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# Managing Monetary Policy and Financial Supervision in Argentina: Historical Analysis and Present Neoliberal Challenges—A Personal Account

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**Abstract:** This article traces the context in which this author served Argentina as both the chairman of the Central Bank of Argentina and former chairman of Securities and Exchange Commission of Argentina. As described, the efforts necessary for a country such as Argentina to achieve and maintain financial sovereignty are almost as great as the forces opposing such a possibility. While focusing on the specific case of Argentina and pertaining to a specific time in its history, this article offers insights that hopefully can lead to a better understanding of the global forces that condition the management of national economies in the contemporary world.

**Keywords** Argentina; central banking; neoliberalism

## INTRODUCTION

### Three Rounds of Neoliberalism

As both an academic and a public servant, I have both written about the history of Argentina and have helped shape it. I served as the President of the National Securities Commission and the President of the Central Bank. Inspired by the country's recent turbulent history and my unique participation and appreciation of it, I have decided to relate my experiences and my analysis of what happened in Argentina since the 2001 crisis, with a special focus on the second half of Kirchnerism (2009–2015).

Argentina had been through two experiences of financial deregulation and neoliberal opening: The first was carried out by Martínez de Hoz during the last civil-military dictatorship (1976–1983) from where originated, in the eighties, the so-called lost decade,<sup>1</sup> a consequence of the impossibility of paying the enormous external debt that had been taken on by the military governments. The second consisted of the same policies applied by Domingo Cavallo, at the beginning of the nineties, which ended, almost 10 years later, in the 2001 crisis,<sup>2</sup> after a deep recession. The current experience that started in December 2015 with the Macri government is the third.

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Under this third neoliberal experience, the increase in the fiscal deficit spirals upwards and promotes more indebtedness. At the same time, there is a growing dollarization and flight of capital. At the end of 2016, the purchase of foreign currency by Argentina quadrupled that of 2015. Again, if we remember *la tablita* of Martínez de Hoz<sup>3</sup> and Convertibility,<sup>4</sup> we already know how the movie ends: “neoliberalism, speculation, indebtedness and capital flight,” beyond the differences of epoch, styles, and forms. *Déjà vu*.

### The Recovery of National Sovereignty

On the afternoon of November 30, 2001, Minister Cavallo announced the “*corralito*.”<sup>5</sup> Although it ratified the permanence of the convertibility, the Argentines began (many belatedly) to become aware that the end was now announced. International investors and the international community by the beginning of the year had already discounted the convertibility’s death.

The rest is known: The looting<sup>6</sup> and the huge social mobilization of December 19 and 20 caused not only the resignation of Minister Cavallo but also the resignation of President De la Rúa. The fleeting President-elect Rodríguez Saa had to announce the debt default. Finally, the new president Eduardo Duhalde decided on a devaluation of 40%, which was more or less the value of the exchange rate gap existing at that time. During the month of January 2002, there was virtually no pass through of devaluation to prices, due to the huge recession and unemployment that reached 24%.

Duhalde’s government, however, delayed implementing export taxes, also known as retentions<sup>7</sup> and accepted the mandate of the International Monetary Fund to let the peso float in conditions that were not adequate, which generated an inflationary spiral between February and April 2002. In this context, a new Minister of Economy, Roberto Lavagna, began to implement measures to orient the economy, with a diagnosis very similar to that of the Fénix group, which was a group of opposition economists, including myself, that came together in 2000 to propose an alternative macroeconomic strategy for Argentina to deal with the economic crisis. In fact, there were several meetings of the Fénix group with Minister Lavagna to discuss the different alternatives to adopt.

Beginning in 2003, despite the abundance of international financing (due to lower interest rates in the United States), Argentina decided to take a different direction from that of neoliberal indebtedness. To this end, public debt was restructured, IMF debt was paid off in 2005, international financial flows began to be administered since 2005, and the new Central Bank charter was approved in 2012. Without doubt, the two debt swaps (2005 and 2010) were key to substantially reducing the capital owed. Without such removals, a plan to reduce debt would have been impossible.

A balance of the period of 2003–2015 shows very important achievements that made the 2003–2013 decade of higher growth possible (on average 6.7% per year), particularly in comparison to any decade of the 20th century. Such growth occurred in the context of the recovery of sovereignty and national dignity, the achievements in terms of past and present human rights, the expansion of civil and social rights, a drastic reduction in unemployment, a positive balance for real wages and pensions considering the whole period, and significantly reduced poverty and indigence. Also noteworthy was the process of partial reversion of a country that had been

repressed and “foreignized,” which led to the partial reconstruction of a State that prioritized education, science, and technology.

At the regional level, the rejection of the Free Trade of the Americas (FTAA), the exit of the IMF, and the generation of the Union of South American Nations (UNASUR) can also be added. At the local level, the recovery of pension funds,<sup>8</sup> YPF,<sup>9</sup> and Aerolíneas Argentinas<sup>10</sup> stand out. In 2012, the Organic Charter of the Central Bank was reformed, orienting the financial world toward the productive. One can also add other social measures such as universal child allowance (a benefit for children whose parents do not have a registered job or are unemployed), the PROCREAR plan (credits for the construction of a family home), PROGRESAR (benefit for young people between 18 and 24 who want to study or acquire training), among many other achievements.

The magnitude of these achievements is more than significant considering the disastrous legacy of the long night of 2001: an indebted and broken country, with innumerable provincial currencies, 24% unemployment, without adjustment to parity in more than 10 years, the national assets sold, and banks insolvent. But this history also requires us to highlight what was missing and what should have been done better.

### The Experience of the Central Bank

Prior to my appointment at the Central Bank (BCRA), one of the things I considered to be key was that the Bank have a multiple mandate: This means that it not only deal with inflation but also with development and social equity. This was finally written into Law with the reform of the 2012 Organic Charter. Article 3 of the Organic Charter of the Central Bank establishes that its purpose is to promote “... monetary stability, financial stability, employment and economic development with social equity.”

Upon my appointment in October 2014, the Central Bank deepened policies aimed at guaranteeing financial and exchange-rate stability, as well as stimulating savings in national currency and promoting the financing of productive sectors, especially small and medium-sized enterprises (SMEs). As president of the BCRA, a series of measures were adopted aimed at consolidating the objectives mentioned in Article 3 of the Organic Charter. A large part of these actions were coordinated with other State agencies that intervene in the supervision of financial activity and in the definition of economic policy. Among many others, some of the measures that were carried out were:

- A floor was set for the interest rates that financial institutions could offer to savers, in order to encourage savings in pesos, a measure that was successful in terms of results, as fixed-term deposits increased more than 50% in one year.
- The policy of administering the exchange rate was strengthened, ruling out any abrupt changes in exchange rates, in order to stabilize expectations.
- The currency swap was launched with the Central Bank of China, within the framework of a comprehensive strategic partnership with that country, through which exchanges could be requested for an equivalent amount of up to 11,000 million dollars. In addition, a memorandum of understanding was signed with China to facilitate the liquidation in renminbi (the Chinese currency) of trade and investment operations between both countries, which included the designation of a compensatory bank.

- The level of international reserves was strengthened, which grew approximately 20% since October 2014, within the framework of servicing debt maturities and increasing the supply of foreign currency for import operations.
- The scope and magnitude of the Credit Line for Productive Investment was deepened, which allowed the disbursement of more than 137,000 million pesos since its creation in the second half of 2012. This line-oriented bank credit was directed toward the productive sector, especially SMEs with favorable rates and terms.
- The National Inclusive Banking Plan was launched, which contemplated policies aimed at extending the provision of financial services to sectors that were not included and assigning it a more federal character.

I assumed the governorship of the Central Bank under the most complex of circumstances. Despite that, we recovered growth and lowered inflation. We also managed to increase deposits and credits and brought the financial system closer to SMEs and the most vulnerable people.

In my administration, illegal dollar activities declined, thereby reducing the spread from 90% to 40% of official rate and 10% in absolute terms, which is something very difficult to achieve in the country and in many other developing countries. Despite Griesa's blockade<sup>11</sup> of the boycott of those who did not bring in foreign currency, or speculated to force devaluation, seeking to generate hyperinflation and force a run on the currency, we managed to strengthen reserves, paying the most important debt maturity in years and without yielding to the pressures of the establishment in favor of devaluation.

They wanted to provoke a run on our currency. They could not. Financial speculation did not defeat us; every month of my 2014–2015 term, whoever saved in pesos (and we informed them on a month-by-month basis at the time) beat the dollar, despite the complex context and all the pressures.

An ethos of the popular governments has been to resist the pressures of the establishment. The final days of the Alfonsín presidency<sup>12</sup> are the clearest example of destituent pressures.<sup>13</sup> Kirchnerism faced several and resisted each one of them on a firm footing.

I was the protagonist, supported by the firm political decisions of President Cristina Fernández de Kirchner and the excellent and permanent coordination with Axel Kicillof as Minister of Economy, my colleagues from other regulatory and supervisory bodies, together with my colleagues on the Bank's Board of Directors, my direct collaborators, and many of the line officials of the BCRA, some of whom were my bosses in my first years as a professional. We fought an epic battle against the external and internal vultures, combatting and defeating speculation.

Financial power, which promoted the worst dictatorships, was always on the lookout for a market coup, as happened to Alfonsín and Cristina Kirchner, with mixed results. We did not give in; they could not break us, which was something that has happened few times in our history of popular governments.

### The Economic and Political External Constraint

Historical experience has shown that, as progress is made in the process of industrialization, the need for foreign currency increases, generating bottlenecks and balance of payments crises—that is, more foreign exchange exits than enters. The industrial apparatus finds it difficult to

export at the exchange rate that the agricultural sector “sets,” to later consume more foreign currency than it manages to generate.

This limit that reduces industrial expansion is known as the “external restriction” to growth since it limits, to a large extent, the path toward development. Foreign debt and foreign investment can disguise the problem of foreign exchange scarcity for some time, but they end up aggravating the external constraint to the point where the outflow of foreign currency for interest payments on foreign debt, the remittance of profits of multinational companies, and the flight of capital easily surpass the amount of foreign currency that is linked to foreign trade.

Unlike the United States, whose supply of currency would seem to be unlimited because it issues an international reserve currency, the U.S. dollar, peripheral countries, such as Argentina, do not issue foreign currency. Therefore, they have to obtain it in other ways—through exports of goods and services, foreign investment in the country, or external debt, for example.

Certainly, the way in which foreign currency enters the local economy is not neutral: It is not the same if it enters through the export of goods with high technological content or if enters by external indebtedness that will generate, in the future, the repayment of debt together with substantial interests and also the subordination of national interests to those of international financial markets. By deregulating the financial system and not managing the inflow and outflow of foreign currency, a peripheral country becomes completely vulnerable to the consequences of an abrupt change in volatile international financial markets or to political decisions made in the central countries.

The “debt crisis” that affected Latin America during the 1980s, the “tequila” crises in Mexico in 1994, the crisis of East Asia in 1997, Brazil in 1998, and in Argentina in 2001, among many others, had their origin in financial deregulation and the neoliberal opening to international financial flows. However, these processes of unsustainable external indebtedness have been encouraged.

Beginning in July 2015, a strong dollarization process began, within the context of a fall in the price of exported commodities, the confirmation by the U.S. Supreme Court of Judge Griesa’s ruling in favor of the vulture funds, and the exchange-rate pressures encouraged by the election year. It presented a complex external scenario.

Dollarization is characteristic of the second semesters in Argentina, when there is a lower liquidation of exports from the cereal and oilseed crop that is concentrated between March and June and is especially characteristic of electoral years. But in the second half of 2015, dollarization was particularly intense. Between July and November 2015, the net result of the exchange-rate market, considering the whole of foreign currency inflows and outflows of all commercial and financial operations, was negative by 10 billion dollars, of which 80%, or 8,000 million, was the net result between September and November 2015.

This result was due to a sharp drop in the liquidation of exports, which fell by 30% in the period, which implied a drain of approximately 1,000 million dollars per month. In addition, an additional US\$6,300 million was demanded for dollar savings and tourism and travel.<sup>14</sup> In October 2015, the payment of US\$5,900 million from BODEN 2015,<sup>15</sup> a debt instrument issued in 2005, had to be made.

When I took office at the Central Bank, I said that it was necessary to reduce the rate of debt reduction. This means not paying 100% of debt maturities with reserves but making timely debt

issues, if conditions were favorable, to pay part of the maturities. Thus, the deleveraging was maintained while keeping a higher level of reserves in a critical year such as 2015.

To cushion the impact on reserves, which had grown since October 2014 by an amount similar to the maturity of BODEN, a series of issues were planned for the Province of Buenos Aires, which was due to canceled maturities for US\$1,000 million, and were partially refinanced, like in other provinces. But a more adverse international investment climate hampered the issue of debt by many emerging countries in those months, and the pressures of the vulture funds on global investors interested in subscribing said bonds aborted those emissions, which implied the use of international reserves and the swap with China to face the external restriction.

## SEVERAL EXPERIENCES IN REGULATING THE VULTURES

### The Internal Vultures

Historically, the National Securities Commission (CNV) was an organism that carried out formal legal control and not a real control of the stockbrokers, stock exchanges, and markets and companies listed on the Stock Exchange. The 1968 law that created this public regulatory body enshrined the self-regulation of markets where the regulator could not inspect and sanction stockbrokers, something that did not exist anywhere in the world. In Argentina, the agents controlled themselves, without the CNV being able to do so.

There were honorable exceptions. In 2000 and 2001 President Carlos Weitz, whom I accompanied as an advisor, took unprecedented measures to enforce the law. In 2001, he imposed the maximum penalties on Franco Macri and Mauricio Macri for market manipulation with SEVEL shares when they went public in 1992. Then CNV president Martín Redrado participated in the presentation of the offer and did not carry out any investigation, generating a loss of \$30 million for those who bought the shares. The law in force at that time and which we later modified in 2012 only allowed a symbolic fine to be applied, and market manipulation was not considered a crime but a mere administrative infraction.

Also in 2001, an investigation was conducted that led to a criminal accusation regarding a scam that involved the AFJP<sup>16</sup> Siembra, the Private Investment Bank, and the Sociedad de Bolsa Rabello, which involved a multimillion dollar loss for the contributors to the AFJP. The maneuver was designed so that if the titles that the AFJP bought increased in price, the gain was for the owners of the AFJP and those involved, but if the titles fell in price, the losses were charged to the pension fund.

Regardless, the legal tools available were very limited compared not only to those of developed countries but also to those of regulators from neighboring countries. I therefore set out to formulate real structural change in the Argentine capital market that included a reform of the 1968 dictatorship law so that:

1. The CNV had the powers of a public regulator with international standards, at a time when around the world the crisis of 2008 had provoked a strengthening of the state regulatory power in the face of the bursting of the financial bubble caused by a market without control.

2. A broad reform of the capital market could be made to simplify its structure and bring it closer to the people and the real economy, in particular to SMEs, allowing a federalization and popularization of the capital market that would transform the market from a small and closed social club at the service of financial speculation into a participative field oriented toward giving options to savers and a credit channel to entrepreneurs and companies.
3. These initiatives were embodied in a new law approved in 2012. This law, which the Government of Macri wants to modify, allowed the strengthening of the CNV as recognized by the International Organization of Securities Commissions (IOSCO), complying with the highest standards of regulation and supervision.

## External Vultures

On April 16, 2012, President Cristina Fernández de Kirchner announced the decision to expropriate 51% of the shares of YPF, which were in the hands of Repsol, through a bill sent to Congress that declared hydrocarbon production to be in the “public interest.” Together with the project, she signed a decree of necessity and urgency for the temporary intervention in the management of the company and appointed De Vido and Kicillof as heads of the company, whose duties ended with the concretion of the shareholders’ assembly.

The bill was approved by Congress on May 3 and had broad support from the country’s main political forces, as well as the strong endorsement of the population for the State’s return to control over the company. Congress approved the project on May 3, 2012, with 207 votes in favor, 32 against, and 6 abstentions, including the backing of the official FPV and various opposition parties. The PRO of Mauricio Macri voted against the recuperation of YPF. The Parliament also approved the intervention in the oil company, by ratifying the decision taken by the President through the decree of necessity and urgency that was sent to the legislators for their treatment.

On May 4, during an official ceremony, Cristina Fernandez appointed Miguel Galuccio as the new general manager of YPF. The president presented him as “a symbol” of the professionals who return to the country and of the new “modern and competitive” stage of the oil company. Galuccio is a petroleum engineer who graduated from the Buenos Aires Technological Institute (ITBA).

On Friday, June 1, the Minister of Planning, Julio de Vido, and the Deputy Minister of Economy, Axel Kicillof, presented a paper called the “Mosconi Report” (Ministro de Economía y Finanzas Públicas 2012) that gave an account of the strategy carried out by Repsol to strip YPF of its assets.

“The divestment of Repsol was absolute and fortunately, based on the decision promoted by President Cristina Fernández de Kirchner, we increased oil production by 4.2% and gas production by 10.2%,” said De Vido. Kicillof, who also added that “what is left is an YPF of enormous potential, even with all the damage done to it, without exploring, without investing, letting reserves fall and borrowing to pay off debt quickly and then send profits abroad.” (MinutoUno 2012)

The Mosconi report explained in detail how Repsol, the Spanish company that at the beginning of the nineties was of medium size, had expanded internationally at the expense

of the Argentine oil reserves, in a clear maneuver of corporate asset stripping, which only served to generate indicators of profitability with huge profits.

On Monday, June 4, 2012, the Ordinary and Special Shareholders' Meeting of YPF was held to appoint new officers of the Board of Directors and the Supervisory Committee, among other matters. The meeting took place at the headquarters of YPF SA in the Buenos Aires neighborhood of Puerto Madero, and I had the honor of presiding over it as President of the National Securities Commission in compliance with Article 13 of Law 26,741. This put the CNV, as the controlling body of the capital market, in charge of the call and conduct of the first ordinary meeting of the company in the new stage, following the expropriation by the Argentine State of 51% of the shares that were held by Repsol.

The fact that the CNV presided over an assembly of shareholders was something absolutely unusual. The CNV has extensive experience in attending meetings as an overseer and in evaluating whether or not they follow the stipulated rules.

The National State had 51% of the votes, including 26% of its own and 25% representing the provinces, according to the provisions of the expropriation law. Among the private shareholders was Repsol, which retained 6% of the oil company's shares and, as announced by the company in Madrid, would add another 6%.

Under state management, the company quadrupled the number of exploration wells from the average of the previous three years and increased the drilling of exploitation wells: from 290 annual during the period 2009–2011, to 384 in 2012, a 33% increase. If the period June 2012–May 2013 is compared with the previous year, the exploratory wells went from 21 to 31, a growth of 48%, and exploitation from 363 to 478, a 32% increase.

## THE INSTITUTIONAL EVOLUTION OF THE ARGENTINE STATE DURING THE KIRCHNER TERMS IN OFFICE

### The Coordinated State to Advance the Public National Interest

Prior to my entry to the Central Bank, I thought it vital to deepen State policies and make them more efficient, which, beyond the debates among individuals, would allow a firm control of the oligopolistic and monopolistic sectors in terms of profit margins, maintenance of employment, investments, positive foreign balance, tax compliance, and control over the transfer prices among “concentrated economic groups”—the biggest corporations that control the most important agricultural and industrial production with close links to the financial sector. This would mean maintaining a firm negotiation with the main economic groups, enforcing the laws and defending the national public interest. The Argentine fiscal policy, as stated in the Trade and Development Report of UNCTAD 2009, was one of the most forceful countercyclical fiscal policies in terms of GDP and was qualitatively more effective given that it was essentially composed of social policies, credit to SMEs and infrastructure, instead of bank rescues, as happened with the expansionary fiscal policy of many G-7 countries.

It was evident that, at that time, the Bank itself and the Superintendence of Financial Institutions, which had relative autonomy but depended on the President of the Central Bank, did not effectively control the Banks and did not interfere in the battle with the actors who wanted to provoke a “run” on the exchange rate. Much like I pushed for a change in the capital

market law while at the CNV, upon arriving at the Central Bank, I decided to effectively incorporate the Bank into coordinated action.

Since the foreign exchange maneuvers were carried out by brokerage houses regulated by the CNV and the banks and financial entities controlled by the Central Bank, it was necessary to employ joint intelligence tasks to observe the integrated operations of the economic groups. I therefore called a meeting of officials from the superintendence of financial institutions, my succeeding president of the CNV, the head of the Public Prosecutor's Office,<sup>17</sup> the head of Procelac,<sup>18</sup> and the head of the Financial Information Unit,<sup>19</sup> among others. Occasionally, the head of supervision of Mutuels and Cooperatives and the Superintendent of Insurance also participated.

The press gave us the title of "The Untouchables," from the fiction inspired by the famous detectives of the United States. We were quickly able to launch a plan of action that implied the detection and confiscation of millions of dollars in "caves." We were able to capture millionaire sums of money in exchange houses and brokerage houses that concealed illegal operations. The feeling that the State had stood up and acted in a coordinated manner and was willing to accelerate the investigations and issue exemplary sanctions caused the volume of illegal operations to fall significantly due to the high risk posed to the criminals in this new context, and that, as a consequence, caused the fall in the value of the illegal dollar and the "cash with liquidation" scheme.<sup>20</sup> Finally, the AFIP<sup>21</sup> was incorporated into the working group of the Control Bodies to have the complete traceability of the financial circuits and to prevent and sanction the infractions and exchange rate crimes, money laundering, tax evasion, and avoidance.

Sectors of the right and the sectors linked to the financial sector consistently indicated that, if more controlling measures were taken, the price of the illegal dollar would rise. To the contrary, what happened in the fourth quarter of 2014 shows that when smart and effective controls are taken, together with mechanisms to stimulate savings in local currency, favorable conditions are created to combat speculation, avoid devaluation, and achieve confidence in the national currency and capital markets.

In a column in December 2014, the economic journalist Alfredo Zaiat analyzed the last quarter of 2014 and the Kirchner period in general:

The combination of Ministers of Economy and Presidents of the Central Bank from 2003 to date was the following: Lavagna-Prat Gay, Lavagna-Redrado, Miceli-Redrado, Peirano-Redrado, Lousteau-Redrado, Fernandez-Redrado, Boudou-Redrado, Boudou-Pesce, Boudou-Marcó del Pont, Lorenzino-Marcó del Pont, Kicillof-Marcó del Pont, Kicillof-Fábrega, Kicillof-Vanoli.

There were thirteen formulas in twelve years. When reviewing them, the one integrated by Kicillof-Vanoli appears as the most powerful and the most harmonic of the whole period, which shows greater harmony in the deepening of a heterodox course, which still has a long way to go. The joint operations between the Central Bank, the Ministry of Economy, CNV, FIU and Procelac against the illegal exchange operations, which are deepening in these days, in the face of the threat of a new pre-election run, reflect the coordination achieved between the Treasury and the monetary authority. (Zaiat 2015)

However, unlike a world where the main international financial news outlets give an objective coverage to the heavy fines and sanctions that the regulators have imposed on the main investment banks, due to their role in the subprime crisis, market manipulations such as gold

and LIBOR, or exchange fraud like that of the English executive of HSBC Mark Johnson, who was arrested at the airport in London, in Argentina some sectors of the media, the Judicial Power, and the concentrated sectors described the actions of the State as an “advance of the State,” “an abuse,” or they delegitimize the enforcement of the law with nicknames such as “chavización.”<sup>22</sup> The Macri government dismantled all the controls applied from the different agencies, which is logical: Why would a government that promotes and legalizes the flight of capital want to control these operations?

### The Civic Military Dictatorship and the Financial System

A political decision that I took at the beginning of my tenure at the National Securities Commission was to review all the existing documentation in the Commission regarding the period of the dictatorship. Much of the documentation had been lost, destroyed at the end of the dictatorship. Another part (apparently) had been lost in a flood of the building in the eighties.

By the way, we did not have an area specialized in human rights. I personally organized a group of collaborators and went on to review the acts of the 1976–1983 directory. Reviewing one of these minutes, I was able to find an act that contained administrative issues, particularly per diems, which were charged by employees of the CNV for the commission of services. That act provided travel allowances to lawyers and accountants of the CNV for providing services in Campo de Mayo.<sup>23</sup>

Finally we were able to deduce, crossing that information with that of different available reports, included in the “Never Again”<sup>24</sup> report, that this commission of services was linked to accusations regarding the participation of experts from the Central Bank and the CNV acting as support for torture in Campo de Mayo, to help the torturers obtain financial information for which the torturers were clearly not prepared. The material found required the assembling of a specialized research team. On the other hand, it merited the creation of a specific human rights office, not only to investigate the past but also to train personnel on human rights issues and raise awareness about the human rights of the present.

This interdisciplinary team presented a first report that was later complemented with the book *The Dictatorship of Financial Capital* that expands and exposes, in simpler terms than the report, the links between the financial system, the dictatorship, and the illegal actions of business appropriation and disempowerment of people. Published in 2014, the book includes a review of the economic policy of the dictatorship, its connections with the financial system, and the different cases in which the CNV intervened in the appropriation of companies and the violation of human rights.

A few days after the presentation of the report, Judge Rafecas ordered the imprisonment of the former President of the CNV during the dictatorship and of other former officials and torturers. Thus, the first steps were taken in reversing the impunity regarding the civilian accomplices of the aberrant acts carried out by the genocidal military, in what was characterized in 2003, in a substantial advance, as the Civic-Military Dictatorship.

Already in the Central Bank, I decided to strengthen the Office of Community Relations and in that framework create a Human Rights Sub-Directorate. We disclosed secret records that showed how the Central Bank was responsible for the external debt and secret management of the Banco Nación in New York with debt contracted yet not registered in order to buy

weapons and other expenses, an unreported debt officially recognized only a few days after the democratic recovery.

The area of Human Rights was dissolved in April 2016 in an infamous resolution by the person who succeeded me in the presidency of the Central Bank: Federico Sturzenegger. The role of human rights under Macri and the Central Bank was very clear, as well as the sympathies and influences of the civil accomplices with the new administration.

## The Banking System

One of the policies developed from 2002 to 2015 that allowed us to have a sound financial system and prevent financial crises like those of 1980 and 2001 was to have a financial system in pesos with strict limits on dollar indebtedness. In the last months before I assumed the presidency of the Central Bank, when the expectations of devaluation deepened in the financial system, the banks lowered interest rates for savers. According to the “credo” of financial orthodoxy, banks had to improve local currency yields to compensate for the higher expectations of devaluation and thus protect deposits. They did not.

We had to find a mechanism to improve the profitability of deposits without inducing increases in the rates for loans as it would result in a recession. It was possible for banks to have a lower margin (“spread”) between deposit and credit rates, transferring a part of their bulky profits in favor of the public, without compromising the solvency of the banking system. Thus, we established a mechanism that fixed a “floor” on the interest rate; that is, banks had to pay a minimum rate to depositors. To this measure was added a “ceiling” on the interest rates that banks could charge for some of the credits they granted.

Thus there began a process of strong growth of fixed-term deposits in pesos and every month, from October 2014 until December 9, 2015. We managed for peso deposits to obtain higher returns than dollar deposits, and we shared this information every month.

Another measure that had started in 2012 with the reform of the Charter and that I deepened in my administration was to strengthen the line of credit for productive investment. First-line banks tend to orient credit to consumption and, within productive credit, direct it to large companies. Small and medium-sized companies have more difficulties in financing themselves in the banking system. That is why this line forced banks to allocate a percentage of deposits to productive credit for these companies.

## Capital Controls

The restrictions on the acquisition of foreign currency for savings were baptized by the media with the name of a torture device: the “stocks.”<sup>25</sup> In technical terms, it was a measure for the administration of the Financial Account of the Balance of Payments. Through this policy, the State attempted to administer foreign exchange revenues and expenditures to and from the local economy respectively.

A report from the economist Miguel Bein prior to the 2015 elections indicated that:

The existence of capital controls allows the BCRA, and not the market, to define the value of the dollar. In this regard, it is worth remembering that the capital controls were the ones that limited

the abrupt correction of the economy in 2012, in the face of the appearance of the external restriction. In other words, it was the latter and not the capital controls that put a brake on growth. (Bein 2015)

The policies for the administration of international financial flows were not created in Argentina. With different nuances, they were widely used in multiple countries and in innumerable opportunities.

After the beginning of the period (beginning in the early seventies and still in force) known as “neoliberal globalization,” imposing controls on international financial flows became, without a doubt, much more difficult. The current period is dominated by international finance, so that any regulation or control on the free movement of capital is not abided by the most powerful countries and is violated by the major players in the international financial system (international investment banks, investment funds, multinational companies, risk rating agencies, etc.).

Regardless, there are experiences from peripheral countries that, with different intensities and particularities, have imposed controls over financial flows in recent periods. For example, in addition to Argentina, we can mention Chile, China, Colombia, India, Malaysia, and the Chinese province of Taiwan, among others. All of them have established, with their particularities, controls on financial flows.

This does not mean that the “stocks” should remain indefinitely, for as with any other policy instrument, it may be appropriate to a specific situation but may eventually be modified or relaxed. The fall in the price of exported commodities, the confirmation by the Supreme Court of the United States of Judge Griesa’s decision in favor of the vulture funds, and the exchange-rate pressures encouraged by the election year presented a scenario of complex external restriction.

## Inflation

The price increases in Argentina since 2003 have not been generated through fiscal reasons related to a budgetary deficit nor through an expansionary monetary policy. The causes of inflation, fueled by the rise of commodity prices in 2006–2008 and by factors linked to expectations, are essentially due to structural phenomena, supply bottlenecks, restructuring of margins and certain prices, and a certain distributive push of uncompetitive practices that require coordinated and consistent actions that promote production and do not reduce popular demand.

Inflation has other causes more in line with the reality of a country like Argentina. For example, the devaluation of the exchange rate accelerates inflation; the distributive push also generates inflation: Workers struggle to increase their wages while entrepreneurs try to increase prices. If companies are oligopolistic, they have a greater degree of freedom to raise prices. To all this, we must add the external factor—for example, if the international price of food or oil increased, it would also do so locally, unless the State generates the mechanisms to isolate the local price from the international one.

However, for the purposes of the “inflation targeting” program that the Central Bank is currently pursuing, the only reason why prices rise is that the demand (due to a “populist” government that developed the domestic market, improved wages, pensions, and social

benefits) is greater than the supply, and against any hint of reality, they consider the supply immovable: “It is no longer useful to stimulate consumption; it generates inflation,” said the president of Banco Nación (the country’s largest public bank) Javier González Fraga (*La Prensa* 2017).

As of 2016, the Ministry of Finance had foreseen an inflation of 25%, but it finished 16 percentage points higher, a reason why the estimates of Macri government lost credibility after its first year of governing. In order to comply with the “inflation targeting,” the Central Bank disproportionately raised the Lebac<sup>26</sup> interest rate (it reached 38% a year on two occasions), which further weakened an aggregate demand that had already deteriorated sharply due to the fall of the domestic market.

Sturzenegger’s explanation of the origin of inflation and the solution he proposes are quite similar to those of Martínez de Hoz<sup>27</sup> in 1976: “Monetary demand was acted upon to stimulate the possession of monetary assets [currently the Lebac would occupy that role] in hands of individuals and companies through the increase in the performance of financial assets [this means raising the interest rate]” (Martinez de Hoz 1981: 89).

A combination of higher reserves, a managed floatation, and the maintenance of some restrictions on speculative capital would have allowed for the recovery of growth and the sustained decline in inflation as it had happened for a year until October 2015. But the newly elected government chose the path of a sudden devaluation and in 2016 caused the highest inflation since 2001/2002.

## Neoliberalism in the BCRA

Many of the inadequacies of the Kirchner period are due to the legacy of neoliberalism that predominated in the civil-military dictatorship (1976–1983), was not reversed in the eighties, and deepened in the nineties until the crisis of 2001, a legacy that enshrined a weakened collective consciousness, a state destroyed, a large part of a generation wiped out, an absent national business community, in addition to an unpayable debt, a strong dollarization of the country, and all the macroeconomic and social setbacks that boiled over in 2001.

One of those legacies was the neoliberal management of the Central Bank. However, the popular government of Kirchner did not change the direction in that body for many years. It had Martín Redrado as president of the Central Bank between 2004 and the beginning of 2010, which did not help and even complicated the management of the external sector.

During this period, with respect to exchange rate policy and reserve management, the BCRA delayed the adjustment of the real exchange rate, acting belatedly in the face of a flood of speculative capital inflows in the first half of 2007. This scenario forced the sterilization of the liquidity surplus, validating increases in the interest rate. Losses of the real exchange rate became nominally delayed in part of 2008 and 2009, affecting the country’s competitiveness and forcing a subsequent correction that, in a global context of uncertainty, triggered the atavistic reflexes of Argentines that associate devaluation with crisis.

In this framework and unlike other central banks that aggressively lowered interest rates, consistent with other expansive fiscal policies in the face of the seriousness of the global crisis, the BCRA applied belatedly and in a homeopathic manner necessary cuts in interest rates, despite the recovery in the demand for pesos. A contractionary monetary policy was covertly

induced and in order to comply with a “monetary program,” a systematic lowering of the monetary base and aggregates in relation to GDP was promoted, in contrast to the global monetary expansion, generating a dilemma between achieving this goal through growth restrictions or missing it, giving rise to greater uncertainty. The Central Bank also had serious shortcomings in economic forecasting, losses in operations with foreign exchange futures, and also in the administration of international reserves due to having a high exposure to U.S. dollars, in contrast to the de-dollarization carried out by other central banks.

### Swaps with China

In September 2014, the swap agreement with the People’s Republic of China had been signed. That implied that both Central Banks gave each other a reciprocal credit, exchanging an equivalent of up to 11 billion dollars, in yuan for Argentina and in pesos for China. The amount of the swap could be made for commercial and financial operations, unlike a first swap agreement of 2009 that could only be used to finance commercial operations.

The issue is that even the Chinese did not define the enactment of the signed agreement. Throughout October, we held talks to achieve a first yuan disbursement that would strengthen reserves. The IMF had long before accepted that the yuan constituted an international reserve currency.

At the end of October, during the night in Buenos Aires and the morning in China, due to the time difference, there was a conference call between President Cristina Kirchner and Chinese President Xi Jinping, which was attended by several of us ministers and officials in Olivos (the president’s official residence) to discuss different topics of the bilateral relationship. There, President Xi Jinping pledged that the Chinese Central Bank would operationalize the agreement, defining a first exchange of currencies. That night in Argentina the officials of the Central Bank of China communicated with the technicians of the operations area of the Central Bank to commence the swap. On October 30, I finally received in the morning of Buenos Aires the news that the first disbursement requested for an equivalent of US\$814 million had been credited to the Central Bank’s account.

The opposition and some economists denominated the yuan as “colored papers” in order to devalue the agreement. But this was a usual agreement between Central Banks around the world. A part of these funds remained in the Central Bank’s account with the Chinese Central Bank, another part was transferred to an account of the Central Bank in Hong Kong, and another part to the account of the Central Bank in the Bank of International Settlements in Basel. In all cases, they could be computed as reserves in places safe from the embargoes of the vulture funds.

By the way, it was clear, beyond those interested voices of the fearmongers of destabilization, that the yuan was fully convertible into other currencies and freely available. During 2016, during the Macri government, the yuan was exchanged for dollars and Euros in the international market. By the way, no one retracted the petty neoliberal declarations that were expressed the previous year.

The agreement with the Chinese was one of the supports for breaking the market offensive and the financial stranglehold that the external and internal vultures were attempting. That’s why it was so reviled by the critics who bet on a big devaluation in those months.

Later, I had meetings (of which former President Cristina Fernández de Kirchner and former Minister Kicillof were informed) with the Chinese authorities to double the financing of the swap with China from 11 billion to 22 billion dollars for the year 2016, already under a new government. At the beginning of October, the Chinese ambassador to Argentina announced a preagreement that was to materialize days later at the IMF's annual meeting to be held in Lima, Peru. I met with the vice president of the Central Bank of China, and we agreed to the doubling of the swap and a disbursement before the end of 2015 of US\$2 billion. Then, Macri's new government decided against the operation and converted part of the yuan (which some current Macri officials contemptuously call "colored papers") into dollars and euros.

### The Banco Del Sur

In Asia, progress was made toward greater regional financial integration and reciprocal financing agreements such as the "swaps" that China signed with Argentina, as mentioned. Also, the creation of the BRICS Bank was very important. But in Latin America and in UNASUR, we did not advance to deepen matters of regional financial integration. We did not promote alternative liquidity mechanisms to the IMF, nor could we de-dollarize the economic relations of the region. It was not until 2016 that the Banco del Sur began to be established as a bank that would finance infrastructure in the region, without the financial restrictions and conditionalities of the World Bank and the Inter-American Development Bank. This was almost 10 years after its political launch—in other words, too late.

We did not de-dollarize regional trade by expanding the use of our national currencies, nor did we build alternative financing institutions for regional development. Therefore, the global financial architecture was not reformed, nor did we in Latin America develop instruments that could enhance our financial autonomy and our ability to face the crisis in better conditions. In the heyday of national and popular governments such as Kirchner, Lula, and Chávez, the region could not advance toward a greater productive, commercial, and, particularly, financial integration.

### International Mechanisms

In my role as President of the Central Bank, I participated in several meetings of the Group of 20 (G20) and in the biannual meetings of the International Monetary Fund and the World Bank, as well as in the bimonthly meetings of the Basel Committee. The G20 is a group of countries made up of the former G7 most-developed countries, to which Russia and a set of 10 developing countries were added, including Argentina and Brazil, integrated in 1999.

As a result of the Subprime crisis, the G20 began meetings at the level of presidents and heads of state and other meetings at the level of ministers of economy and presidents of central banks. Formally, decisions in the G20 are made by consensus, but in practice the voice of developed countries is decisive. It is still a reflection of a global financial architecture that is not very democratic and is outdated.

The reality of the balance of global power has changed significantly, with the greater economic weight of China and other countries in Asia, such as India, and the rest of the emerging world. The financial deregulation and the strong growth of global banking and capital

flows in the 1960s and 1970s, as well as the rise of other investors such as pension funds, investment funds, insurance companies, and hedge funds (in the latter case speculative), amplified global imbalances generating great global instability in the 1970s.

These imbalances continued and deepened in the following decades in which global financial deregulation deepened. From this global speculation arose the recycling of petrodollars from the 1970s, the indebtedness of the Third World countries in those years, and all the crises in the developed and developing countries of the last 30 years, each increasing in velocity, strength, and duration. The last global crisis exploded in 2008 when the strong growth of financial assets exponentially exceeded production and global trade.

The International Monetary Fund no longer has the resources to fulfill the compensatory role for which it was created. And there is no institution that fulfills the role of an international lender of last resort or a Central Bank for the world to stabilize the global economic cycle. Thus developing countries suffer the consequences of the strong imbalances of developed countries, which maintain economic policies that amplify these imbalances, in particular the absence of financial regulations to limit the operation of the financial system and the global capital market, the source of these imbalances.

Indeed, the interests of the international financial system prevent any serious attempt to correct these imbalances and avoid or prevent new crises. Regulations that limit borrowing and the application of strict banking and financial regulations would limit the excesses but limit the profits of international banking. These profits occur in booms, but when the crises come, the governments come to the rescue of banks, socializing the losses through public debt or monetary issue.

When the United States suffered the crisis of 2008, the discourse of the IMF did change, and it gave approval for “Keynesian” policies of economic stimulus. The G20 statements of 2008 reflected a strong critique of financial deregulation and the need for economic stimulus, with somewhat less emphasis since 2010 when the United States emerged from recession.

But in practice, the G20 and the IMF, which emerged strengthened from the crisis despite global questioning, continue imposing policies of adjustment and financial deregulation. Yes, there were advances in prudential regulation for banks in the Basel Committee, but they did not extend to “shadow banks” or “shadow banking,” a true parallel banking system more important in size than the formal banking system, strictly speaking.

Thus, despite the fact that the financial transformation could not be completed, Argentina was the country that in these years most firmly raised the need for deep reforms as well as for expansionary anticyclical policies to recover global growth and for strong financial regulation, which would limit the speculation that generated the crisis. Argentina was also consistent during the worst moments of the crisis in the practical application of its international positions.

When all neoliberal gurus proposed an adjustment of the economy in 2008, Argentina carried out policies to stimulate demand, established limits on layoffs, and put brakes on the financial mechanisms through which banks and transnational corporations transferred resources from the developing countries in which they were located to their parent companies abroad.

Also in Argentina, operations with tax havens were limited, based on Central Bank and CNV regulations, which, if they were universally applicable, would eliminate the imbalances that they promote, including the recycling and laundering of illegal money from those true global black holes. Greater regulations were also imposed on the international regime of credit rating

agencies that have failed miserably at a global level, including the possibility that the new Capital Market law would allow public universities to serve as credit rating agencies in Argentina. While with their grades the rating agencies penalize countries that do not adhere to the neoliberal orthodoxy and the interests of the concentrated sectors, predicting the crises that they wish to provoke, they issued the highest qualifications for the junk mortgages and the complex financial products of the shadow banking system that imploded and produced the global crisis of 2008.

On some issues, Argentina had some accompaniment from the BRICS, a group composed of Brazil, Russia, China, India, and South Africa. But in practice, the developed countries blocked any deep reform of the international financial system and any modification to the functioning of the global institutions that could make them more democratic and efficient.

At the G20 meeting in October 2014, Minister Kicillof, acting as both Minister of Economy and governor for our country at the IMF, and myself, acting as Alternate Governor as well as the President of the Central Bank, were together able to include in the G20 declaration support for agreed mechanisms in the resolution of sovereign debt disputes, like the Argentine one. This achievement later became the great diplomatic victory with the United Nations Resolution of September 2015, which with 136 in favor and 6 against supported a resolution presented by South Africa on behalf of the Group of 77 developing countries and China, in full support of the Argentine position, setting principles and guidelines for the restructuring of sovereign debt and condemning the action of the vulture funds.

In general, when a private company declares bankruptcy, there is a legal process for convening creditors, through which the resources that each creditor will receive is defined in an orderly manner. On the other hand, in the case of a country that declares itself in default, there is no supranational institution with the authority to resolve the restructuring of sovereign debts in an equitable way for all creditors.

The mentioned Resolution, along with a set of official pronouncements from European nations, Nobel prize winners, supranational institutions, and governmental and nongovernmental organizations of global prestige, allowed for a sovereign negotiation with the vulture funds under more favorable conditions. In fact, at the end of 2014 the RUFO clause expired, which gave 93% of creditors that restructured the Argentine predefault debt of 2001 the right to the same treatment as the vultures, if Argentina were to give in to the blackmail of the latter. Argentina started talks in 2015, offering the vultures the same treatment as the rest of the creditors, modifying the law and approving the sovereign payment law to enable payment in Argentina in the face of the neocolonial blockade of Griesa.

The vulture funds rejected any reasonable agreement, which could have included in a final negotiation something more than the terms of the swap, given the prospects that a new government would be more generous. The Argentine economic team in 2015 requested the opposition to treat this issue as State policy and to form a united front against the vulture attack that limited their expectations. But Mauricio Macri's PRO economists and their local financial allies, instead of supporting the country, continued to give signals that they would accept a better and quicker agreement in the event of becoming the government, and so the vultures refused a serious negotiation in 2015. It was also striking that a large part of the United States government was bitterly criticizing Griesa's ruling in private, and when it seemed that the Supreme Court of the United States was going to take the case, it decided not to, letting stand the absurd judge's decision.

In the G20, the real power was seen, not the formal power of the officials of the developed countries, in many cases officials who, before or after occupying their posts in government, came from and went to international financial organizations and private banks. The real power of the global financial system has always put sticks into the wheels of a necessary global economic reform to create a more stable world with growth and equity. Not by chance, many economic officials in the United States, from the Reagan administration to the present Trump administration, before or after public administration, were executives of Goldman Sachs. Aside from the hypocrisy of the G20 meetings, the dialogues and exchange that the presidents of the central banks of the G20 have in Basel on a bimonthly basis were very fruitful and sincere, as are the regulations that the Basel Committee has imposed on banks, including greater requirements of capital and liquidity, despite the inaction concerning shadow banking and offshore havens.

## VENGEANCE

### The Counterreform of the Capital Markets Law

As explained, after 2012, in which Law 26,831 replaced Law 17,811 of the Organic Charter of the dictator Juan Carlos Onganía and allowed Argentina to align itself with the most advanced international standards, by the end of 2016 the Macri government sent to Congress a draft amendment to the Capital Markets Law. This new project goes against the current Law in effect since 2012 and the international trend. That is to say, it constitutes a counterreform.

First, the new project would reduce the CNV's regulatory and supervisory powers. Instead of acting immediately, the CNV is obliged to create a report before declaring an administrative act to be irregular, limiting a power recognized by the Supreme Court of Justice. Currently, the CNV can act immediately against this type of irregularities. But if the project is approved as it is, it will not be able to do so. Needless to say, a report can take years to elaborate.

Second, the project enables the operation of private banking and shadow banking, one of the historical sources of capital flight and foreign exchange maneuvers in Argentina, and the driving force behind the latest international crisis. It also authorizes parties to enter into Financial Derivatives contracts bilaterally, which is a form of negotiation that goes against international recommendations after the global crisis. These recommendations promote centralized clearing houses and for transactions to be carried out on more transparent and regulated exchanges.

In third place, the CNV is again converted into an organ that strictly controls legality since if approved the project would prevent it from barring dangerous products for the entire economy. That is, by the mere fact of fulfilling formal requirements, "toxic" products prone to generating financial disaster could come onto the market.

Fourth, the reform of the law includes changes in what refers to takeovers, skewing very much in favor of companies and to the detriment of investors. In this way, minority investors are left unable to assert their rights. Facing a takeover bid, they may not receive an equitable price for their shares.

In short, the project implies a severe setback in the Argentine regulatory framework, generating the conditions for greater financial impunity. In this context, during 2016 the CNV did not impose any disciplinary sanction on any regulated entity, a first in the 45-year history of the Agency.

### Inconsistent Arguments and the Same Lies as before

The new administration of the Central Bank decided on December 17, 2015, to eliminate abruptly the prudential foreign exchange controls that, given the repeated international crises that have occurred in the world due to financial liberalization during the last three decades, today are accepted as valid tools. This is so even by the International Monetary Fund, the Bank of International Settlements, and the economic literature, even that of neoliberal leaning.

Before being elected, Macri made two promises (among many others) that in fact turned out to be mutually contradictory: eliminating the “stocks” and not devaluating. This would be something like getting into the water and not getting wet. Eliminating the “stocks” in the conditions in which it was done also implied an abrupt devaluation, even if denied by Macri.

At the same time, Alfonso Prat Gay, who would later be minister of Finance and Public Finance, had two predictions: first, that if they did things right, the exchange rate of the dollar would be closer to \$9.50 than \$16; second, that the devaluation would not translate into price increases. The obvious conclusion is that they did not do things right because the dollar quickly reached \$16 (in March 2016) and that they failed in their forecast that the devaluation would not translate into higher prices, since 2016’s inflation was the highest since 2001–2002.

Far from the gradualism and expertise that this type of policy deserves, the Macri government eliminated within a year all of the tools for the administration of the entrance and exit of foreign currencies, compromising the stability of the Argentine economy. The country loses degrees of freedom to apply economic policies and is subject to the designs of the international financial markets. The Macri government could have used the tools available to manage the exchange rate smoothly or at a slower pace but decided to let the market do it abruptly and within a week of assuming power.

As mentioned, the nominal dollar exchange rate increased by 62%, but prices also did so by 41%. In other words, its effects on “competitiveness” (understood from an orthodox conception) were poor, especially considering the collateral damage caused from a broader perspective: inflation, recession, unemployment, and increased poverty and inequality.

The lifting of the “stocks” and the rest of the exchange controls is supported by neoliberal thinking that promotes the displacement of the state from the exchange market. This was justified by Martínez de Hoz when he was Minister of Economy of the Civic-Military Dictatorship: “Since April 1976 a process of unification of the exchange rates began, which ended at the end of that year, as well as the deregulation of the foreign exchange market that allowed it to reach a situation of almost total freedom ... .” (Martínez de Hoz 1981: 94) The experience described by him is very similar to that of 2016: exchange unification by lifting the “stocks.” In a year they managed to deregulate the entire foreign exchange market; the objective was to achieve a

situation of freedom (understood as such from a neoliberal perspective) in that market. In both cases, though, there is an item in which the state was present: external indebtedness, either directly public or by fostering private external indebtedness.

### The Criminalization of Public Authority

At the end of October 2015, the former Minister of Finance and Finance Alfonso Prat Gay filed a complaint (formally presented by the heads of the block of Senators of the UCR Mario Negri and PRO Federico Pinedo) that the Central Bank operated in the future dollar market at a price different from that of the illegal dollar.

The central banks of the world operate interest rate futures that, in local jargon, are called the “future dollar.” Since 2005, the Argentina Central Bank has been operating to regulate the interest and exchange rate policy in this way, in order to promote stability and growth. Although it is called “future dollar,” this operation in the markets that operate in Argentina is done in pesos. In the financial markets, an interest rate is negotiated daily, which is the difference between the value in pesos negotiated at the present and the value in pesos to be returned in the future. The Central Bank can operate in the “future dollar” market (according to what the standards establish) in order to reduce exchange rate and financial volatility, as indeed do many central banks around the world.

During my term of office, the total result from futures trading was a 5,500 million pesos gain, constituting the administration that historically gained the most in futures trading. In any case, it is not the function of a central bank to earn money but to ensure financial and exchange rate stability. The exchange rate policy must be administered by the State and in particular by the central bank at the service of the economic and social development of the country.

The accusation had three purposes. First, to prevent the Central Bank from carrying out foreign exchange transactions so that the “market” could generate a devaluation during the elections. As that purpose was not achieved because the BCRA did not give in to this blackmail, the second objective was to look for a cause for my destitution and that of the Central Bank’s Board of Directors. The Board of the Central Bank that was appointed for six years with the agreement of the Senate has by law (Organic Charter of the Central Bank) stability in the position.

Historically, the right wing defended the stability in the position of the authorities of the Bank, and they defended it tooth and nail in the case of Redrado and Pou (ex-President of the BCRA in the 1990s), since they were servile to the interests of the financial sector and of the neoliberal right. Certainly, in this case they were annoyed by a President with a national and progressive vision, so they sought to manufacture this case to provoke my dismissal if I did not decide, as I did, to resign over disagreements with Macri’s new policy.

It would have been incoherent had I decided to continue because I always defended, as it is written in article 3 and 4 of the Organic Charter, the need to coordinate policies of the Central Bank with the Ministry of Economy. In my understanding (and demonstrated by reality), the policies of the new government would not generate stability or growth, employment or social inclusion, all objectives of the Bank’s charter.

Finally, and in the new government, the legal case served as many others to generate a ruthless political persecution against the previous government officials, which has not been seen since 1955 to 1976, from the former president Cristina Fernández de Kirchner down to the last official.

There is a broad judicial doctrine established by the Supreme Court of Justice of the Nation that states that economic decisions, as long as they do not involve corruption, are not subject to judicial action. One may or may not agree with exchange rate or monetary policy, but they do not constitute a crime. We reiterate that in any case they are economic policy decisions that are open to the free play of democracy, to be agreed upon or not, but in no case crimes to be subject to criminal sanctions, much less death threats, for which I filed a complaint at the office of the public prosecutor on November 30.

### Rewards for the Vultures

The U.S. justice, making a singular interpretation of a clause called *pari passu*, ordered that Argentina immediately pay the vulture fund claimants 100% of the nominal value of their debt plus interest accrued since the default. After successive appeals, the U.S. Supreme Court did not take the Argentine case, so the sentence of the judge of first instance of New York was made final in 2014. One of the measures ordered by the New York judge to give effective compliance to his sentence had as an objective that Argentina could not pay or place debt in foreign markets (not only in the United States, which exceeded its jurisdiction), before having paid the entire amount owed to the vulture funds, according to its ruling.

Therefore, when Argentina, fulfilling its obligations, paid the external creditors (those who had entered into the swap in 2005 and 2010) \$539 million in interest, the payment was frozen in the Bank of New York by order of Judge Griesa. Joseph Stiglitz, Nobel Prize winner in Economics, called this situation “griesafault,” making a play on words between default and Griesa that can also be interpreted as “Griesa’s fault” (Stiglitz 2014). Argentina wanted to pay its debts, and the creditors (those who had participated in the swaps of 2005 and 2010) also wanted to collect. But on the way, the vulture funds and the New York judge intervened.

On the other hand, up to December 2014, the RUFO clause was in effect, which functioned as an objective obstacle to any arrangement with the holdouts, since it implied extending to the restructured bondholders (those that did accept the restructuring of 2005 and 2010) the same terms that could arise from an eventual agreement with the holdouts. This means that if the arrangement with the holdouts was more beneficial than that achieved by the bondholders in the restructurings of 2005 and 2010 (for example, if the discount was lesser), the RUFO clause transferred the same conditions to the latter parties, which would bury the whole process of restructuring the public external debt, one of the key policies of Argentine economic independence.

Macri, then a candidate for president, said publicly that what Argentina should do was to pay the vulture funds: “... now we must go, abide Judge Griesa’s decision, and do what he says” (*La Nación* 2014). This situation further complicated any possibility of negotiation prior to the elections, since the vulture funds knew that if Macri won, he would pay them a number close to 100% of the debt in dispute; the speculative bet was successful because that was what finally happened.

The economists of the PRO (Macri's party) and their local financial allies, instead of supporting the country, continued giving signals that they would accept a better and quicker agreement in the case of becoming the government, and therefore the vultures refused to seriously negotiate in 2015. The outcome is known: Macri agreed to pay 100% of the capital and interest to the vultures, in a claudication that is historically linked with the most dishonorable debt negotiations for the country. Moreover, for the Bloomberg agency, close to the global financial world, Wall Street was in charge of Argentina again and made a "record agreement" that involved paying 100% of the capital, interest, and punitive damage to the vultures with a minimal discount, in the most shameful agreement of recent decades.

In the statement announcing the principles of agreement, the mediator reported on the vulture fund manager Paul Singer: "He was a tough but fair negotiator." On Macri he said: "... immediately after the November election he began to modify the negative course that the Republic [Argentina] had had in his litigation ..." (United States Court of Appeals 2016). Pope Francis described the attitudes of subordination to foreign interests in Latin America as "sepoys" who serve "God Money" and other foreign interests at the expense of their people (Caño and Ordaz 2017).

To pay the vulture funds, the New York district judge "requested" (the most appropriate word I found to be politically correct) that the Argentine Congress repeal the "Cerrojo Law" and the Sovereign Payment Law. The first impeded paying better conditions to the holdouts than the bondholders who had gone through the swaps of 2005 and 2010; the second had moved the place of payment from New York to Buenos Aires because Griesa's blockade prevented Argentina from fulfilling its commitments in the United States.

In Congress, the ruling party won by a large majority for the repeal of the laws considered, including the support of deputies and senators who two years earlier had voted in favor of the Law of Sovereign Payment. On the other hand, to make the payment of \$9.3 billion, Argentina had to take on external debt, with the commitment of the vulture funds not to interfere in said placement, which was for more than \$16 billion, an amount higher than needed to pay the vultures. The payment to the vultures was not negotiated, but the conditions imposed were consented to, to such an extent that the reduction of the debt to the vulture funds was less than that of the Brady Plan in 1992.

Also, the Advisory Committee of the UN Human Rights Council ruled against payment; not only because of the implications it had for Argentina but for all the countries of the periphery, which after the settlement were even more permeable to the judicial attacks of the vulture funds with this precedent. What creditor would enter into a process of debt restructuring if it knew that the judicial course would obtain better results? That is, if all the creditors followed the same procedure as the vulture funds, there would be no possible restructuring process, and the peripheral countries with problems would be tied to unpayable debts.

Mediator Pollack said: "Judge Griesa has expressed to me and asked me to make public that it is a great pleasure for him to exercise his discretionary power and lift the injunction [against Argentina] as a result of the dramatic change of circumstances in Argentina following the election of President Macri" (Haynes 2016). There is a well-known saying from Perón that "when you are applauded from the outside, it is because you are screwing those on the inside."

## Impunity for the Executors

Many times the flight of capital severely conditions the economic policy of governments. If the market does not agree with an economic policy (let's suppose that it considers the Universal Allocation for Children as "populist"), it can transfer funds abroad, deteriorating Central Bank reserves and/or pressing for a devaluation.

In this regard, it is worth mentioning that Mariano Federici, who has headed the Financial Information Unit in the presidency of Macri, as well as other lawyers appointed in positions within the agency, were previously defenders of companies and banks accused of money laundering. That is, those who previously defended the companies accused of money laundering came to preside over the body that should investigate them.

Federici wondered publicly if in some countries the tax evasion would not be justified:

For a German citizen, who receives so many benefits in exchange for his taxes, certainly evading those taxes causes an irritation in the large part of society. But if you are a citizen, for example, of Venezuela, does the same sense of injustice or irritation exist for the citizen who decides to protect his savings or his wealth in jurisdictions with safer laws or with more stable currencies? I leave it as a question. (*Diario Registrado* 2016)

The organism that he chairs is in charge of investigating mechanisms that promote tax evasion; this says everything.

In this context, at the beginning of December 2016, by means of a decree, the government authorized money laundering for family members of officials, something that Parliament had explicitly prohibited when it passed the Law of "Tax Sincerity"—that is, money laundering. It is difficult not to associate such a sizeable and questionable decision to the international scandal of the Panama Papers. This giant filtering of documents, which was released on April 3, 2016, exposed the holdings of companies in tax havens by numerous politicians, celebrities, drug traffickers, among others, throughout the world. And of course Macri is included. The Argentine president is one of the few heads of state directly linked to the Panama Papers.

## Evaluations in Retrospective

A little over a year after the change of government and my resignation from the Central Bank, more and more Argentines join us in the frustration over the right's triumph. This implies a strong setback for the country and the return to a profound social inequality, in addition to an unparalleled persecution of those who worked and work from many places for a sovereign country and a society where there is freedom, justice, and equity.

As an official, I had to lead the assembly of YPF that recovered it for the Argentine State. I firmly and fairly controlled the most powerful companies in the country. I did not hesitate to apply the law without exceptions, despite the personal costs that this would entail. From the CNV and the BCRA, I investigated the civil complicities of the financial power and the State in the dictatorship and brought them to justice. All this was possible within the framework of a national government that in 12 years, with successes and mistakes, constituted the deepest national and popular experience since the first Peronism.

We also managed to increase deposits and credits, and the financial system was better suited to SMEs and the most vulnerable people. Not only did the illegal dollar decline in my administration—something very difficult to achieve in the country and in many other developing countries—but also, despite Griesa’s blockade and the boycott of those who did not bring in foreign currency or speculated to force devaluation, seeking to generate hyperinflation and force a run on the currency, we managed to strengthen our reserves, paying the most important debt maturity in years and without yielding to the pressures in support of devaluation of the establishment.

It was an epic battle against the external and internal vultures, fighting and defeating speculation. We did not give in, and they could not break us, something that has happened few times in our history of popular governments. Today the double judicial and media standard is brutally visible, where officials of the previous government are indiscriminately prosecuted, and the cases involving current officials are quickly shelved. It is because I did not yield to the pressures of the establishment that the judicial persecution and the media delegitimization from certain sectors regarding myself and other officials who did not make deals with the economic powers are so fierce. And the current government is not wrong: All its measures are absolutely coherent and objectively benefit the powerful sectors, international debt holders, large landowners and soya farmers, large mining, concentrated oil companies, banks, and of course the establishment in general, including the closely linked social sectors.

Many of the inadequacies of the Kirchner period are due to the legacy of neoliberalism that predominated in the dictatorship, which were not reversed in the eighties and deepened in the nineties until 2001, a legacy that enshrined a weakened collective conscience, a state destroyed, much of a generation devastated, the absence of a strong national business class, in addition to an unpayable debt, the strong dollarization of the country, and all the macroeconomic and social setbacks that emerged in 2001. It came from a “heavy legacy.”

While it was completely understandable that in 2003 and “to get out of the tenth circle of hell” we had to concentrate on emergencies, during Kirchnerism we could not recover the sense of medium- and long-term planning that would give us greater consistency, beyond the correctness of short-term tactics. In 2007, or at least in 2011, it would have been important to generate Quadrennial Plans as Peronism had in its splendor, planning with degrees of flexibility and adapted to the times. This would have led to a better planning in the use of foreign currency to avoid the bottlenecks of this national karma: the recurrent appearance of the external constraint, which is a major challenge when maintaining a policy of expanding consumption, aggregate demand and de-indebtedness, in a context of global crisis and a distituent financial bloc.

It would have helped, without a doubt, an earlier recovery of YPF and measures to alleviate the energy deficit that led to a reduction in the external surplus. This reduction worsened with the global crisis of 2008 (whose effects still persist) and after the neocolonial blockade of Judge Griesa. In commercial policy, better work could have been done in the phytosanitary tariff policies as in the developed world.

Beyond errors and inadequacies, the difference between what Kirchnerism and Macrismo means is abysmal. It is day and night between a government that, with successes and errors, governed thinking about the poorest people and in developing the country and on the other hand the present government of the rich for the rich. We know what the end of the film looks like:

“neoliberalism, speculation, indebtedness and capital flight,” beyond the differences of time, styles, and forms. It’s *déjà vu*.

## CONCLUSIONS

How distant and at the same time how close 2001 seems. Fourteen years after the worst crisis in our contemporary history, neoliberalism came for the first time to the government through the popular vote and without hiding among the popular parties. The project was not absolutely explicit to the voting public and appealed to lies, but the third of the society that oscillates between the two projects of the country that the other two thirds sustain leaned to the right in 2015.

It is always necessary to analyze in each concrete measure who benefits and who is harmed. When fares are raised, when there is a devaluation, when the interest rate is raised, when retentions are lowered, when spending on debt rises or when public investment is reduced, there are winners and losers. The economy is not an exact aseptic science; it is a social science that studies and allows the transformation of reality, affecting the distribution of wealth among all sectors.

Currency and energy restrictions toward the end of the Kirchner government prevented the full use of productive capacity, which limited growth since 2012. There were advances in import substitution. It was not easy in a world where transnationals are pressured in their countries of origin to produce the most intensive processes in research and development but to relocate the rest of the productive processes through a deep transnationalization that lowers costs, including that of labor.

The speed of debt reduction should have also been reduced to have greater firepower to face the various challenges and to limit the outflow of capital in the first term of Kirchner to avoid the greater restrictions that had to be imposed with more urgency and depth beginning in 2011. These restrictions are in many cases essential in a developing country and in a world in crisis, but they forced the adoption of some modalities that had economic and political costs.

A real tax reform would have been important as an engine to advance toward the sustainability of resources and greater equity. Taxing exempt incomes, lowering taxes on popular consumption, and taxing higher income are all easy to analyze but harder to do. The experience of Resolution 125,<sup>28</sup> beyond the errors of political strategy in the negotiation of alliances with certain sectors of small producers and citizens of the surrounding countryside and urban areas, and in the communication of the measure and beyond the strength of the lobbies in Congress, reflects a national contradiction: We want a welfare state like that of the Scandinavian countries, but we think of a right-wing way to pay taxes as if we lived in the fourth world. Argentina could not build an entrepreneurial national bourgeoisie in spite of the strong incentives, productive credit lines, subsidized credit, and consumer policies that ensure a market, and the strong defense of the domestic market against imports, among other measures.

The improvements in the rail system were important but late. Limiting some energy subsidies to privileged sectors and promoting a more rational and national consumption culture would also have helped. When progress was made in removing some subsidies, the same concentrated media that promoted the policy spoke of steep hikes, which, when compared to

the current ones, were minimal increases. The government backed away from criticism. It was a mistake.

Beyond the improvements in the diversification of production, it was not possible to reverse a strong concentration of the economy and the foreign dominance that has prevailed since the dictatorship. The economic structure increasingly pressured external accounts in an adverse international context, and in the domestic market concentrated companies were able to extract exorbitant profit margins from consumers, thanks to their dominant position. “Caring Prices”<sup>29</sup> was an excellent tool that helped limit the most perverse effects of the concentrated economy.

The current government succeeded in style and forms, generating an intelligent campaign in social networks with lies and false promises in the appropriate postmodern tone, a discourse that defines an oxymoron: full of voids. The lies were offensive in their audacity: that devaluation did not generate costs; that they would eliminate the income tax. Many of us knew that it was all false. Some took the bait. Not to mention other lies such as Macrismo would be peace, love, and dialogue when it is not (nor will it be) anything other than repression, dismissal, adjustment, surrender, and hunger.

Argentina grew in 2015, and inflation went down. Unemployment was at minimum levels. With a gradualist exchange-rate policy and without a mega-devaluation, reserves would have been strengthened through different mechanisms. The inflationary acceleration that eroded competitiveness and wages would have been avoided. It was necessary to establish a development plan and avoid a savage adjustment that generated a great recession.

With time and historical perspective, society will revalue the achievements obtained between 2003 and 2015. The weight of reality will be greater than the media and judicial machine of demolition of the Kirchnerist legacy. The temporary media protection of the policies and behaviors of Macrismo that conceal corporate interests and the desire that there will never be a government that confronts the powers that be will also cease.

## NOTES

1. The name was applied due to the low growth rates and recurrent crises that Latin American countries experienced in that decade, which was associated with the “debt crisis.”

2. The December 2001 crisis in Argentina was caused by a long recession that triggered an economic, humanitarian, social, and political crisis. It provoked, among other things, the resignation of then-President Fernando de la Rúa and the murder of 39 people in the massive protests throughout the country.

3. Exchange rate scheme implemented in the last civil-military dictatorship (1976–1983) in which the Central Bank offered advance information on the variation of the exchange rate and thus encouraged financial speculation.

4. The Convertibility Law enacted in 1991 was in force for 11 years until the 2001 crisis. It was a foreign exchange system that restricted the issuance of pesos to their backing in international reserves, similar to a currency board.

5. The “*corralito*” was the process by which the possibility of withdrawing cash from bank deposits was restricted.

6. People of low income entered shops and supermarkets in large groups to take all the merchandise without paying.

7. Withholdings on exports are an ad valorem tax levied on some exports, mainly those from the agricultural sector.

8. On October 21, 2008, President Cristina Kirchner sent a bill to Congress to end the system of private capitalization and to organize a new system of state distribution of pensions and retirements. The inefficiency, inequity, and

vulnerability of the private system was evident since it was the State itself that already paid, at that time and in practice, most of the retirements.

9. YPF SA is an Argentine company dedicated to the exploration, exploitation, distillation, distribution, and production of electric power, gas, oil, and hydrocarbon derivatives and the sale of fuels, lubricants, fertilizers, plastics, and other products related to the industry. It is the largest company in Argentina and the third-largest oil company in South America. In 1992 it was privatized, and in 1999 it was acquired by Repsol. In 2012, then-President Cristina Fernández de Kirchner announced the sending of a project to Congress to expropriate 51% of YPF's equity capital, which was converted into law that same year.

10. Aerolíneas Argentinas is the flagship airline and the one that serves the most destinations in Mercosur. In 1990 it was privatized, and the state recovered it in 2008 in deplorable conditions and having its assets stripped.

11. U.S. judge who ruled in favor of the "vulture funds," preventing the country from taking on debt without first paying the funds benefited by its ruling.

12. President between December of 1983 and July of 1989, who had to advance the elections that put an end to his mandate as a product of the "market coup" and the hyperinflationary process.

13. Initiatives led by financial markets and some media groups to weaken democracy.

14. It refers to the purchase of dollars for their holding as savings or to make trips abroad.

15. Public security issued in dollars in 2005 with a 10-year term that expired in its entirety in 2015.

16. Administrator of pension and retirement funds' pension funds that managed the resources for private pensions.

17. She is the head of all prosecutors who act before national courts, and at the same time, she herself is the prosecutor by the Supreme Court of Justice of the Nation.

18. Office of the attorney for economic crimes and money laundering.

19. The Financial Information Unit is the body responsible for the analysis, treatment, and transmission of information for the purpose of preventing and preventing the Laundering of Assets and the Financing of Terrorism.

20. The implicit exchange rate that arises from the purchase of the same financial asset in one currency and its subsequent sale in another currency.

21. Federal administration of public revenue in charge of administering tax collection.

22. A reference to Hugo Chavez's government in Venezuela.

23. A military area near the City of Buenos Aires that during the Civic-Military Dictatorship (1976–1983) functioned as a clandestine detention center.

24. Never again: the final report of the National Commission on the Disappearance of Persons, or simply Never Again, is a book that includes the report issued by CONADEP (Comisión Nacional sobre la Desaparición de Personas) regarding the disappearances that occurred in Argentina during the Civic-Military Dictatorship (1976–1983).

25. *Cepo* in Spanish.

26. Security issued by the Central Bank to carry out monetary policy.

27. Minister of Economy of the last civic-military dictatorship, the first neoliberal experience in Argentina. Argentina's external debt increased from 8,000 to 45,000 million dollars between 1975 and 1983.

28. This resolution created an extensive conflict between the national government and the four organizations that represent the entrepreneurial sector of the agro-livestock production, as the former wanted to establish a mobile system for the retentions of agricultural exports.

29. A program that established agreed prices between manufacturers, supermarkets, and the government for multiple articles of massive consumption.

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