

DEPOLITICIZED VERSUS POLITICIZED INSTITUTIONAL CHANGE

TRAJECTORIES OF MONETARY AND FINANCIAL GOVERNANCE IN ARGENTINA AND CHILE SINCE THE 1970S



LECTURE BY
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ABSTRACT | When do central banks become independent? And under what conditions can monetary policy help promote growth while safeguarding the stability of the economic and financial system? Conducting a comparative study of the cases Argentina and Chile, this chapter shows how efficient monetary policy in times of global finance requires not only a high degree of independence due to 'credibility' reasons but also a pragmatic approach to regulating the financial system, particularly concerning international capital flows. It is argued that the role of ideas are essential for explaining the presence of both facets. Firstly, the (non-)existence of a social consensus regarding ideas on what the objective of monetary policy should be is pivotal for explaining whether a central bank becomes independent. Secondly, a pragmatic regulatory approach to financial regulation, reflected in the deployment of internal and external macroprudential regulations, enhances the efficiency of monetary policy. To illustrate these points, a comparative analysis of Chile and Argentina is conducted. Chile was highly successful in achieving efficient monetary policy for the time after the 1982 debt crisis by depoliticizing monetary policymaking while remaining attentive to the risks posed by unregulated financial flows. In contrast, Argentina could not reach desirable policy outcomes and is a case where a social consensus on the objective of monetary policy could not be reached. Against the background of volatile international capital flows, this leads to the constant threat of financial crises.

BIO | Max Nagel is currently a PhD candidate in Political Science and Sociology at Scuola Normale Superiore and has degrees in Economic & Financial Sociology (Goethe University Frankfurt) and International Economics and Development (Bayreuth University). His research interests revolve around institutional change as well as (global) monetary and financial governance. In his dissertation he focusses on the changing relation between technocrats and politicians and how it affects institutional change and policy outcomes. He argues that the role of socio-historical knowledge is central to explain the observed variety. Conducting a comparative analysis of the Argentina, Chile, South Korea and Japan, he traces the variety of monetary and financial governance emerging since the transition from developmentalism to neoliberalism in the 1970s/80s.

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