Argentina on brink of new financial crisis

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The Argentine government has responded to last week's run on the peso with new rules allowing limited dollar purchases only to individuals with monthly salaries of 7,200 pesos (US$900) a month. The share of individuals in the population with this income is barely 20 percent, while well over half of the country's families have a combined income of less than the cut-off amount.

This partial relaxation of stiff controls on Argentines buying dollars follows the fall of the peso by 15 percent against the dollar last week. The currency registered its steepest one-day plunge since the 2001-2002 crisis that ended in Argentina's default on its foreign debt, mass unemployment and decimation of living standards, accompanied by massive social upheavals.

Even for the fraction of the population that meets the income requirements to buy dollars, what is on offer is tightly limited. A maximum of 20 percent of an individual's salary can be exchanged, up to US$2,000 a month. And that money must be put into a savings account for one year, or it will be taxed at 20 percent.

Given the experience of 2001, when the government imposed the so-called *corralito*, freezing all bank accounts for a year, allowing only minimal withdrawals, many Argentines are more than leery of entrusting the banks with their money. The government's actions 12 years ago led to angry demonstrations of pensioners and workers and violent attacks on banks.

For the working class majority in Argentina, the government's measure has been met with anger and cynicism, with many protesting that spiraling price hikes have left them unable to buy food, much less purchase dollars and stash them away for a year.

While the government of President Cristina Fernandez Kirchner has claimed the country's inflation rate stands at around 10 percent, private economists put the real figure at over 25 percent and expect it to rise to 30 percent in the coming months.

The Argentine central bank intervened Monday, after allowing the 15 percent devaluation, to prevent the peso from falling even further. It was reported that the bank had to spend US$135 million of the country's dwindling dollar reserves to prop up the national currency. These reserves have plummeted from US$52.7 billion in 2011 to just US$28.9 billion today, with the lion's share being siphoned off to make debt payments to the international banks.

The inadequacy of the government's measures found unmistakable expression in the fact that while it was able to stabilize the peso at roughly 8 to the dollar in the official market, in the black market its value actually fell from 11.8 to the dollar on Friday to 12.25 on Monday.

The government also raised interest rates to 6 percent, which will spell an even more intense burden from the debts of both the federal and provincial governments, as well as a tightening of lending in the economy, meaning further layoffs. The country has already experienced a sharp fall-off in economic growth and a declining trade surplus.

Axel Kicillof, appointed last November as finance minister—Argentina's fourth in just five years—issued a demagogic threat to punish businesses that raised prices, claiming that "the majority of prices in Argentina don't depend upon the exchange rate of the dollar."

Just eight months ago, President Fernandez promised that she would not devalue the Argentine currency. On Monday, she used Twitter to blame the crisis on "speculative maneuvers" by the banks. "It seems that some want to see us eating soup again, but with a fork," she said, referring to the crisis of 2001-2002.

Similarly, Kicillof indicted both "concentrated financial sectors," including Shell oil and several major international banks, for "speculative attacks," as well as the “big liars” in the media, for predicting that the peso will fall even further.

The reality is that the crisis of the peso is only one more indication of the bankruptcy of the “national capitalism” model promoted by Fernandez’s late husband and former president, Nestor Kirchner, in 2003, as a means of extricating Argentina from its crisis. It entailed minimal social assistance programs, scattered nationalizations—water, Aerolineas Argentinas and the Spanish-controlled oil company YPF—while defending the domination of both foreign and domestic capital.

This rickety model was sustained for a period by the export boom driven by Chinese growth. This has reached its limits, however, with the decline in China’s growth rate, combined with the “tapering” of the US Federal Reserve Board’s bond-buying operations. This has raised the value of the dollar and sent a wave of speculative capital flowing back from the so-called emerging markets to the US.

The response of the Peronist government of Fernandez is thoroughly reactionary and directed at making the masses of working people pay for the crisis. The measures of devaluation and interest rate hikes represent only the beginning of a vast transfer of social wealth from the working class to the country’s ruling oligarchy. While workers are seeing their real wages slashed, the country’s capitalists, and in particular the powerful agribusiness sector, will enjoy a boost in profits as Argentine exports become more competitive on the world market.

More direct measures of attacking the working class are soon to come, as has been made clear in statements by various ex-officials of the Peronist government. Martin Redrado, the governor of Argentina’s central bank until 2010, warned that the actions taken so far were too little, too late. “The time of reckoning for all the policy mistakes of the past few years has arrived,” he said. “When I left the central bank we had $50bn in reserves and the ratio of reserves to the monetary base was one to four. Now the relation is one to 13. What is behind this is excess public spending and the monetary financing by the central bank of an increasing fiscal deficit.”

“There could be a spiral of devaluation and inflation,” according to Gastón Rossi, a former deputy economy minister under Kirchner. “The government can confront that with a credible plan, reducing its spending and raising interest rates.”

Sharp austerity cutbacks and a frontal attack on workers’ living standards with the imposition of wage controls are seen by many bourgeois economists as indispensable. The Fernandez government will count on the collaboration of the Peronist union bureaucracy, which has systematically suppressed workers’ struggles even as real wages have been sharply eroded by inflation.

The Argentine pseudo-left parties offer no perspective for struggle. Last October, the FIT, or Left and Workers Front, comprising three parties that call themselves Trotskyist, won more than 1.3 million votes, or 5 percent of the ballots cast, and three seats in the house of deputies.

In a statement on the devaluation and the burgeoning crisis in Argentina, the FIT—composed of the Partido Obrero and two of the factions that emerged from the breakup of Argentine Morenoism, the Partido de los Trabajadores Socialistas and the Izquierda Socialista—issued a statement calling for the convening of “assemblies, union membership meetings and conferences of activists on the road to a national regroupment and coordination, to vote for resolutions on a program of struggle.”

And who is to implement this program? “This activity will demonstrate to the workers’ movement as a whole that the conditions are being created for a response, **demanding that the unions and the workers confederations (the CGT and the CTA) immediately convene delegate meetings with a mandate to vote for plans for struggle”** (emphasis in original).

In other words, the role of these “lefts” is not to resolve the crisis of revolutionary leadership in the working class, but rather to attempt to channel the rising discontent of the Argentine working class back into the Peronist unions that have betrayed their interests time after time for decades.