

Macroeconomic Populism

Bubble Economics – The case of Argentina



Mg. Iván Carrino

Family trip to Europe



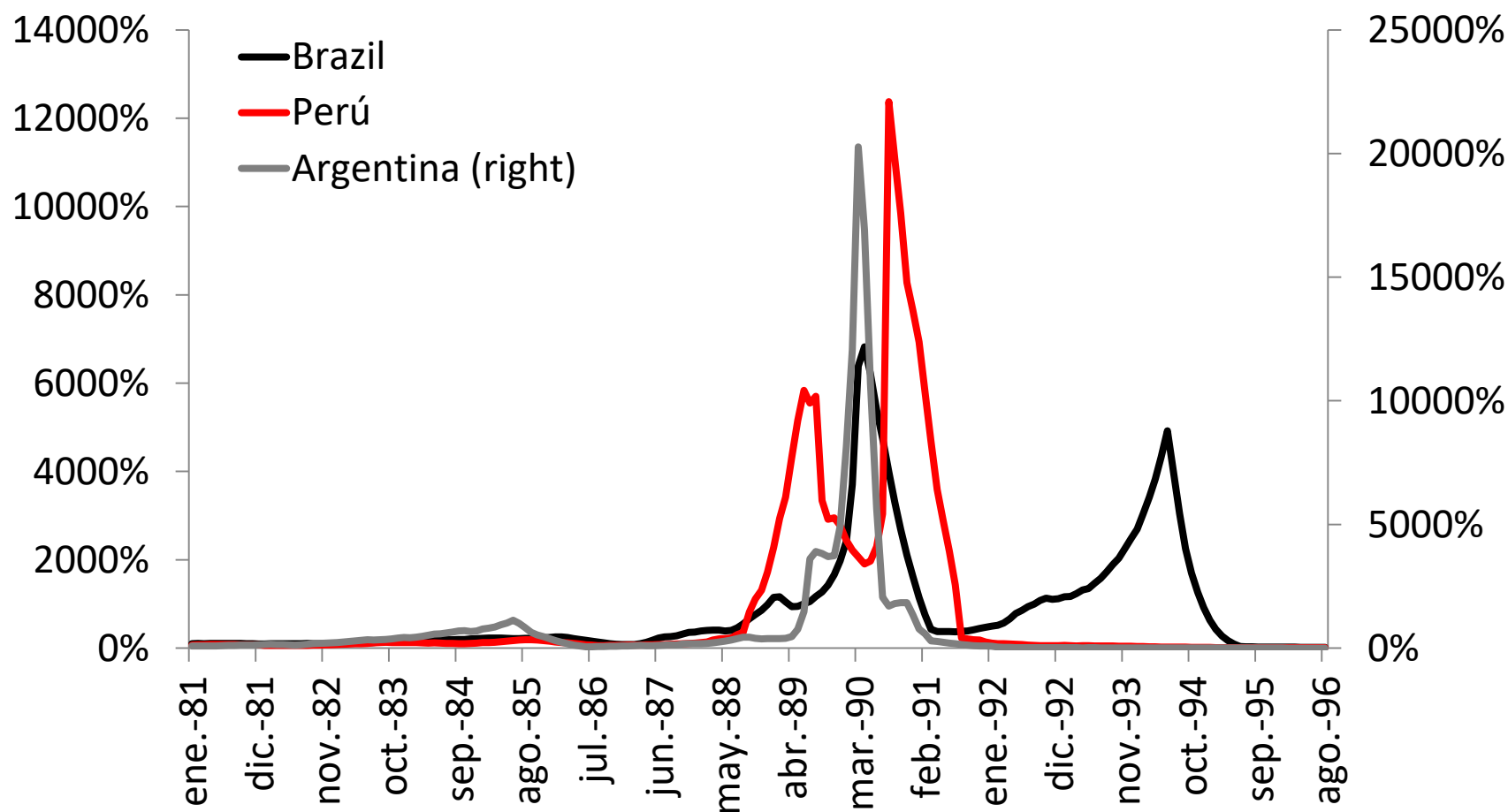
“Every economist in the world knows that populist experiments end up blowing up in the air” Daniel Artana, Chief Economist - FIEL

Macroeconomic Populism

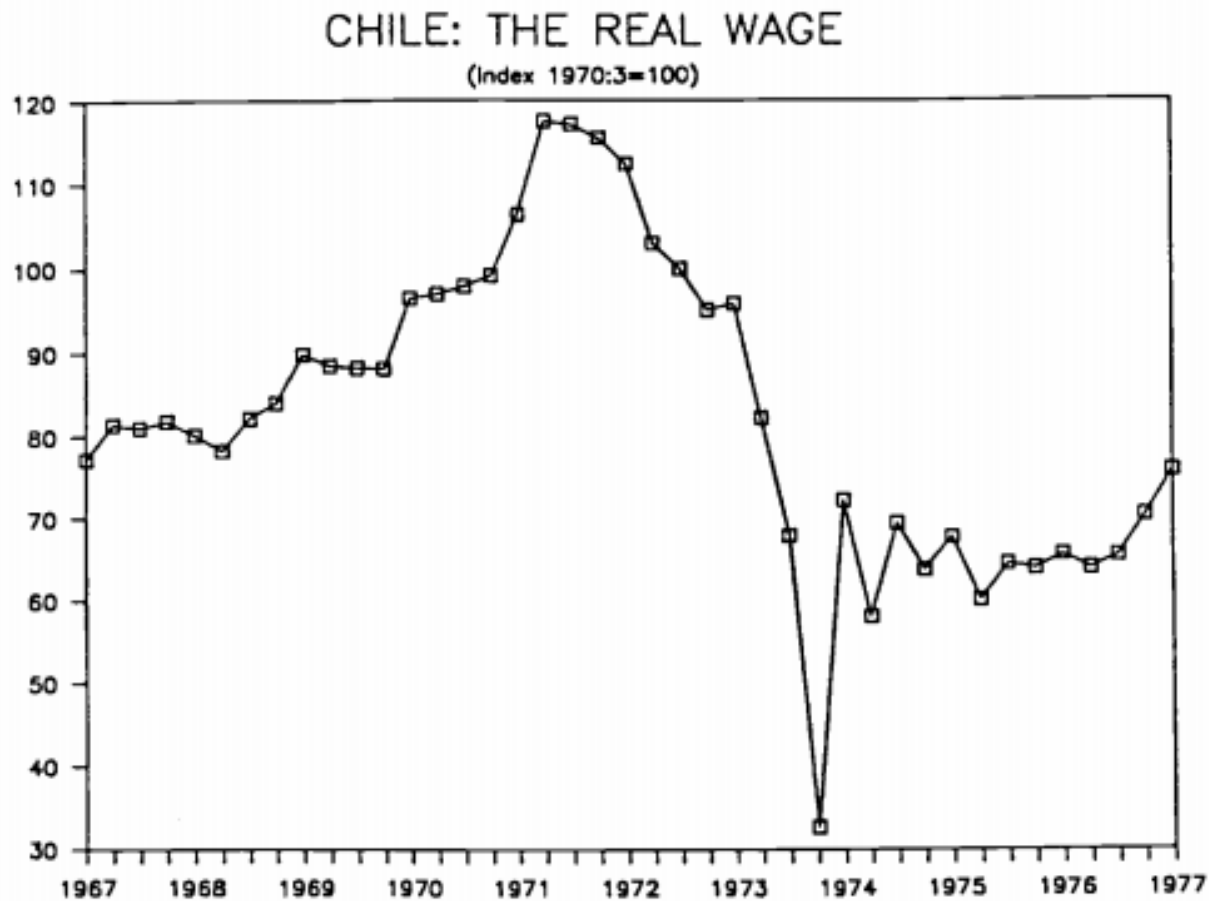
“economic programs that rely heavily on the use of expansive fiscal and credit policies and overvalued currency to accelerate growth and redistribute income (...)

deemphasizes the risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies”

Some results (inflation)



Some results



Some results

Table 1 Chile: Main Macroeconomic Indicators

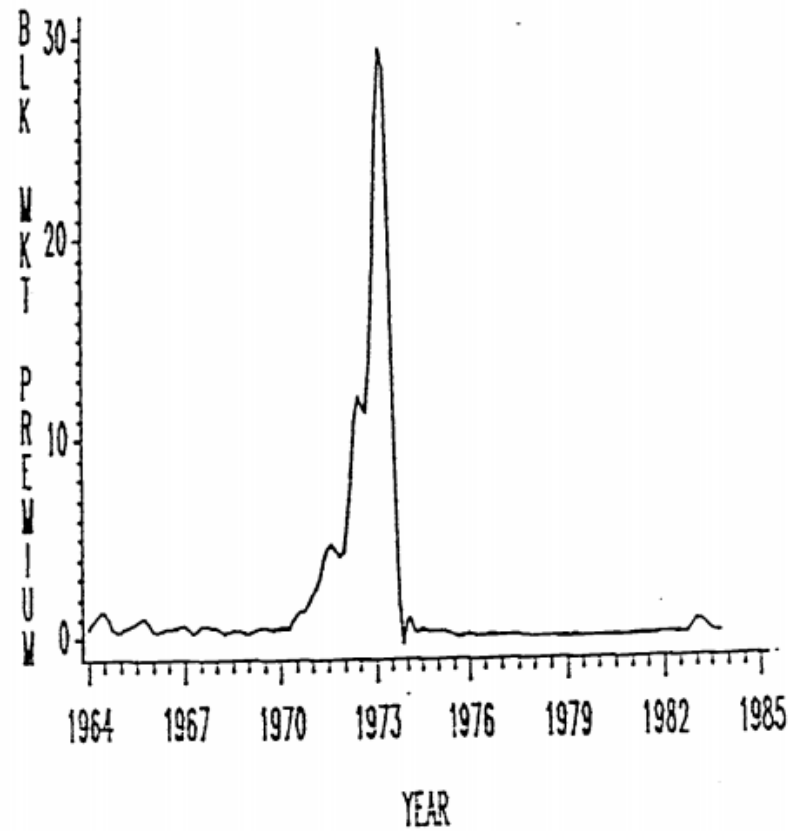
	1970	1971	1972	1973
Inflation ^a	34.9	34.5	216.7	605.9
Growth	2.1	9.0	-1.2	-5.6
Real Wages (1970:3=100)	98.4	115.1	103.5	70.3
Gov't. Revenue ^b	23.7	20.4	18.2	20.2
Gov't. Spending ^b	26.4	31.1	31.2	44.9
Budget Deficit ^b	2.7	10.7	13.0	24.7
Money Growth ^a	52.9	99.3	100.9	264.4
Int'l. Reserves (\$Mill.)	320	129	95	36
Trade Balance (\$ Mill.)	246	73	-161	-73
Black Market Premium	99	358	898	2349

^a Percent of GDP ^b Percent, Dec.-Dec.

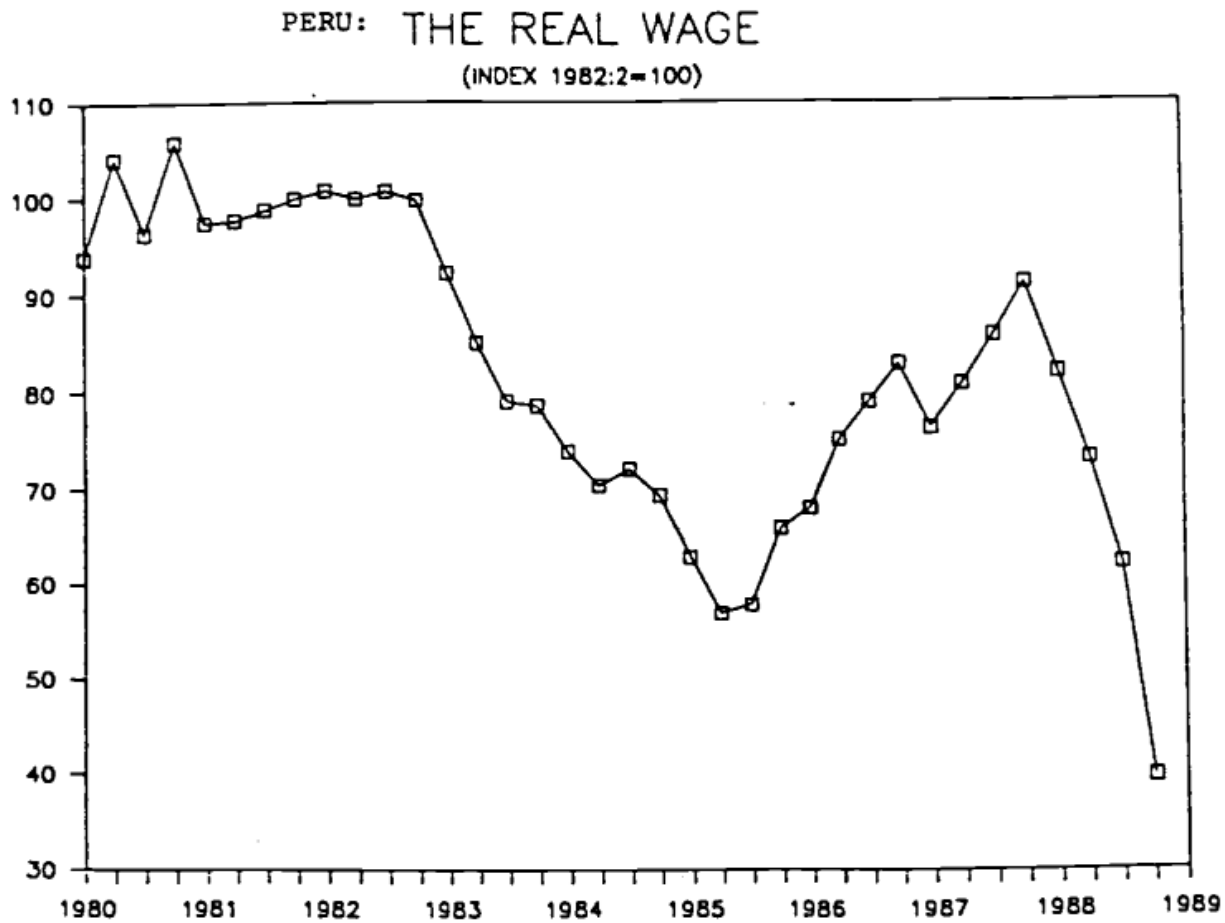
Sources: Yanez (1978); Banco Central de Chile; International Monetary Fund; Edwards (1986); Edwards and Edwards (1987), Solimano (1988).

Some results

CHILE: THE BLACK MARKET IN DOLLARS



Some results



Some results

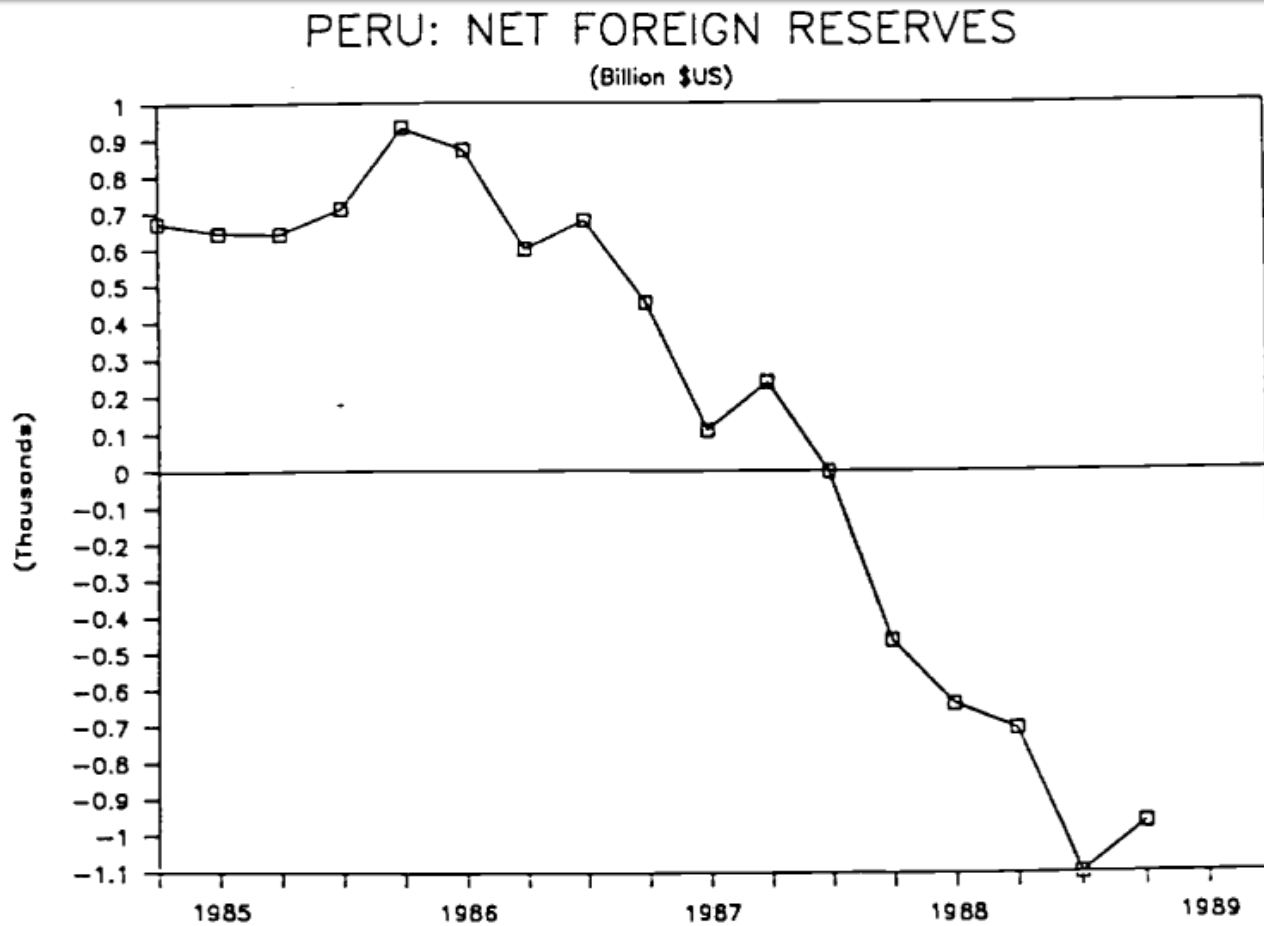
Table 4 Peruvian Macroeconomic Indicators

	1985	1986	1987	1988
Inflation ^a	158	63	115	1722
Growth	2.5	9.5	6.9	-8.4
Real Wage ^b	111	127	138	106
Trade Balance (\$)	1173	-67	-463	-84
Gov't. Revenues ^c	42.7	32.1	25.9	23.5

^aDecember-December ^b Index 1975=100 ^cPercent of GDP

Source: World Bank, Ministry of Finance, National Institute of Planning.

Some results

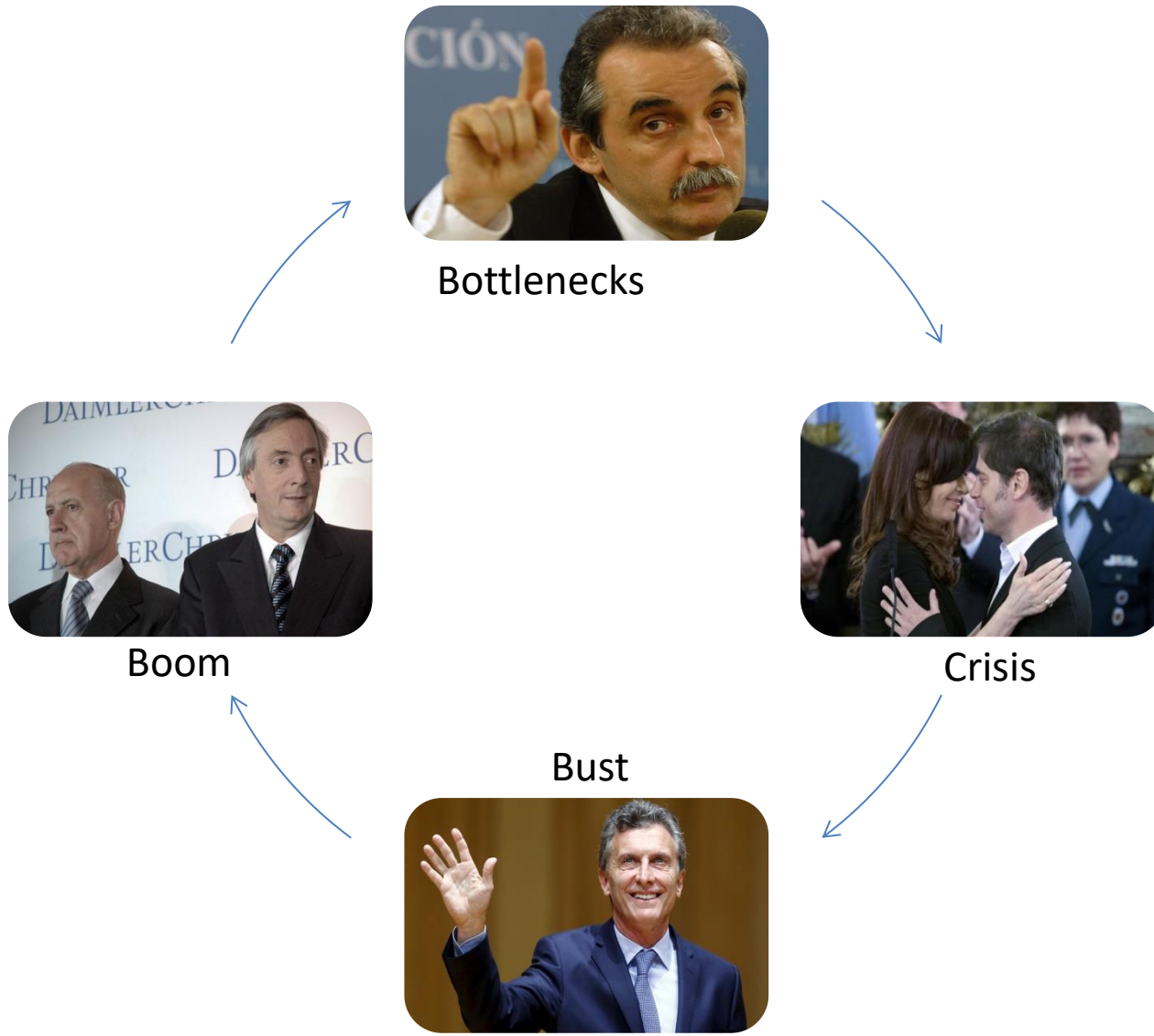


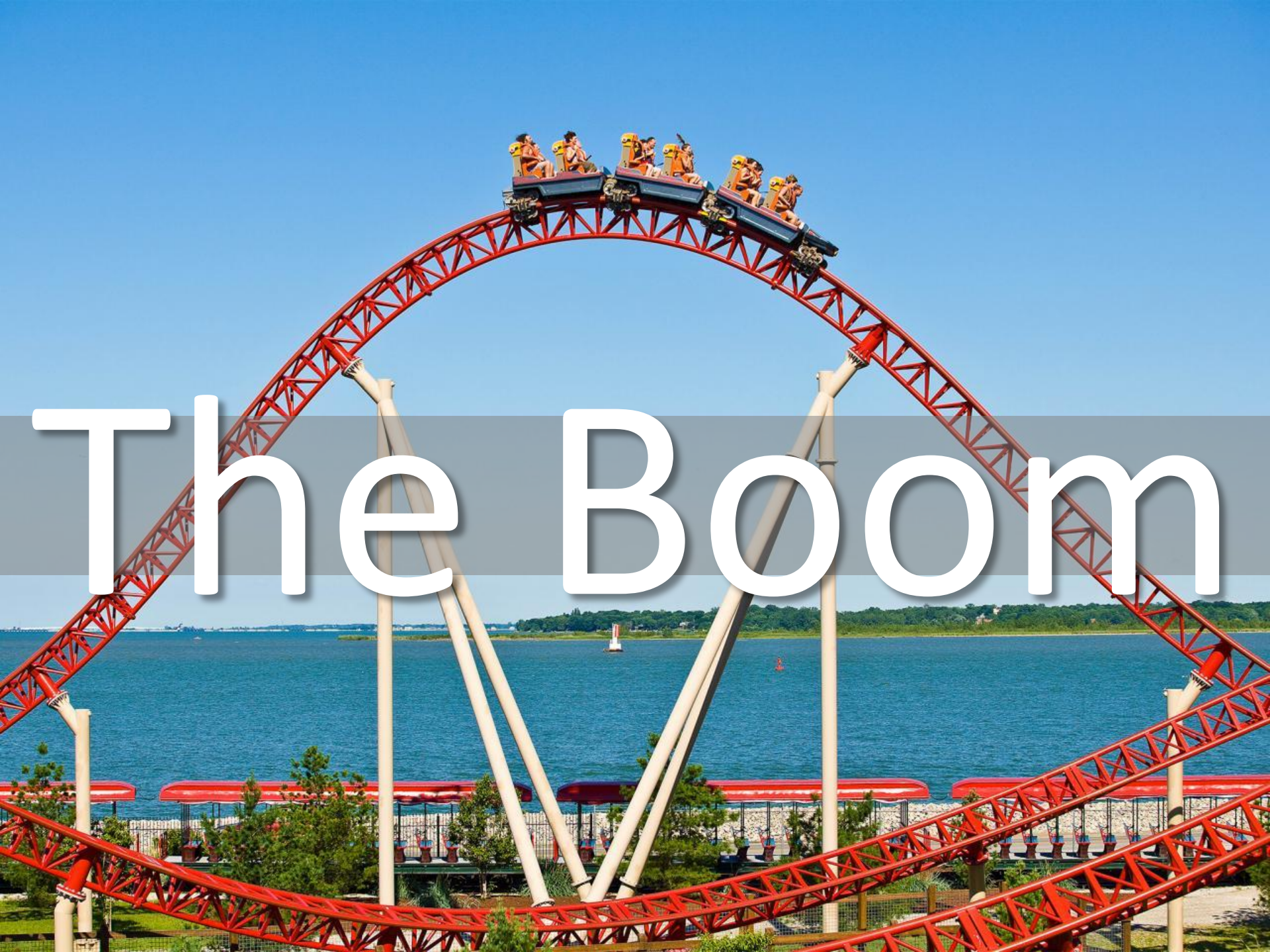
Four Phases of Populism

- First Phase: the boom.
- Second Phase: bottlenecks.
- Third Phase: the crisis.
- Fourth Phase: the bust.



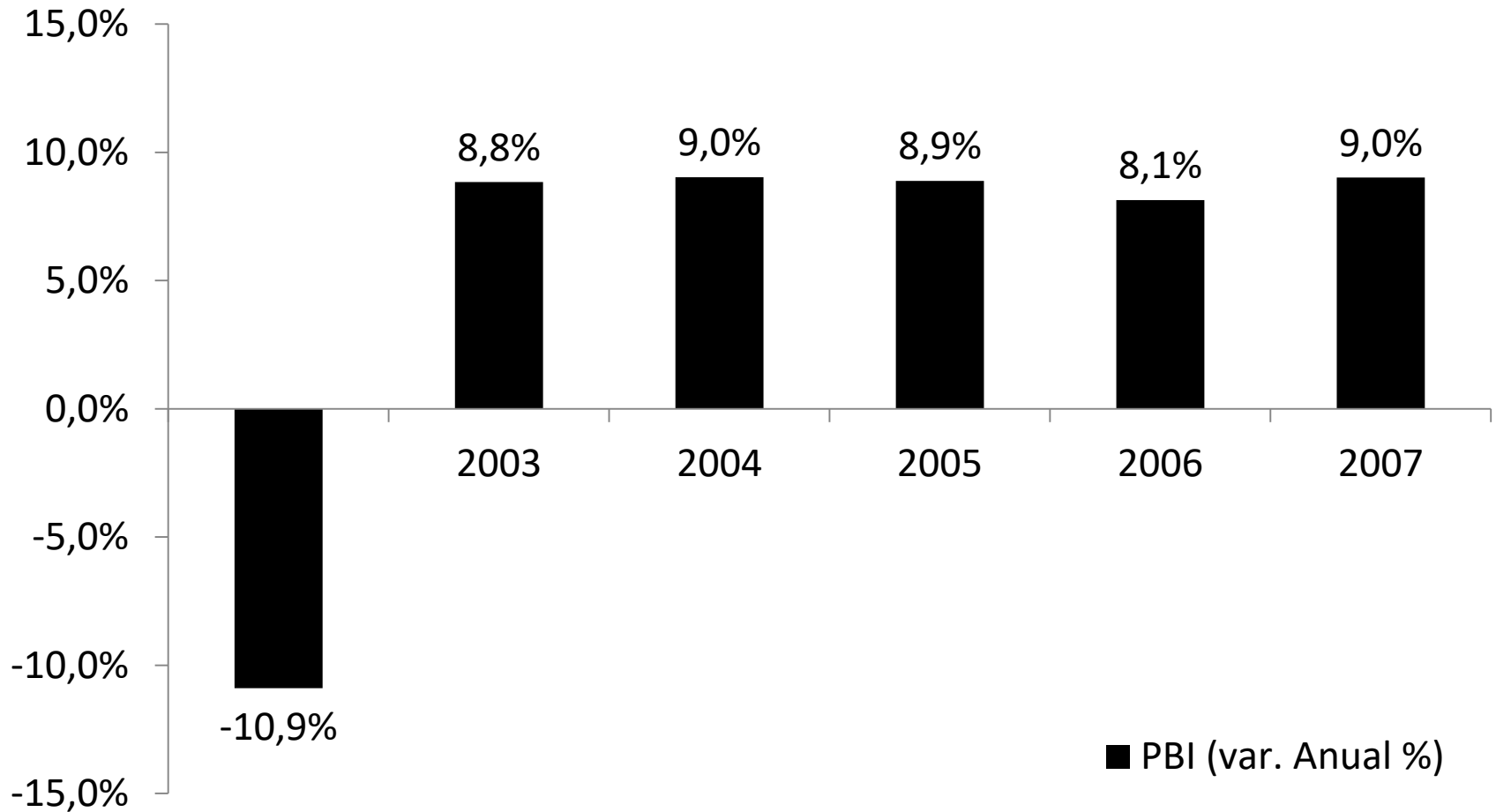
Macroeconomic Populism – Argentina's Way





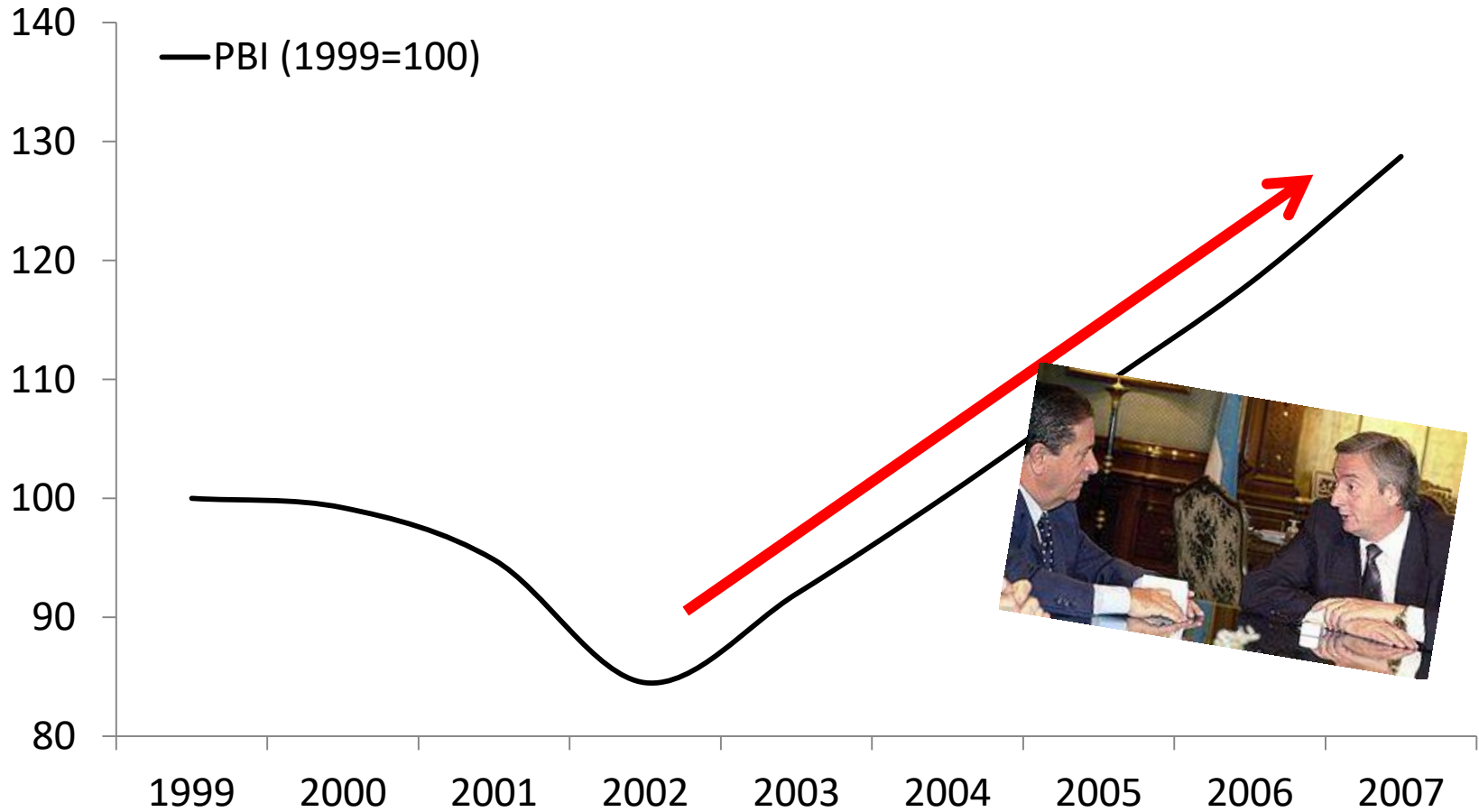
The Boom

The Boom



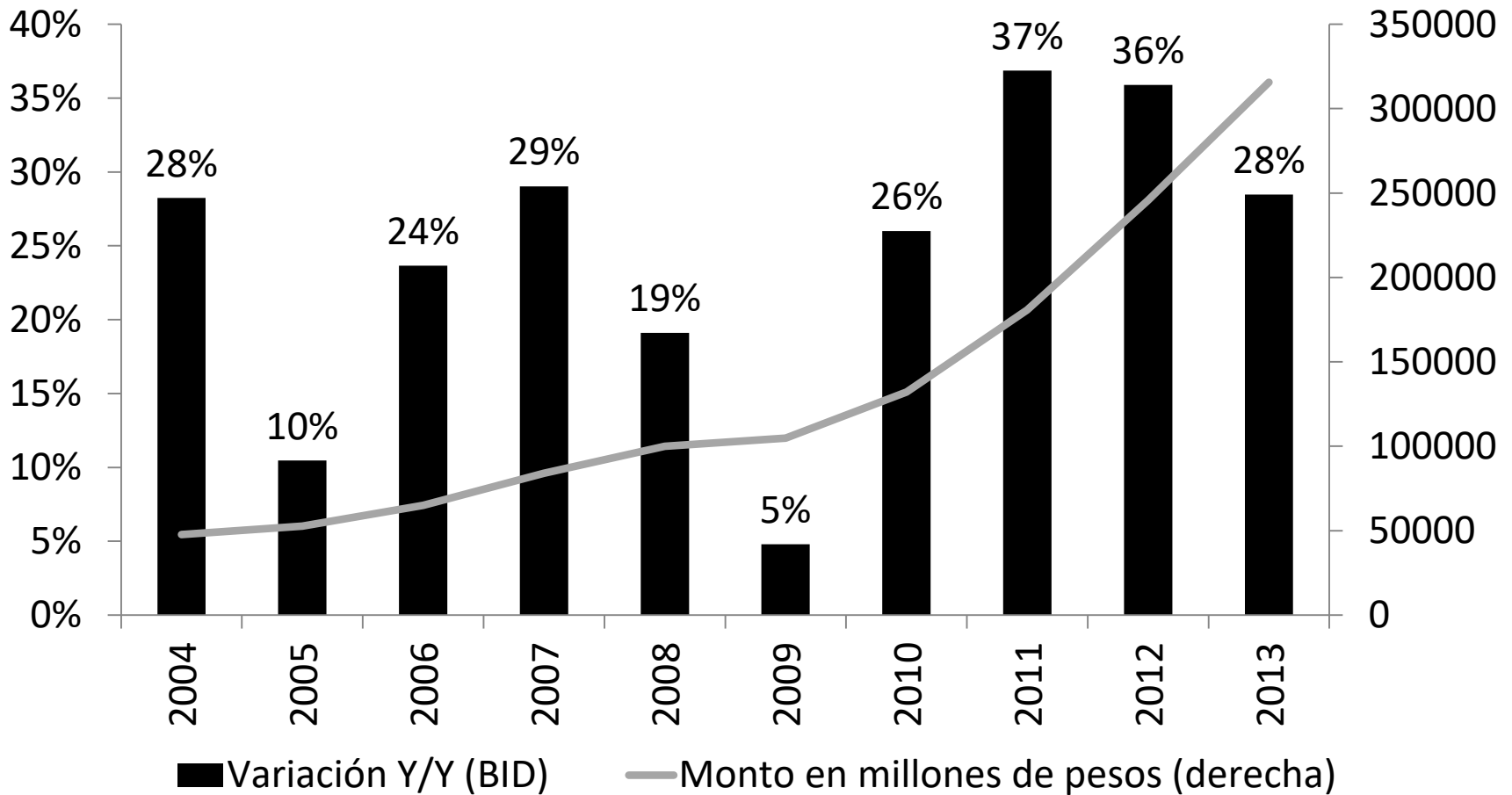
Fuente: Iván Carrino en base a INDEC Base 1993 + Base 2004 (nuevo)

The Boom



Fuente: Iván Carrino en base a INDEC Base 1993 + Base 2004 (nuevo)

The Boom

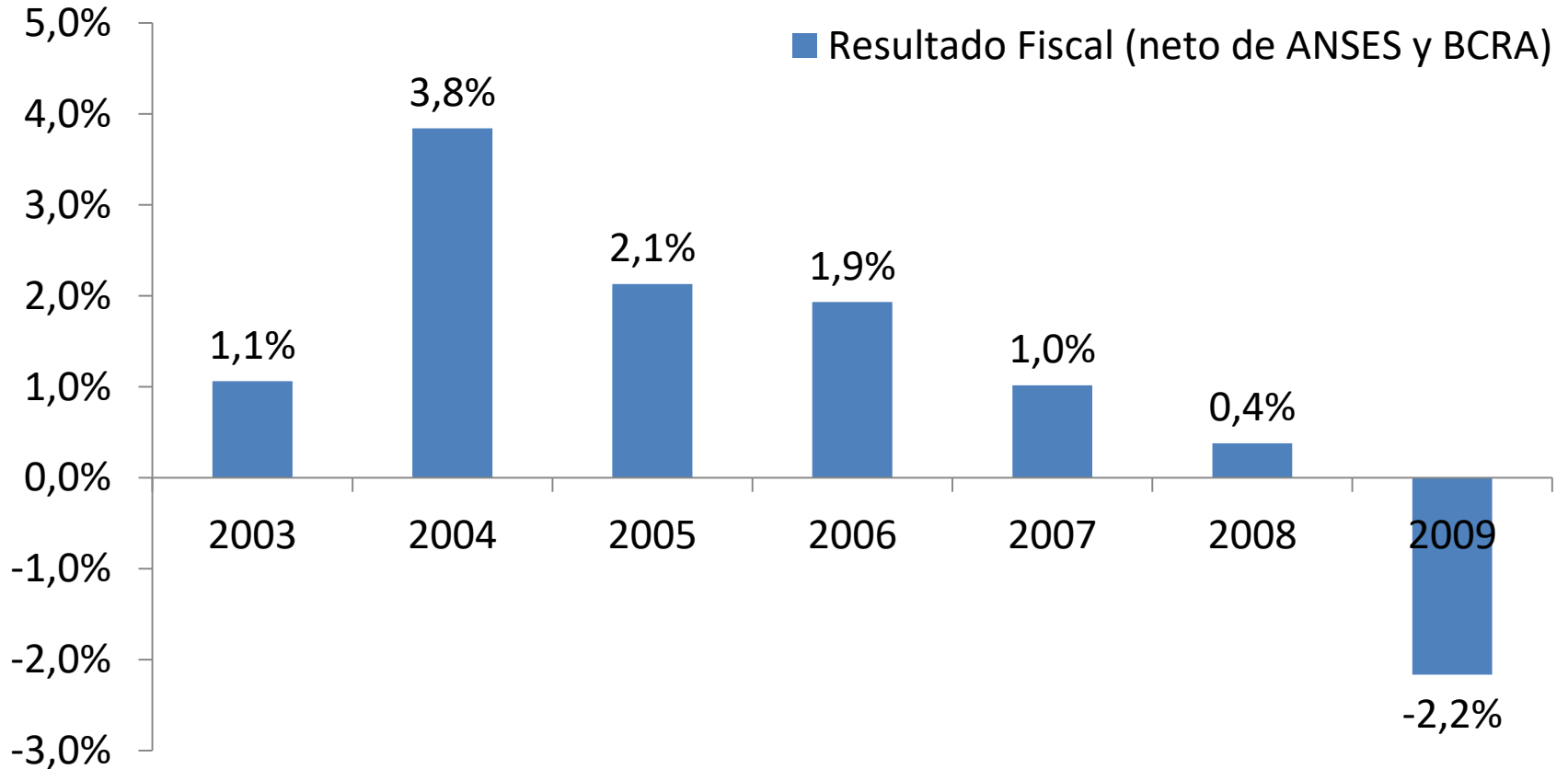


Emisión Monetaria BCRA – Fuente: Iván Carrino en base a BCRA



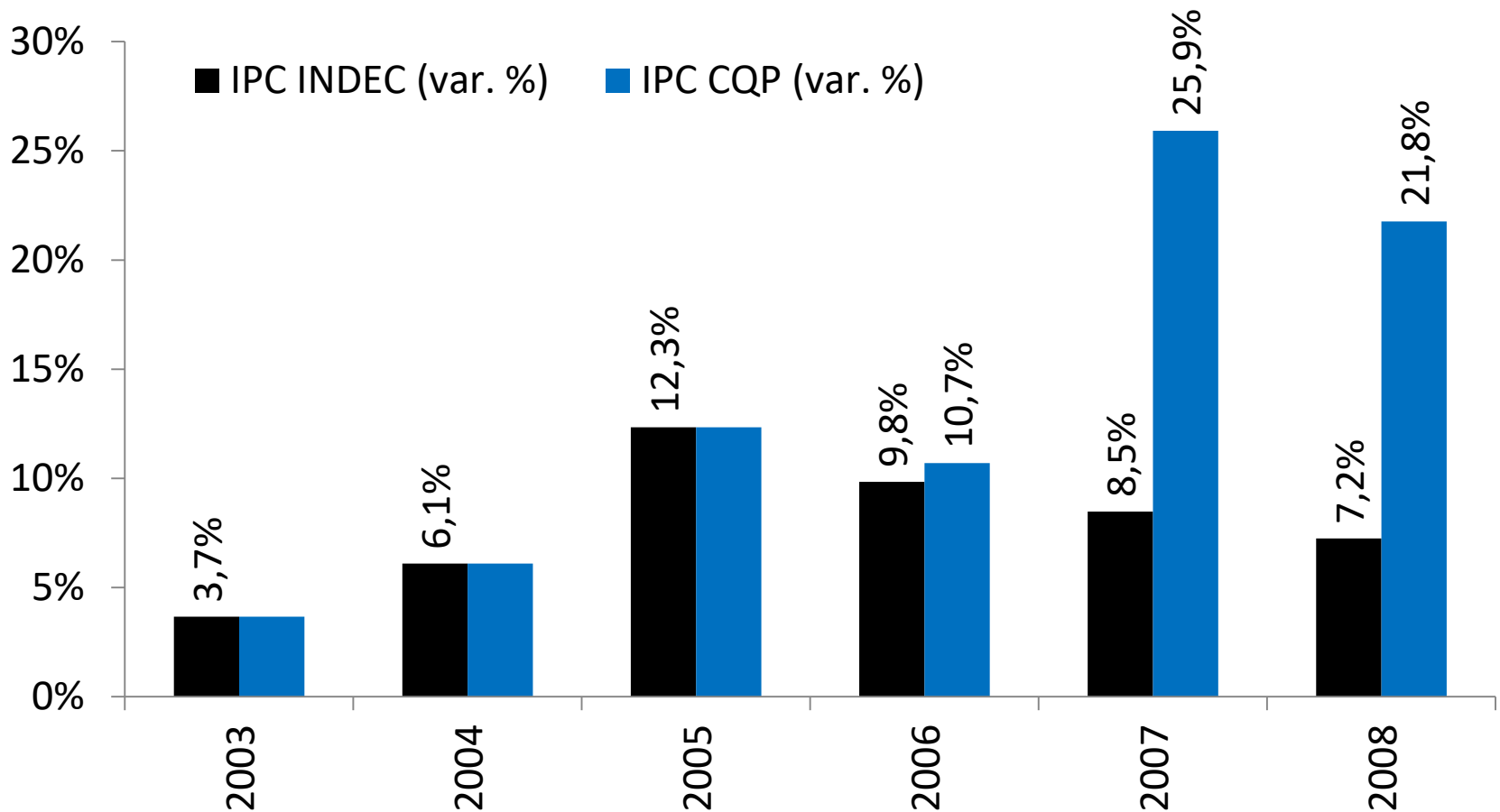
Bottlenecks

Bottlenecks



Fuente: Iván Carrino en base a Orlando Ferreres y Asociados

Bottlenecks

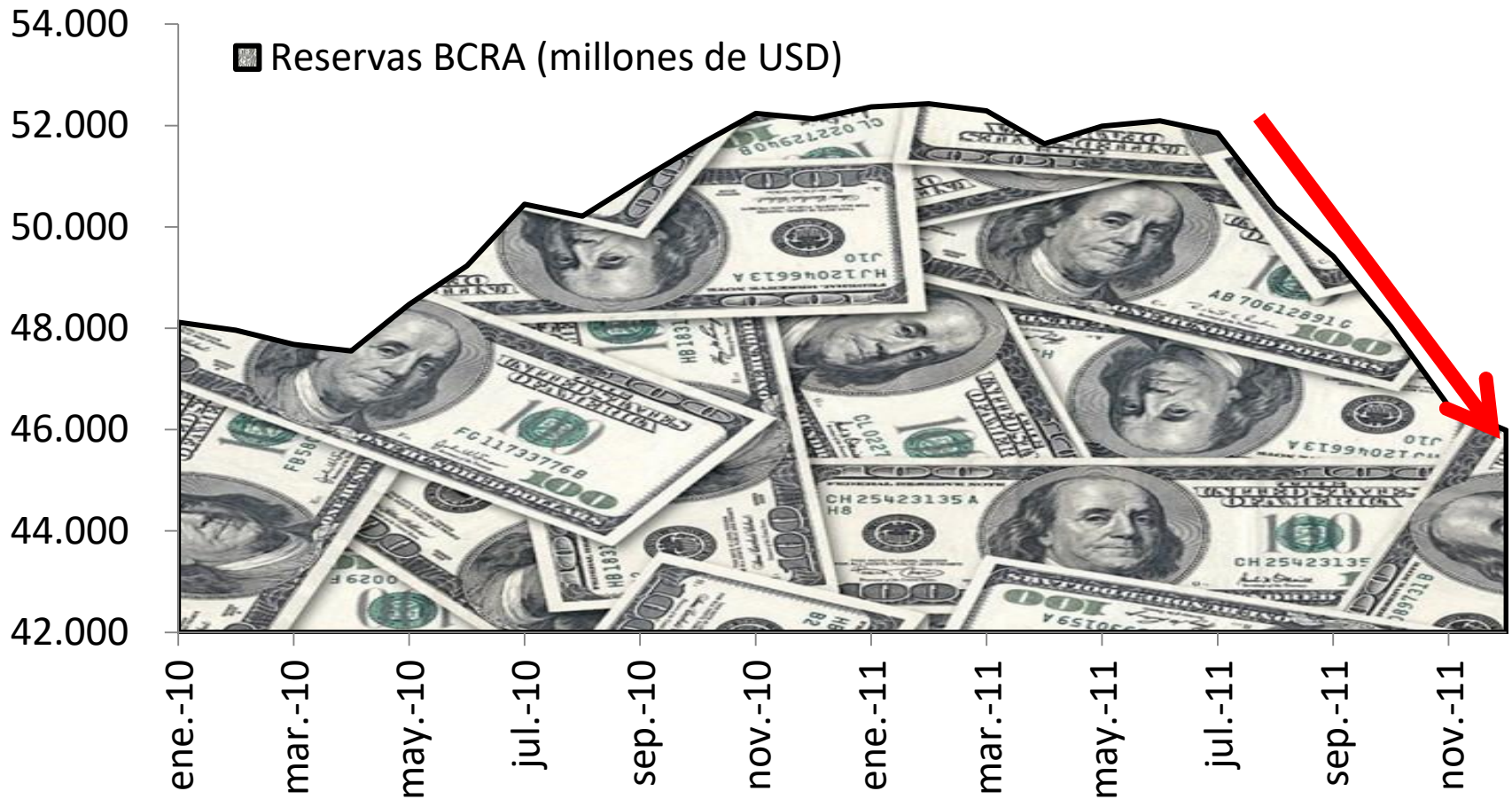


Fuente: Iván Carrino en base a INDEC y Blog CqP

A low-angle photograph of a roller coaster car at the peak of a tall drop. The car is filled with people, many with their arms raised. The track is blue, and the support structure is grey. The sky is overcast and grey. A semi-transparent grey banner with the word "Crisis" in white text is overlaid across the middle of the image.

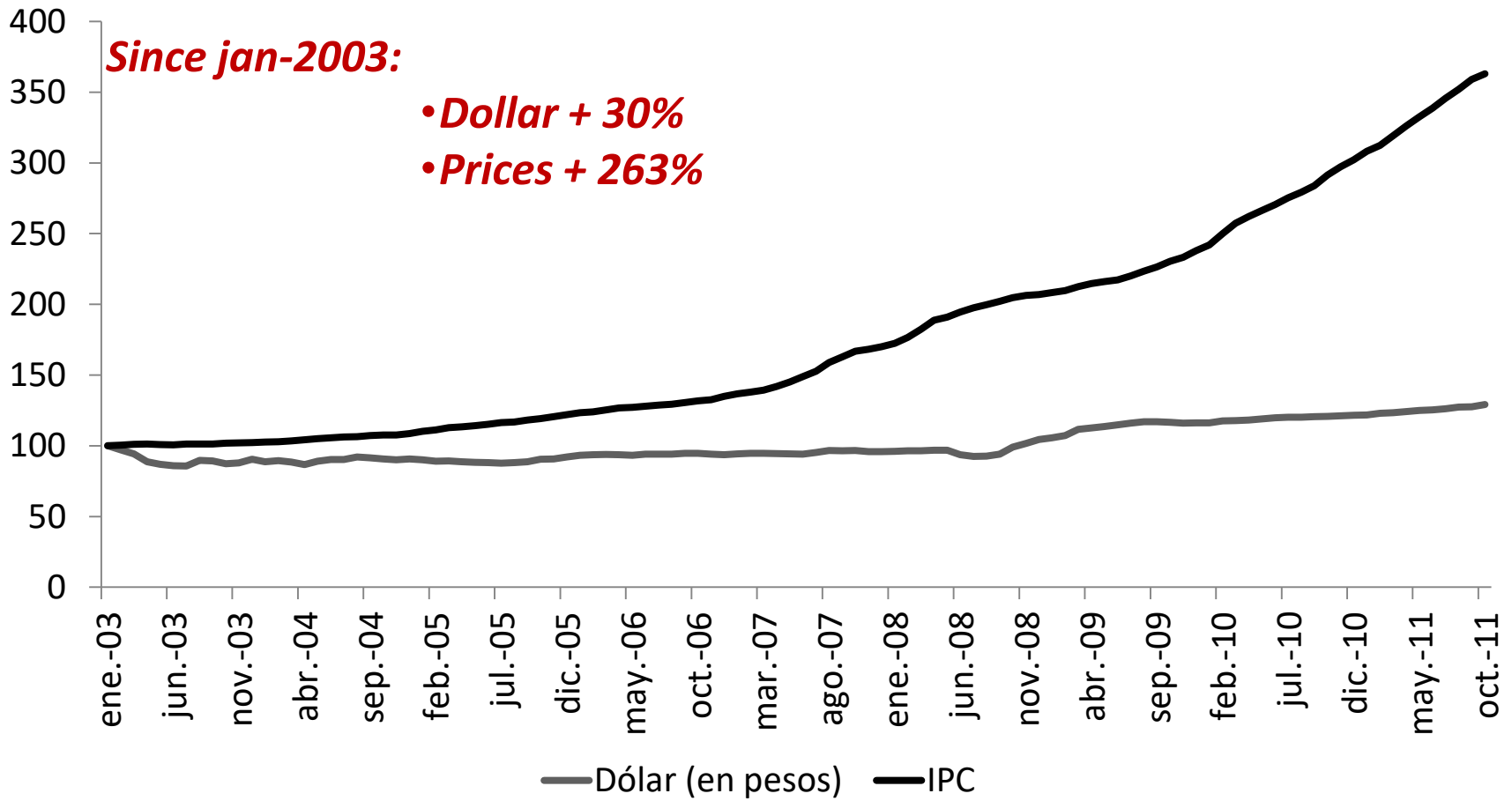
Crisis

Crisis



Fuente: Iván Carrino en base a BCRA

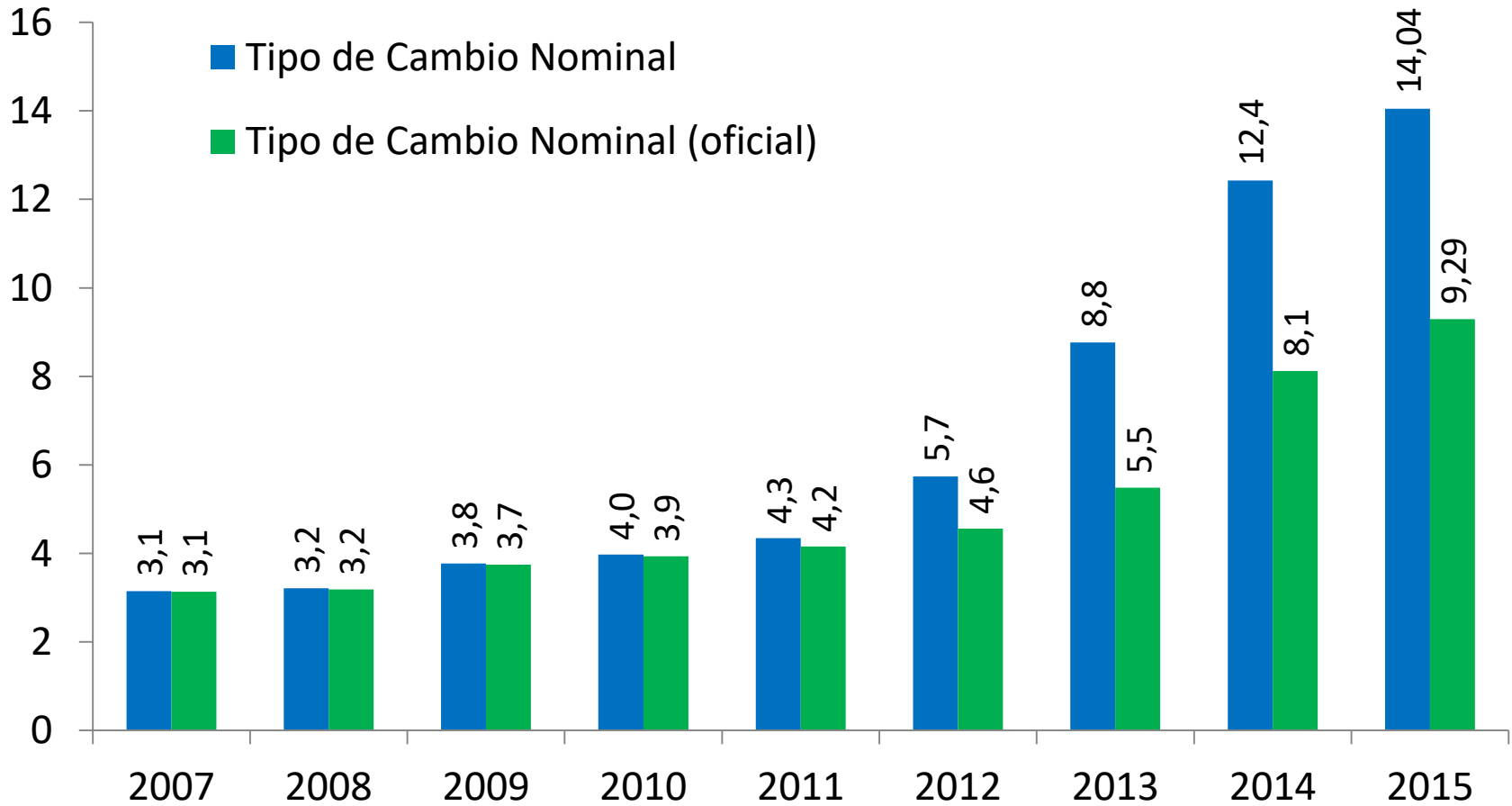
Crisis



Crisis

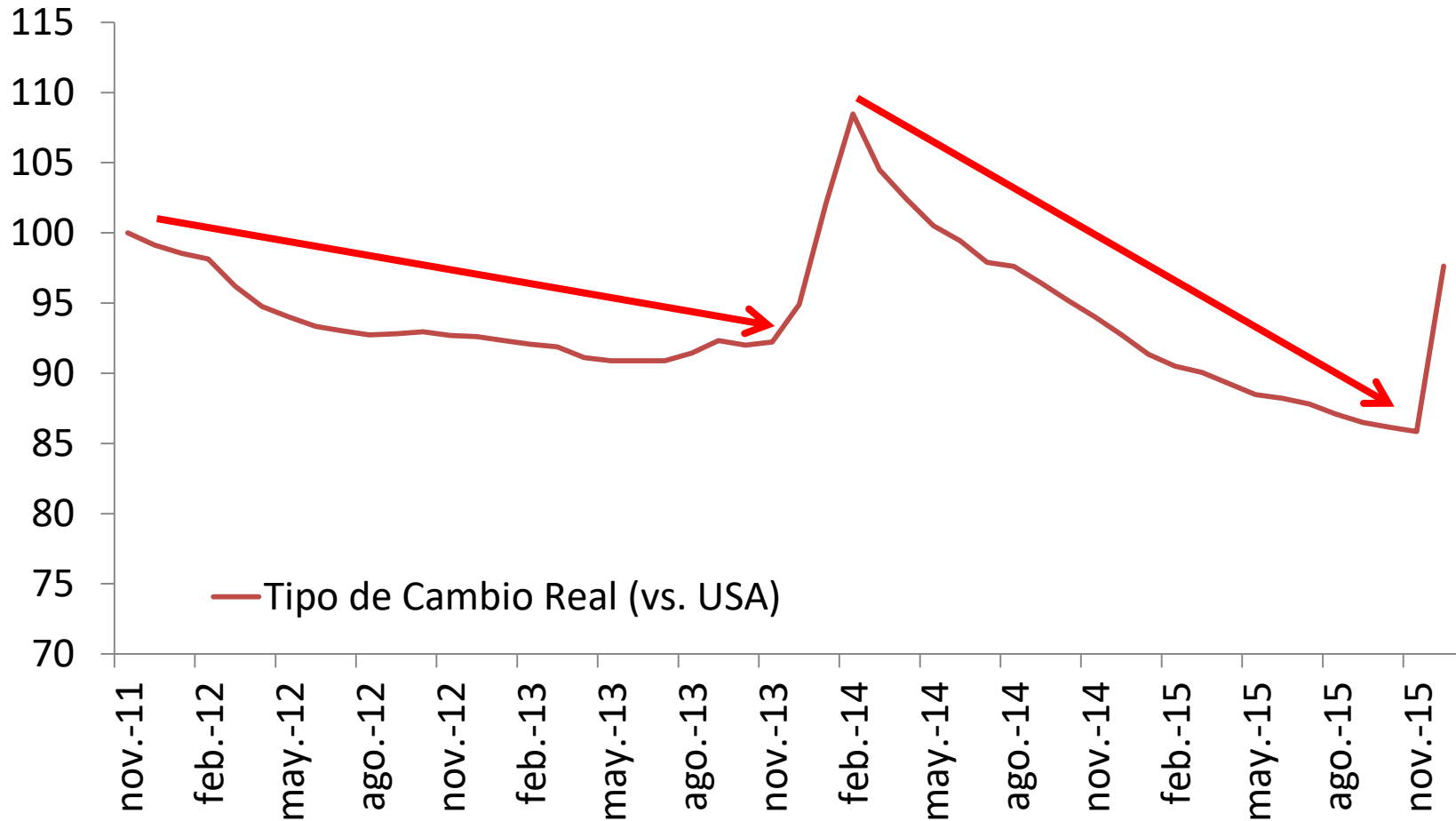


Crisis



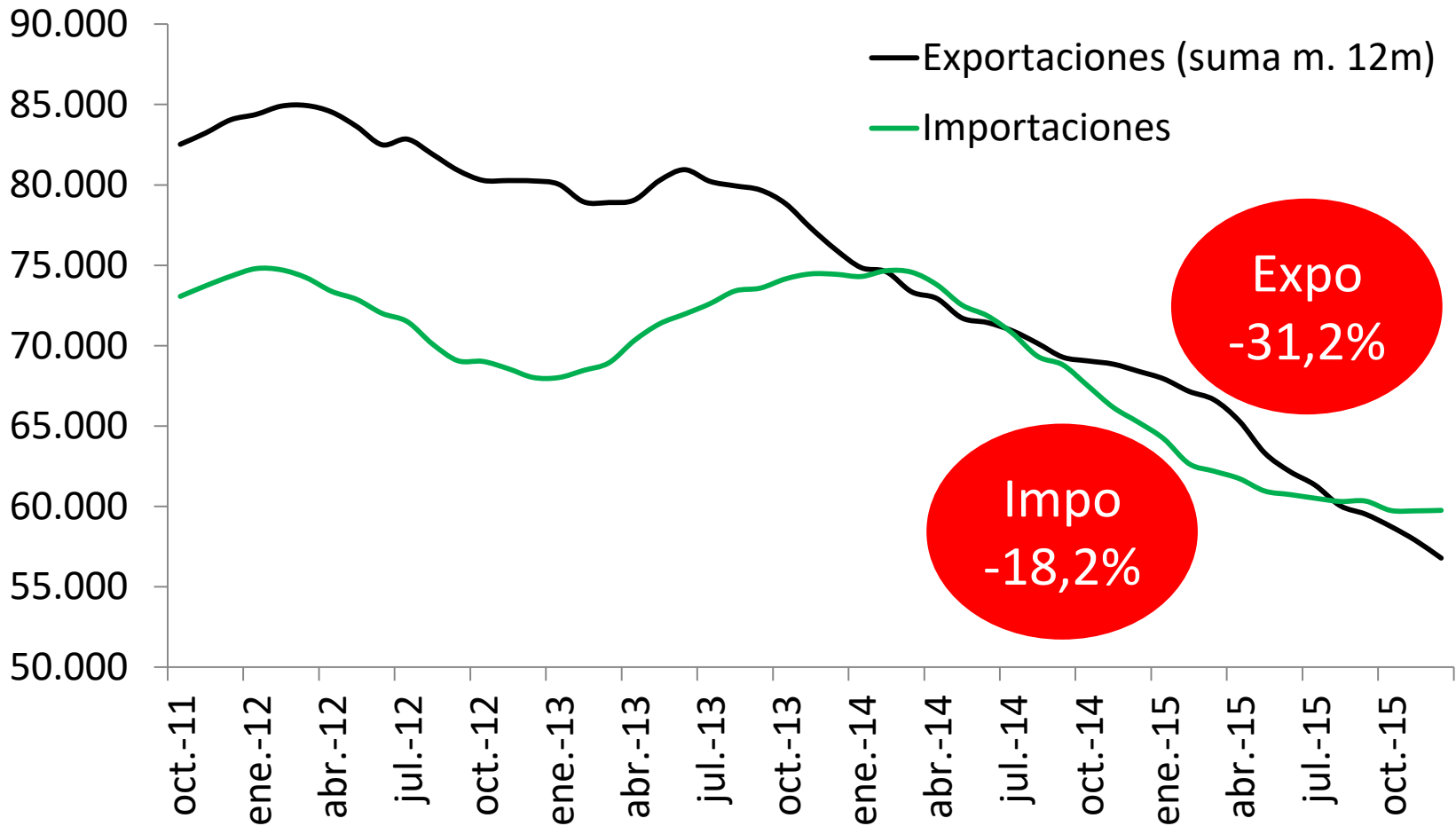
Fuente: Iván Carrino en base a Ámbito Financiero

Crisis



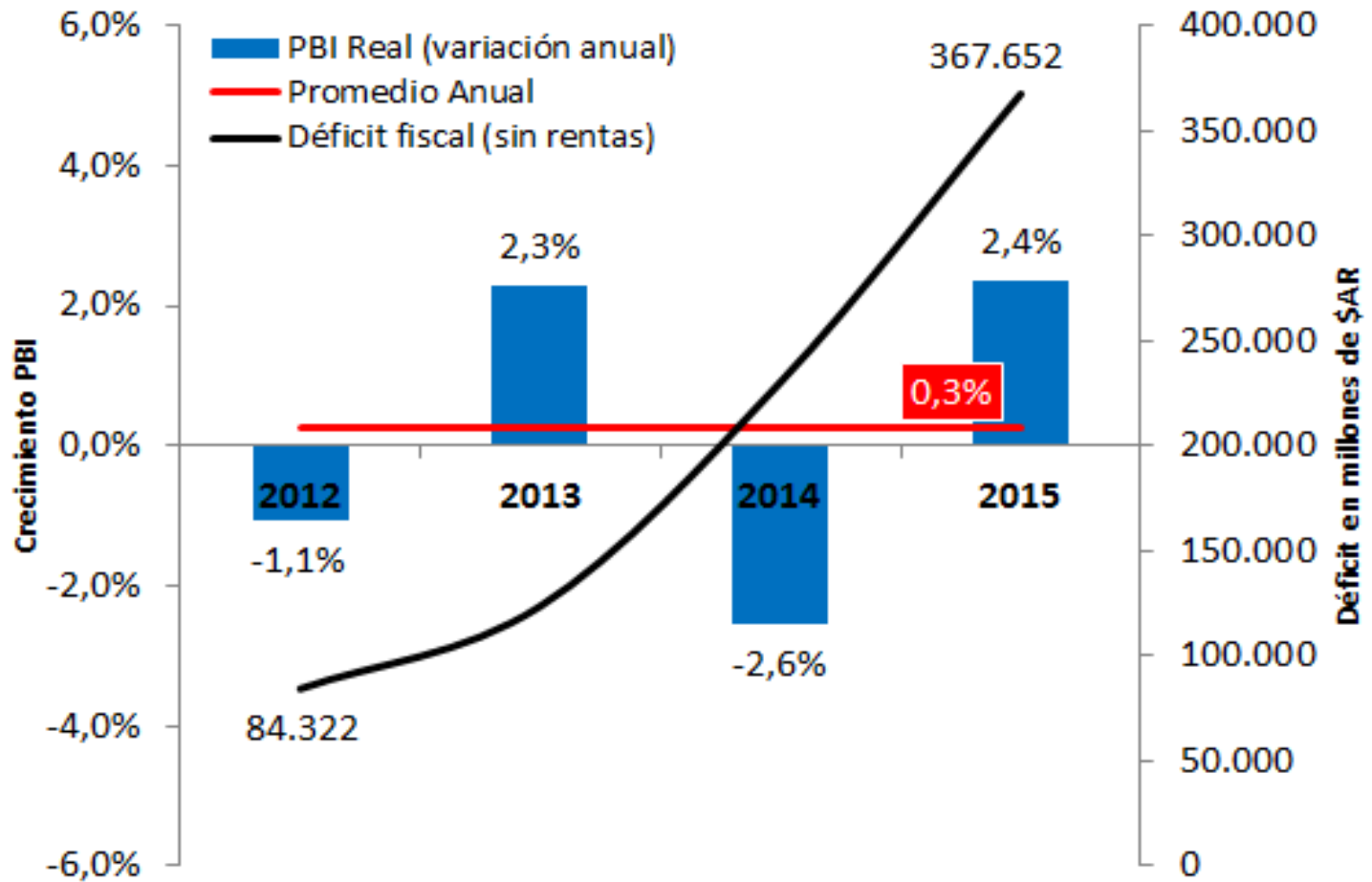
Fuente: Iván Carrino en BCRA

Crisis



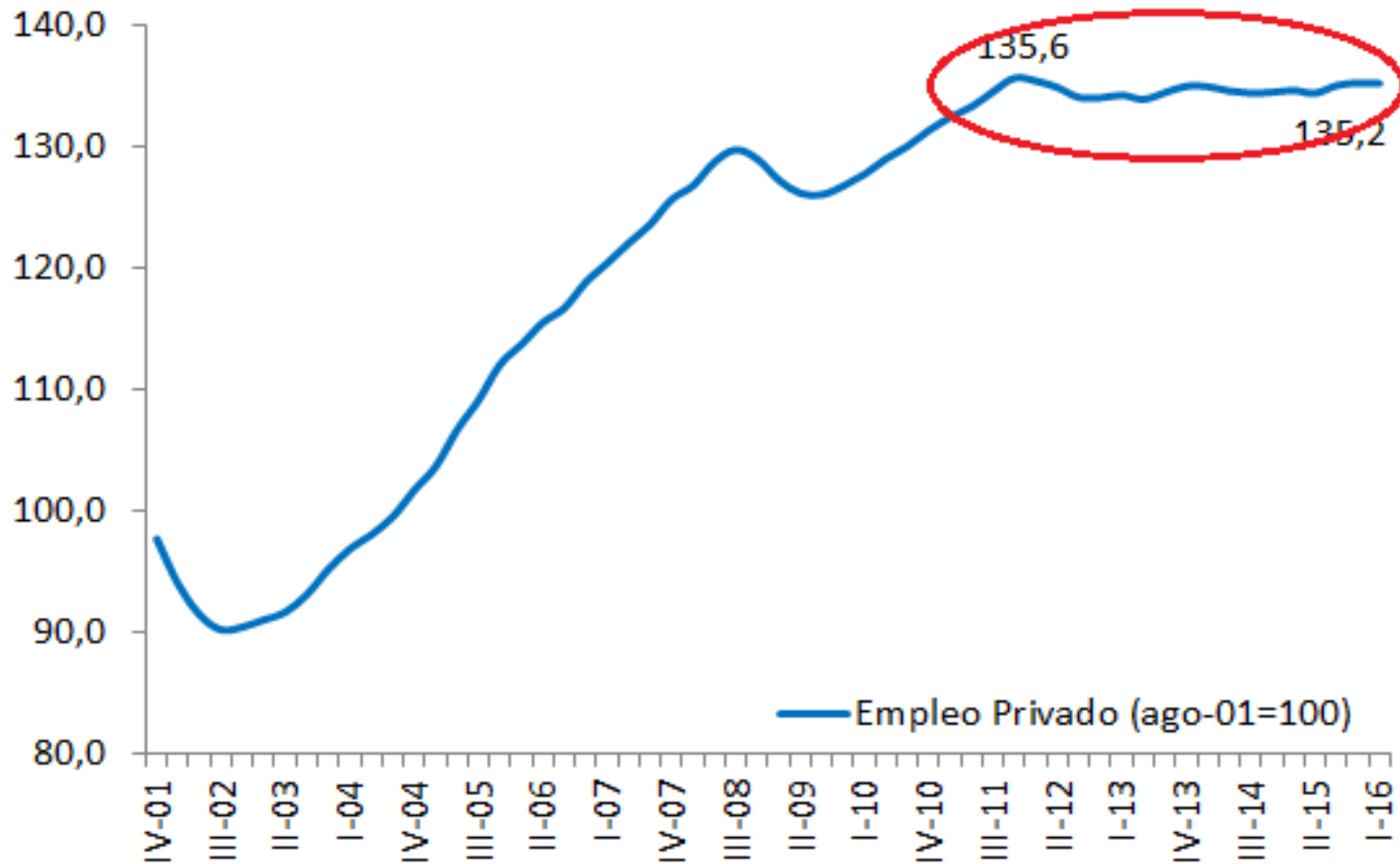
Fuente: Iván Carrino en BCRA

Crisis



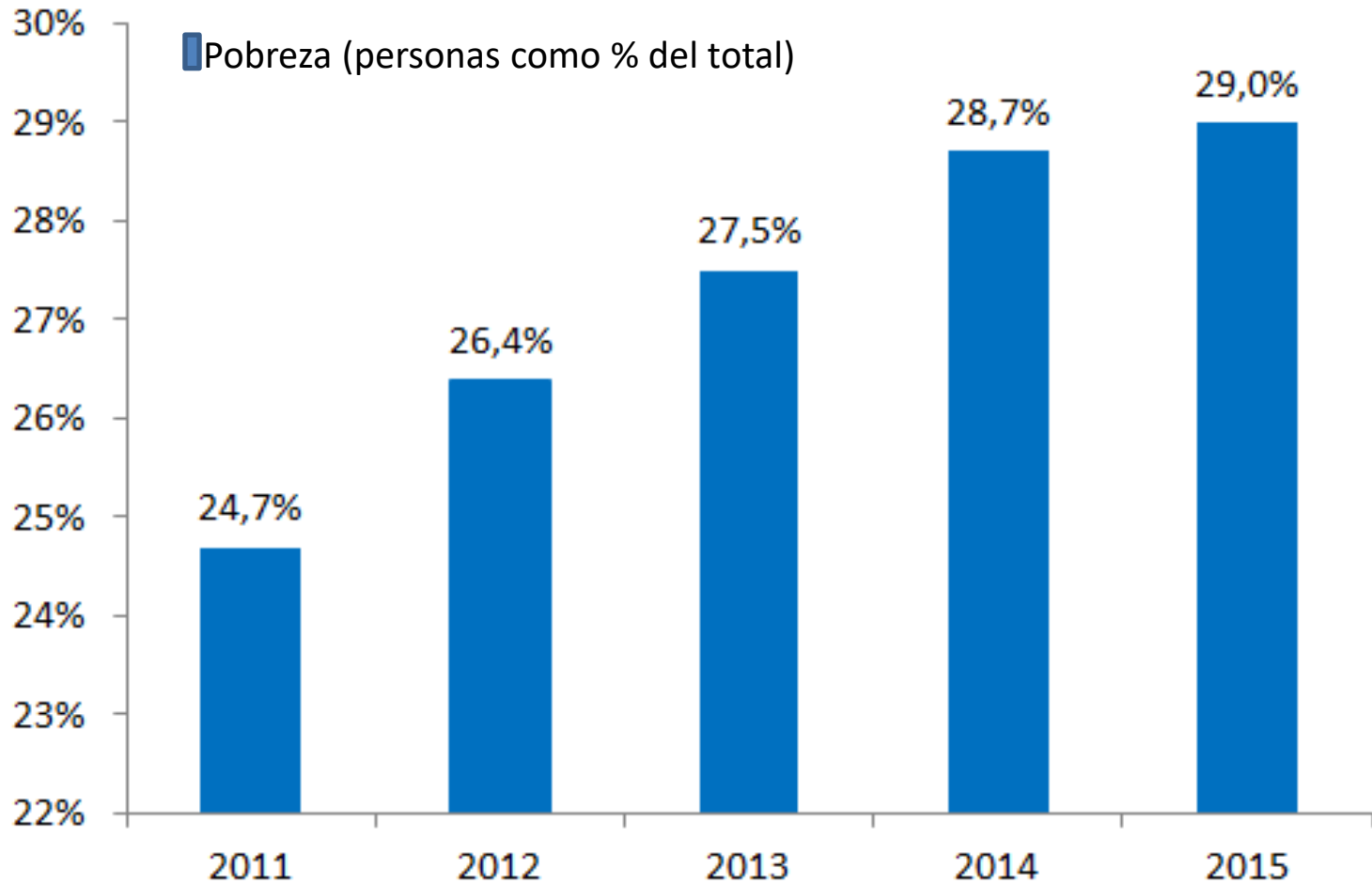
Fuente: Iván Carrino en base a INDEC y Ministerio de Hacienda

Crisis



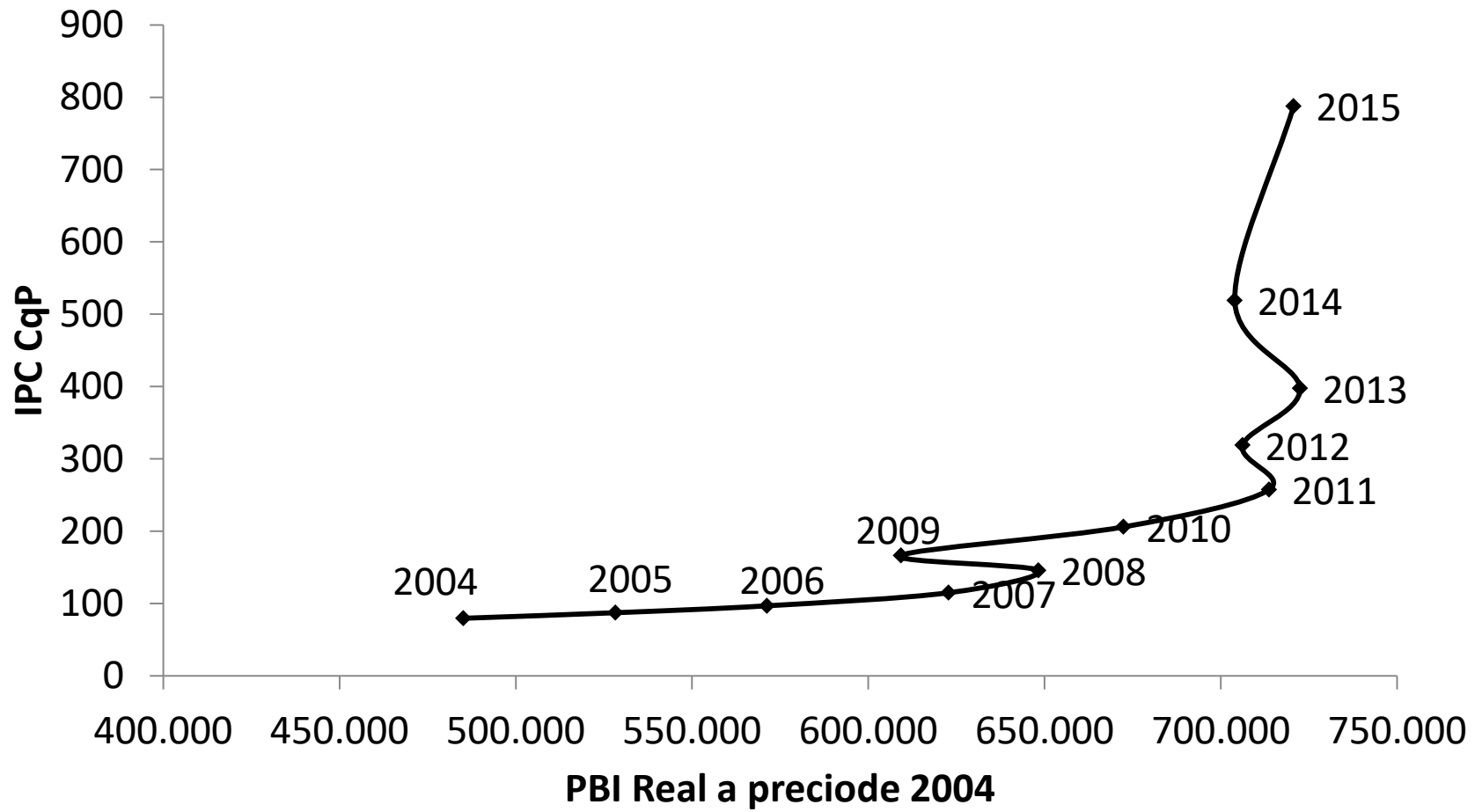
Fuente: Iván Carrino en base a Ministerio de Trabajo

Crisis



Fuente: Iván Carrino en base a UCA

Summary

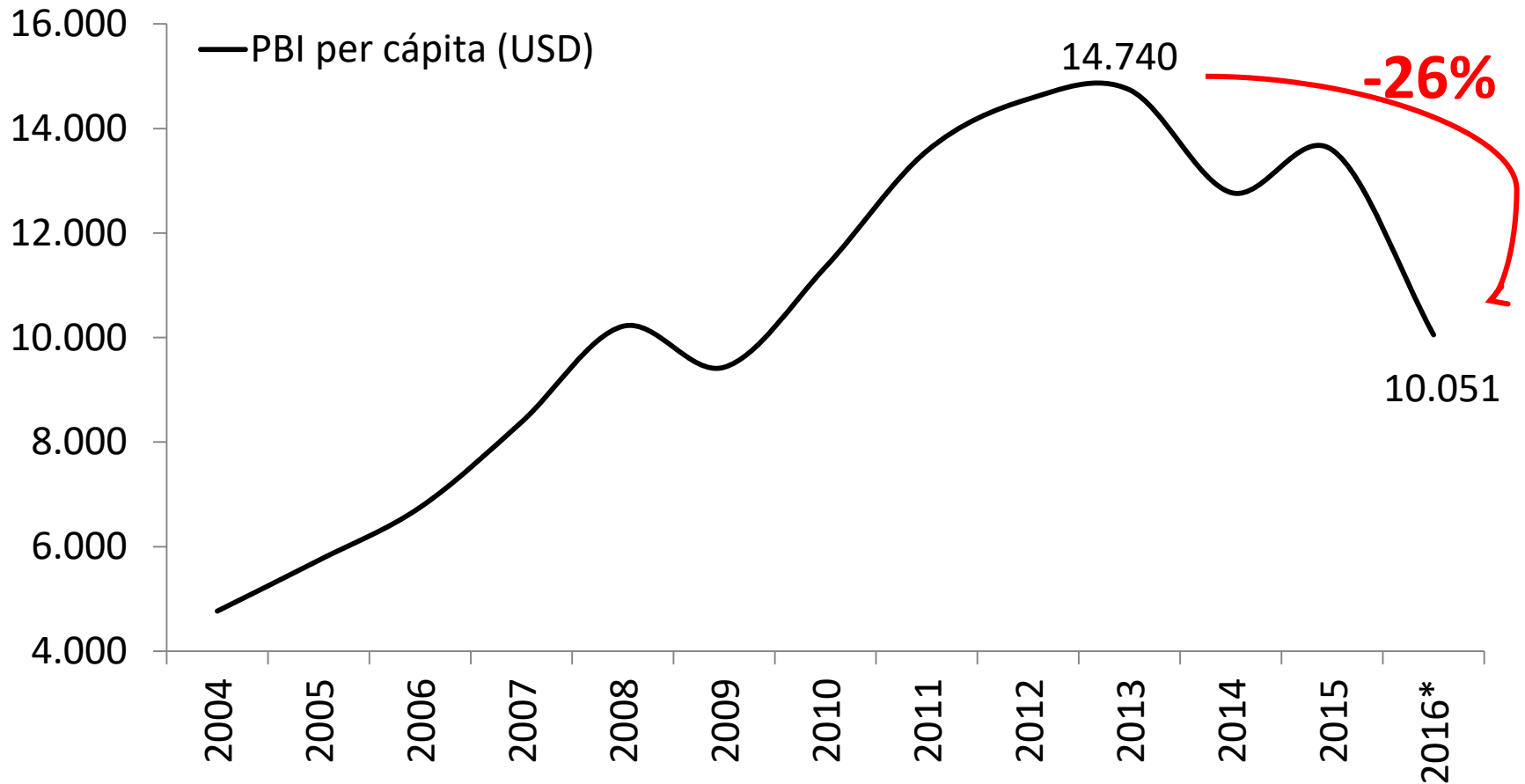


Fuente: Iván Carrino en base a INDEC + CqP



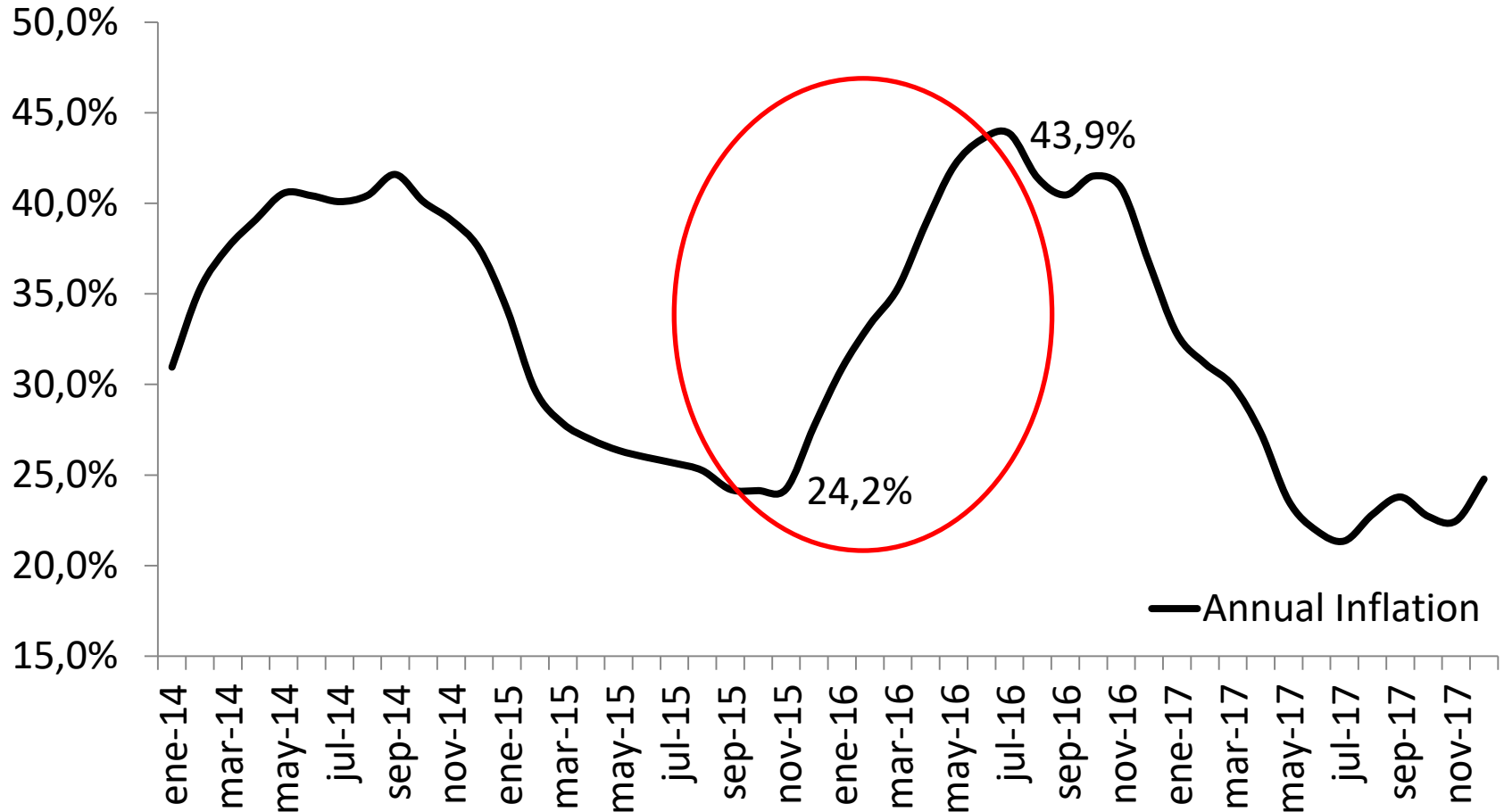
The Bust

The Bust (Orthodox Adjustment?)



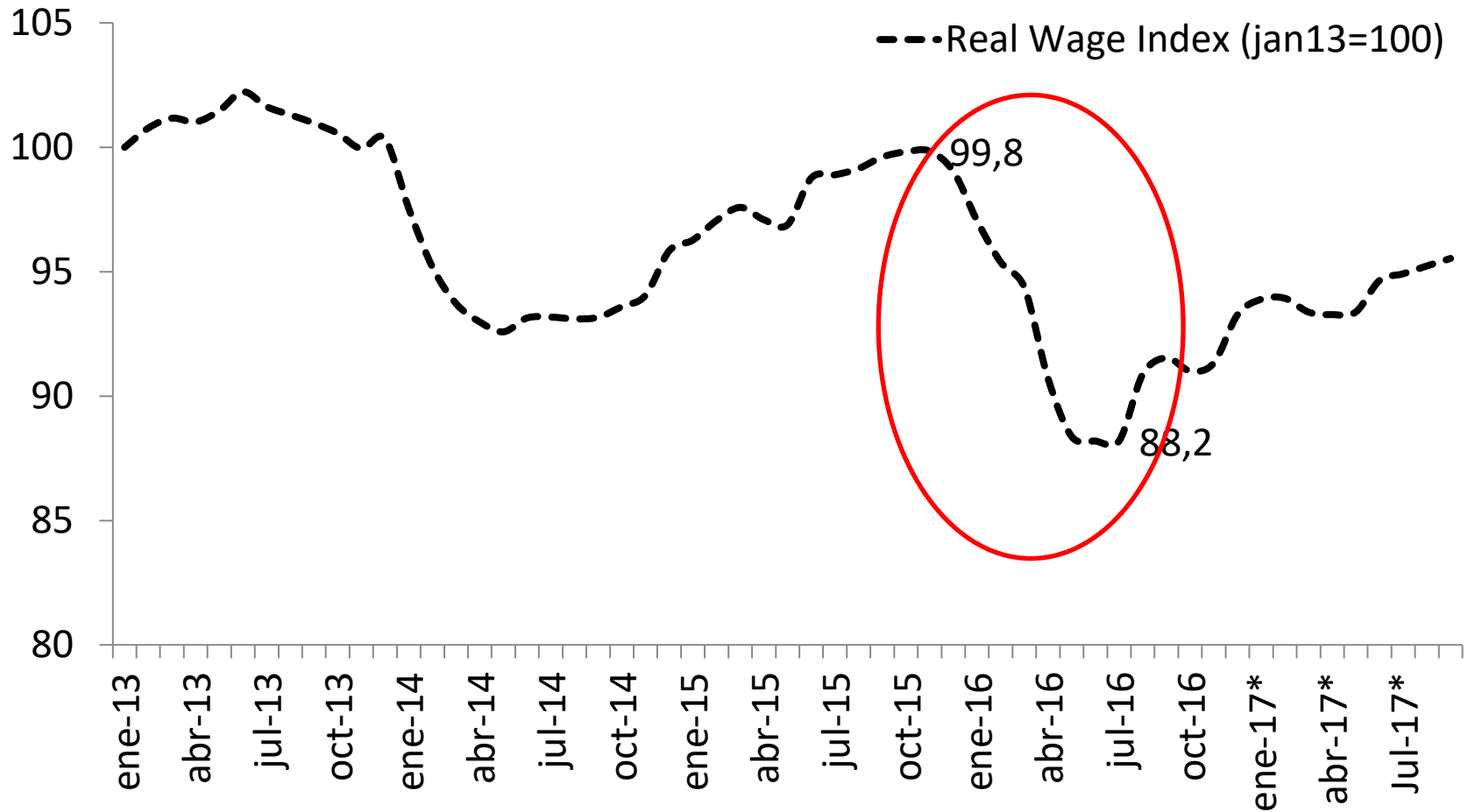
Fuente: Iván Carrino en base a FMI

The Bust (Orthodox Adjustment?)



Fuente: Iván Carrino en base a IPC Congreso e INDEC

The Bust (Orthodox Adjustment?)



The Bust (Orthodox Adjustment?)

- Some measures:
 - End of exchange controls.
 - Settlement of holdouts conflict.
 - End of most export taxes
 - Public Services Prices adjustment program.
 - Inflation Targeting.
 - Fiscal targeting.



The Bust (Orthodox Adjustment?)

- Inflation
- Poverty
- Public Services Prices
- “Wealth Transfer”



Questions/ Debate

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