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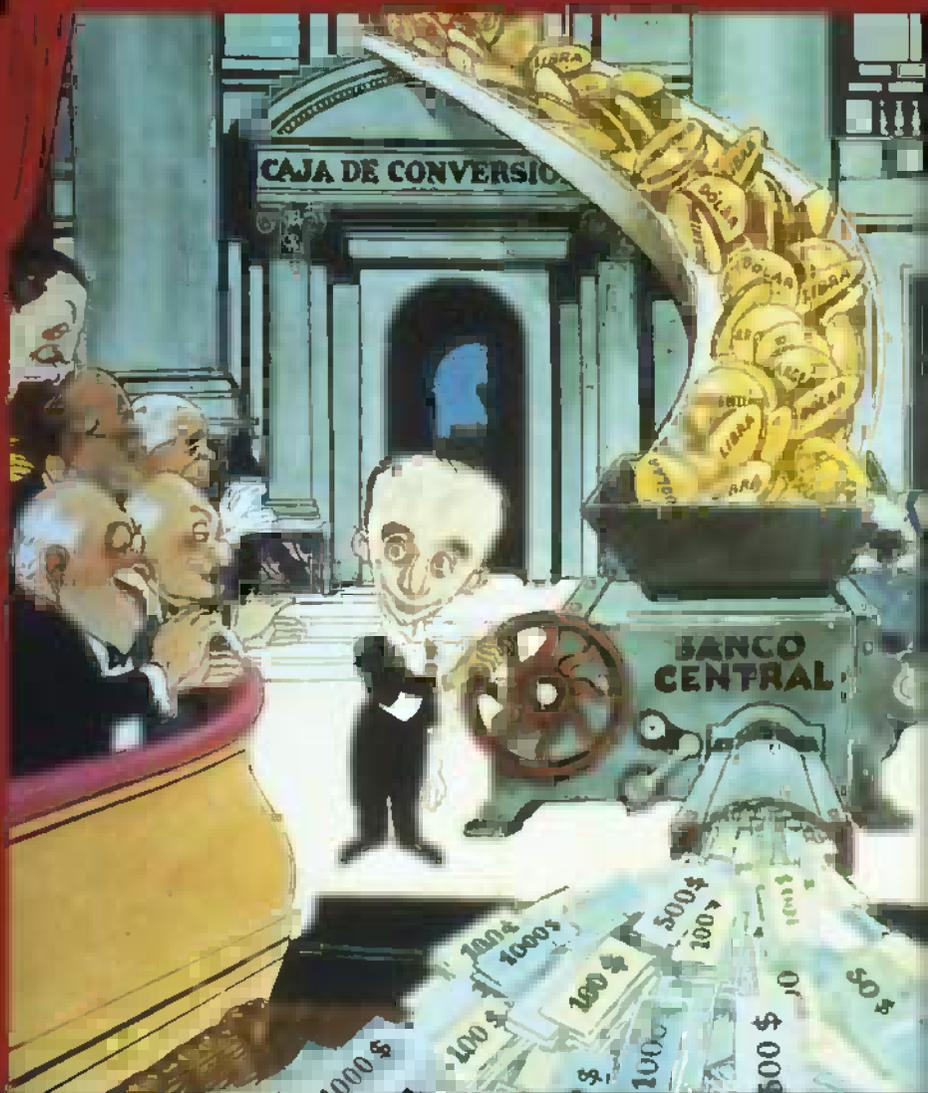
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STRAINING AT THE ANCHOR

GERARDO
DELLA
PAOLERA
AND
ALAN M.
TAYLOR



THE ARGENTINE CURRENCY BOARD AND THE
SEARCH FOR MACROECONOMIC STABILITY, 1880–1935

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Straining at the Anchor

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Straining at the Anchor

The Argentine Currency Board and the
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**Gerardo della Paolera
and Alan M. Taylor**

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(Resolution adopted October 25, 1926, as revised through September 30, 1974)

To Verónica, Marina, Carola, and Martín
G. d. P.

To Claire
A. M. T.

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A Note on the Cover

La barbaridad

The various moods of Argentine political economy are succinctly captured by the satires of cartoonists in contemporary newspapers. A smattering of these illustrations enliven the text, and a particularly piquant example is shown in its original full color on the cover. It depicts the pivotal event in Argentine macroeconomic history, the creation of a discretionary monetary authority, the central bank (*Banco Central*), and the abolition of the former currency board (*Caja de Conversión*) in 1935. The Economy Minister Federico Pinedo appears as a magician converting the gold from the vaults of the *Caja* into paper notes issuing from the *Banco Central*, to the rapturous applause of the crowd of ministers in the box seats, prominent among them the President of the Republic, Agustín Justo, seated at the front. This institutional change opened the way for inflationary money printing for the first time since the nationalization of the currency in 1891 under gold standard rules. Thus was the nominal anchor of the Argentine economy broken. Our account frames this turn of events, and the inability to escape the backward economic tendencies evident in the fiscal use of money by the provincial authorities of the nineteenth century, as an enduring economic dimension of the battle between the *civilización* (civilization) and *barbaridad* (barbarity), the rival forces in Argentine history highlighted by the former President and man of letters Domingo Sarmiento (1868–74) in his famous work *Facundo*. That this cartoon was entitled *El fenómeno de la Casa Rosada* (The Phenomenon of the Casa Rosada) shows that contemporaries had long enough memories to know well the dangers of restoring political control over money, the Casa Rosada being the executive mansion. Ironically, Pinedo had originally opposed the idea of a central bank and, in heated argument with the leading economic policymaker Raúl Prebisch (see page 204), he reacted to the plan by exclaiming «¿Que barbaridad van a hacer?» (“what barbarity are you about to do?”). Was his choice of adjective a coincidence or a subconscious echo from the past? We will never know, but the smiling figure seen here on the stage seems to be no longer perturbed by such concerns.

Source: Caras y caretas, vol. 38, no. 1901, March 9, 1935.

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G. d. P. and A. M. T.
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