

November 6, 1957

Dear Mr. Kilcher:

Thank you for your letter of October 31st. I shall look forward to receiving your Lettre d'Argentine regularly.

Your comments on the recent measures were most interesting. While I am a great believer in the independence of Central Banks, I think every case must be looked at on its merits. True independence must mean independence from both the Government and private interests. Please remember that in the United States the influence of the Federal Reserve Bank of New York is balanced by the powers of the Federal Reserve Board in Washington. It is hard in practice to find the proper equilibrium of forces in the constitution of a Central Bank.

The wide spread between the maximum and minimum exchange rates is, of course, a serious problem which in so far as it is due to restrictions on import transactions through the free market, involves Argentina's obligations under the Paris Club arrangements.

Yours sincerely

Per Jacobsson

Mr. P. Kilcher  
Président du Comité Local  
Société Générale  
Boîte Postale 1192  
Buenos Aires, Argentine

*es Mr. DelCanto*

# INTERNATIONAL MONETARY FUND

TO : Mr. Guy de Monbray

Nov. 5, 1957

FROM: J. Del Canto

A handwritten signature in blue ink, appearing to be 'J. Del Canto', written over the printed name.

As requested in your note of yesterday,  
I am attaching a note and a draft letter to  
the Société Générale in B. A.

If you agree, you might pass it on to the  
Managing Director.



# Office Memorandum

TO : The Managing Director

FROM : Jorge Del Canto *JDC*

SUBJECT : Letter from Mr. P. Kilcher, Buenos Aires

DATE: November 5, 1957

I am attaching herewith a draft letter in answer to that of Mr. P. Kilcher. I think "La Lettre d'Argentine", published by La Société Générale, will be additional valuable information for the Fund staff in order to follow Argentine events, and I have prepared a draft letter of appreciation for your signature.

One of Mr. Kilcher's comments on the recent bank reform is that, according to the new law, the Central Bank seems to be more dependent on the Finance Minister despite the fact that the authorities had the intention of restoring its autonomy, which was lost in 1946. This was a surprise in the enactment of the new Central Bank law and private interests, banking, commercial and industrial, which were supposed to have control of the Central Bank Board, have been disappointed because their representatives will have only a voice but not a decisive vote in that body. However, experience teaches that in Latin America, Central Bank Boards dominated by banking or commercial interests cannot pursue an independent and sound monetary and credit policy. I am attaching, for your information, a summarization of the various decrees, embodying the banking reform, that you have received now officially.

The staff was aware of recent sales of gold by the Argentine Central Bank but we did not have information as to the exact amount of the gold losses. It is hoped that with the approach of the summer season (harvest), this strain on the Argentine situation will ease in the period ahead.

The measures restricting bank credit for operations in the free exchange market were well known and reported by the staff recently. They have been one factor contributing to the strength of the peso in the free exchange market.

I do not think, however, that your answer to Mr. Kilcher provides an opportunity to comment on these points. We shall follow developments on the "de-nationalization" carefully.

Friday evening, November 1st, I bid farewell at the airport to Dr. and Mrs. Coll Benegas, and they asked me to convey their greetings to you and their sincere appreciation for the courtesies received during the Annual Meeting.

## Attachments

*I think Kilcher is also referring to the fact that imports may not be paid for through the free market - this, of course, is one of the Argentine undertakings under the Paris Club arrangements.*

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DRAFT

November 5, 1957

Dear ~~Mr.~~ *Mr. Kilcher,*

I am very pleased to know that I will be receiving periodically La Lettre d'Argentine which is published by your bank, containing very valuable information on the economic events in that country.

I also noted and passed on to the Fund staff your comments on recent measures which may affect the financial outlook of Argentina in the near future.

Thank you very much for your interest and help in this matter.

Very sincerely yours,

Per Jacobsson  
Managing Director

Mr. P. Kilcher  
President of the Local Committee  
Societe Generale  
Box 1192  
Buenos Aires

*Per Jacobsson*

November 4, 1957

Mr. Del Canto  
Guy de Moubray

Mr. Jacobsson would be glad of your comments on the attached letter from the Societe Generale in Buenos Aires.

If you think Mr. Jacobsson should answer the letter (there is strictly no need for him to do so, although I am sure an answer would be appreciated) it would be nice if you would also send him a draft reply.

Att

Let. of 10/31/57 from  
Societe Generale, Buenos Aires

# SOCIÉTÉ GÉNÉRALE

*pour favoriser le développement du Commerce*

*et de l'Industrie en France*

Société Anonyme fondée en 1864

CAPITAL 5 MILLIARDS DE FRANCS

*Siège Social Paris*

DIRECTION

ADRESSE TÉLÉGRAPHIQUE: 'SOGARGENTA'

*Buenos Aires*, le 31 Octobre 1957.

BOITE POSTALE 1192

Cher Monsieur,

Je viens de recevoir votre aimable lettre du 18 Octobre, et c'est avec plaisir que nous vous ferons le service de la Lettre d'Argentine qui, je vous le signale en passant, n'est pas éditée mensuellement mais périodiquement.

Nous avons actuellement sous presse une Lettre d'Argentine consacrée au "nouveau système bancaire argentin". Nous y reproduisons des extraits des 6 importants décrets-lois y relatifs (restitution des dépôts aux banques, Loi des Banques, nouveaux statuts de la Banque Centrale, etc.), ainsi que l'essentiel d'un exposé fait à ce sujet par le Dr. A. KRIEGER VASINA, Ministre des Finances.

Ce nouveau régime a été reçu avec satisfaction par les banques -aussi bien nationales qu'étrangères- établies dans le pays, principalement en ce qui concerne la restitution des dépôts aux banques, annoncée à plusieurs reprises depuis 2 ans et toujours retardée. En revanche, sous ce nouveau régime la Banque Centrale paraît de plus en plus devenir une simple dépendance du Ministère des Finances, bien que les autorités aient manifesté l'intention de lui restituer l'autonomie qu'elle avait perdue en 1946.

L'orientation donnée par le Conseil d'Administration à la Banque Centrale dépendra presque exclusivement de la politique du Ministre des Finances puisque c'est le Gouvernement qui désigne tous les administrateurs. Il est prévu également la nomination d'un Conseil Consultatif, mais il ne disposera d'aucun pouvoir.

L'annonce du crédit de 27 millions de dollars accordé à la Banque Centrale par un groupe de banques américaines a fait bon effet, mais on espère toujours un prêt important de la BANQUE INTERNATIONALE DE RECONSTRUCTION ET DE DEVELOPPEMENT.

Je me demande quelle impression aura fait à l'étranger la diminution des réserves en or de la Banque Centrale (elles ont diminué de 181,1 à 136,9 millions de dollars en quelques semaines), qui provient essentiellement de son intervention sur le marché libre. Un autre facteur qui contribue certainement à maintenir le taux du marché libre entre 39 et 40 pesos par dollar, est la politique suivie par la Banque Cen-

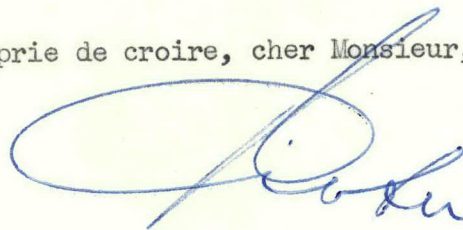
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trale, qui consiste à restreindre par diverses mesures les opérations au marché libre.

Sans méconnaître la nécessité actuelle de ces mesures, certaines d'entre elles, et en particulier les restrictions pour le financement d'importations, risquent de poser des problèmes sérieux à certains industriels travaillant avec des matières premières acquises à l'étranger.

Je vous signale, d'autre part, que nous avons en préparation une autre Lettre d'Argentine traitant des sujets d'intérêt général.

Je vous prie de croire, cher Monsieur, à mes sentiments très distingués.



P. Kilcher  
Président du Comité Local

Monsieur Per JACOBSSON  
Managing Director  
INTERNATIONAL MONETARY FUND  
WASHINGTON