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by JUAN CRUZ FERRE
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Argentina on the Brink

Argentines are facing difficult days. Simmering social unrest, aggravated by increasing economic hardship, threatens to run amok and deal a death blow to the government of President Mauricio Macri. In the last week of August, a drastic devaluation of the Argentine peso from about 30 to 40 pesos per U.S. dollar spread panic in the population and uneasiness among foreign investors. Watching the ground sink beneath his feet, Macri asked the International Monetary Fund to advance the entirety of an approved \$50 billion loan in one lump sum instead of several installments, as previously agreed.

The currency slide translated quickly into a political crisis. On September 3, Macri announced the dissolution of 11 ministries (merging some, downgrading others to “offices”) and removed Cabinet Vice Chiefs Mario Quintana and Gustavo Lopeteguy, in what is widely recognized as a move to undermine Chief of Ministers Marcos Peña. Infighting in the Casa Rosada, Argentina’s executive mansion, has ripened as the crisis deepens.

As the peso plunges, so does the popularity of the Cambiemos coalition’s main public figures. In a recent poll, 57% of respondents disapproved of Macri (35% said his performance was “very bad”; 22.5%, “bad”), while the disapproval rate of Maria Eugenia Vidal—the governor of Buenos Aires Province and one of the most popular figures in the Cambiemos coalition—climbed to almost 48%. To the question of whether the current federal government “can resolve the country’s economic problems,” 63% of those surveyed said no.

While the economy shows increasing signs of distress, on August 29 a massive mobilization of teachers and students in defense of public education flooded the streets of all major cities. But before we look at the many facets of the current crisis, we need to understand how we got here.

The Cure, Worse Than the Disease

Macri came to power in 2015 promising efficiency and professional management. For the few who did not see it coming, it became clear that his plan to restore Argentina's competitiveness and economic growth involved a direct attack on the working class and the poor: deterioration of real wages, slashing of funding for public health and education, a reactionary pension reform and plenty of regressive redistribution through tax cuts to companies—to agribusiness conglomerates in particular.

His program broadly aligns with the fiscal policies demanded by the IMF, as demonstrated in June by the disbursement of \$15 billion in credit. The IMF's prescriptions, however, not only failed to provide respite to the Macri administration, but also proved remarkably insufficient to restore business trust in the Argentine economy. The “deluge of investments” forecast several times by Macri never came, and the ship is now sinking. All signs seem to point to a deepening recession.

Triggered by this apparent contradiction between strict compliance with the IMF's recommendations and meager economic outcomes, a [Bloomberg journalist asked](#) Goldman Sachs's top economist for Latin America, Alberto Ramos, “Do we need to rewrite the playbook?” His response was as blunt as they come. It was only after three years of recession, Ramos said, that Brazil could bring the inflation down and “adjust” an overvalued currency: “Argentina was trying to do all that, and keep growing! We know that that's impossible to do.” What Argentines need is a nice, deep recession. Thanks, Alberto.

Relation of Forces

In the mind-set of capitalists and bourgeois politicians, there is no other option for the Argentine government than to take painful measures to reestablish fiscal balance, curb inflation and reset an “artificially high” currency—even if this entails a dramatic increase in poverty, rampant unemployment and deadly cutbacks on health and education. After the storm, when the economy “heals,” the inflation is under control, and labor costs fall significantly low compared to global levels, foreign investors will accept the invitation to enjoy another feast of profits. Restoring business trust (and profitability) is the new mantra. The Argentine worker is the offering to the gods of the market.

If Macri's government didn't pass all these policies before now, it was not out of empathy for the poor, nor was it an expression of sophisticated moderation ascribed to Argentina's "new Right" (the much-touted "gradualism"). Macri's policies are as pro-business as the relations of forces allow. In other words, as a conspicuous representative of the national and foreign bourgeoisie at the head of the government, Macri pushes pro-business policies to the point that working-class resistance threatens to get out of hand.

For example, the congressional debate on the pension reform in December 2017 took place during an open street battle between the police and combative unions, social activists and political organizations. The bill was ultimately passed by Congress, thanks to the support of a handful of Peronist representatives, but the government was irredeemably hurt. Weakened by this pyrrhic victory, the government abandoned its plans to pass a labor reform, announced just a few months earlier.

The Centeno Notebooks

Macri's political quagmire comes at a time when the main opposition party cannot fully profit from it. A corruption scandal known as the "Centeno notebooks" case has implicated major politicians in the Kirchnerist spectrum and beyond—even spilling over to Macri and his crony capitalists. But former President Cristina Fernández de Kirchner (CFK) has paid the greatest price so far, not only because she has been charged with embezzlement, but also because she is widely seen as politically responsible in a corruption scheme for which an increasing number of functionaries from her administration have been jailed—including her onetime vice president, Amado Boudou.

This is an important element of the picture because, before the peso crashed, the Centeno notebooks were front and center in all the Argentine news. Oscar Centeno was a chauffeur for a high-ranking functionary in CFK's government who every day handled bags of black money. In several notebooks, Centeno recorded in detail every transaction he made over his 10 years of service. The notebooks were first given to the press and later to a criminal court, where an investigation began.

The case is still open, with many loose ends and an abundance of sketchy developments, such as the disappearance of the notebooks themselves—Centeno claims to have burned them on a grill. We can therefore only entertain some preliminary thoughts. The case shows stunning similarities with the "Lava Jato" case in Brazil, in which a federal judge (Claudio Bonadío in the Argentine case, Sérgio Moro in Brazil) goes after prominent political leaders. Corruption is pervasive in peripheral countries like Argentina and Brazil, and state contracts for public works are a major source of illicit profits. But this practice

involves Cambiemos officials as much as it does Peronists (including, of course, the Kirchners, who ruled for 12 years). It is hard to overlook Judge Bonadío's political bias, given that he has interrogated dozens of people and ordered preventive detention for many of them, but he has carefully avoided investigating Macri and his family, whose holdings include several companies that acquired public contracts. Under the guise of an impartial champion of justice, these judges brandish the sword selectively, clearing the way for capital's preferred politicians.

Aware that the corruption scandal primarily affects CFK and the Kirchnerist opposition, Macri blamed the economy's instability on the Centeno notebooks scandal, as well as on the crisis in Turkey and the trade war between the United States and China.

Dynamics of a Dependent Country

Economists are increasingly [talking about](#) Argentina and Turkey as the first victims in an upcoming crisis of emerging economies. The Fed's increase in interest rates led to the tightening of liquidity globally and the return of foreign capital from emerging economies back to the United States. Since the beginning of the year, [Argentina has seen \\$20 billion in capital flight](#).

Trump's "America first" foreign policy takes on a specific character when it comes to U.S. relations with countries like Argentina and Brazil. No longer interested in maintaining the stability of the world order, or even of allied countries, Trump is now focused exclusively on advancing the interests of U.S. companies abroad. These companies are already salivating at the prospects of business that will open up in Argentina after the devaluation, or in Brazil, after big domestic capital that profited from government corruption is taken out of competition. Both Sérgio Moro and Claudio Bonadío are reported to have strong—though veiled—connections with the U.S. government.

The issue of U.S. interference in a foreign country's economy and politics acquires renewed significance every time one of these economies is forced to default on its debt or implement stringent austerity policies. For poor countries, the IMF and the institution of foreign debt are as much a tool of imperialism as is the United Nations. This means that the minimal stance for those in the United States who feel the grief of the people in Argentina—and elsewhere in the world—is to staunchly oppose any encroachment by the U.S. government into other countries' sovereignty, as well as to demand that the IMF and the U.S. government to forgive the foreign debt.

From Gradualism to Shock Doctrine

“Reality showed that we need to go faster,” said Macri during his TV address on June 3, showing determination to increase the pace of the austerity program. A few minutes later, Minister of Economy Nicolás Dujovne announced a new package of measures, including a slight increase in taxes to agricultural exports—a sector that has made huge profits since Macri took office and that will benefit the most from the peso’s devaluation. The bulk of the bill, however, will be shouldered by the working class and the poor. Dujovne announced a readjustment in the 2019 budget to reduce the fiscal deficit from 1.3% to zero. This budget cut will require the government to spend \$6 billion less than previously planned, affecting wages for state employees and public services. He did not mention, however, that the zero deficit budget is the target for the “primary fiscal account,” that is, before paying the interests of the debt, which, lifted by the devaluation of the peso, will amount to [3.3% of the GDP in 2019](#).

In the midst of the currency slide last week, the government decided to hike the interest rate to 60% in an attempt to discourage the purchase of dollars. Macri is well aware, however, that these interest rates may cool down the economy and decrease inflation if he’s lucky, but also discourage investment and increase the risk of a further recession.

In the face of a crisis of such magnitude, the Peronist opposition has little to say. The president himself made sure to thank the “leaders of the opposition” with whom he’s been “making progress” on the new budget. “Because, remember, we never had a majority in Congress,” he said. It would be difficult to find a more succinct and eloquent proof of the collaboration of Peronists of different stripes with the ruling party to maintain governability. And it makes sense for them. They’d rather Macri arrive weak but living (in government) to the 2019 elections, and even better if he does all the dirty work first.

Leaders of the two labor federations, both of which have close ties to Peronist politicians (from the pro-Kirchnerist Central de Trabajadores Argentinos, CTA, to the more conservative peronist Confederación General del Trabajo, CGT), have announced general strikes for September 24 and September 25, respectively. The call may sound like a radical measure by American standards, but given the frequency of strikes in Argentina and the gravity of the ongoing crisis, a call for a strike almost a month from now sounds more like a joke. In the [words of labor journalist Lucho Aguilar](#), “We don’t know how to get through the winter, and the CGT is planning a strike for the spring.” Interviewed on the news broadcast C5N, socialist leader [Myriam Bregman highlighted](#) the immense mobilizing power of the CGT and the reticence of its leadership to put it in motion.

“Instead of a day of action, they are proposing a holiday,” said Bregman, referring to union leaders’ refusal to organize rallies, pickets or mobilizations.

The Left Opposition

Thankfully, Peronists, Kirchnerists and union bureaucrats are not the only opposition to Macri’s regime. There is a growing anticapitalist opposition, both in Congress and on the streets, in workplaces and universities. With an electoral base of more than a million voters during the past three elections, the Left and Workers Front has become a bulwark of revolutionary politics at the forefront of the resistance. Militants of the Partido de los Trabajadores Socialistas (PTS, Socialist Workers Party), the main force behind the Left Front, have played a crucial role in [mobilizing thousands of women](#) for the right to abortion earlier this year, while [voicing their demands inside Congress](#). With its thousands of militants and sympathizers in the teachers’ unions and in the students movement, the PTS was on the front lines of the [rallies, roadblocks and mobilizations](#) that swept the country demanding more funding for education.

The Left Front is the only political force in Congress that rejects the payment of the foreign debt. In the face of growing anger against Cambiemos and the economic program tailored by the IMF, leaders of the PTS have advanced the immediate proposal of a Constituent Assembly to deliberate on the pressing issues of the Argentine people. Nationalization of the banking system, government control of foreign trade to stop capital flight and sliding scale of working hours to eliminate unemployment and overwork in one stroke—these are some of the transitional demands proposed by the left. These measures cannot be forced onto any bourgeois government, no matter how strong the left may grow. That is why the Left and Workers Front fights for a [workers’ government](#) to implement this and other measures in a transition to socialism.

The current situation has been likened to the run-up to the 2001 economic meltdown. And it does look similar in many aspects, but there is an important difference. During the 2001 crisis the labor movement was flat-footed and, after a devastating round of defeats, disorganized and lacking a strong socialist left. Since then, workers have won some significant gains and will probably fight hard to keep them. Some landmark workers’ struggles have created a militant minority in certain sectors where the left has managed to grow: [education](#), [food processing](#), [auto-part plants](#), [printing](#) and others. The emergence of the revolutionary left as a distinct alternative in national politics, its representatives’ daily appearances on TV news and talk shows, can have immense influence on all those who, disgruntled by the politics as usual, may veer toward more radical perspectives.

Yet, even if the current government is widely discredited, the bulk of the working class still has illusions about the different strands of Peronism and Kirchnerism. All national unions are in the hands of more or less conservative bureaucracies wedded to bourgeois political parties. It will take a period of intense struggles and a major shift in working-class consciousness to transcend the atrocious leadership of the labor movement today. But the crisis is still open and, with no easy solution in sight, things may start moving fast. *This article originally ran on [Left Voice](#).*