

<https://internationalviewpoint.org/spip.php?article5281>



Argentina

# An uncertain future

- IV Online magazine - 2017 - IV515 - December 2017 -

Publication date: Wednesday 6 December 2017

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**The situation in Argentina has some similarities with that in France, with the two formations that had been the pillars of bourgeois bipartisanship for decades having fallen apart experiencing a deep crisis. 'Cambiemos' (We Change), heir to the alliance that President Mauricio Macri created from isolated members of the old parties, has just won the intermediate elections (partial parliamentary elections between two presidential elections), thus strengthening his government.**

Let's start by saying that the 'progressivism' of the Kirchners, Néstor then Cristina, was quite different from the other progressive movements of Latin America. Most of these leaders came to power after leading or participating in major popular mobilizations. This was the case with Chávez in Venezuela and Evo Morales in Bolivia. Lula was not elected following mass mobilizations, but he was a recognized political and trade union leader.

## **An assessment of Kirchnerist 'progressivism'**

We cannot say anything like this of Néstor and Cristina Kirchner. Néstor Kirchner was unknown to the masses when he was chosen as a presidential candidate by a sector of the Partido Justicialista (PJ, Peronist). Facing the loathed Carlos Menem, a craftsman of the myth of parity between the peso and the dollar that led to the 2001 explosion, he was outpaced in the first round and was only elected after the withdrawal of Menem, who knew he would be crushed if he stayed in the second round.

Néstor Kirchner was a millionaire entrepreneur, a PJ leader in the province of Santa Cruz (in the south of the country), who had followed Menem and his neoliberal steamroller for ten years during his tenure. It was Eduardo Duhalde, the PJ leader who was enthroned as president on January 2, 2002, who had sponsored him.

Duhalde had assumed the presidency after popular mobilization in December 2001 brought down four successive governments. His role was to complete the term of the deposed president, de la Rúa, in order to hand over to his successor, on December 19, 2003, a pacified country whose bourgeois institutions had been recomposed. For that, Duhalde did the dirty work of maxi-devaluation and the conversion to the peso of a dollarized economy. These measures triggered rampant inflation that reduced wages by almost 50%, bringing them down to their lowest level in fifty years. This helped to rebuild the profits of the export-oriented productive sectors, while protecting the less competitive, domestically oriented sectors. The situation of the population deteriorated to the point where in many places people had to resort to barter for food and other basic needs. But the networks that the working and popular masses then created prevented them from feeling defeated.

The Kirchners, Néstor and Cristina, were tasked with curbing the mobilizations and defeating the workers' and people's movement. The economic recovery resulting from the maximum devaluation and then the commodity boom led to a strong expansion of exports and a very large surplus in the trade balance. As the masses had not been defeated, the Kirchners were forced to apply a redistributive policy to buy a relative social peace. So, they used the foreign currencies entering the country as export payments to finance massive plans to support the unemployed, through which they co-opted the majority of the leaders of the *piquetero* movement. When unemployment fell as a result of the economic recovery, trade union struggles forced them to concede real wage increases.

Their goal has never been to open a path to "Eurosocialism". The Kirchners maintained neoliberal privatizations - with a few partial and deceptive exceptions - and deepened the extractivist economic model exporting raw materials, thus aggravating the traditional dependence of the Latin American model of capitalism on imperialist capital. When the profits from soybeans, minerals and oil began to run out, the Argentine bourgeoisie and the imperialist bourgeoisies, who had made substantial profits under the Kirchners, preferred to bring to power someone who promised them to finish with the costs of "Europrogressivism".

No longer able to run for president after her two consecutive terms, Cristina Kirchner wanted to do the same thing in 2015 as Lula in Brazil or Correa in Ecuador: supporting a second-term candidate who would only serve one term, then to run again in the presidential election in 2019. This candidate was the entrepreneur and governor of the province of Buenos Aires, Daniel Scioli, the former vice-president under Néstor Kirchner. Scioli was not seen badly by the Argentine bourgeoisie. Some of its sectors preferred him to Mauricio Macri, considering that as a Peronist leader, he was in a better position to control the masses.

In addition, everyone knew that the programmatic differences between Macri and Scioli - two successful bosses and, moreover, childhood friends - were only of degree. The fall in commodity prices and the political and economic crisis in Brazil - Argentina's largest export market - left only limited choices. Whoever held the presidency would have to carry out a thankless task: negotiating with the vulture funds the payment of the foreign debt which had been defaulted on in 2001, liquidating exchange controls (which would provoke a devaluation of the peso and higher inflation), applying the increases in electricity, gas, water and transport tariffs that private companies demanded, while eliminating, in order to reduce the state budget, the subsidies that Cristina Kirchner had granted.

## Macri, the investment that doesn't arrive and foreign debt

The plan of Cristina Kirchner was reduced to nothing after the defeat in 2015 of the "Front for Victory" (the coalition of the PJ with, among others, the Communist Party of Argentina, the Humanist Party, the Partido Intransigente, the Broad Front and sectors of the Radical Party). The winner of the elections was Mauricio Macri, who got 34.19% of the votes in the first round and 51.34% in the second round.

According to the World Bank, GDP has declined by 0.5% over the last two years. The proliferation of redundancies has brought unemployment to 8.5% of the population, public sector tariffs have all risen, sometimes up to 70%, and inflation has exceeded 40% for the first time in fourteen years. According to the INDEC (National Institute of Statistics and Census), between January and July 2016, 32.2% of Argentines lived under the poverty line, including 6.3% in destitution.

This trend began to reverse in late 2016, when the poverty rate fell to 30.3%, before rising to 28.6% in mid-2017. The reasons for this are the increase in demand for raw materials from China and the United States, as well as the economic recovery in Brazil, after two years of economic contraction. According to ECLAC (Economic Commission for Latin America and the Caribbean), Argentina is expected to grow by 2.4% in 2017.

But what concerns the bourgeoisie is mainly the fiscal deficit and the way the government covers it. Cristina Kirchner financed this deficit with dollars held by the Central Bank and the creation of money, which caused a fall in reserves and had inflationary effects. Macri's entire economic plan was based on the hope that with his arrival in power, foreign capital would flow. To demonstrate that Argentina is a "reliable" country, Macri hastened to pay off the vulture funds. But after two years, investments are still not arriving.

Macri knows that if he cuts unemployment benefits or transport subsidies, he risks a social explosion. On the other hand, he does not want to run the money printing press because he wants to reduce inflation. Thus, his only possibility is to go into debt abroad. Macri has issued ten-year debt bonds at the same rate as Greece: 7% (when Uruguay does so at 4.25%). This year, the government has budgeted \$16 billion for debt interest payments, double the education budget and triple the health budget. Taking advantage of his electoral victory of October 22, 2017, he has just borrowed \$2.75 billion through the issue of one-year bonds whose return will be 7.9% annually.

The provinces (federal state regions) and the companies have joined this process of indebtedness in foreign currency, thus increasing the foreign debt. According to the Ministry of Finance, by the end of March 2017 it had reached \$ 284.8 billion, 21% more than a year earlier and a 26% increase over the end of Cristina Kirchner's term. This debt now amounts to 51.2% of GDP.<sup>1</sup> With a foreign debt that grows by \$ 100 million a day, each of the 44 million Argentineans already owes \$4,363 - figures that recall the suspension of payment of 2001. Not to mention that a portion of these loans went directly to foreign accounts: capital flight has been estimated at \$18 billion since December 2015.

For the moment, Macri has the support of the Argentine bourgeoisie. The congress of the IDEA (Institute for the Entrepreneurial Development of Argentina), which every year brings together all the employers' sectors of the country (and which benefited in 2017 from the presence of PJ political leaders and trade unionists), showed understanding of the president's "gradualist" policy. According to Mario Blejer, former president of the Central Bank, "the entrepreneurs hope for the pursuit of gradualism so as to maintain social peace and order. Without this, there will no longer be any more investment."<sup>[1]</sup>

But employers, both local and foreign, are calling for two things: a reform of employment law that facilitates layoffs, and lower taxes. All have their eyes riveted on Brazil, where Temer has managed to impose a brutal reform of employment law. Macri, who knows that the Argentine labour movement would resist, nevertheless preferred to make an agreement with the Peronist trade union bureaucracy. Against his commitment to convince the workers to accept this reform, he had promised that it would not be as violent as that of Brazil. In this configuration, bureaucrats also retained control over social security plans. But Macri's clear victory in the October 22 legislative elections could change the game.

## Why did Macri win?

It is not easy to understand why Macri won so clearly, but it is certain that the climate has changed in the months following PASO.<sup>[2]</sup> The slight improvement in the economic situation cannot be the only explanation. It is true that before the elections, the government had opened new lines of consumer or real estate credit, which had sparked a certain consumerist and optimistic wave in sectors of the impoverished middle class, which recalled phenomena seen under Menem in the 1990s. At that time, Menem had granted dollar credits that had boosted his popularity with the petty bourgeoisie, which had allowed him to be re-elected. But these credits proved explosive in 2001, when the foreign debt crisis erupted.

An alarming factor is the almost nil influence that the appearance of the corpse of Santiago Maldonado had on the electoral result, in a country where the memory of the 30,000 disappeared of the military dictatorship still remains very alive. This 28-year-old tattooist had disappeared during an illegal intrusion by the police in a Mapuche autonomous territory. For 80 days, the country was in suspense and a succession of demonstrations had demanded he be returned alive. To discredit Santiago, his family, the Mapuche and the human rights movement, Macri and his teams used the same discourse that the dictatorship used against the disappeared.

But an essential reason explaining the victory of Cambiemos (with a little more than 40% of the votes) is the splintering of Peronism. The twelve years of Kirchner government generated hatreds and resentment that, in a highly politicized country like Argentina, divided families and destroyed friendships, as well as alliances within the Peronist movement. A united Peronism would certainly have won these elections. But it was divided into three, between the lists of the Frente Justicialista (FJ - driven by the traditional apparatus of the party and most of the trade union bureaucracy), those of Unidad Ciudadana (formed by âEurosocrisinismoâEuros and allies) and those of âEurosocrisinismoâEuros led by Sergio Massa, who claimed to embody a Peronist âEurosorenovationâEuros .

With 3.48 million votes in the province of Buenos Aires and 5.27 million nationwide, Cristina Kirchner was, despite her defeat, the Peronist leader with the best results. Those of the FJ as well as Massa were, comparatively, very disappointing. In the province of Buenos Aires, which is home to almost 40% of the country's population, Sergio Massa beat the FIT (Frente de Izquierda y de los Trabajadores, Trotskyist), but the latter won two national deputies by defeating the FJ list.

Both the FJ and Massa intervened in these elections as they did previously in parliament, where they brought Macri the necessary votes to pass counter-reforms. In contrast, Cristina Kirchner said her parliamentary group would form the basis of the opposition to the government. It remains to be seen how far she will go. Her most serious problem is the investigations for corruption that target her, her family or her political and business associates. To which is added the scandal of the Nisman case and the suspicions of complicity in the AMIA attack. [3]

## Will there be a âEurosocrisinismoâEuros ?

Two years after becoming president, Macri managed to do what had happened only twice before, in 1985 and in 1997: to defeat Peronism in an intermediate election. Cambiemos won in 13 of the 23 provinces, including some that had been Peronist strongholds for decades. Even if it only has a third of the deputies in order to pass the reforms demanded by the national and international bourgeoisie, its victory over a Peronism in crisis leads to a situation where the parliamentary opposition will be weak. This victory, which financial capital has welcomed by lowering ArgentinaâEuros"s country-risk by four points, also opens up a perspective of re-election in 2019.

It was on this basis that Macri was able to call on parliamentarians, businessmen and representatives of the judiciary for a âEurosocrisinismoâEuros at a press conference on October 23 - a gesture requested by the head of the Justicialist group in the Senate and the President of the Argentine Industrial Union (the employersâEuros" federation). According to the president, the upcoming conference will discuss the âEurosocrisinismoâEuros changes for the countryâEuros"s âEurosocrisinismoâEuros political, institutional and tax systemâEuros . The agenda will be the 2018 budget, the law that distributes funds to the provinces, tax reform but also political, educational and judicial reforms.

According to the foundation Argentina 2030, a think-tank created by the government, Macri does not want to impose a neoliberal model on a forced march nor to question the arrangements of social protection created by PerÃ³n in the 1950s and reactivated by the Kirchners. Rather, it would be a question of protecting the national market through a series of aid measures and limiting the intervention of the state in the economy, the judiciary and the financial system. Macri wants to modernize the country's industry by diversifying exports with products such as biodiesel, wine and automobiles, as well as developing the service sectors. But this requires changes in the education system and employment relations.

The problem is that Argentina is a deeply divided country with serious structural problems. The logistical costs are among the highest in the world, almost half of the active people are working illegally, public education is in crisis, the

railways have been dismantled since the privatization of the 1990s and the population considers the judicial institution as one of the most corrupt of state bodies. Added to this is the fact that under Macri, the country has begun to take on heavy debt again abroad - and everyone knows from experience how this can end.

## The labour movement and the left

One element does not enter bourgeois analysis: what will the labour and popular movement do? For counter-reform plans to succeed, the CGT must impose on workers the acceptance of the adjustment that is coming. This includes social protection funds, which represent considerable sums. But the bureaucrats are divided and, moreover, aware that to act as a dyke against contention, they do not have the same efficiency as in the 1990s. In recent years a layer of young activists has emerged who take on the traditions of the class-conscious and combative trades unionism of the 1960s/70s, launch wildcat strikes, occupy factories, refuse to recognize agreements negotiated by the union leadership and is led by the left.

There is also a mass social movement for human rights, born through mobilizations against the military dictatorship and attempts to amnesty its representatives. This movement, which is highly politicized, is expressed today in the demonstrations "Ni una menos" against the feminicides or demanding the truth on the disappearance then death of Santiago Maldonado. During trade union demonstrations, these processions parade alongside leftist organizations, in opposition to those of the trade union bureaucracy.

The elections of October 22, 2017 showed that the left has begun to break through at the electoral level. The 1.3 million votes obtained by the FIT at the national level (the best result for the left in all its history), its two deputies in the national parliament after having beaten the FJ in the province of Buenos Aires, the provincial deputies and elected councillors across the country signify a remarkable advance. For years, the Trotskyist left had waited for the lead weight that Peronism had placed on the consciousness of the labour movement to drop. Now that this is happening, the leftist sector organized in the FIT is in a position to capitalize on it.

Macri says his plan is for twenty years, after which the country would be transformed at all levels. This is not the first time a president has made such promises. The last to have promised to bring Argentina into the "First World" was Carlos Menem, and the adventure ended with the popular uprising of December 2001. Twenty years is a long time, and if the Argentine people does not see results in the short and medium term, Macri's plans will end like those of Menem.

With that in mind, the working-class and popular masses now have in their favour two things that did not exist in 2001. First, a rich tradition of self-organization, the result of all the experiences of sixteen years. Secondly, the fact that there is today a possible political outcome through the FIT and the workers.

PS:

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[1] <https://www.pagina12.com.ar/70623-no-te-quedes-a..>

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[2] âEurosOEbligatory Simultaneous Open Primary ElectionsâEuros , a pre-election which determines in each province the candidates or lists authorised to run for election. The votes of at least 1.5% of registered voters must be obtained. This year, the PASO were held on August 13.

[3] The Asociaci3n Mutual Israelita Argentina (AMIA) was on July 18, 1994, the target of a car bomb which led to 85 deaths and 300 injuries. The attack, which took place under the Menem government, was suspected of having been planned by the Iranian state and executed by Hezbollah. Alberto Nisman, who was the prosecutor responsible for leading the investigation, was found dead at his home in January 2005, the day before he was to file before the National Congress evidence that both the Menem and Cristina Kirchner governments had been complicit with the Iranian regime, apparently for reasons linked to commercial and investment agreements.