

Argentina: Depression, Revolt and Recovery

Why President Fernandez Wins and Obama Loses

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Introduction

On October 23rd of this year, President Cristina Fernandez won re-election receiving 54% of the vote, 37 percentage points higher than her nearest opponent. The President's coalition also swept the Congressional, Senatorial, Gubernatorial elections as well as 135 of the 136 municipal councils of Greater Buenos Aires. In sharp contrast President Obama, according to recent polls is trailing leading Republican Presidential candidates and is likely to lose control of both houses of Congress in the upcoming 2012 election. What accounts for the monumental difference in voter preferences of incumbent presidents? A comparative historical discussion of socio-economic and foreign policies as well as responses to profound economic crises is at the center of any explanation of the divergent results.

Methodology

In comparing the performance of Fernandez and Obama it is necessary to locate them in an historical context. More specifically, both presidents and their immediate predecessors, George Bush in the US and Nestor Kirchner (deceased husband of Fernandez) in Argentina confronted major economic and social crises. What is telling, however, are the diametrically opposing responses to the crises and the divergent results. On the one hand sustained growth with equity in Argentina and deepening crises and failed policies in the US .

Historical Context: Argentina : Depression, Revolt and Recovery

Between 1998 - 2002, Argentina experienced the worse socio-economic crises in its history. The economy nose-dived from recession to full scale depression, culminating in double digit negative growth in 2001 - 2002. Unemployment reached over 25% and in many working class neighborhoods, over 50%. Tens of thousands of impoverished middle class professional lined up to receive bread and soup only blocks away from the Presidential palace. Hundreds of thousands of unemployed workers, 'piqueteros' (picketers), blocked major highways and some raided trains shipping cattle and grain overseas. Banks closed depriving millions of depositors of their savings. Millions of middle class protestors organized radical neighborhood councils and linked up with unemployed assemblies. The country was heavily indebted, the people deeply impoverished. The popular mood was moving toward a revolutionary uprising. Incumbent President Fernando De la Rúa was overthrown (2001) scores of protestors were killed and wounded, as a popular rebellion threatened to seize the Presidential palace. By the end of 2002, hundreds of bankrupt factories were 'occupied', taken over and run by workers. Argentina defaulted on its external debt. In early 2003, Nestor Kirchner was elected President, in the midst of this systemic crisis and proceeded to reject efforts to enforce debt payment or repress the popular movements. Instead he

inaugurated a series of emergency public works programs. He authorized payments to unemployed workers (150 pesos per month) to meet the basic needs of nearly half the labor force.

The most popular slogan, of the multitudinous movements occupying the financial districts, factories, public buildings and the streets was “Que se vayan todos” (“All politicians get out”). The entire political class, parties and leaders, Congress and presidents were rejected outright. But while the movements were vast, militant and united in what they rejected, they had no coherent program for taking state power, nor national political leadership to lead them. After two years of turmoil, the populace turned to the ballot box and elected Kirchner with a mandate to produce or perish. Kirchner heard the message, at least the part which demanded growth with equity.

Context: The US under Bush-Obama

The last years of the Bush administration and the Obama presidency presided over the worse socio-economic crises since the Great Depression of the 1930's. Unemployment and underemployment rose to almost a third of the labor force by 2009. Millions of homes were foreclosed. Bankruptcies multiplied and banks were on the verge of collapse. Negative growth rates and a sharp decline in income, increased poverty and multiplied the number of food stamp recipients. Unlike Argentina, discontented citizens took to the ballot box. Attracted by the demagogic “change” rhetoric of Obama, they placed their hopes in the new president. The Democrats won the Presidency and a majority in both houses of Congress. The first priority of Obama and Congress was to pour trillions of dollars in bailing out the banks, even as unemployment deepened and the recession continued. Their second priority was to deepen and expand overseas imperial wars.

Obama increased the number of troops in Afghanistan by 30,000; expanded the military budget to \$750 billion dollars; launched new military operations in Somalia, Yemen, Libya, Pakistan and elsewhere; augmented military aid to Israeli colonial armed forces; signed military pacts with Asian countries (India, Philippines, Australia) proximate to China.

In sum Obama gave maximum priority to expanding the militarized empire, depleting the public treasury of funds to finance the recovery of the domestic economy and reducing unemployment.

In contrast, Kirchner/Fernandez curtailed the power of the military, cut military spending and channeled state revenues toward employment programs, productive investments and non-traditional exports.

Under Obama the crises became an opportunity to revive and consolidate the financial power of Wall Street. The White House augmented the military budget to expand imperial wars by deepening the budget deficit and then proposed to cut essential social programs to ‘reduce the deficit’.

Argentina from Crises to Dynamic Growth

In Argentina the economic catastrophe and popular uprising provided Kirchner with an opportunity to bring about a basic shift from militarism and speculative pillage to social programs and sustained economic growth.

The electoral victories of both Kirchner and Fernandez reflect their success in creating a 'normal' capitalist welfare state. After 30 years of US backed predator neo-liberal regimes, this was a great positive change. Between 1966 and 2002, Argentina suffered brutal military dictatorships culminating in the genocidal generals who murdered 30,000 Argentines from 1976 to 1982. From 1983 to 1989 Argentina's suffered under a neo-liberal regime (Raul Alfonsín) which failed to deal with the dictatorial legacy and which presided over triple digit hyper-inflation. From 1989 – 1999 under President Carlos Menem Argentina witnessed the biggest sell-off of its most lucrative public firms, natural resources (petrol included), banks, highways, zoo and public toilets to foreign investors and kleptocratic cronies for bargain basement prices.

Last but not least, Fernando De la Rúa (2000 – 2001), promised change and proceeded to deepen the recession that led to the final catastrophic crash of December 2001 and the closing of the banks, the bankruptcy of 10,000 firms and the collapse of the economy.

Against this background of total and unmitigated failure and the human disaster of US – IMF promoted "free-market" policies, Kirchner/Fernandez defaulted on the external debt, re-nationalized several privatized firms and the pension funds, intervened the banks and doubled social spending, expanded public investment in production and increased popular consumption, on the road to economic recovery. By the end of 2003 Argentina turned from negative to 8% growth.

Human Rights, Social Programs and Independent Foreign Economic Policy

Argentina's economy has grown over 90% from 2003 – 2011, over three times that of the United States. Its recovery has been accompanied by a tripling of social spending, especially on programs reducing poverty. The percentage of poor Argentines has declined from over 50% in 2001 to less than 15% in 2011. In contrast US poverty has risen over the same decade from 12% to 17% and is on an upward trajectory over the same period.

The US has become the country with the greatest inequalities in the OECD with 1% controlling 40% of the country's wealth, (up from 30% in less than a decade). In contrast, Argentina's inequalities have shrunk by half. The US economy has failed to recover from the deep recession of 2008-2009, during which it declined by over 8%. In contrast Argentina declined less than 1% in 2009, and has been growing at a healthy 8% (2010-2011). Argentina has nationalized pension funds, doubled basic pensions and introduced a universal child welfare program to counter malnutrition and guarantee school attendance.

In contrast 20% of children in the US are now suffering from poor diets, drop-out rates are increasing for adolescents and malnutrition affects over 25% of minority children. With more social cuts in health/education under way, social conditions can only worsen. In Argentina the income of wage and salaried workers has increased over 50% over the decade in real terms, while in the US they have declined by nearly 10%.

Argentina's dynamic growth of GNP has been fueled by growing domestic consumption and dynamic export earnings. Argentina has a consistent large trade surplus based on favorable market prices and increased competitiveness. In contrast domestic consumption has stagnated in the US, the trade deficit is close to \$1.5 trillion dollars and revenues are wasted on non-productive military expenditures of over \$900 billion a year.

While in Argentina the impulse for a policy of default with growth came about because of a

popular rebellion and mass movements, in the US popular discontent was channeled toward the election of a Wall Street financial con-man named Obama. He proceeded to pour resources into rescuing the financial elite instead of letting them go bankrupt and funding growth, competitiveness and social consumption.

The Argentine Alternative to Bailouts and Poverty

The Argentine experience goes counter to all the precepts of the international financial agencies (the IMF, World Bank), their political backers, and publicists in the financial press. From the first year (2003) of Argentina's recovery to the present, the economic experts have "predicted" that its growth was "not sustainable" – it has continued robustly for over a decade. The financial writers claimed the default would lead to Argentina being shut out of financial markets and that its economy would collapse. Argentina relied on self-financing based on export earnings and re-activation of the domestic economy and confounded the prestigious economists.

As growth continued, the critics in the Financial Times and the Wall Street Journal claimed it would end once "unused capacity was exhausted". Instead growth earnings financed the expansion of the domestic market and created new capacity for growth especially to new markets in Asia and Brazil .

Even as late as October 25, 2011, Financial Times columnists still prattle about "the coming crises" in the manner of messianic fundamentalists who predict the pending apocalypse. They harp on "high inflation", "unsustainable social programs", "overvalued currency", and more predictions of "the end of prosperity". All these dire warnings occur in the face of continued growth of 8% in 2011 and the overwhelming electoral victory of President Fernandez.. Anglo-American financial scribes should focus on the demise of their free market regimes in Europe and North America instead of denigrating an economic experience from which they might learn.

In refutation of the Wall Street critics, Mark Weisbrot and his associates point out ("The Argentina Success Story", Center for Economic Bad Policy Research, Oct. 2011) that Argentina's growth was based on the expansion of domestic consumption, increased manufacturing exports to regional trading partners as well as traditional agro-mineral exports to Asia . In other words Argentina is not totally dependent on primary exports; it has balanced trade and is not over dependent on commodity prices. In regard to high inflation, Weisbrot points out that "inflation may be high in Argentina but it is real growth and income distribution that matter with regard to the well-being of the vast majority of population", (page 14) (my emphasis).

The US under Bush-Obama has pursued a totally perverse and divergent path to that of Kirchner-Fernandez. They have prioritized military spending and expanded the security apparatus over the productive economy. Obama and Congress have vastly increased the police state apparatus, reinforced their political influence over regressive budgetary policies while increasingly violating human and civil rights. In contrast Kirchner/Fernandez have prosecuted dozens of human rights violators in the military and police and weakened the military's political power.

In other words the Argentine Presidents have weakened the militarist pressure bloc which demands greater arms and security expenditures. They created a state more accommodative to their political project of financing economic competitiveness, new

markets and social programs. Bush-Obama revived the parasitical financial sector further unbalancing the economy. Kirchner/Fernandez ensured that the banking sector financed the growth of the export sector, manufactures and domestic consumption. Obama slashes social consumption to pay creditors. Kirchner-Fernandez imposed a 75% "haircut" on bondholders in order to finance social spending.

Kirchner-Fernandez have won three presidential elections, each by a larger margin. Obama may be a one-term president, even with the billion dollar campaign funding from Wall Street, the military industrial complex and the pro-Israel power configuration.

The popular opposition to Obama, especially the "Occupy Wall Street movement" has a long way to go to emulate the success of the Argentine movements that roused incumbent presidents, blocked highways paralyzing production and circulation and imposed a social agenda that prioritized production over finance, social consumption over military expenditures. The "Occupy Wall Street Movement" has taken a first step toward mobilizing millions of active participants necessary to creating the social muscle that turned Argentina from a US style client state into a dynamic independent welfare state.

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