

CRISIS IN ARGENTINA

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Folha de S.Paulo, 11.1.2010

The decision of President Cristina Kirschner is not a decision on monetary policy but a decision on fiscal policy

A president elected according to all the good rules of democracy creates a fiscal fund using a modest portion of the country's reserves in the Central Bank. In the name of the "Central Bank's independence", its president opposes the use of the country's reserves deposited in the bank to form the fund, because the government would have other fiscal resources to pay the debts. The country's president fires the bank's president by decree. General indignation - from the right and from the left: from those who want the State debt to be paid and from those who don't.

This country is Argentina. The president is Cristina Kirschner who, like her husband, although faithful to democracy, has an authoritarian style of government that was essential for the country to come out very well from the great 2001 crisis. Now, however, in the name of democracy, of law, and of the principle of Central Bank independence, the right-wing opposition, which has never accepted the success of the decrease in foreign debt achieved by the Kirschners, and the left-wing opposition, which is always searching for the perfect government, support the president of the Central Bank and create a serious political crisis in the country.

I will not discuss whether the dismissal by decree is legal. Whether the president of the Central Bank can remain in office pending the approval of his dismissal by a Congressional committee. Argentina's President dismissed Martín Redrado by

failure to comply with the duties of a civil servant. Redrado refuses to abide by the order because Argentinean law ensures that the Central Bank shall not be subject to orders, indications, or directions from the Executive branch in the formulation and execution of monetary policy. Neither will I discuss the antidemocratic principle of full central bank independence. I just state that a "reasonable" independence such as the one existing in the United States or in Brazil is a very good thing full independence is an absurd.

In this case, however, although the decision of President Cristina Kirchner has financial elements that are mixed with fiscal problems, it is not a decision on monetary policy but a decision on fiscal policy. It regards the way of using State resources. When the president of the Central Bank and government opponents argue against using reserves "because the government has current fiscal resources to pay the debt, and because using reserves would open the way to bigger tax expenditure without increasing the public deficit", this is a strictly fiscal argument. It has nothing to do with monetary policy autonomy, which would justify the independence of central banks.

Therefore, in order to support the president of the Central Bank, we will have to attribute to this institution not only monetary autonomy, but also the right to interfere directly with the government's fiscal policy. Is this what we want?

"Technicians" dictatorship? Furthermore, the opposition is already talking about the impeachment of a government that, since the treason of Vice-President Julio Cobos regarding the variable *retenciones* (which were necessary to neutralize the Dutch disease), became weakened. Argentineans have not yet discovered the path to economic development they haven't realized that to neutralize the Dutch disease originated in agriculture is the fundamental condition for their development. But a large majority of Argentineans know that democracy is a universal value. Therefore, despite the violence of the opposition, democracy is not threatened in Argentina it's the economic development that remains at stake.

