Argentina constitutes one of the most interesting examples of modern economic policies, where the assistance of International Finance Institutions has been decisive. On the one hand it has followed a macroeconomic policy which hardly departs a millimeter from the most orthodox advice. On the other, more than 11 years after its implementation, it would be unwise not to realize that in Argentina’s economic achievements there are also substantial shortcomings.

I do not want to focus on the successes, which are well known: reduction in inflation, high average economic growth, and return of the foreign investors and economic stability. But the price paid has been hard: a high and persistent level of unemployment, an increasing level of poverty, after an initial success and a high and rising level of the Gini index (49), at levels which do not correspond to countries with its per capita income. Reflecting all that, a spreading sensation of social dissatisfaction.

All these are facts that we can not ignore today because Argentina has been in 1998 a keystone in the struggle against the world economic crisis and still is today. The support of the Argentinian macroeconomic model of stability is a requirement for all those who, like this chair, believe that avoiding economic crisis is an
essential step in the fight against poverty. In this context recent Bank interventions, like the SSAL and Repurchase Facility Support Loans, as well as the ingenious Policy Based Guarantee, have been particularly well aimed.

At the same time the World Bank should be specially concerned about the results of its policy in Argentina being as it is involved in the fight against poverty. Even if the war against macroeconomic crisis was won in Argentina, we at the World Bank could not be satisfied if it had to pay the price of an increase in poverty and unsatisfied social needs.

In my view this is an essential point because the most serious difficulties of the Argentinean situation is the lack of trust of the international capital markets to continue financing its Public Debt, which otherwise shows a healthy and sound financial structure with record maturities. But key issue is that this mistrust comes from the markets’ acknowledgement of the potential unrest in the economic and social system. The Argentinean Authorities do not have to proof to the capital markets that they can control the inflation or public deficit, but that they can distribute equitably the national wealth and that they can avoid that a large and increasing part of the labor force falls into unemployment.

Another element, which in the view of this chair can not be forgotten, is the fact that Argentina with a per capita income well above US$ 8000 is one of the highest income countries receiving support from the World Bank Group.

At this level of economic development and given Argentina’s long tradition in the cultural and educational fields, what the role of the World Bank may be, should be subject to careful scrutiny. In our view the major role of the Bank should be to enforce a conditionality based on an adequate management of the economic policy of Argentina, on the reform of the Social Security or on an even deeper deregulation of the economy, within the limits that the political constrains may advise.

At the high development level of Argentina, support of private investment seems to this chair of paramount importance. This implies in our view, that addressing issues of the judicial and legal systems as well as infrastructure related projects could be extremely productive. This also creates room for the activities of IFC and MIGA. In this context this chair approves warmly the recent LAC rebalance portfolio financial transactions executed by IFC.