

**Money Reconstructed:
Argentina and Brazil after Hyperinflation**

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This contribution draws from Sgard (2008, in French), with a reduced empirical material and an extended analytical discussion.

Abstract

Under high inflation, money’s dual function as a unit of account and a unit of payment are split and transferred on alternate supports—either a foreign currency (as in Argentina) or domestic indices (as in Brazil). This paper compares the 1994 Brazilian *Plano Real*, which rebuilt a working, national monetary order, and the bimonetary Argentine Currency Board regime, whose 2001 collapse caused a major dislocation of both the real economy and the financial sector. “Pesification” is analyzed as an improvised attempt to rebuild a single, national money. Whereas returning to peso pricing on domestic markets proved to be surprisingly easy, the conversion of financial contracts (deposits, credits, bonds, etc.) was a disaster: state intervention into existing private contracts opened the way for a large-scale but opaque redistribution of private wealth. The experience of monetary destruction and reconstruction sheds light on how policy or regulatory intervention interacts with private choices. Policy efficiency is conditional on the willingness of agents to continue using the national money. Yet states that use money as a policy instrument may affect the agents perception that its stability is a condition for their own continuing private capacity to calculate and optimize. The effects of hyperinflation suggest that this constitutive ambiguity may actually result in the destruction of money.