One Hundred Years of Indebtedness
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CAMBRIDGE – Gabriel García Márquez, the Nobel laureate novelist most famous for *One Hundred Years of Solitude*, was native to Colombia. Nonetheless, as a master of magical realism, García Márquez would have appreciated the Republic of Argentina’s recent combination of fact and fantasy. In mid-June, the finance ministry sold $2.75 billion worth of US dollar-denominated bonds that mature in one hundred years.

No doubt, Argentina’s new government has made enormous progress in short order. President Mauricio Macri’s administration has liberalized international capital flows, allowed the Argentine peso to move more flexibly in the foreign exchange market, worked to rationalize a crazy quilt of subsidies, and created a credible statistical authority from scratch. But there are many more promises to fulfill, including further dismantling of subsidies, trimming the government wage bill at the federal and provincial levels, bringing inflation down to single-digit levels, and making the pension system actuarially sound and fairer to younger people.

The right balance between confronting these issues upfront and setting gradual changes in motion is by no means evident. Coordination between the central and local governments has always been a source of strain especially, and the clock is ticking down to the next election. Making up the output lost in last year’s recession will take some time, a problem made more challenging by the economic dislocations in Argentina’s northern neighbor, Brazil.

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