation of portfolios and discouraging the influx of international capital. This dollarisation strengthened the tendency towards effective devaluation of the exchange rate and further aggravated the distributive conflict, leading to a growing acceleration of the inflation rate.

At the same time, the expansion of the level of activity and employment was producing a growing external current account deficit that, due to incessant dollarisation, could not be compensated with the contribution of the capital account. Under these conditions, the central bank increased the devaluation rate even further while it began to lose reserves from mid-2011. The process became difficult to control and led to an unsustainable loss of international reserves. In such a context, the government suspended the floating exchange rate in 2011.

CONTROLS IN THE FOREIGN EXCHANGE MARKET (2011-2015)

The government began to apply restrictions to prevent companies, banks, and families from acquiring foreign currency at the beginning of 2011 and these restrictions became more intense towards mid-2012. In fact, control of the foreign exchange market is not strictly established to avoid a devaluation or prevent the loss of reserves, but to *manage* the pace of devaluation without turning it into a

collapse due to the explosive instability produced by the feedback between actual results and expectations.

It is a way to avoid not only an exchange rate crisis but also to protect (within existing possibilities) the attained level of real wages to the extent that the official exchange rate continues to be the relevant reference for determining the domestic prices of the main tradable goods.⁹

The imposition of restrictions on the private sector to acquire foreign currency generates a parallel black market and therefore a black-market premium appears. This black-market premium is the symptom of a problem that is difficult to solve, because, either to avoid a greater erosion of the profitability of the tradable sector, or to avoid the loss of reserves generated by the growing balance of payments deficit, or for both reasons, the government cannot stop increasingly devaluing the currency, which increases the negative interest differential and leads, even with exchange controls, to increasing foreign exchange rate pressure in the form of an increase in the gap between the official exchange rate and parallel exchange rates. Likewise, the fact that investors cannot easily go from pesos to dollars (due to controls and constraints), imposes a great obstacle to trying to avoid financial dollarisation by increasing internal interest rates.

One could easily think that the economic policy that prevailed between 2003 and 2015 was simply wrong. Certainly, some of the analytical foundations of economic policy decisions were very weak. However, such a conclusion would be erroneous since it implicitly assumes that economic policy decisions can be reduced to a purely *technical* problem. But is not the case.

In purely “technical” terms, a more efficient option to avoid incessant capital outflows, as well as the persistent dollarisation of the private sector and to control the rising inflation would have been a combination of a *lower* devaluation rate together with a *higher* interest rate. That would have led to a positive internal-external interest differential and most likely would have alleviated pressure on the exchange market, discouraging portfolio dollarisation. But such a policy would have led to an even more intense distributional improvement in favour of wages, further eroding the profit rate and generating an increasingly broad consensus of capitalists against the government policy.

In such a context, even if the government could resist the capitalists’ claim to restore profitability through a large devaluation, the continued reduction in profitability would begin to jeopardise, albeit gradually, the minimum profitability required to export and /or to prevent imports from affecting the domestic production of tradable goods. Although it is a slow process, and the elasticity of the

⁹ Frenkel and Friedheim (2017) showed in an econometric analysis that the contribution of the exchange rate variation in the parallel market to domestic inflation was irrelevant. The incidence of the parallel exchange rate on the fixed price rate (basically industrial and services) represented only an average of 0.3 additional percentage points of monthly inflation (just over 4 pp of additional annual inflation).

quantities exported and imported to changes in the real exchange rate is very low, it cannot continue forever. At the limit, the government would have to devalue to “accommodate” that minimum profitability and, in this way, the unstable cycle of nominal devaluation, the formation of external assets and inflation would be set in motion again. This made it very difficult, or outright impossible, to establish an inflation targeting regime in Argentina like that of other Latin American countries.

In general, Latin American countries that adopted inflation targeting were generally successful in terms of reducing inflation. The theory underlying the institutional arrangement of the inflation targeting system assumes that inflation is basically due to excess aggregate demand and that the central bank controls excess demand through changes in the short-term interest rate following some version of the well-known Taylor rule.

But, as several analysts have shown, in most (if not all) cases, central banks managed to fit current inflation into the target through a more indirect transmission mechanism. Aggregate demand does not seem to have a systematic relationship with inflation (Trajtenberg et al., 2015), while the interest rate has little effect on aggregate demand. However, the interest rate affects the nominal exchange rate by influencing capital flows, and thus decisively influences the inflation rate.¹⁰ But this policy is only possible.

“... In situations in which there is *no external credit rationing* nor *strong political objections to further appreciation* of the exchange rate” (Summa & Serrano, 2018, p. 3, added emphasis).

In very general terms, Argentina had “objections” to further exchange rate appreciations in the period from 2003 to 2015 and, as will be shown in the following section, the situation worsened considerably when it suffered a strong external credit rationing from the beginning of 2018, a problem that was superimposed on (and further aggravated) the distributional conflict in force since 2003.

However, before concluding this section, the question arises: Is Argentina the only country where there is inflation caused by distribution conflict? In a more general perspective, a study by ECLAC (Economic Commission for Latin America) allows comparing the explanatory factors of inflation in several Latin American countries in the period 1993-2013 (Trajtenberg et al., 2015).

In the 1990s the authors confirm a weakening of the distribution conflict in all countries due to the structural reforms applied (privatisation, labour market flexibility and fiscal adjustment), which led to high unemployment rates and a remarkable weakening of workers’ bargaining power, leading to a fall in unit labour costs. In this context, unit labour costs played the role of nominal price anchor and were a disinflationary factor, which allowed fixed exchange rate systems to predominate for a long period.

¹⁰ See Frenkel (2008) and Barbosa-Filho (2008).

But in the 2000s, although all countries in the region continue to show declining or stagnant unit labour costs, in Argentina a significant change is observed: from 2003 onwards, there is growing inflation driven by unit labour costs and the intensification of the distributive conflict. Argentina is the only country in the sample in which this process takes place.

Although in another way, the same difference is highlighted by other analysts. For example, Frenkel and Rapetti (2012) observe that from 2002/2003 onwards there is a systematic increase in unit labour costs in dollars and a process of real exchange rate appreciation in all countries. But:

There is, however, an important difference (...) between Argentina and the rest. In Argentina, RER appreciation resulted from higher domestic inflation relative to foreign inflation whereas in the other South American countries it mainly resulted from nominal exchange rate appreciation, especially in Brazil and Colombia (...) in Argentina real wages increased relatively more than the productivity differential (...) The different behaviour of real wages in these countries is a reason why unit labour cost in foreign currency in Argentina rose more than in Peru and Uruguay. (Frenkel & Rapetti, 2012, p. 49).

Certainly, an economic policy alternative, making possible a combination of higher interest rates and a slower rate of devaluation, would have been to keep the growth rate of nominal wages under control, putting a limit on the distributive aspirations of the workers and unions. Wage control would have avoided the need to persistently adjust the nominal exchange rate and therefore would have made it possible to generate a positive internal-external interest rate differential. For example, some type of income policy rule where nominal wages grew at a rate similar to the increase in labour productivity. But workers and unions were the main social base of political support for the government, and it was not easy to put a limit on wage indexation in a context of free collective bargaining and low unemployment.

Having reached this impasse, unable to resolve the problem that caused the instability, the economic policy of Cristina Kirchner's government (2011-2015) dedicated its efforts to controlling the *manifestation* of the problem, that is, trying to reduce the pressure of the exchange market by resorting to the imposition of restrictions on the demand for foreign currency, once an economic policy aimed at generating incentives in another direction was not achievable.

This interrelation between distributional conflict and exchange rate policy, in the context of the specific role played by the *real* exchange rate (inflation and distribution) and the *nominal* exchange rate (capital flows and interest differential), explains the positive correlation (at least in some periods) between the inflation rate and capital outflows in an alternative way to the conventional approach. When economic policy generates systematic devaluations of the currency, this produces, at the same time, more inflation and induces a growing formation of foreign assets since it persistently deteriorates the returns in dollars of the domestic financial assets.

This “propensity for devaluation” of macroeconomic policy and the resulting instability had two effects: it strengthened the tendency towards the formation of external assets of national residents and it exacerbated the distributional conflict and the inflationary process. These tendencies interacted and reinforced each other. The increasing dollarisation of portfolios further stimulated the devaluation of the currency, accelerating inflation and intensifying the distribution conflict. Then, the exacerbation of the conflict, determining a high pass through, led the capitalists to claim for the government a new adjustment to the nominal exchange rate, restarting the cycle on a larger scale.

RESTORATION OF NEOLIBERALISM AND NEW CYCLE OF EXTERNAL DEBT (2016-2019)

In this complex situation, the Government of Mauricio Macri (2016-2019) carried out a total change in economic policy. The transcendental change was the withdrawal of the State as the engine of economic growth and inducer of progressive income redistribution, and the attempt to transfer leadership of the growth process to the private sector. This change had its macroeconomic translation: instead of consumption of the workers or public expenditure, the engines of growth would now be private investment and exports.

The first measure was to “liberalise” the basic prices of the economy (unify the foreign exchange market, eliminating controls, and allowing a considerable increase in the prices of public services). Besides, the departure of the State implied a strong fiscal adjustment, which involved a sharp cut in public spending and, at the same time, a decrease in the tax burden on the private sector.¹¹

From then on, the Government’s role in economic growth would be to provide a reliable institutional framework, giving way to the initiative of the private sector. Incentives based on a system of “correct” relative prices (i.e., higher profitability) would “do their job” to stimulate investment and exports.

Since fiscal balance could not be achieved immediately, in the transition it was necessary to decide how to finance the fiscal deficit. There were three options: public debt, monetary financing from the Central Bank (“monetisation”) or increased taxes.¹² “Monetisation” was immediately rejected as inflationary. The tax increase was also ruled out because it was assumed that the private sector already bore a “suffocat-

¹¹ A critical decision was a substantial increase in public services (and the consequent reduction of subsidies). As a result, while the food price index increased 34% in 2016, regulated prices rose much higher (electricity, 253%, and gas, 147% on average), resulting in retail inflation of 41% by the end of 2016.

¹² Really “monetisation” and public debt lead to the same result provided that the central bank has an interest rate target and acts accordingly in the secondary market for Treasury bonds (Serrano & Pimentel, 2017; Wray, 2004)

ing” fiscal burden. The last option was public debt. But, in the latter case, there were two alternatives: borrowing in foreign currency or in domestic currency.

The Government considered that the increase in public debt in domestic currency would cause a crowding out on private investment, since it was assumed that the increase in public debt would push up interest rates and, therefore, led to a decrease in the private investment. Furthermore, the increase in the interest rate would lead to a displacement of net exports (exports minus imports), since the increase in the interest rate differential would cause a net inflow of foreign capital, leading to an appreciation of the real exchange rate, therefore, a decrease in net exports.¹³

In conclusion, the Government believed it was appropriate to accumulate debt in *foreign* currency to finance the fiscal deficit. Additionally, this decision was based on the (surprising) argument that foreign debt was “cheaper” in fiscal terms, completely ignoring the problems related to the mismatch of currencies (domestic and foreign).

Between December 2015 and June 2016, a shock economic policy was applied, which caused an acceleration of inflation, the reduction in real wages and a strong contraction in the activity levels. Exchange controls were eliminated, and a floating exchange rate system was returned in the context of an inflation targeting regime, although without paying special attention to the evolution of the exchange rate.

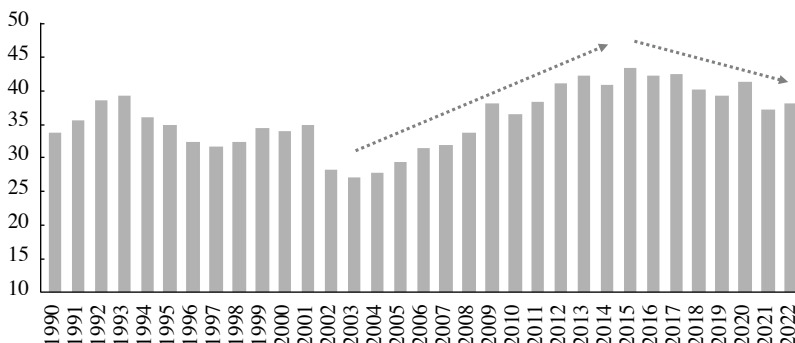
In mid-2016, the recovery of the level of activity begins, deliberately induced by the Government to improve its performance in the midterm elections. The economy stopped falling in mid-2016 and since April 2017 it accelerated its pace of expansion. This strategy was politically successful (the government largely triumphed in the 2017 midterm elections). But in economic terms it represented a deviation from its long-term economic policy agenda. In fact, the Government had stimulated growth using an entirely “populist” policy (a “benign populism”, as one analyst suggested), that is, using the same (Keynesian) policies that had been so severely criticised when applied by the governments of the previous cycle (2003-2015). The most symptomatic thing was that the economy was growing (and investment too).

The expansion of the activity level in 2017 (due to an increase in public investment and public social spending) was possible due to the lower pace of adjustment of the nominal exchange rate, which implied an appreciation of the real exchange and had a positive effect on real wages. The result was a certain stabilisation (with a growing dynamic) of the share of wages on output (Figure 1), after falling almost three percentage points compared to 2016 (Kennedy et al., 2018). However, it implied an improvement in the income wage share of formal workers in the private sector.

¹³ This line of interpretation derives from the traditional Mundell-Fleming model, which is nothing more than an extension of the popular IS-LM model to the case of an open economy. For a critical view see Serrano and Summa (2015).

Figure 1.

Wage share (percentage of GDP)



Source: Prepared by the author based on data from INDEC (2024).¹⁴

But in this way the significant macroeconomic variables moved in the *opposite* direction to the long-term agenda postulated by the government, since the condition for the change in the growth model had a very clear distributional implication: profitability had to be improved to encourage greater investment and exports. And this incentive for profitability had to have as a necessary counterpart the reduction of the share of wages in output. In other words, the stability of the nominal exchange rate (which implied an appreciation of the real exchange rate) was once again leading to a squeeze in the profit rate and, in the government's opinion, this weakened long-term growth.¹⁵

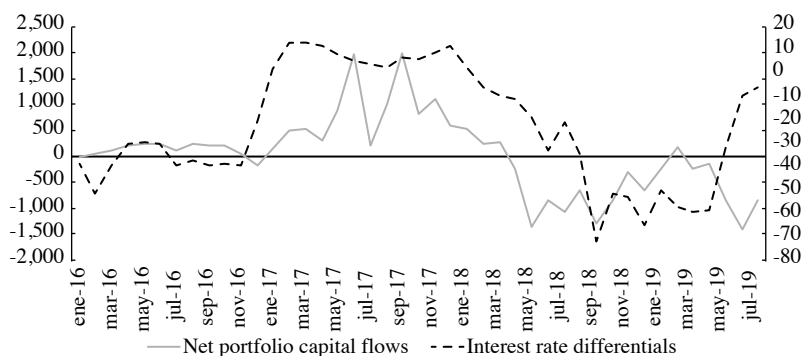
For its part, the BCRA (Banco Central de la República Argentina) continued to apply its inflation targeting policy, without paying attention to the distributional effects of the exchange rate policy. Following the policy prescriptions of the case, the central bank tended to increase the interest rate as long as the observed inflation remained above the target. But this policy was, for the government, part of the problem. In fact, higher nominal interest rates led to increasingly positive interest rate differentials, stimulating external capital inflows and keeping the nominal exchange rate stable (Figure 2).

¹⁴ See: <https://www.indec.gob.ar/indec/web/Nivel4-Tema-4-31-58>, <https://www.indec.gob.ar/indec/web/Nivel4-Tema-4-31-61> and <https://www.indec.gob.ar/indec/web/Nivel4-Tema-3-9-48>.

¹⁵ Certainly, there is no empirical evidence on a positive relationship between economic growth and profitability and, more generally, with the distribution of income. For a critique of this approach under the Macri government, see Amico (2020).

Figure 2.

Interest differentials and net capital flows (percentage and US\$ million)

Source: Author's calculation based on BCRA (2024) data.¹⁶

Due to this policy, the year-to-year increase in the nominal exchange rate went from 60% in December 2016 to just 12% at the end of 2017.¹⁷ At the end of December 2017, the government decided to put an end to this situation. In a press conference, with the presence of the president of the BCRA, the Ministry of Economy announced a change in the inflation target and a reduction in interest rates. The government showed no concern for the independence of the central bank or for the reputation or credibility of the monetary authority. Rather, the government made explicit its intention to allow a higher real exchange rate, even at the expense of higher inflation (Amico, 2020).

The announcement of the reduction in interest rates and the redefinition of the inflation target had an immediate effect on the evolution of the exchange rate. Between December 2017 and February 2018, the BCRA accepted (without doing anything to oppose) the devaluation of the currency, although it finally intervened due to obvious signs of accelerating inflation. This passive attitude demonstrates that the BCRA (the Government) pursued the objective of a higher level of the real exchange rate and that inflation was a subordinate objective.

The change in monetary policy in December 2017 was combined with another crucial episode, since the Argentine government had begun to accumulate debt in foreign currency since 2016 at an unusual pace, something that was in the opposite direction to what was happening in practically all Latin American countries (with the possible exception of Ecuador).

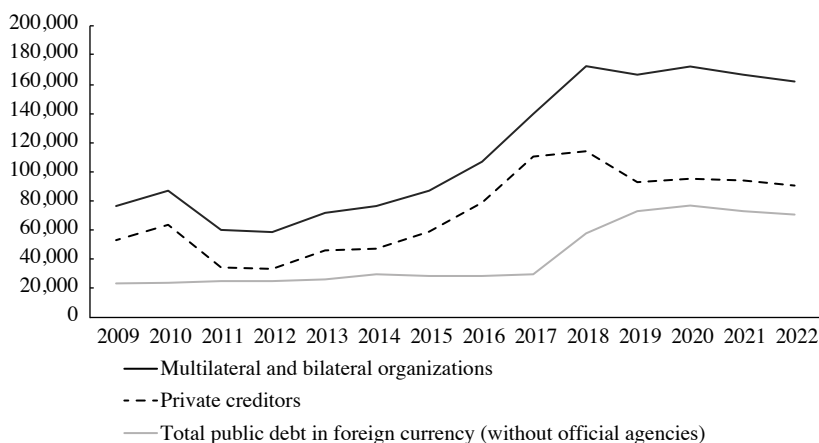
¹⁶ See: <https://www.bcra.gob.ar/>.

¹⁷ However, by stimulating the inflow of capital, this policy led to the appreciation of the real exchange rate, the increase in real wages and a gradual squeeze of profit margins. In turn, rising real wages led to higher levels of private consumption, which led to an increase in the GDP and this, in turn, stimulated greater private investment in productive capacity. As suggested, higher interest rates were expansionary (Rapetti, 2016).

The lower external vulnerability of Latin American countries was articulated with a fundamental change in the *composition* of the debts of developing countries. An article from the BIS (Micic, 2017) observed that the public debt of emerging countries was more than double what it was in 2007, but its composition had changed significantly. The loans were denominated mainly in domestic currency, while the participation of public bonds denominated in foreign currency was minimal. Argentina was an exception to that pattern.

Figure 3.

Total public debt in foreign currency (does not include official agencies, in millions of US\$)



Source: Prepared by the authors based on data from the Ministry of Economy and the Ministry of Finance (various reports).¹⁸

The debt cycle reached a critical point when a new issuance of Argentina's debt securities for \$9 billion failed in early 2018 and the government could not continue borrowing on the international market. From then on, international market began to ration credit for Argentina. The idea that loans would be unlimited is absurd but seems to have prevailed in the Government's opinion.

Obviously, the financing of the external deficit and debt cannot be without limits. At a certain point there will be an increase in risk and then there will be rationing of external credit. The country will not receive more foreign capital flows and will not attract more money, no matter how high the domestic interest rate is. In this critical context, the default debt threat substantially increased the country's risk premium and unleashed a run on the exchange market that forced the government to restore restrictions on the foreign exchange market, even stricter than those existing between 2011 and 2015.

¹⁸ See <https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda>

As explained before, inflation control in the region was achieved due to the effect of interest rates on capital flows and the appreciation that it induced on the exchange rate. This policy was only possible “in situations in which there is no rationing of external credit or strong political objections to greater appreciation of the exchange rate” (Summa & Serrano, 2018). Certainly, towards the end of 2019 the Argentine economy combined both restrictions, since there were political objections to the appreciation of the real exchange rate (due to its distributional effects) and it also faced clear credit rationing.

THE FAILURE OF THE NATIONAL-POPULAR EXPERIENCE (2019-2023)

The national-popular experience of Alberto Fernández’ government (which had the decisive presence of Cristina Kirchner as vice president) had to face a sequence of large exogenous shocks that decisively conditioned the evolution of the economy and society. Three months after taking office, the government had to face the COVID-19 pandemic, which had very significant social and economic effects.

Subsequently, when the pandemic began to subside, a strong international inflation process occurred at the beginning of 2021. Bottlenecks in the supply of raw materials, intermediate goods and freight transportation caused unprecedented increases in the prices of basic products. Likewise, there were disruptions in several supply chains that were combined with strong demand derived from the global economic recovery (Rees & Rungharoenkitkul, 2021).

This unleashed paranoia around the world with inflation but in detriment of low growth (Vernengo, 2023b). The widespread fear was that supply shocks could generate sustained inflationary pressures if difficulties persisted long enough to trigger compensatory wage increases, which is basically what happened in Argentina (Amico, 2021). Later, at the beginning of 2022, the outbreak of the war in Ukraine further deepened the international inflation shock, especially in the food and energy sectors.

However, exogenous shocks (Covid19, the Ukrainian war) are not the main factor limiting the government’s action in the 2019-2023 period. The influence of the external debt, judged unsustainable by the IMF itself, was decisive in determining the evolution of the economy, the rising inflation rate and the restrictions on the external sector.

In mid-2020, Argentina reached an agreement with private creditors for its external debt in virtual default. The agreement basically postponed the due dates for debt payments that would begin to be significant from 2026 onwards and obtained some reduction in the interest burden. Later, in March 2022 an agreement was

reached with the International Monetary Fund (IMF) to pay the US\$ 45 billion debt contracted during Mauricio Macri's administration. A memorandum was signed establishing 10 quarterly reviews over 30 months, on which the disbursements to refinance the debt with the organisation will depend.

In that memorandum, the country committed to meeting goals related to the reduction of the fiscal deficit and inflation, the fall of energy subsidies, the increase in the GDP and the rise in the real exchange rate and interest rates. This agreement decisively conditioned economic policy. On the one hand, it imposed a severe target of primary fiscal balance in three years; On the other hand, it forced the government to increase the prices of public services above the average inflation rate and, at the same time, adjust the nominal exchange rate in line with the monthly inflation rate, which left the economy practically without a nominal anchor. Thus, in the context of an increasing distribution conflict, inflation accelerated significantly.

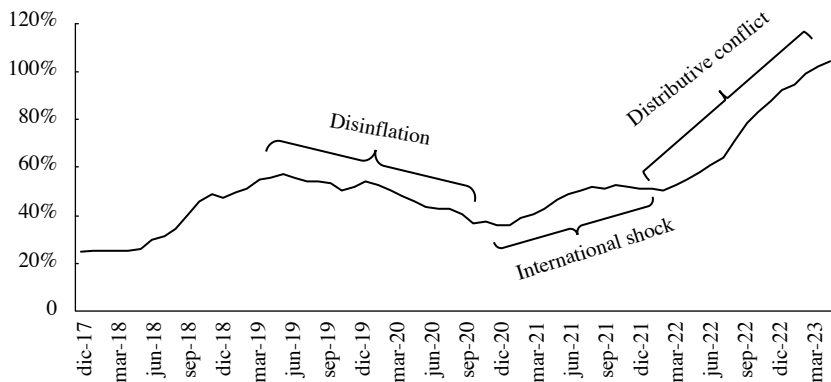
If these shocks were not enough, in 2023 Argentina suffered the worst drought in the last sixty years, which caused a collapse in agricultural production and its exports. The decrease in exports was around US\$25 billion in 2023, almost 30% compared to the previous year's level. This episode had a devastating effect on an economy constrained by the shortage of foreign currency (the BCRA's net international reserves were negative). Worse still when the government had agreed to a demanding goal of accumulating international reserves imposed by the agreement with the IMF (an objective that could never be met).

The government was forced to carry out a severe adjustment of domestic activity in order to sharply reduce imports to bring them in line with the lower value of exports. But, instead of causing a contraction in the level of output and employment, the government and the BCRA authorised imports with the promise of delivering dollars in the future. Imports were authorised but the delivery of dollars to pay for them began to be increasingly delayed, causing a sharp increase in the commercial debt of companies of at least US\$ 20 billion.

Thus, in such a context, the evolution of inflation could be separated into three stages: 1) A first phase of slow deceleration (Dec. 19 to Dec. 20), which coincides with the phase of the COVID-19 pandemic. Under such conditions, in fact, nominal wages played the role of nominal anchor, and although there was a slowdown in the rate of increase of the nominal exchange rate, as inflation slowed more rapidly, the real exchange rate increased. In this phase, international prices tended to decline, and prices regulated by the government slowed their growth rate. 2) The international price shock takes place (Jan. 21 to June 22), leading to an increase in the domestic price of tradable goods, which grow at 20% year-to-year until June 22. The nominal exchange rate slows down its growth rate (but increases). Nominal wages begin to react later.

Figure 4.

Inflate rate (cpi-year-on-year percentage)

Source: INDEC (2024).¹⁹

3) Since June 2022, what we could call a “full” distributive conflict has occurred. Nominal wages accelerate their growth rate to recover lost ground, while forced by the conditionalities of the agreement with the IMF, the government accelerates the pace of adjustment of the official exchange rate, causing an upward spiral of prices (nominal exchange rate) and wages. Furthermore, this price-wages spiral is exacerbated by the increase in regulated prices (public and private services).

From 2022 onwards, the behaviour of nominal wages (particularly in the formal private sector) is notably different due to the fuller functioning of collective bargaining and the notable shortening of wage contract terms. This decrease in the frequency of price and wage adjustments increases inflationary inertia (since an increasing percentage of past inflation is transferred to current inflation) and considerably increases the pass through from the exchange rate to inflation.

Due to this macroeconomic dynamic, towards the end of 2023, under the Fernández administration, real wages remained practically stagnant and even somewhat below 2019. Formal workers in the private sector showed stagnation, but informal workers suffered a real drop of 19% in real wages compared to 2019. However, the most significant reduction had already occurred in the previous government, especially in 2018/2019. The real wages of formal private workers were 16% lower in 2023 compared to 2017, while for informal workers the collapse reached 41%. At the same time, the Argentine economy had shown a strong recovery after the pandemic. In 2021, the GDP grew by 10.7% annually, although it then began to slow down (5% in 2022 and -1% in 2023). Private consumption grew at significant rates (20.4% in 2021, 17.9% in 2022 and 6.2% in 2023).

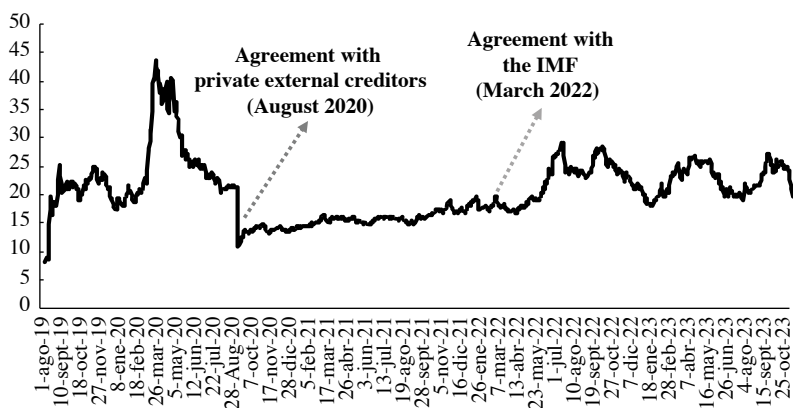
¹⁹ See: <https://www.indec.gob.ar/indec/web/Nivel3-Tema-3-5>.

However, a historical feature of Argentine economic dynamics was that boom cycles (and balance of payments problems) were generally associated with *increasing* real wages (Canitrot, 1983). But since 2020 the economy has recovered with *stagnant* real wages. Here an important difference emerges with the previous stage. While in 2018-2020 the variations in the wage bill correlate almost perfectly with the dynamics of real wages, in the second period (2012-2023) they are mainly associated with employment. In turn, aggregate employment increased due to the strong rise in public investment and construction, that is, basically due to the impulse of public expenditure.

For that same reason, the level of activity decelerated rapidly to the extent that the government made the adjustment of public spending more severe, first due to the problem of the shortage of foreign currency and later, due to the decisive influence of the policy conditionalities derived from the agreement with the IMF. In this context, the factors that push towards the devaluation of the currency seems to be related to the IMF's influence on economy policy. Besides, since the end of 2019, debt in foreign currency (both public and private) began to be a fundamental factor that led to country risk levels typical of a default situation.

Figure 5.

Country risk premium (in basis points)



Source: Emerging Markets Bond Index (EMBI).²⁰

Because the internal-external interest rate differential also incorporates default risk levels, the greater the risk, the more negative the interest differential will be. Therefore, this reinforces the tendency towards net capital outflow and/or financial dollarisation of national residents. Furthermore, the post-pandemic recovery led to strong growth in imports and determined a growing current account defi-

²⁰ See <https://www.statista.com/statistics/1086634/emerging-markets-bond-index-spread-latin-america-country/>.

cit, while the capital account remained practically closed due to the action of foreign currency controls and the negative interest rate differential. In such a context, the only possible external financing had to come from the IMF, but this institution only made quarterly disbursements of funds to repay the country's debt with the IMF itself. That is, there was no new external financing.

Beyond the large negative external shocks that affected the Argentine economy at this stage, perhaps the main diagnostic error of the Alberto Fernández government was having underestimated the public external debt problem and having believed that, in some way, the economy could repeat a takeoff trajectory like the one that took place since 2003.

But there was a crucial difference with that situation. In 2003, when Nestor Kirchner's presidency got underway, the 2001 crisis was in the past and, especially, the foreign debt *default* had already been recognised. Argentine society had come a long way since at least 1996, carrying out endless internal adjustment to pay an external debt that was unpayable.

With the external debt in the process of restructuring, the country recovered important degrees of freedom as pointed out by Damill et al., (2006). The main point is that none of these conditions were present in 2019. Furthermore, the Fernández government promised that Argentina would meet its debt commitments and that the economy would grow following a dynamic similar to 2003. This generated many conflicts within the ruling coalition. Although there were many protests and criticisms against the policy applied by President Fernández and his team (who pretended that the debt problem had already been solved with the agreements with private creditors and the IMF), on the side of the critics there was never there a clear policy alternative. Consequently, Argentina more or less gradually entered, with marches and countermarches, into the adjustment path imposed by the IMF, which finally led to the political failure of the national-popular coalition in the 2023 general elections.

THE ECONOMY POLICY OF JAVIER MILEI

Javier Milei's economic policy is still an ongoing experiment, so in this section we will limit ourselves to presenting some of its general features.

Javier Milei's government began its administration in December 2023 with a policy of shock, leading to a devaluation of the peso of an unprecedented magnitude in recent history. We have to go back twenty-one years, to the 2002 crisis, to find an event of similar magnitude. The exchange rate adjustment was accompanied by a sharp increase in fuel prices and produced an inflationary shock that more than doubled the monthly inflation rate (from 12.8% in November to 25.5% in December). However, the record of inflation measured by the consumer price index shows only a part of the new inflationary process, since the Internal Wholesale Price Index (IPIM) reached 54% in Dec-23, more than doubling CPI inflation.

Following this shock adjustment, the government implemented an exchange rate policy establishing a crawling peg scheme whereby the official exchange rate increased by only 2% per month, making the exchange rate a nominal anchor for the economy. At the same time, and contrary to its electoral promises, it maintained and extended controls over the foreign exchange market. With this policy, amid fiscal and monetarist rhetoric, it managed to reduce inflation from 25% in December 2023 to 3.5% per month in September de 2024.

The fiscal adjustment led to a primary fiscal surplus and even a small fiscal or global surplus. This result was mainly based on a harsh adjustment on energy subsidies (which resulted in a sharp increase in public service rates), the fall in spending on pensions and the virtual disappearance of public investment.

For example, the minimum pension in October 2024 shows a real drop of 43% compared to December 2023, while the real wages of public sector workers fell by at least 25% since taking office. The liberalisation of public service rates, for its part, had a strong impact on the middle and lower classes due to its impact on the cost of health and education.

In the first half of 2024, the GDP fell by an average of 3.5% compared to the same period of the previous year, showing a reduction in private consumption of 8.5% and a collapse in private investment in fixed capital of 27% according to official data. As a consequence of the recession, formal employment has suffered ten consecutive months of decline. Since Javier Milei became president, almost 200,000 formal jobs have been destroyed. Of this total, 146,500 were in the private sector, 41,300 in the public sector and 8,700 in other occupations.

At the same time that the economy was entering a recession with high social costs, the government was entering a period of financial euphoria thanks to the gradual fall in inflation and the decrease in the country risk premium.

In this context, the government implemented a whitewashing of unregistered capital, which was mostly placed in foreign currency. This had a beneficial effect in terms of stability of the exchange market and reduction of the gap between the parallel and official exchange rates. The international reserves of the BCRA (Central Bank of the Argentine Republic) stopped falling, which strengthened the market's confidence in the government's ability to meet external debt payments, at least in the immediate future. This recovery of confidence and the decrease in country risk levels opened the possibility of new sources of external financing to meet payment obligations.

At the same time, some large private companies (linked to investments in the energy and mining sectors) issued external debt to finance their cash needs, which also resulted in an increase in the BCRA's international reserves.

In some respects, Milei's economic policy is similar to the prevailing logic of the 1990s when the Convertibility Plan was implemented. But there are some fundamental differences.

The fixed exchange rate policy was put into practice once the external debt problem had been resolved. The Brady Plan and privatisations were the way to solve Argentina's debt default at the end of the 1980s, so that when the fixed exchange rate was adopted, the problem of external debt and default had been left behind. But in the current case, the external debt problem is in the immediate future, since capital and interest maturities begin to be more important starting next year.

In 2018, when the IMF granted Argentina a record loan of 45 billion dollars, the organisation's staff revealed, in the same report that approved the loan, its skepticism regarding the sustainability of the debt. In its particular language, the report warned:

Staff's assessment is that debt remains sustainable, *but not with a high probability* (IMF, 2018, p. 17, emphasis added).

Debt sustainability conditions do not appear to have changed substantially since then. In truth, as the conservative weekly *The Economist* recently highlighted, the Argentine economy needs to restructure its external debt instead of dollarising the economy. "A Milton Friedman tribute act is not the answer to the country's problems".²¹

Finally, in a context of growing financial euphoria in the markets, some data from the real economy illustrate the consequences and perhaps the meaning of the current economic policy. A regional comparison can be useful to better understand the magnitude of the catastrophe that has occurred with the real income of the population. As can be seen in the following graph, by 2023 real wages in Argentina were already showing a dismal trajectory compared to other countries in the region. However, in 2024 this dynamic changed even more drastically.

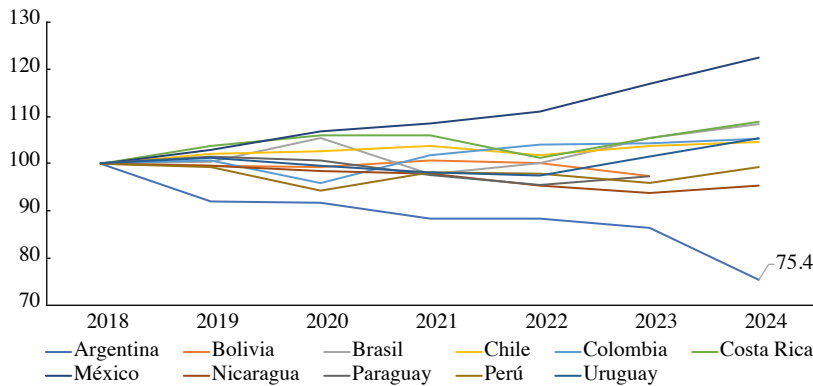
For example, between 2018 and 2023 (a five-year period), the average real wage in Argentina fell by 13.6%. But so far in 2024 it has fallen by 12.7%, almost the same as in the previous five years. This allows us to understand why, despite the improvements in private wages observed in recent months, they are compatible with record levels of poverty.

Poverty reached 52.9% of the population in the first half of the year and affected 24.9 million people throughout the country. This represents an increase of 11.2 percentage points compared to last year, and 12.8 points compared to a year ago (when it was 40.1%), and represents the highest value since 2003.

At the same time, there was a sharp worsening in the rate of indigence, reaching 18.1% of the population, who have problems meeting very basic food needs (about 8.5 million people). About six months ago that percentage was 12%, with which the current government added almost three million people to the map of indigence.

²¹ "Argentina needs to default, not dollarise", *The Economist*, Sep 7th, 2023.

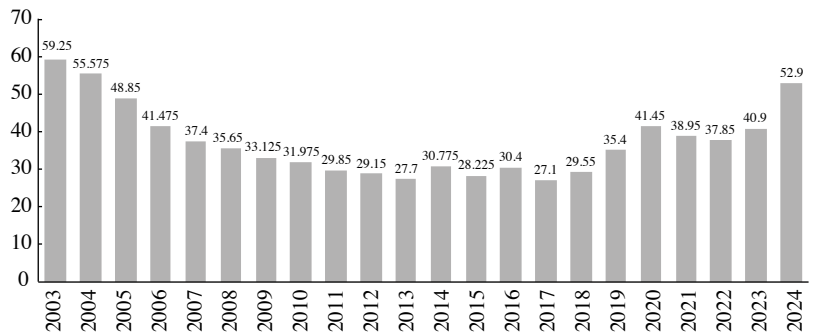
Figure 6.
Latin America: Average real wage (index 2018 = 100)



Source: CEPAL (2024).

Once again, adopting a long-term perspective, one can appreciate the brutal change that the current government introduced in the poverty rate. To understand this, it is worth considering that in the period 2003-2015 the poverty rate was reduced by 31 percentage points, in the 2015-2019 stage it increased by 7.2 pp, in the 2019-2023 phase it increased by an additional 5.5 pp and in 2024 it jumped about 12 percentage points in one semester (Figure 7).

Figure 7.
Poverty rate (in percentage)



Note: 2024 corresponds to the first semester.
Source: Own elaboration based on INDEC and Zack et al. (2020).²²

Finally, in the first quarter, open unemployment was 7.7% (two additional percentage points compared to the end of 2023 and 0.8 points compared to the same

²² See <https://www.indec.gob.ar/indec/web/Nivel3-Tema-4-46>.

quarter of the previous year); and 7.6% in the second, a year-to-year decrease of 1.2 points. This indicates that there are 1,625,000 unemployed people throughout the country, representing an increase of 336 thousand people in the year-to-year comparison. Likewise, informal employment totalled almost 330 thousand people.

FINAL REMARKS

The government of Javier Milei returns to the truncated economic policy agenda of the Macri government, although in an even more radical version. In this context, the underlying problem that characterises the entire historical trajectory analysed is precisely the difficulty of the elites to control conflicts over distribution without, at the same time, obstructing the possibilities of growth and development, or even without damaging a path of minimal civilisational normality.

For the economic and political elites, it was highly traumatic that a “populist” government managed to boost growth and bring the investment rate to maximum historical levels, although this had as its counterpart a persistent erosion of average profitability. Hence, the response has been, in fact, *policies of stagnation* that could lead to the disciplining of workers.

Following Kalecki (1943), this tendency was noticed early by Joseph Steindl, who considered it to curb the aspirations of the popular masses. Steindl realised that stagnation had ceased to be an incomprehensible fact (as in the 1930s) but rather constituted a *policy* of stagnation (Steindl, 1976).

But since 2018 onwards, the problem of excessive external debt has been superimposed on the original conflicts of the Argentine economy and has made them more intense. As in the mid/late 90s, Argentine society seems forced to enter a path of sacrifice to pay an objectively unsustainable external debt. This attempt will lead society towards an even deeper crisis, with a high social cost. The government’s policy of subjecting the country to great efforts to keep its debt commitments up to date will continue until it hits the limits of tolerance of most of the society. In that highly probable scenario, the threatening costs of defaulting (even with the IMF) will begin to be overshadowed by the unbearable growing costs of trying to avoid it. Under the current circumstances, it is difficult to envision another alternative (more progressive and civilised) for the Argentine economy.

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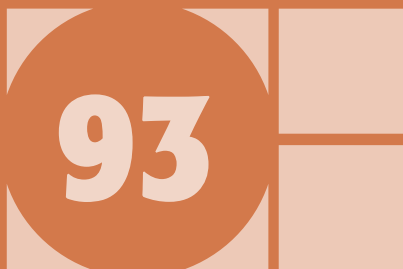
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APPENDIX 1

Stylized facts of Argentine development (1970-2022)
(selected indicators)

Periods	GDP x cápita (constan prices 1993)		GPD x cápita		Investmente rate		Employment rate		Real wage		Income distribution (% wage share on GDP)		Industrial growth
	Initial level	Final level	(% anual)		Initial level	Final level	Initial level	Final level	Initial level	Final level	Initial level	Final level	
1. 1970-1975	6713	7110	1,2%		7,0%	6,4%		38,4%	100,0	129,5	43,6	40,4	3,4%
2. 1976-1982	7110	6559	-1,1%		6,4%	4,4%	38,4%	36,3%	129,5	76,0	40,4	24,5	-2,3%
3. 1983-1989	6559	5920	-1,5%		4,4%	3,9%	36,3%	36,7%	76,0	64,9	24,5	27,5	-0,2%
4. 1990-2002	5920	6270	0,4%		3,9%	7,8%	36,7%	34,1%	64,9	59,8	27,5	28,3	0,3%
5. 2003-2015	6270	9788	3,5%		7,8%	10,4%	34,1%	41,7%	59,8	90,3	28,3	43,5	4,5%
6. 2016-2019	9788	9027	-2,0%		10,4%	8,5%	41,7%	42,6%	90,3	78,7	43,5	39,2	-3,6%
7. 2020-2023	9027	9180	-0,3%		8,5%	12,3%	42,6%	44,2%	78,7	76,4	39,2	38,0	1,3%

Source: Instituto Nacional de Estadísticas y Censos (INDEC), Banco Central de la República Argentina (BCRA) and Ferreres (2010).



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