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Argentina: Economy Minister Resigns Amid Financial Market Instability

by John Neagle

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Dec. 14: Argentina's Central Bank declared a bank holiday for Friday, Dec. 15. From Tuesday morning until the close of business on Thursday Monday was also a bank holiday the gap between the official and free market exchange rates (US dollar/Argentine austral) increased by 50%. The last quotation for the dollar on the so-called parallel market was 1,600 australs, while the official rate had been set at 1,000 austral after the 53% devaluation implemented Dec. 10. Next, interest rates increased to 45% per annum in some cases, and by closing time Thursday, the Buenos Aires stock exchange showed average prices were up by 20%. In response to the financial market jitters, and mass conversion from australs to dollars, merchants raised prices throughout the week. As a result of non-existent government price guidelines, in some cases consumer good prices were doubled or trebled. Dec. 15: Argentine President Carlos Menem accepted the resignation of Economy Minister Nestor Rapanelli and reorganized his cabinet. Peronist Antonio Erman Gonzalez, Health and Social Assistance Minister, was named to replace Rapanelli. Gonzalez, a native of La Rioja province, had served briefly as vice president of the central bank early in Menem's term. Rapanelli took over as economy minister on July 14, six days after Menem was installed as president, replacing Miguel Roig, who died of a heart attack. Both Rapanelli and Roig, prior to investiture as cabinet members, were executive vice presidents of the transnational Bunge y Born. Replacing Gonzalez in the health ministry is former Interior Minister Eduardo Bauza. The interior portfolio in turn was passed on to Julio Mera Figueroa. The local media broadcast contradictory interpretations of Rapanelli's resignation, and Menem's choice for his successor. Economic policy adviser under Rapanelli, Aldo Dulcer, said the cabinet reshuffle means the "peronization" of economic policy, and a break in the alliance between the Menem administration and Bunge y Born. Dulcer blamed the "politics" rather than economic policy for the rapid devaluation of the austral in November. He said that an example was legislative and other "political" delays obstructing implementation of Menem's modernization plans. Meanwhile, Bunge y Born issued a communique on Friday asserting continued support for the Menem administration and its economic policy measures. After a meeting with President Menem, deputy governor of Buenos Aires province, Luis Macaya, said that the government has no intention of changing its privatization and tax reform policies. Government officials announced that the bank holiday would be extended to include Monday, Dec. 18. Dec. 18: Economy Minister Gonzalez announced that all controls on prices and exchange rates would be lifted, and a 20,000 austral wage hike for public and private sector employees. (At the free market rate as of Dec. 14, 20,000 australs are equivalent to US\$13.) The minister added that elimination of exchange controls means that the central bank is committed to refrain from intervening in exchange operations. President Menem reaffirmed his administration's medium- and long-term economic policy objectives: state structural reform, suspension of subsidies to the private sector, and privatization. (Basic data from Notimex, 12/14/89, 12/15/89, 12/18/89; DPA, 12/15/89; Noticias Argentinas, 12/15-18/89)

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