

Argentina's new inflation index

# Pricing power

BUENOS AIRES

**Will the country's statisticians now be allowed to do their work?**

**"I** WANT to leave." That is how Hernán Lorenzino, then Argentina's economy minister, reacted when a foreign journalist pushed him last April on the government's controversial inflation data. Mr Lorenzino's aide promptly ended the interview.

Evasiveness is one of the Argentine government's favoured ways of dealing with rising inflation. Manipulation is another. Between 2007 and 2013 the country's statistics agency, INDEC, cherry-picked prices to make inflation seem half as high as the 25% measured by independent economists (see chart). This newspaper stopped publishing Argentina's official figures in February 2012. A year later the IMF finally censured Argentina, threatening punishments including expulsion, if INDEC did not improve its act.

On February 13th it did. Axel Kicillof, Mr Lorenzino's replacement as economy minister, introduced a new consumer price index (IPCNU). Developed with help from the IMF, the new index registered inflation of 3.7% in January—the highest official rate since 2002 and much more than the fiddled rate of 1.4% posted in December.

The new number is plausible. It is on a par with estimates published by State Street, a financial-services firm, whose numbers we now use on our financial-indicators page. It remains below other unofficial figures, but that may be because the IPCNU is not directly comparable with other indices. It uses price data from across the country, whereas the old CPI and most independent firms only draw data from Buenos Aires and its suburbs. And goods and services are weighted differently in the new index: food, beverages and housing have decreased, whereas travel, transport and communications have increased.

The government seems to have stopped putting pressure on providers of alternative inflation data. Abcecb.com was one of several firms fined in 2011 for publishing figures unpalatable to the government. It has not been bothered since, says Dante Sica, its director.

But a new price index and a cessation of hostilities against private economists are not yet enough for this newspaper to start using INDEC's numbers on our financial-indicators page. It will take at least a year to see if the new figures are reliable, if they stay within a reasonable range of unofficial estimates, and if INDEC's statisticians

are allowed to work unhindered.

In the meantime, the big question is how the government will apply the new inflation numbers elsewhere. Poverty and indigence statistics, which are calculated using the affordability of a basket of basic goods, are due to be announced in April. A big jump in the number of Argentines considered poor would be politically devastating for President Cristina Fernández de Kirchner, who has long applauded herself and her late husband, Néstor, for reducing poverty. The government only counts 1.2m poor; last year the Catholic University of Argentina put the number at 10m. ■

Colombia's armed forces

# General exit

BOGOTÁ

**The ousting of the country's military chief may help peace negotiations**

**I**T HAS been a bad few weeks for Colombia's armed forces. Five policemen were killed by FARC guerrillas on February 17th; a fighter jet went down on the following day. Yet the military's biggest losses have been suffered not on the battlefield, but in Bogotá, the country's capital. On February 18th President Juan Manuel Santos fired Leonardo Barrero, Colombia's military chief (pictured), just two weeks after Mr Santos had suspended two generals in charge of the army's intelligence unit.

Both sets of dismissals came in response to reports in *Semana*, Colombia's most influential news magazine. The ousting of the two generals was prompted by allegations of illegal surveillance of the government's negotiating team in peace talks with the FARC. What cost General Barrero his job was the transcript of a phone conversation with a colonel facing charges for the extrajudicial killing of civilians. In the exchange the general said that the prosecution of such cases by the civilian justice system was "a bunch of crap" and suggested that the colonel "create a mafia" to discredit the prosecutors. There have already been convictions of military personnel in 890 cases of what has become known in Colombia as "false positives"—dead civilians falsely presented as guerrillas killed in combat.

Mr Santos said General Barrero was fired for "disrespectful and disobliging" comments. They were recorded as part of a criminal investigation into alleged kickbacks, which centres on the colonel accused of extrajudicial killing. Mr Santos removed four other generals for failing to detect the alleged corruption.

Some of Colombia's generals think that the investigations and the media reports are both parts of a campaign to



Barrero barred

discredit them. Mr Santos has trodden carefully with the armed forces since he began peace negotiations in November 2012 with the FARC because he needs the support of the military for an eventual peace deal. In his parting remarks General Barrero said he regretted his words, but signalled doubts about the talks: "I hope...that our institution will not be the subject of negotiation in any scenario."

The shake-up spurred by the two scandals has allowed Mr Santos to put officers who are more in tune with his goal of a negotiated peace in vital positions. General Juan Pablo Rodríguez, who replaced General Barrero, has led some of the most important operations against the FARC in recent years. But he has also made statements in support of the peace process. "It is the work of soldiers that has brought us close to peace," he said earlier this month. "The army", he added, "will not be an obstacle to peace."



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*The Economist* (London, England), Saturday, February 22, 2014; pg. 45; Issue 8875. (519 words)

**Category:** News

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**Gale Document Number:**GP4100933441