



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Speech by the Deputy Governor of the Central Bank of Argentina, Lucas Llach, at the Central Bank Museum

Buenos Aires. September 25th, 2017. Good evening. It is my pleasure to welcome you to our numismatic museum Hector Carlos Janson. Janson is the largest coin collector in Argentina. He recently donated to these museum his whole collection, one so large and so good that we decided to rename the museum after him. You can see a few of its most remarkable pieces in the entrance of the building.

Coins and money have a copious history in Argentina. Maybe it all starts with our own name. “Argentina” comes from the Latin word, Argentum, silver. The river you might have seen from the plane, and is ten blocks from here, is the Rio de la Plata, the Silver river. You might know that the usual name for money in Argentina is plata, ie., silver. So maybe we Argentines do have something of a Freudian issue with money, with plata. Money is actually our name! “Argentinos” literally translates to “Silver people” but a more Argentine translation could actually be “the money people”.

Unfortunately we’ve been more of a “paper money” people rather than a wealthy people. An economic analyst of Argentina once remarked “Argentiniens alter their currency as often as they change their presidents. There are no other people in the world with such a keen interest in monetary experiments”. And this was said back in the 1890s, that is more or less five currencies ago, fifty presidents ago, and a fifty trillion fold increase in the price level ago.

Of course that plentiful monetary history has also left its mark in our language: there are many other names for money. Nominal inflation has also meant an inflation of names. In addition to plata we say guita, mosca (fly), in the tangos you might hear morlacos, tela, chirolas. We also use mango for one peso, gamba (leg) for a hundred, palo (stick) for a million – and even my own name Lucas, for a thousand. Which I find rather insulting, as a thousand in Argentina is around 60 US dollars. So when I say for instance “I’m from Argentina, I’m Lucas” I’m actually saying “I belong to the money people but I’m worth only 60 bucks”. That has been extremely disturbing for me – no wonder I ended up working here at the Central Bank.

Going back to the Rio de la Plata. As the legendary El Dorado (the city of gold) in northern south America was getting harder and harder to find, the Spaniards



fantasized that the Rio de la Plata might lead them to a humbler yet shining promise: el Cerro de Plata, the Mountain of Silver, a legendary tale told by the Indians of actual rivers of silver flowing endlessly from a peak in the Andes. Remember Argentina was most likely the last continental country where the species Homo Sapiens ever set a foot on. So we've always been this new land, short in history but full of promise, of a bright, silvered future.

Sometimes we have disappointed. Something like a Mountain of Silver was actually found, although not in Argentina but in the Alto Perú, present day Bolivia: Potosí was in its prime one of the most populated cities in the world. So for some time Argentinians were in fact the "silver people": we were an economic dependence of the mines of Potosí. The northern provinces lived off the provision of mules for transport at the Bolivian mines. And Buenos Aires first economic activity was smuggling Potosí's silver out of the Americas, as the only official port to export was Lima, in Perú. Some people believe that our origins as smugglers might have also left a psychological mark in us the porteños, the people from Buenos Aires.

Silver exports flowing to Spain probably contributed to its long run decline of Spain, in what we should call Spanish Disease rather than the Dutch Disease. So unknowingly, creoles in the Rio de la Plata were sending back to Spain, in the form of silver lingots, the seeds of the Imperial decline, years before fighting for independence in 1810. Meanwhile, the silver smuggling business meant no Dutch Disease for the Buenos Aires region: we had figured out a way of accumulating capital for the future in the non-booming sector, and that was without the need of protection, subsidies or even effort. The few cows and horses brought here by the first Spanish colonists encountered in the Pampas one of the best pieces of pasture of the Americas and probably of the world. With plenty of food and plenty of sex there were no Malthusian brakes whatsoever, so by independence in 1810 cattle and horses numbered by the million. This animal wealth would be the backbone of the Buenos Aires economy until the agricultural boom that railways would make possible later in the century.

For a few years the Provincias del Río de la Plata held both the silver from the Alto Perú and the animal wealth in the Pampas. So the first coins of the newly independent country, which you can see in Janson's collection at the front, were actually minted in present day Bolivia. Most of them are, of course, silver coins; actually the single 2 escudos gold coin you will see there is the most valuable piece in the collection: there are only 2 in existence, and connoisseurs have it that it could well fetch north of a million dollars if auctioned off.

The legend in those first coins is still written on our bills. It says "en Unión y Libertad". In union and freedom. Again, a promise mostly unfulfilled, particularly in the 19th century. The Alto Perú was soon lost to the Spaniards, eventually



leading to an independent Bolivia. The Interior provinces previously orbiting around the mines of Potosí lagged behind the successful ranching economy of Buenos Aires.

This set the stage for that most intricate economic and political struggle covering the middle decades of the century. It was precisely a tension between unity and freedom. On the one hand, those trying to set up a centralized government based in Buenos Aires, the Unitarios; on the other, the strongmen of the old Interior provinces, the famous caudillos Federales (which, confusingly, meant those defending provincial autonomies). Domingo Sarmiento, our leading 19th century intellectual, an educator and president, called it without hiding his own sympathies the struggle between Civilization and Barbarism. But in a way it was also a conflict between the old Silver Country of the Interior and the new, paper money based, export oriented economy of Buenos Aires. Sarmiento could have easily stretched Keynes' opinion on gold and call silver a barbaric relic.

The main character of Sarmiento's most famous book, Facundo Quiroga, epitomized the figure of the caudillo. And, more than any other caudillo, he was The Silver Man. The mines in the Cerro Famatina, in his northwestern province of La Rioja, were no Potosi but did manage to produce a decent amount of gold and silver. With no banks around, Facundo would hide or even bury the provincial treasury, which was essentially his own personal treasury. At one point, with La Rioja under attack, he fled but his silver was so much that it was too heavy to transport. The invader, one General Lamadrid, would desperately search for those hidden coins, the "tapados de Quiroga", the buried coins of Quiroga, which are also part of Janson's collection. Lamadrid went on to torture potential informants, including Quiroga's own mother. His keen interest in the hidden treasury was not merely a show of his military and fiscal responsibility. When he finally got a clue on the whereabouts of the Tapados de Quiroga he wrote to an assistant: "Check where I'm telling you and write back to me saying how many ounces you find, but do that only after separating for me some three hundred or more ounces. After such a toilsome sacrifice for the Nation there's no point in being so silly as to miss the opportunity of having my own share, with no damage to third parties...".

Making a long story short: in the end Buenos Aires prevailed, not only because of its productive strength but thanks also to the inflation tax. There was a perfect conjunction of the stars to produce inflation: Buenos Aires paper was accepted in the Interior, so inflation could be exported there; and Buenos Aires influential export interests would always lobby for some currency depreciation, and then some more. Argentina's unification in the 1860s was such a Buenos Aires-dominated affair that for 20 years the nation used as its official currency the paper money of one of its provinces. When president Avellaneda's government was faced with imminent default in the 1870s, Buenos Aires financed him on the condition that the



provincial paper would be accepted for tax payments as good as if it were gold (that is, at the official parity rather than at the depreciated market exchange rate).

But Buenos Aires had unknowingly signed a Faustian pact in the form of a Constitution, whose political institutions mirrored almost exactly those of the U.S. Back in the 1780s, the representatives of Rhode Island and other small US States had managed to obtain equality of seats in the Senate, a design inherited by the Argentine Constitution. Because the Electoral College that chose the President depended on the number of Congressional seats, the economically and demographically overwhelming Buenos Aires could be outnumbered in a presidential election. When in 1880 President Roca of Tucumán was chosen with the support of the Interior provinces, Buenos Aires rose up in arms against the election. A series of battles between the Buenos Aires and the national armies took place some twenty blocks from here. They were, and still remain as, the bloodiest in our history. They ended up not only with an Interior-dominated government. The defeated province of Buenos Aires lost its two gems: its capital city, this city of Buenos Aires, to the federal government, and of course, its ability to print its own money.

You will see at the front, as part of our Janson collection, the gold and silver coins minted in the early 1880s that marked the inception of Argentina into the international gold standard, as they were linked to the first national paper peso. Once again, monetary matters would reflect the peculiarities of this peculiar land. For one, silver was accepted at the mint, even while at a gold standard, and it was taken at a ratio more favorable to silver than the market ratio, clearly all concessions to what remained of the Silver Country of the Interior. Meanwhile, the paper peso rolled out in 1883 and convertible to those new coins, was expected to reflect a new and permanent link between the international monetary system and a unified, pacified and stable Argentine economy. Alas, what started in 1883 ended in 1884, with inconvertibility and depreciation – another episode of currency instability and inflation which, unfortunately, would repeat again and again until, well, almost tonight.

Ending high inflation is the most important aim of this administration at the Central Bank. Another one is going cashless. So just as a final thought, Governor Sturzenegger: maybe we could merge those two objectives into just one: converting this Museum, this show of currency creativity and paper money inflation, into, well: a museum, a historical museum: a place of things past, of memories that we have to be aware of but also try to leave behind. So I hope we can toast tonight for a shining yet stable and cashless future for Argentinos, the money people.