

**"Argentina. An update on credibility in CPI and other Official Statistics, and perils endured by some statisticians."**

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**Abstract.** At its meeting in Dublin, Ireland on 25 August 2011, the General Assembly of the International Statistical Institute Official Statistics presented a review and expressed ISI concerns regarding the Argentine CPI and the statistical Profession in Argentina. Previous to and following this meeting, statisticians from different countries, several statistical associations and multilateral organizations also expressed and communicated their concerns, some directly addressed to relevant Argentine Government Officials. Incidents of continued harassment to private statistical local research agencies and individual statisticians (several ex-INDEC technical staff) have continued to occur. The paper reviews most recent local developments and outside support to help stop these harassments and promote a quick return to the good professional practices in the compilation and dissemination of the CPI following the international standards that ensure its reliability, credibility, independence and scientifically sound basis.

**Key words and phrases:** Continued harassment, good practices, credibility and independence.

At the 57<sup>th</sup> ISI Session held in Durban SouthAfrica in August 2009, the authors presented a paper "Argentina. An update on credibility in CPI and other Official Statistics, and perils endured by some statisticians."; the paper gave an account of gross manipulation and tampering with the Consumer Price Index that began at the end of 2007, a review of several national indicators that resulted contaminated and suffered significant distortions. And last, but not least, the loss of public credibility of all statistics produced by INDEC, a highly regarded institution that built its well deserved good professional reputation since 1968 up to 2007. In the process, several professional and technical support staff with long outstanding expertise in producing solid CPI statistics were fired including the Head of the CPI Department, who held this position for 10 years. In the discussion of the paper, "ISI delegates gave full support to identify actions that can help restore INDEC previous standard in producing technically robust and reliable statistics, promote an official position of the ISI Council regarding the issue, and support colleagues that have been unjustly fired and may want to return to INDEC and help restore its credibility. The need to promote in general an autonomous status of National Statistical Offices was also mentioned. Finally, it was suggested that the issue be kept in the agenda of future ISI and affiliate associations in future meetings until it is satisfactorily resolved."

**Continued Manipulation of the CPI**

Manipulation of the CPI continues to be the rule of government at INDEC. In February 2012 the Association of State Employees at INDEC (ATE-INDEC) released a study illustrating with several figures used by INDEC to produce official data for the CPI how costs were imputed for items such as: one kilogram of beef (asado) as costing \$11.92 and bread \$3.51, whereas in the market place prices were \$35 for beef and \$7 for bread. INDEC stopped releasing prices for goods and services since April 2008.

The report presented to INDEC top level authorities by ATE-INDEC was publicly released early this year after Amado Boudou, then Minister of Economy, met for two days with several universities that integrate the Academic Council for Evaluation and Follow-up (CAES). At this meeting Boudou, Roberto Feleti (then Vice Minister of Economy), Guillermo Moreno (Secretary of Commerce) and top INDEC officials, stood up to defend the current procedures used by INDEC since January 2007 when Moreno took over the leadership and established new procedures to compute the CPI. Representatives of the World Bank were present at this meeting.

CAES attendants were reported to be satisfied with the meetings and the Ministry of Economy, as declared by Feleti a few days later, committed to send to Congress a report summarizing the position of CAES and IMF among others.

In several academic fora, but specially one led by “Universidad de Buenos Aires” (UBA), has released a report prepared by members from the faculties of Economics, Exact Sciences, Social Sciences, and Law; all of which integrate an Advisory Board to the Head Dean of UBA (ABDUBA), who in turn is the one the members the “Academic Council for Evaluation and Follow-up of INDEC Activities” designated by Minister Boudou. UBA has released the report prepared by the ABDUBA where they clearly state the involuntarily departure and displacement of professional and technical staff from their long standing positions to others that clearly implies a loss of accumulated expertise which in turn deteriorates good and long established professional practices and procedures at INDEC. It also points out that on average almost a third of current technical and professional staff at INDEC has at most 3 years experience. The report singles out several queries regarding the validity and reliability of several indicators produced by INDEC, with the largest number concentrated in relation to the CPI. In short, the report concludes that evidence at hand leads them to the conclusion that INDEC no longer has technical solvency even when verifying the new procedures (“Rothwell’s formula”) they declare to follow in the elaboration of the new CPI.

Particular concerns expressed in the report are: the acceptance by INDEC of prices reported by the Ministries of Tourism and Health, with unspecified procedures, instead of doing direct data collection as before; the growth of nominal wages way above inflation rates derived from CPI, without either employers or employees considering this an acute and unreasonable increment in costs or spending capabilities, as would be the case if the CPI figures from INDEC were to be considered valid and reliable. Thus, the discredit of data released by INDEC is not only an issue solved by methodological changes that return to best practices, it is now more correlated to measures that revert the institutional context generated as of 2007, with the assistance of the professional staff displaced since then. This has been so recognized by Congress and has issued a directive mandate to intervene INDEC to promote its return to “normality”.

One major concern is the silence, so far, of the judicial power, where the seriousness of the matter merits the direct intervention of the Supreme Court according to several experts from the Academia and Congress.

Victor Beker, coauthor of this paper, recently wrote and illustrated how the increasing manipulation and inconsistencies draw an inexistent fantasy land for Argentina, in particular when gross sub-estimation of prices gives the impression of spectacularly high wage increases and seriously underestimates people living in poverty or worse as indigents. Some of his illustrations follow.

**Wages in Paradise.** According to INDEC during 2011 prices increased only 9.5%, and then follows to state that in the same period wages increased 29.4%! This is to say that in real terms on average wages increased almost 20% in 2011. Since for the same period GNP grew 8.9%, simple arithmetic tell a story that invites everyone to move to Argentina were real salaries grow at least at double the rate of inflation and GNP!

**Poverty and indigence.** According to INDEC in the second semester of 2011 there were 2.6 million people living in poverty in Argentina, 6.5% of total population, and only 0.682 million living as indigents, 1.7% of total population. The mystery behind these figures lies in the answer to the following question: why then do 1.5 million households receive a helping hand from government for each child, which implies a total of 6 million Argentineans benefiting and requiring this support, more than double the total population living in poverty according to INDEC!

Other participants will give a summary account on what has been done outside Argentina to increase awareness of gross and grave irregularities at INDEC, but we appeal to your indulgence to quote from an article published in *The Economist* last February 2012.

### **“Don’t lie to me, Argentina**

**Why we are removing a figure from our indicators page** Feb 25th 2012 | from the print edition.

IMAGINE a world without statistics. Governments would fumble in the dark, investors would waste money and electorates would struggle to hold their political leaders to account. This is why *The Economist* publishes more than 1,000 figures each week, on matters such as output, prices and jobs, from a host of countries. We cannot be sure that all these figures are trustworthy. Statistical offices vary in their technical sophistication and ability to resist political pressure. China’s numbers, for example, can be dodgy; Greece underreported its deficit, with disastrous consequences. But on the whole government statisticians arrive at their figures in good faith.

There is one glaring exception. Since 2007 Argentina’s government has published inflation figures that almost nobody believes. These show prices as having risen by between 5% and 11% a year. Independent economists, provincial statistical offices and surveys of inflation expectations have all put the rate at more than double the official number (see article). The government has often granted unions pay rises of that order.

What seems to have started as a desire to avoid bad headlines in a country with a history of hyperinflation has led to the debasement of INDEC, once one of Latin America’s best statistical offices. Its premises are now plastered with posters supporting the president, Cristina Fernández de Kirchner. Independent-minded staff were replaced by self-described “Cristinistas”. In an extraordinary abuse of power by a democratic government, independent economists have been forced to stop publishing their own estimates of inflation by fines and threats of prosecution. Misreported prices have cheated holders of inflation-linked bonds out of billions of dollars.

We see no prospect of a speedy return to credible numbers. The trade secretary, Guillermo Moreno, who led the assault on INDEC, is still one of the president’s closest advisers. The IMF has “noted” that Argentina is failing in its obligation to provide it with reliable figures, and made recommendations and set deadlines for it to improve. However, when Argentina ignores it, the fund merely wrings its hands, laments the “absence of progress”—and feebly sets a new deadline.

In 2010 we added a precautionary footnote to our statistical tables. From this week, we have decided to drop INDEC’s figures entirely. We are tired of being an unwilling party to what appears to be a deliberate attempt to deceive voters and swindle investors. For Argentine consumer-price data we will look instead to PriceStats, an inflation specialist, which produces figures for 19 countries that are published by State Street, a financial services firm. Had we switched to one of the provincial statistical offices still generating reliable figures, we fear it would have come under government pressure. One of the country’s best independent analysts made us a generous—and brave—offer of its data against legal advice and on condition that we conceal the source and lightly disguise the numbers. That might have generated confusion.

PriceStats is based in the United States, beyond the Argentine government's reach. The oodles of online prices on which its index is based are tamper-proof. Argentina will no doubt say that it measures consumption by the rich rather than the poor, who may not shop online. But PriceStats' methods are based on solid, peer-reviewed research and have proved an impressive match for (dependable) official figures in countries such as Brazil and Venezuela.

We hope that we can soon revert to an official consumer-price index for Argentina. That would require INDEC to be run by independent statisticians working unhindered. Until then, readers are better served by a credible unofficial figure than a bogus official one."

Several incidents as the one above has led to a severe loss of credibility not only for the CPI produced by INDEC but also for most statistical estimates derived from surveys and other data collection procedures.

This loss of confidence in official statistics has led to several attempts to fulfill the void such as:

### **Índice Barrial de Precios – IBP (NCPI: Neighborhood CPI)**

- An ad-hoc effort conducted by almost 100 committed local women from 20 of the poorest Districts in Buenos Aires Metro Area, that in a recent period covering 10 months report an inflation rate of 25% for goods in the basic food basket that includes the same 50 products used by INDEC; and also an index that using the official figures of a monthly income of \$3,288.90 for a family of four, two adults and two children, as sufficient not to be classified as poor; according to NCPI is insufficient for 24% of these population that are now living in poverty. NCPI monthly figures are gaining increasing credibility amongst the metro population. As recent as last April the monthly NCPI figure were 4.58% vs 0.8% reported by INDEC. This exercise has begun to replicate in other parts of the country in the Greater Buenos Aires region.<sup>1</sup>
- It all began with funds allotted to a small group, of economist by the "Universidad Nacional de Córdoba" to develop the NCPI. The "successful" experience quickly traveled to Buenos Aires and set solid roots in June 2011 in one of the most depressed areas in Buenos Aires: the "Conurbano" (suburban areas), with the support in training the local women and later reviewing, editing and processing collected data by several organizations: CIPPES, ISEPCi and "Barrios de Pie" (Neighborhoods Standing-Up).
- Monthly prices are collected in three days in a monthly random sample of 330 establishments (out of a population of around 3000 establishments) within the 20 districts and where neighbors usually buy their goods.

### **Alternate CPI's from eleven private research organizations and efforts of one professional**

- At the end of 2007, Graciela Bevacqua, former Head of the CPI at INDEC for 10 years, was replaced by a political appointee who acts as the Secretary of Commerce dictates without regard to any deviations from previously defined and robust professional practices long established at INDEC to produce reliable and credible CPI figures. Graciela has personally suffered an unjust removal from INDEC, followed by official harassment that finally developed in several law suits that put in peril her lifelong personal patrimony including her home and opportunity to freely work as a private consultant that can produce alternate CPI estimates.

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<sup>1</sup> As reported by "La Tecla.info on May 26, 2012.

- Other alternatives were offered by eleven different market research and private consultant agencies.

### **Continued Government Harassment to Alternate Estimates of the CPI**

Official harassment to individuals, such as Graciela Bevacqua, and private organizations leading ultimately to one or several law suits, with fines up to 100 thousand dollars each, has achieved one of its goals: no private consultant or researcher publishes any more the CPI they estimate. Some have even stopped estimating it; others go on calculating it but they don't publish it; they pass it off-the-record to some members of Parliament, who report to the press the average of those estimations without disclosing who the authors are in order to avoid further penalties. These law suits are all supported on a law passed during the years of military dictatorship in Argentina.

Though the names of the eleven organizations no more publishing their estimated alternate CPI are known, as well as the authors collaborating in "collective" critiques that circulate every now and then among interested and concerned professionals, involved academics and Parliament when INDEC releases new figures related to CPI, poverty, employment, inflation and others; we keep them in confidence and do not share here as most of them are facing ongoing law suits and continued personal harassment which can increase if we reveal their names. This harassment may be construed to be in the brink of a violation of one Human Right: the right of citizens to be correctly informed in any democratic society.

Our best hope is to keep alive efforts from ISI, ASA, the French Statistical Society, IMF, WB, UN and other multilateral and bilateral agencies, as well as globally recognized publications such as The Economist, The New York Times and of course local publications in Argentina, all committed to bringing back normality at INDEC for the wellbeing of their staff and rescue of best practices they once had.

### **Women at INDEC**

Statistical contributions in building and putting to practice robust and up to international standards and scrutiny at INDEC before 2007 relied heavily over many years on hard working professionals, with hard working and committed women always playing a major role.

No row call is intended here and we certainly miss many, but we cannot avoid fond memories of some key players such as Martha Sanjurjo, Leila Boeri de Cervetto, Clyde Charre de Trabuchi, of course Graciela Bevacqua and so many others we had the fortune to meet and work elbow to elbow with them.

Finally, allow me to remind the strong support received up to her last breath towards the resolution of this cause from Martha Aliaga, in this and many international fora defending her dear Argentina and INDEC colleagues.

Our gratitude for her achievements and firm determination will always inspire us to keep moving forward.