

# Argentina Keeps on Growing, And Growing, and Growing

by Gretchen Small

The name of our future is change: Argentina is the protagonist of a profound transformation; it is time for cultural and moral change. The result of the profound change in paradigm that we need, the success of the steps undertaken, must be judged from the standpoint of the Common Good . . . and the exercise of political power on behalf of the well-being of the people. . . .

The Argentine economy is in its fifth consecutive year of a strong annual growth rate of around 8 to 9%, with no signs of a slowdown and with firm expectations that the growth process will continue in 2007 at a high rate.

This confirms, that after the worst economic and financial crisis in memory, far from going through a rebound, as the specialists said, the economy has gone through a decisive change in its mode of functioning. The results on every front speak eloquently, despite some worthy and brilliant representatives of the economic schools of thought who daily provide us with their advice. . . .

—Argentine President Néstor Kirchner,  
March 1, 2007

Argentina, held up as the model of an International Monetary Fund success story in the 1990s, and then left to die by international financiers when its economy disintegrated under those very IMF policies at the end of 2001, stands out today as a country where wages, pensions, industry, infrastructure, health, and education are growing, while economic holocaust spreads across most of the rest of the planet. To the fury of the financial vultures of London's Cayman Islands empire, people around the world—and particularly in its South American neighbors, including its ally, Brazil—know that Argentina's road to recovery only began when its current President, Néstor Kirchner, broke with the IMF game.

Therein lies the strategic importance of the report delivered to Argentina's Congress on March 1 by President Kirchner, in which he identified the principles guiding Argentina's national recovery effort, and summarized the successes which that effort has achieved.

Kirchner, as the extracts from that report which we publish below make clear, is no Baby Boomer, when it comes to the economy. Financial criteria do not determine the invest-

ment decisions of his administration, but instead the physical needs of the nation and its people. He denounces the attempt to reduce Argentina to a service economy as just another facet of a policy which sought to impose the "silence of the grave" upon the majority of the Argentine people, while a few grew rich, under the pretext of "fighting inflation." Argentina wants a society which is *alive*, Kirchner exclaimed, and so it is today proudly *reindustrializing*, and once again investing in nuclear power, too.

Kirchner identifies the crux of his recovery program as that anathema to the Baby-Boomer psychosis: Work!

To the chagrin of those hangers-on of fascist financier Felix Rohatyn who repeat ad nauseam that the methods of Franklin Delano Roosevelt cannot work in the modern world, the plain fact is that the approach adopted by Kirchner's administration, follows the same principles as those applied by Roosevelt: State-led investment in infrastructure and industry, state regulation of private interests on behalf of the common good, government guided by its responsibility to ensure the general welfare and advance the happiness of the nation's people, work!

Those American System principles of economics have worked in every country in the world where they have been applied. They demonstrated their power under FDR, and they work today, as demonstrated in Argentina's fight to recover from the hell imposed by the financial vultures and their IMF frontmen. These are the principles which must be applied, immediately, to replace the global financial system as a whole, or the entire planet will be driven into a new dark age, dragging all nations, including Argentina, down with it.

## What the IMF Wrought

Before the IMF first took over the Argentine economy with the 1976 nazi-directed military coup of Joseaa Martínez de Hoz, Argentina was one of Ibero-America's wealthiest nations, with high living standards, a skilled labor force, 99% literacy, and impressive scientific and technological infrastructure. Social mobility was similar to that of many European nations.

After two and a half decades of IMF-directed policies, including administrations in the 1990s which implemented, through so-called "democratic" means, an economic dictatorship as destructive as that under de Hoz's military dictatorship

(selling off Argentina's state companies and resources, cutting public services to nothing, and "solving" each debt crisis by piling on more debt), by 2001, Argentina was finished. The government seized people's savings to pay the debt in November 2001; the financial system imploded; and the government fell. The economy plunged into the abyss.

By the end of 2002, fully 60% of the Argentine people were acknowledged to have fallen below the poverty line. The collapse dwarfed even that of Indonesia in the 1997-98 "Asian crisis." Over 2002, those living in poverty increased at the rate of 762,000 a month, or 25,000 people per day.

In a country that produces enough food to feed 300 million people, 30% of the population was now unable to purchase enough food to eat. In the capital, Buenos Aires, armies of families in rags were reduced to going through the streets each night, overturning garbage cans in search of food. When they couldn't find food, they began to eat rats, mice, frogs, and toads. Forty percent of the Argentine people became malnourished, infant mortality rose, and death by starvation—previously unheard of in Argentina—became the fate of hundreds of children, even as budget cuts decimated the once-excellent national health system.

## Eloquent Results

This was the country faced by President Kirchner, when he was inaugurated on May 25, 2003. Nothing serious could be done about reconstruction, until the financial burden was lifted from the back of the country. Calling upon the principle that life comes before debt, Kirchner told the country's creditors that Argentina could only pay 25-35% of the nominal value of its debt, and the rest would have to be written off. After that arduous battle was won, Argentina then moved to pay off its debt to the IMF in January 2006, to be free from its blackmail.

Just shy of four years later, Kirchner could report to Congress, that among the advances achieved under the new paradigm, were:

- The percentage of Argentines under the poverty line dropped from 60% when he took office, to 31.8% today, and the number of indigents has been cut by half—still "shameful," he said, but far less.
- Unemployment has fallen below 10% for the first time in 14 years, at 8.7%—a third of the 27% it was in May 2003. Since 2003, some 3.4 million jobs have been created.
- Since 2003, the minimum salary has been raised from 200 to 800 pesos; teachers' salaries have tripled; the average nominal salary of workers with registered jobs (i.e., not part



Carlos Galindo Pérez

*Before President Kirchner's election in 2003, the country had been plunged into abject poverty and a seemingly endless debt spiral, as illustrated by these children eating from a garbage dump in August 2002 in Buenos Aires. With Kirchner's rejection of the IMF game, the country is being transformed.*

of the "informal economy") rose by 72%.

- Pensions and social security payments have been increased ten times, after years of being frozen. Whereas 35 of 100 of our grandparents were condemned to indigence in 2002, not covered by social security, today, nine of ten are covered, he stated.
- The takedown of the health-care system through privatization is being reversed, through Federal-state cooperation which has included the establishment of 179 new community health-care centers, an increase in primary care, and increased investments in 40 hospitals nationwide. One result: a 46% increase in medical visits to hospitals and primary-care centers combined.
- 2,400 kilometers of new highways are being built, integrating provinces which had been abandoned. Railway investments increased in 2006, with 300 kilometers of line already laid, and repairs of equipment undertaken.
- Industry grew by 8.3% in 2006, with an increase in capacity utilization such that branches such as steel and paper moved to expand their production capacity. More than 41% of all imports were capital goods in 2006. Construction was the fastest growing industry in the last three years: 34.4% in 2003; 29.4% in 2004; 20.4% in 2005, and a projected rate for 2006 of 20%.
- Investments in power facilities aim to incorporate 4,600 more megawatts of power by 2008; increase high tension lines in the country by 50%; increase natural gas transportation capacity by 22%; and work is under way to complete the Atucha II nuclear plant.

# Kirchner on Argentina's Road to Recovery

*Following are extracts from Argentine President Néstor Kirchner's speech opening the new legislative session on March 1. The speech has been translated from Spanish and subheads added.*

## Infrastructure a Priority

... One of the primary challenges we face related to the role of the state, is that of going back to investing in public works, in infrastructure, as one of the priorities of state management, given its power to improve the quality of life, to rapidly drive the level of activity and generate better economic and social competitiveness. To do this, we have also waged a fight in the realm of ideas. We have had to fight against a notion very deeply rooted in certain sectors, that active policies in the area of infrastructure and public works are an expense, rather than an investment.

The lack of planning, or the deliberate decision which its absence implied for so many years in Argentina, sharpened the country's territorial imbalances, exacerbating many of our provinces' isolation, coupled with the impoverishment of their people. In contrast, under our administration, the state has assumed an active role, with a primary focus on planning of investment and infrastructure. We are working for socially and territorially balanced growth; and the construction industry undoubtedly acts as an efficient instrument for development.

Investment in public works has continued to increase, and today it is ten times the level of 2002. Ten times more. And six times more than that of 2003. . . .

We are reversing decades of disinvestment in railroads. Our policy of restoring the railroad as a factor of domestic integration, has been based upon the reorganization, recovery, and modernization of the rail system. Keeping in mind that we must never forget: the railroads were dismantled here. They were auctioned off. "A branch line that stops, is a branch line which closes," was the policy of those who governed in the 1990s. All of us Argentines want to have once more what any developed country in the world has, united by a railroad network which allows it to be interconnected, not seeking financial profitability, but social profitability, the profitability of integration, of social inclusion. . . .

All of Argentina was thrown upon our shoulders. We weren't the ones who plunged Argentina into recession. We weren't the ones who stopped investing in energy in Argentina. We weren't the ones who wanted to create a services

economy. We dreamed, as you and the majority of Argentines did, of creating a productive country, an industrial country; and obviously, a country needs energy to develop. . . .

During the decade of the 1990s, we had deflation, but we had 60% poverty. . . . Now we have some inflation, but we have already lowered the poverty rate to 31.8%, from the 60% we had, and we hope to continue lowering it. . . .

We are not going to resort to heterodox measures which tell us that we have to restrict consumption in order to lower inflation. In other words, these lead in the direction of the silence or the peace of the grave, where they try to lower inflation, and where people cannot consume, cannot develop, cannot have upward mobility. We want a society which is alive. . . .

## We Rejected IMF Dictatorship

Do you remember when the experts told us—the technocrats, the economists, the IMF advisors—those from all the schools, holding their fantastic degrees? They said: What this man is doing by paying off the International Monetary Fund debt is crazy, because we are going to be left without reserves and we will be exposed to the vulnerability of any international financial crisis.

We paid \$10.2, \$10.3 billion. Our reserves dropped down to \$17 billion, and in a bit more than a year, we have double the reserves. . . . And we no longer have the dictatorship of the International Monetary Fund deciding the destiny of Argentines.

Now they say: You have an exaggerated level of reserves. . . . Now, with all due respect and without denigrating their intellectual abilities and what they have studied, there is an abyss between what you proposed to us and what we did. What you proposed to us brought us to 60% poverty, 30% indigence, 20% unemployment. . . .

As regards the Paris Club debt, they tell us: You have to reach an agreement with the International Monetary Fund in order to be able to pay the Paris Club debt. We told them: Gentlemen, we are sovereign. We want to pay the country's debt, but from there to our returning to an agreement with the International Monetary Fund: Under no circumstances, no way. . . .

In times of crisis, by implementing phenomenal adjustments, the most concentrated sectors of the economy and their propagandists reaped phenomenal profits. . . . In these crises, experience has taught us that the prescriptions which the International Monetary Fund counselled, were nothing but tools allowing those sectors to impose measures favorable to them, using as a pretext the country's supposed international isolation. . . . These prescriptions saved the powerful and sunk the people.

This growth of the Argentine Republic demonstrates that there is another path. When the politicians applied those policies, they added in a loss of credibility, and delegitimized politics and the institutions. When national interests are defended, as they are today, and politics is directed to working

## Brazil Still Carrion for the Carry Trade

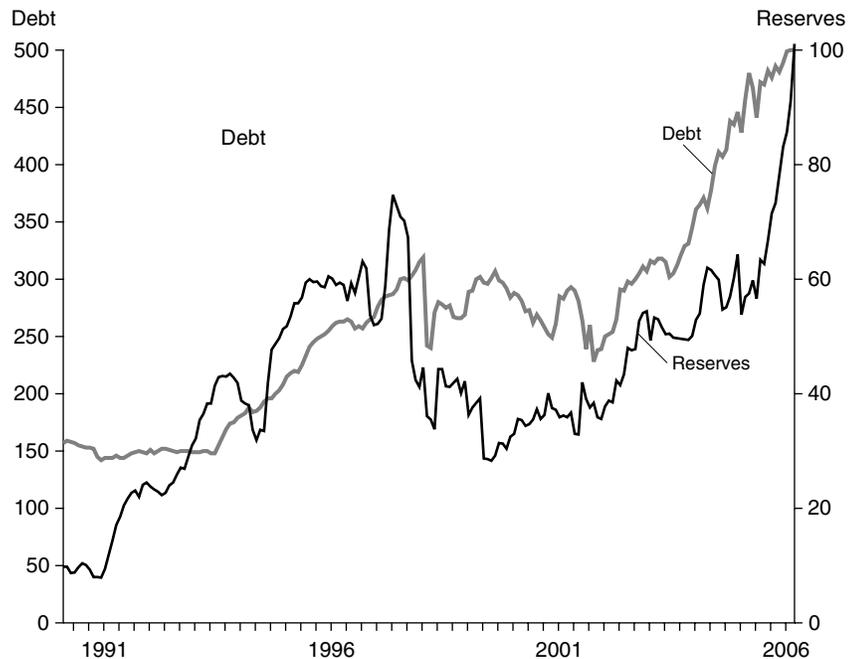
The public debt of Argentina's neighbor, Brazil, when converted to dollars, has grown at an annual rate of more than 20% over the past four-plus years. It stood at \$228 billion in September 2002, and had risen to \$499 billion by the end of December 2006. The Brazilian government pays the *highest interest rate in the world* on its public debt—13%.

During this same time interval, the Brazilian Central Bank's dollar reserves nearly tripled, from \$37.6 billion in August 2002, to \$101.1 billion in February 2007—an annual rate of increase of 25%. In other words, the government was pumping out huge volumes of debt at 13% interest which is being bought up by international hedge funds and other speculators, in exchange for dollars that just sit as Central Bank reserves, which are deposited back in Wall Street and other banks, earning perhaps 5% interest. The 8% margin is pure speculative usury to the benefit of the hedge funds . . . and pure looting of the Brazilian nation and people.

This is precisely the kind of looting that drove Argentina into its breakdown crisis at the end of 2001. Brazil's apparent "survival" under this system, has been sustained solely by the continued influx of speculative capital, fed by the international carry trade which is now unwinding.—*Dennis Small*

### Brazil: Public Debt and Reserves

(\$ Billions)



Source: Brazil Central Bank.

for the happiness of the people, institutions recover legality and legitimacy, and politics is reconciled with society.

Some speak of "institutional quality." Institutional quality! . . . Gentlemen . . . there is no greater institutional quality than to be able to educate oneself, to be able to work, to be able to eat, to be able to enjoy freedom, to be able to have respect for human rights, to be able to have the right to work, to be able to have the right to dream. What kind of "institutional quality" are they talking about? Of that Argentina which voted up the laws demanded by the Fund? Of that Argentina which condemned millions of Argentines to poverty? Of that Argentina which condemned our retirees to permanent hunger, after having worked all their lives? Of that Argentina which worked and passed laws to save the banks before the Argentine people? You all know this, as all Argentines do. This is

"institutional quality"? Institutional quality with agreements among friends to try and rape, and save the interests of a few against the interests of the many. . . .

We are at the doorway to a new country, and it depends on us to forge a model which is not tied to rigid, canned recipes, a model in which work is the axis upon which a definitive recovery is built.

We have the obligation and the challenge of consolidating an integrated and just country, in which all regions have the same possibilities, a country capable of standing out for the quality of its production, with clear rules, with innovative and creative entrepreneurs, connected to the world, but defending their interests with dignity; a country where children can live better than their parents, on the basis of equality of opportunity and one's own effort. . . .