

## A MONETARY CONSTITUTION FOR ARGENTINA: RULES FOR DOLLARIZATION

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When Carlos Menem was first elected President of Argentina in 1989, the economy was in shambles. Since then, his governments have delivered an almost unbelievable set of free-market reforms. In consequence, Argentina's economic freedom ranking has improved more than any other country in the world in the 1990s, moving from 59th in 1990 to 7th in 1997 (Gwartney and Lawson 1998).

The linchpin for Argentina's economic reforms has been the currency board-like system that was instituted on April 1, 1991. Argentines call this system, and the wider economic reforms it has spurred, "convertibility," an uncommon term for an unusual system. The system has some peculiar features that most observers neglect.

An orthodox currency board system is a monetary institution that issues notes and coins. These notes and coins are backed with a minimum of 100 percent (up to a maximum of 110 percent) of foreign reserve currency, and they are fully convertible into the reserve currency at a fixed exchange rate on demand. In addition, an orthodox currency board cannot act as a lender of last resort, does not regulate reserve requirements for commercial banks, only earns seignorage from interest on reserves.

Argentina's convertibility system engages in limited lender-of-last-resort activities; it regulates reserve requirements for commercial banks; it can hold up to one-third of the dollar-denominated reserves it keeps to back its monetary liabilities in the form of bonds issued by the government of Argentina; and the Convertibility Law only

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requires that the central bank's monetary liabilities be covered by a minimum of 100 percent in dollar-denominated assets. Consequently, when the assets are greater than 100 percent, the one-to-one link between foreign reserves and the monetary base can be broken, indicating discretionary sterilization.

These deviations from currency board orthodoxy result in less than a perfect unification of the peso and the U.S. dollar (Walters and Hanke 1992). Even though the peso-dollar exchange rate has remained absolutely fixed at 1-to-1, there has often been speculation that the peso will be devalued. Interest rates in pesos have accordingly been persistently higher than interest rates in U.S. dollars within Argentina. During the past year, the spread between interest rates on Argentine 30-day loans in pesos and dollars has varied between 50 and 440 basis points.

To make Argentina's currency unification with the dollar complete, President Menem suggested, in January 1999, replacing the peso with the dollar. And on February 10, 1999, one of us (Hanke) presented a dollarization report to President Menem in Buenos Aires. Much of what follows is contained in that report (Hanke and Schuler 1999).

## Dollarization is Desirable

Because Argentina does not have an orthodox currency board and has been unwilling to make the system orthodox, as we have advocated (Hanke and Schuler 1991a, 1991b; Hanke, Jonung, and Schuler 1993: 72-4, 77), dollarization is desirable. A dollarized monetary system works almost like an orthodox currency board system. The main difference is that under dollarization a country loses seignorage (the profit from issuing the monetary base) to the United States, whereas under an orthodox currency board, it retains the profit. Let us now consider the costs and benefits of dollarization compared with Argentina's currency board-like system.

The main cost of dollarization would be lost seignorage. At present, Argentina earns perhaps 750 million pesos a year in seignorage. Since the size of Argentina's economy, as measured by gross domestic product (GDP), is roughly 340 billion pesos, seignorage is only about 0.22 percent of annual GDP. In other low-inflation countries, the seignorage can be as much as 1 percent. Argentina's long history of inflation before the Convertibility Law has made Argentines less willing to hold local notes and coins than people in other countries with low inflation, so seignorage in Argentina is lower than average. Since the peso-dollar exchange rate is 1-to-1, there would be almost no one-time costs associated with converting computer programs and cash

registers from pesos to dollars. In consequence, the administrative costs of dollarizing Argentina would be very small.

The major benefit of dollarization would be reduced interest rates in Argentina. With no peso-dollar exchange rate, currency risk would be eliminated, and the spread in interest rates between pesos and dollars for loans within Argentina would be closed. As of late January 1999, the interest rate for overnight interbank loans in pesos was about 1 percentage point higher than the rate in dollars, with the spread widening to about 5 percentage points for 1-year interbank loans. For nonbank borrowers, the spreads are higher. It is true that people who want to pay lower interest rates can borrow in dollars, but that exposes them to a currency risk that many do not wish to take, given Argentina's long history of devaluations before the Convertibility Law.

By eliminating currency risk, dollarization would reduce interest rates. In consequence, Argentina's trend rate of growth would be higher and the variability of annual growth would be lower with dollarization than with its currency board-like system. Indeed, a government memorandum estimates that lower interest rates resulting from dollarization would add 2 percentage points to the trend rate of economic growth (Warn 1999). This benefit exceeds the cost of seignorage lost (0.22 percent of GDP).

Even using the conventional benefit-cost framework, as we have just done, leads us to conclude that the benefits of dollarizing Argentina clearly outweigh the costs. However, when evaluating alternative monetary regimes, conventional benefit-cost analysis fails to capture important benefits and costs, namely the wants of consumers. The "consumers" of money are those who use it—almost everyone except for young children. Rather than using as their starting point a determination of what characteristics consumers find desirable in money, economists simply assume that a well-intentioned, competent, politically independent central bank would produce the best outcome, and that is where they begin their calculations. In the case of Argentina, this is as unrealistic as assuming that a government-owned telephone monopoly would produce efficient, low-cost service.

Argentines have shown that the characteristics they want in a currency are those that the dollar has: low inflation, full convertibility, the prospect of continued good performance in the future, and international acceptability. The Convertibility Law succeeded, where past monetary reforms had failed, because it made the peso a close substitute for the dollar. However, the dollar is still perceived by consumers as being superior to the peso. Dollarization would allow consumers fully to take advantage of the perceived superiority of the dollar.

Government officials have on a number of occasions said that the reserves backing the peso should be considered the property of holders of the peso monetary base, held in trust by the central bank. That is a commendable attitude, but one that consumers do not fully believe. Dollarization would privatize the reserves by distributing them to the Argentine people who hold peso notes and coins. Any doubts that consumers might have about their peso property rights and the durability of the 1-to-1 peso-dollar exchange rate would be eliminated.

## Most Objections to Dollarization Are Incorrect

Argentina is not the only place where there has recently been public debate about dollarization. It has also been debated in Hong Kong (Schuler 1998). People have already made several objections to dollarization in Argentina; other objections that have been made in Hong Kong may soon be repeated in Argentina. Most of the objections are mistaken. We will examine the more important ones here.

The most passionate objection to dollarization is not economic, but political. This should not come as a surprise. The choice of alternative monetary regimes always contains political elements. Some Argentines consider that the peso is an essential symbol of Argentina, and think that dollarization would infringe on Argentina's sovereignty. However, the several dollarized countries that are independent do not find that dollarization constrains their independence, or that a locally issued currency is essential to sovereignty or to national pride; neither would Argentina. Dollarization should not be considered a blow to national pride. Rather, it is a logical extension of the principles underlying the Convertibility Law.

Under a currency board (or a monetary union), a nation gives up monetary policy sovereignty. The same is true under dollarization. When compared with a monetary union, however, the great advantage of a currency board or dollarization is that *political* sovereignty is not lost, because a nation can unilaterally enter or exit a currency board or a dollarized system. In practice, this is not the case with a monetary union. Once a nation enters a monetary union, political sovereignty is given up because it is extremely difficult to unilaterally exit a monetary union.

The claim that a national currency is a symbol of sovereignty also inappropriately mixes political concepts with economic concepts. National sovereignty is the ability of a national government to have some freedom of action in foreign policy and other international political matters without being subject to coercion by other nations; it is not the ability of a government to restrict the political or economic

freedoms of its citizens. In a market economy, the fundamental concept is not national sovereignty but individual freedom of choice. The economist W. H. Hutt (1940) coined the term “consumers’ sovereignty” to express this idea.

The most frequent economic objection to dollarization is that it would deprive Argentina of flexibility in monetary policy, even the limited flexibility of its currency board–like system. The critics assert that dollarization would rob Argentina of the means to cope with external shocks, because the monetary authority would lack flexibility and room for discretionary policy. This objection is a neat theory, but it is contradicted by the empirical evidence. Annual growth rates in developing countries without monetary flexibility—those with currency boards or dollarized systems—were over 50 percent greater than in those with central banks and monetary flexibility during the 1950–93 period. Furthermore, the variability of those growth rates, as measured by their standard deviations, was virtually identical, indicating that a lack of monetary flexibility did not result in a greater incidence or vulnerability to external shocks (Hanke 1999, Schuler 1996).

Related to this general objection is a more specific one: that dollarization would eliminate the Argentine central bank’s capacity to act as a lender of last resort. Contrary to what most economists think, it is undesirable to have a central bank as a lender of last resort. All the most expensive rescues of banking systems have occurred under central banking. Argentina, in fact, holds the record for the most expensive bank rescue in proportion to the size of its economy: the banking crisis of 1980–82 cost 55 percent of GDP (Caprio and Klingebiel 1996). Argentina already has in place a liquidity fund of \$6.7 billion (BCRA 1998). The key provision of the fund, which was established in December 1996, is something called the Contingent Repurchase Facility. Under this program, the Argentine central bank has the option to sell certain domestic assets for dollars to a group of banks subject to a repurchase clause. As of October 1998, 14 international banks were participating in the facility. The assets underlying the repurchase facility included \$6.2 billion in Argentine U.S. dollar-denominated bonds and up to \$500 million in dollar-denominated Argentine mortgages. Consequently, the facility can provide emergency liquidity, but it is not a lender-of-last-resort arrangement which by its nature also provides the government with the power to inflate.

Argentina’s banking system has become very internationalized under the currency board–like system, with foreign banks accounting for about 41 percent of the banking system’s total deposits and 64 percent of the deposits in private banks (BCRA 1998). This has dramati-

ically increased the banking system's access to liquidity provided by international capital markets. The Repurchase Facility, along with the extensive internationalization of Argentina's banking system (which makes the international banks' head offices, in effect, lenders of last resort to local branches), ensure that arrangements for emergency liquidity are adequate for a dollarized system. Furthermore, dollarization does not prevent the government from being a lender of last resort: the government's fiscal authorities can lend to banks directly. Direct lending by the government is likely to be more transparent than lending by a central bank.

Another objection is that Argentina would be hurt if the dollar someday becomes an unstable currency with high inflation. The solution to this potential problem is to extend the considerable freedom that already exists for people in Argentina to use any currency. Though initially the dollar would be the most widely used currency, people would be free to use whatever currency they prefer. If people wish to make contracts specifying payment of wages, business expenses, or loans in euros, yen, or even Brazilian *reals*, they should be allowed to do so. That way the Argentine people would be able to use the most stable currencies in the world.

Some economists have claimed that Argentina is not part of an "optimum currency area" with the United States, because the economic forces affecting the two countries are different. Dollarizing Argentina, they argue, would prevent the government from ever using the exchange rate as a tool of monetary policy. We reply that the theory of optimum currency areas, as economists generally think of it, is incorrect. A government, a central bank, or an economist sitting in his armchair cannot determine what an optimum currency area is, any more than they can determine the optimal type of telephone service for a country. The only way to determine an optimum currency area is to allow people freedom of choice and then see what happens (White 1989). The Argentine people have shown—by their preference for the dollar and for a peso with a fixed exchange rate to the dollar—that for them Argentina is part of an optimum currency area with the United States.

Still another objection is that dollarization is an inappropriate basis for a single currency in the Mercosur, because other countries, especially Brazil, will not dollarize. Again, the goal for Argentina should be the retention of political sovereignty and the enhancement of consumer sovereignty. A Mercosur monetary union would not achieve this, in principle, whereas dollarization would do so, in principle and in practice.

Dollarization is not “too simple” for Argentina. On the contrary, the more financially sophisticated Argentina becomes, the greater the value of a simple and transparent monetary system. Central banking is central planning in money, and central planning works as poorly in money as it does in agriculture or in industry. That is why the historical performance of central banking has been much worse than the performance of market-led monetary systems, such as currency board or dollarized systems. Inflations, devaluations, exchange controls, large fiscal deficits, and currency confiscations have been absent in these systems.

Because the currency board-like system retains some features of a central bank, the peso has experienced periodic speculative attacks. Especially during speculative attacks, interest rates in pesos have been much higher than comparable rates in dollars. We think that dollarization would eliminate the rationale for speculative attacks. However, in a speech made last November, Alan Greenspan, chairman of the Federal Reserve System, said, “It is questionable whether a sovereign nation, otherwise inclined to economic policies that are ‘off the wagon,’ can force itself into ‘sobriety’ by dollarization” (Greenspan 1998: 6).

Greenspan’s criticism has been repeated in the Argentine press, and Lawrence Summers, Deputy Secretary of the U.S. Treasury, has recently made a similar claim. It is a version of the idea that sound fiscal policies must precede a sound currency, as if the monetary system exerts no influence on government finance.

Argentines know from their own experience, though, that the monetary system *does* exert considerable influence. It is generally recognized that without the Convertibility Law, economic reforms in Argentina would not have progressed so far and so fast. Other countries have had similar experience. In a study of 98 developing countries during the period 1950–93, Hanke (1999) found that fiscal deficits were, on average, 65 percent larger and 1.4 times more variable in countries with central banks than in those with currency boards or dollarized systems.

Dollarization would not absolutely guarantee sound economic policies, but no system could. The important thing is that dollarization would improve the odds that Argentina would continue to follow sound policies, much as the Convertibility Law greatly improved the odds that Argentina would implement sound policies in the first place.

In Hong Kong, some critics of dollarization have claimed that it would require huge foreign reserves beyond those necessary to convert the monetary base into U.S. dollar assets. That is incorrect. Dollarization requires only foreign reserves to cover the monetary base (M0),

not reserves to cover broader measures of the money supply that include deposits at commercial banks, such as M1, M2, or M3. As in an orthodox currency board system, or in a central banking system in normal times, it is the responsibility of banks to hold reserves sufficient to meet the demands of their customers to convert deposits into notes.

Under a currency board, dollarization, and central banking alike, the reserves that banks hold in excess of legal requirements are ordinarily only a few percent of their total liabilities. Under dollarization, peso deposits would become dollar deposits of equivalent value at 1 dollar = 1 peso; they would not be converted into actual U.S. dollar notes. Apparently, no country that has ever dollarized has done so by converting all local-currency bank deposits into U.S. dollars, so it is bizarre to claim that dollarization would require such an operation. Depositors would have no more reason to make mass conversions of U.S. dollar deposits into U.S. dollar notes than they now have to make mass conversions of peso deposits into peso notes. Depositors would also have no reason to switch deposits from some banks to others under dollarization. The assets and liabilities of banks would be the same as they are now. Only the unit of account would change. Expressed in terms of U.S. dollar values, nothing would change. The investment portfolios of banks, and hence their creditworthiness, would stay the same.

Critics will no doubt devise other objections to dollarization, but that is no reason for dismissing dollarization. It is possible to make objections about any monetary system. However, the true test of a monetary system is experience. There is ample historical and current experience with official and unofficial dollarization. No far-fetched conjectures are necessary. If you want to know how dollarization works, look at Panama or Puerto Rico. Dollarization works well there and elsewhere.<sup>1</sup> It does not encounter the problems that critics claim would arise. Purely hypothetical objections are not sufficient to outweigh the practical success of dollarization.

## Dollarization Should Take a Liberal Form

The government of Argentina is considering at least two forms of dollarization: unilateral dollarization, which can occur without a treaty, and a limited treaty under which Argentina might regain some of the seignorage it would lose from dollarization and gain access for

<sup>1</sup>For an excellent study of Panama's experience with dollarization, see Moreno-Villalaz (1999).



Argentine banks to the discount window of the Federal Reserve System as a source of liquidity.

Our own preference is for unilateral dollarization, now rather than later. The sooner the government eliminates the lingering uncertainty in the currency board-like system, the sooner interest rates can fall and the sooner Argentina's economy would benefit. Unilateral dollarization does not require the approval of the U.S. government or the involvement of the Federal Reserve System.

Argentina would need about \$15 billion to replace the peso monetary base with dollars. This swap of currencies would be feasible to implement, because, in consequence of the Convertibility Law, the central bank's liquid reserves are about \$24 billion. The resulting currency swap would generate a seignorage benefit for the U.S. government, so it is hard to understand why the United States would disapprove of dollarization in Argentina. Even if it did, however, consider that of the total supply of U.S. dollar paper money, which is about \$470 billion, 50 to 70 percent is held outside the United States. Almost none has migrated abroad with the official approval either of the U.S. government or of the governments whose people hold the dollars. Russians, for example, have acquired over \$40 billion of dollar notes through normal channels of trade, in spite of efforts by the Russian government to discourage the holding of dollars and to prohibit their use in retail trade. Argentina could acquire U.S. dollars in a similar manner. The approval of the U.S. government would be convenient to have, but it is not essential. Even if the U.S. government actively disapproves, Argentina could still dollarize. It might have to move settlement of interbank payments from New York to someplace outside the United States, but that would create no great problems; at various times, Panama has done so.

Dollarization may require minor changes in financial regulations, accounting rules, and so on. The government, in consultation with the financial community, could appoint a committee of experts to examine matters and make recommendations. At the current exchange rate, dollarization should create no legal problems because amounts specified in contracts would not change. Dollarization would not create any gaps in financial markets or in reference rates such as base lending rates. On the contrary, markets in dollars are much bigger and more extensive than markets in pesos, so it would be easy to find a dollar analog for any contractual obligation in pesos.

Under unilateral dollarization it may still be possible for Argentina to negotiate a treaty under which Argentina would regain some of the seignorage it would lose from dollarization. Even without a treaty, the loss of seignorage would be much smaller than the potential gains

from eliminating currency risk, reducing interest rates, and stimulating higher economic growth.

In our opinion, a limited treaty between Argentina and the United States that would allow Argentine banks to have access to the Federal Reserve's discount window would be undesirable (for general reasons explained in Selgin 1996: chaps. 9–12). Access to a lender of last resort has made Argentine banking crises more costly and frequent than they otherwise would have been. The banking crisis of 1980–82 cost 55 percent of GDP. The banking system experienced another crisis in 1989–90, and another during the Tequila crisis of 1995 (Caprio and Klingebiel 1996: 15, 26–7). Only during the last crisis did the government make lasting reforms to improve the banking system by liquidating poorly managed, government-owned banks. Without the Convertibility Law, which limited the ability of the central bank to act as a lender of last resort, it is doubtful that the reforms would have occurred.

Argentina already has in place a Contingent Repo Facility of \$6.7 billion, as we have mentioned. Combined with the extensive internationalization of Argentina's banking system, current arrangements for emergency liquidity are adequate for the needs of a dollarized system. The experience of Panama's highly internationalized banking system has been that systemwide banking crises do not occur, because the system has access to a huge worldwide pool of liquidity in dollars.

Finally, we do not favor a formal treaty because despite the good long-term record of the dollar, there is no reason to compel Argentines to use the dollar, as a treaty might imply the government should do. The dollar can be a legal tender in Argentina without being a *forced* tender. Legal tender simply means that the dollar is acceptable for payments where the parties to a contract agree, and perhaps that it is acceptable if no currency is specified in a contract or an agreement. It is possible for multiple currencies to be legal tender simultaneously. All the major international currencies should have legal tender status in Argentina, and the government should consider accepting payments for taxes in euros and perhaps yen as well as dollars. (Payments would be accepted at market rates of exchange.)

Electronic payments are changing rapidly as computers and communication become increasingly cheap. It is possible that in the future banks will develop currencies based, for example, on baskets of commodities that will be superior to currencies issued by national governments. Argentine law should not prevent people from using newly developed currencies if they wish. Under the form of dollarization we propose, the dollar would be the predominant currency in Argen-

tina for many years, but if Argentines decide they prefer some other currency instead, they should have complete freedom to switch.

In closing this section, we are obliged to comment on the proposal to establish a Mercosur monetary union. Even if a monetary union could be established in Mercosur, we are skeptical that could ever produce a stable money of a quality equal to the dollar. Dollarization today is vastly superior to a Mercosur monetary union. Indeed, the dollar is the king of currencies and will remain so for the foreseeable future. Most of the world's interbank transactions are in dollars and nearly all the world's trade in commodities is in dollars. Invoicing patterns for manufactured goods are a more mixed picture, but virtually all U.S. exports are priced in dollars, and an amazing 88 percent of U.S. imports are in dollars. In Japan, the world's second-largest economy, 36 percent of exports and 70 percent of imports are invoiced in dollars. Finally, apart from gold, about 70 percent of official reserves of foreign exchange held by non-European governments are dollar denominated (McKinnon 1998).

When Mercosur countries can unilaterally unify their currencies with the dollar via either a currency board system or official dollarization, it is hard to understand why they would even consider establishing a monetary union, a new central bank, and a new currency, the "Latino."

## A Specific Proposal for Dollarizing Argentina

Official dollarization would require the monetary base (peso notes and coins, plus peso sight deposits of financial institutions with the central bank) to be swapped into U.S. dollar assets—notes, bank deposits in the United States, easily marketable assets such as U.S. Treasury bills, or some combination. Dollarization, in the rapid form that we envision, can be started immediately and largely completed within 30 days according to the steps below. A schedule of 30 days is realistic, because other countries have made more complex monetary reforms in less time.

To dollarize Argentina, the following steps should be taken:

1. Ensure that the foreign reserves of the central bank are at least equal to the monetary base. True foreign reserves exclude Argentine public bonds. In late January 1999, they exceeded the monetary base.
2. Announce that effective immediately, all peso wages, prices, assets, and liabilities are U.S. dollar wages, prices, assets, and liabilities at the rate of 1 dollar = 1 peso. No commission fees will be permitted for converting values in pesos into their equiv-

alents in dollars. Expressed in terms of U.S. dollars, nothing will change during dollarization.

Bank deposits and loans bearing fixed interest rates will continue to bear the same interest rates until they expire, except now the principal and interest will be payable in dollars. Interest rates in dollars will probably be lower than rates were in pesos just before dollarization. Borrowers will be able to benefit from lower interest rates if they can refinance their debts; if not, they will be no worse off than they would have been under the currency board-like system, because, in terms of dollars, they will be paying equivalent amounts at the same rates of interest as they were paying in pesos.

Dollarization will cause some redistribution of income: In general, new borrowers of dollars will pay less and lenders will earn less than they do now, because they will be unable to lend in pesos. But lenders will also enjoy some benefit, because there will no longer be any possibility of a devaluation of the type that has bankrupted banks in Asia. Generally, lower interest rates will benefit Argentina's economy by enabling businesses and consumers to borrow for projects they otherwise could not undertake.

3. Immediately replace the peso with the dollar as a unit of account. Because the exchange rate is 1-to-1, no transition period is necessary. No changes in bookkeeping, computer systems, or prices on store shelves will be necessary.
4. Immediately replace peso deposits at the central bank with U.S. dollar assets. In 1995 Argentina already took a step in that direction by moving settlement of payments from peso accounts at the central bank to a dollar account at a bank in New York. This step would simply finish the process.
5. Retire peso notes and coins from circulation, the bulk of them preferably to be retired during the transition period. How quickly that can be accomplished depends on how quickly the central bank can obtain U.S. dollar notes. It is desirable to replace the bulk of peso notes during the transition period. Once retirement of peso notes begins, banks will not be allowed to charge commission fees for replacing peso notes with dollar notes. After the period for retiring peso notes from large-scale circulation is complete, banks and the government will continue for, say, five years to accept peso notes, so that holders of the notes have time to redeem them. However, old peso notes will no longer be used for hand-to-hand payments. After five years, the presi-

dent of Argentina should have the power to demonetize all peso notes by decree.

We favor replacing peso notes and coins alike with dollar notes and coins, but Argentina could retain locally issued coins as Panama does.

6. Reorganize the central bank to recognize that it no longer issues money. The central bank will cease to be an institution making monetary policy. However, it can continue to have a role in the financial system regulating financial institutions and gathering financial statistics.

Some people may think that dollarization, if adopted, should be only temporary. Historical experience, in contrast, indicates that dollarization in the form we have proposed should be permanent. We propose to continue allowing Argentines to use any currency but to prevent the government from issuing a currency again. For Argentina, a government-issued currency has always been a curse. The Convertibility Law has made the peso almost as good as the dollar, but it is still not as good. Dollarization in the form we have proposed would ensure that Argentines have the freedom to use the world's best currencies, and would make it more difficult to return to the days of a bad national currency.

## A Monetary Constitution for Dollarization

The following model statute is meant to suggest the main features that are desirable for a law on dollarization. Legal technicalities may require an actual statute to be somewhat different.

1. The Banco Central de la Republica Argentina (BCRA) shall cease to issue pesos. It shall withdraw from circulation the Argentine peso monetary base and shall replace it with U.S. dollars at the exchange rate of 1 dollar = 1 peso. The BCRA shall preferably accomplish the bulk of this task within 30 days after this law enters into force. Peso notes currently accepted for redemption into dollars shall continue to be accepted by the BCRA or the government for five years after this law enters into force. After five years, all peso notes in circulation may be demonetized by a decree of the Executive Power.
2. Wages, prices, assets, and liabilities shall be converted from pesos to U.S. dollars at the exchange rate of 1 dollar = 1 peso. By 30 days after this law enters into force, wages and prices shall cease to be quoted in pesos.

3. Interest rates and other financial ratios shall remain the same in U.S. dollars as they were in pesos. The maturities of loans and other financial obligations shall remain unchanged.
4. The Executive Power may appoint a committee of experts on technical issues connected with this law to recommend changes in regulations that may be necessary.
5. Nothing in this law shall prevent parties to a transaction from using any currency that is mutually agreeable. However, the U.S. dollar may be established as the default currency where no other currency is specified.
6. Previously enacted legislation conflicting with this law is repealed.
7. This law becomes effective immediately.

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