Exchange Rate Policy, Distributive Conflict and Structural Heterogeneity. The Argentinean and Brazilian cases

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Abstract:
This paper is a comparative study of monetary policy and the inflationary process in Argentina and Brazil in particular, based on the classical approach to determination of prices and distribution. The aim is to suggest some lines of inquiry in a specific framework for the analysis of inflation and of its relation to macroeconomic policies and structural heterogeneity in the Argentine’s and Brazil’s cases.
We will discuss the inflationary processes in those developing countries that face up strong external restrictions to development, at the light of monetary theory of distribution. In the more general framework of the classical approach, we introduce a specific topic belonging to these countries, like a structural heterogeneity and its implications on macroeconomic policies and development.
The cases of Argentina and Brazil under analysis seem to suggest that normal distribution is governed by a monetary determination, where no room to a “natural” or “neutral money” determination is possible. The specific way of governance in this determination is an exchange rate policy instead of an interest rate policy. The most important issue in this context is that no mechanical or “a priori” link can be generally claimed between the exchange rate, interest rate and the wage rate.
The so-called unbalanced productive structure underlying the factors that influence and constrain the Central Bank’s policy and those factors are focused on exchange rate policy. In the heart of development problems we have the central feature of the distributive conflict between social actors in their fight for redistributing the associated costs of the exchange rate policy impinging on each one. These structural factors primarily govern the monetary and the exchange rate policy and stimulate a specific form of distributive conflict.