Financial parasites feast on Argentina's economy

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16 January 2017

On December 26, Argentine president, Mauricio Macri sacked his minister of the economy, Alfonso Prat-Gay, as part of his government's policy of driving up interest rates and escalating its already severe austerity measures. These measures are aimed at facilitating the growth of parasitism by financial investors in Argentina, who are feasting on high interest rates, ranging this year between 25 and 38 percent.

At the same time, the country has entered an economic recession amid severe social cuts, rate hikes, hundreds of thousands of layoffs and collapsing real wages. Unions and the pseudo-left parties have responded with a demobilization campaign of empty protests and proposals for national reforms.

The argument being made by the ruling elite is that high interest rates will keep the Argentine peso strong and control inflation, which has climbed to over 40 percent—the highest rate since the end of the 1998-2002 economic crisis. The reality is that the tarifazos , or rate hikes, which benefit chiefly privatized or "public-private" partnerships in the transportation and utilities sectors, along with the depreciation of the peso to the dollar, yuan and other currencies, have been the main factors fueling inflation.

Jorge Brito, the CEO of Argentina's second-largest financial firm, Banco Macro, declared recently that he supports the efforts to "keep inflation down because it is the most unjust tax for those that have the least." He paired this populist rhetoric with a warning to the rest of the ruling class: "We have to be very sensitive to understand what is happening with the people, because we are living in *that* kind of complicated world."

Macri's dismissal of Prat-Gay as economy minister is the culmination of a political confrontation inside of his right-wing administration. The head of Argentina's central bank, Federico Sturzenegger, has openly called for a further enrichment of the banks through high interest rates on debt bonds. Ultimately public debt, which according to third-trimester government figures has climbed to 53 percent of GDP, gets paid through taxes and social cuts.

While Prat-Gay also called for a growth of the financial sector, he argued for a reduction in interest rates, claiming that they were hurting the export sector and national production, reflected in a 3.4 percent drop in GDP since the third trimester of 2015 and a 7.3 percent fall in industrial activity.

The Spanish daily *El País* reports that, "it is precisely this accelerated growth [of the financial system] that is becoming a great business, while every other key sector around it is collapsing and Argentina, increasingly expensive, doesn't stop losing competiveness."

In a December 2016 report on Argentina, the Economic Commission for Latin America and the Caribbean points out that the 2016 capital and finance balance more than doubled, while exports and imports fell. The UN-affiliated agency goes on to warn that the central bank "has to be cautious in its policy to normalize rates, which could affect the recovery of the real economy." In other words, there are indications that, if interest rates are brought down, foreign and national capital will again leave the country since profitability in the real economy is too low or "uncompetitive."

On the other hand, the IMF has praised Macri's "ambitious reforms". The US credit firm, Moody's published a statement earlier this month declaring that Macri's "pro-market policies will create new opportunities for loans and will allow creditors to assess the assumed risk…"

After putting an end to the country's debt default, which began in 2001, and reopening the country to international lenders, Macri is replacing Prat-Gay with Nicolás Dujovne as treasury minister and Luis Caputo as finance minister. Both are directly aligned with defending the growth of financial parasitism and are personally close to Macri, which also signals that he is preparing for political and financial turbulence.

Dujovne, a "fiscal hardliner" according to the *Financial Times*, has asked for a new $25 billion loan from the IMF. He has also called for freezing public spending growth for 10 years. Caputo, for his part, is an ex-Wall Street multimillionaire who has been in charge of the sellout negotiations with the vulture funds.

Back in 1998, the country entered a recession, resulting mainly from an end of foreign investments into sectors privatized by then-president Carlos Menem, tougher credit conditions by international lenders and the global consequences of the Brazilian and Russian financial crises (two of Argentina's top commercial partners).

In 1999, incoming president Fernando de la Rúa imposed severe austerity measures and kept the peso's parity with the dollar, since devaluing it would set inflation higher and lead to even sharper social tensions. Ultimately, these measures led to an intensification of the recession and a bank run halted by the infamous corralito measures to prevent withdrawals.

Currently, Argentina's economy has been hit by the severe economic crisis in Brazil and the slowdown in China (Argentina's top trading partners). Exports to Brazil and China fell 20 percent and 35 percent respectively during 2015. This has been compounded by low commodity prices and historic public debt levels. Moreover, the Trump presidency in the United States will likely bring about more restrictions on credit and trade.

The deterioration of the real economy and financialization are an expression of the unresolved contradictions in the world economy, expressed more specifically in Argentina's increasingly explosive periods of economic deceleration and the growth of foreign debt since the late 1980s.

Since Macri came into office in December 2015, more than 200,000 workers have been laid off, while his government has reduced subsidies for consumption and imposed several other social cuts. Last week, the government approved a renewed income tax law, which will weigh more heavily on working class families as salaries grow nominally, albeit not compensating for inflation.

These measures are intended to make workers pay for the government's debt crisis, the stagnation in production and the windfall profits for the Argentine and foreign financial elites.

Meanwhile, unions have been working closely with Macri, who agreed to expand the funds for "social works" of the Solidarity Fund for Redistribution, used historically by the Peronist movement to tie the finances of unions to the central government. This is in spite of the promises of the new leadership of the largest union bloc, the CGT, to "go out to the streets" and support social movements.

The pseudo-left parties of the Worker's Left Front (FIT) have made empty criticisms of Macri's policies, insisting that "salaries are not taxable income" and that "capitalists should pay for the crisis." However, they continue seeking to channel working class discontent behind the large union confederations that are collaborating with the government, urging these right-wing organizations to organize resistance and call a general strike. The chief declared goal of these parties is to "elect new legislators," while it's also clear that their members seek to climb the bureaucratic ladders in the unions.

The petty-bourgeois character of these nominally Trotskyist parties was reflected by the alternative bill they proposed in Congress for the income tax reform, which called for an elimination of income taxes to all salaries "*under collective agreements*" and for using the calculations made by the "statistics institutes of the union centrals."

In the same way that the smaller CTA union confederation indicates that "without the CGT there will be no general strike," the pseudo-left demobilizes workers by appealing to the union bureaucracies chiefly led by Peronists and other right-wing forces.

On December 16, the newspaper tied to the Socialist Workers Party (PTS) of the FIT posted a favorable interview with a journalist of the conservative newspaper, *La Nación*, Nicolás Balinotti, where they highlight his comment: "In 2017, I'm sure that the CGT will break the truce it sealed with the government."

As his government prepares to escalate attacks against workers, Macri has been meeting with union leaders of the CGT, CTA, and smaller blocs, asking them to have a more central role in the government and "become an anchor of responsibility."

Blocking the emergence of an independent working class movement, the unions and their pseudo-left apologists are attempting to channel social tensions back into bourgeois politics, where these middle class forces can seek some returns from Macri's "liberalization" plans for the economy and growth of the financial sector.