

Latin America: The Aborted Neo-Liberal Offensive

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Pundits and commentators on the Left and Right are pronouncing 'the end of the progressive cycle in Latin America'. They cite the recent presidential elections:

- 1. Argentina, where hard-right Mauricio Macri was elected;*
- 2. Brazil, where President Dilma Rousseff has appointed a neo-liberal 'Chicago Boy' economist, Joaquin Levy, as Finance Minister and launched an IMF-style regressive structural adjustment policy designed to reduce social expenditures and attract financial speculators; and*
- 3. Venezuela, where Washington channeled millions of dollars to far-right parties, as well as violent extra-parliamentary and paramilitary groups, to destabilize the center-left Maduro government; right-wing Democratic Unity Coalition (MUD) won the legislative elections in December 2015 with more than 2:1 margin over the Chavista Venezuelan United Socialist Party (PSUV).*

No doubt progressive social legislation has come to a virtual halt, even before the recent political advances of the US-backed right-wing parties with their neo-liberal economic agenda.

But paralysis, and even retreat and electoral defeats of the center-left regimes, do not mean the return to the neo-liberal 1990's, a period of privatizations, pillage and plunder, which had plunged millions into poverty, unemployment and marginality.

Whatever the current voting results, the collective memory of mass hardship, resulting from 'free market' policies, is seared in the memory of the vast majority of the working population.

Any attempt by the newly elected officials to '*unmake and reverse*' the social advances of the past decade will be met with (1) militant resistance, if not open class warfare; (2) institutional and political constraints; (3) and low commodity prices drastically limiting export revenues.

A careful analysis of the policies proposed by the neo-liberal right, their implementation and impact will demonstrate their likely failure and the rapid demise of any new right-wing offensive. This will abort the neoliberal cycle.

Argentina: President Macri and Wall Street

In the upper income neighborhoods of Buenos Aires, there was singing and dancing in the streets as the Presidential election results rolled in and Mauricio Macri was pronounced the victor. Wall Street, the City of London and their financial mouthpieces, the Wall Street Journal and the Financial Times, announced the coming of a new era and the end of 'anti-

investor, populism and nationalism, wasteful social spending referring to increases in pensions, family allowances and wages, approved by the previous center-left government

Mauricio Macri does not merely represent the plutocracy; he is one of the richest plutocrats in Argentina. He not only boasts of a '*carnal relationship*' with Washington in his acceptance speech, he pleased US President Obama by announcing he would work to expel Venezuela from MERCOSUR, Latin America's foremost regional economic integration organization.

Macri announced a cabinet made up of hard-core neo-liberal economists, former supporters of the military dictatorship and even a rabid rightwing rabbi. He then spelled out his policy agenda, which had been cleverly hidden during his electoral campaign when his raucous rhetoric for '*change*', spoke to everybody and nobody.

Macri promises to

- (1) end capital controls, export taxes and retentions on agro-business exports,
- (2) devalue the peso,
- (3) pay over \$1.2 billion dollars of Argentine public money to the Wall Street vulture-speculator, Paul Singer, who had bought \$49 million dollars of old Argentine debt (a profit of astronomical proportions for buying paper),
- (4) privatize and de-nationalize the state-owned airline, oil company and pension funds
- (5) sign-off on EU and US-centered free trade agreements, thus undermining Latin America integration projects like MERCOSUR;
- (6) tear up the joint *memo of understanding* with Iran regarding an investigation into a terror bombing as requested by Israel; and
- (7) expel Venezuela from MERCOSUR.

In a word, the multi-millionaire playboy President plans harsh austerity for the Argentine working class and bountiful handouts for the economic elite.

The day after the elections, local and overseas speculators boosted Argentine stocks 40% anticipating the free market bonanza. George Soros and hedge fund mogul, Daniel Loeb, '*piled into Argentine assets*'. Investment fund managers urged Macri to act swiftly in imposing his '*sweeping reforms*' before Argentina's famous capacity for mass popular resistance could be organized to resist his policies.

Macri's Wall Street and Washington patrons are well aware that their clients' boisterous big business bombast faces serious political obstacles because his policies will provoke severe economic hardships.

President Macri does not even have a majority in Congress to approve his radical proposals. The congress is controlled by a coalition of rightwing and center-left Peronist parties, which will need to be coaxed, bought or coerced.

The Argentine Congress will balk at supporting his entire neoliberal agenda. When he resorts to '*executive decrees*' to bypass Congress, he will be contested in the courts, streets and

legislature. It is doubtful he will be able to neutralize all his critics and implement his radical neoliberal agenda.

The head of the Central Bank, Alejandro Vanoli, who was appointed by the previous center-left Fernandez government, is not likely to go along with Macri's tight money policy, radical devaluation and fiscal austerity. Macri will likely look for a pretext to purge the incumbent and nominate a free market crony. However, the institutional damage will increase the general sense of a lawless regime willing to trample the constitutional order to impose his free market dogma.

Macri's promise to end the 'tax' retention on agro-exports will decrease government revenues, exacerbating the fiscal deficit and necessitating deeper reductions in social expenditures. The contrast between higher earnings for the agro-business elite and lower living standards for labor is an invitation to greater class hostility and strife. Even more decisive Macri's "*export strategy*" will be undermined by the low world demand and prices of Argentine commodity exports.

Macri's promise to end capital and price controls on his first day in office will provoke a major devaluation of the peso which may exceed 60%. This will automatically result in severe increases in the price of consumer goods and increased profits for the export elites, provoking mass unrest across the occupational spectrum.

Macri promises to meet with the 7% of speculator hold-outs of old Argentine debt (from the pillage years of the 1990's) demanding full payment with interest, especially the 'vulture funds' led by Wall Street's Paul Singer of Elliott Capital Management. Pay-offs of over \$1.3 billion on an original \$49 million purchase of Argentine debt to Wall Street speculators will provoke fury among Argentine workers and nationalists who will shoulder the added burden on top of austerity and cuts in social welfare. Moreover, the 93% of debt holders, who had agreed to the '*financial haircut*' and discounted the debt at 70% will now demand full payment multiplying tenfold the demands on the Treasury with disastrous consequences.

The devaluation and decline of purchasing power will not attract the '*tidal wave of foreign investment*' to lift the economy and provide jobs and general prosperity as Macri had promised during his campaign. Foreign capital will not create new enterprises; they will concentrate on buying existing privatized public enterprises at fire-sale prices. Incoming capital will not increase the productive forces; it will only shift the direction of the flow of profits from public coffers to private pockets, from the domestic economy to overseas investors.

Neoliberalism: Then and Now

The general foreign and domestic political climate is vastly different today from the 1990's when the previous neo-liberal experiment was launched with such disastrous consequences. In the late 1980's, Argentina was suffering from acute inflation, stagnation and declining income. The working class organizations were still recovering from the murderous decade of military rule. Moreover, in the 1990's the US was at the pinnacle of imperial power in Latin America. China was only beginning its dynamic growth cycle. The USSR had disintegrated and Russia was a struggling vassal state. Latin America was ruled by a motley collection of neo-liberal clones under the thumb of the IMF.

Today Macri faces an organized working class. The trade unions and militant popular

movements are intact and have experienced a decade of substantial gains under a center-left government. The IMF experience remains a poisonous memory for hundreds of thousands of Argentines. Hundreds of military officials responsible for crimes against humanity have been arrested, tried and prosecuted under the out-going regime. The threat of a military coup, ever-present in the 1980's and 90's, is non-existent. China has become the key market for Argentine agro exports (soya). Macri, despite his declared passion to serve Washington, is obligated to accommodate to the Chinese market.

Any moves out of MERCOSUR and into the arms of the Transpacific Trade Agreement will prejudice Argentina's strategic trade links with Brazil, Venezuela, Uruguay and Paraguay. Today Macri will find a hostile climate in Latin America for his proposed embrace of the US. His promise to '*expel Venezuela from MERCOSUR*' has already been rejected by its members.

In summary, Macri will find it impossible to replicate the neoliberal policies of the 1990's for all the above reasons. There is one additional factor to consider: The earlier version of the '*free-market experiment*' led to the most severe economic depression in Argentine history with double-digit negative growth, unemployment exceeding 50% in working class districts (and 25% nationally) and poverty and extreme misery in some Argentine provinces exceeding Sub-Sahara Africa.

If Macri believes he can rush through the "*harsh medicine*" – and avoid the inevitable mass protest– while attracting a massive inflow of capital with which to rapidly grow the economy, he is gravely mistaken. After the initial giveaways and uptake of the stock market, the Soros and Loeb speculators will grab their profits and run. Weakened domestic consumption and the depressed global commodity market do not attract long term, large-scale capital.

The real question is not (as the financial pundits claim) whether Macri will '*seize the opportunity*' but how soon after he tries to impose his free market model his regime will crash amid the ruins of a depressed economy, raging inflation and general strikes.

Brazil: Right Turn or a Left Opportunity

Commentators left and right cite the vertical decline of support for President Dilma Rousseff from over 50% to less than 10% as a sign of the '*decline of the left*'. Judicial investigations have led to the arrest and prosecution of dozens of Congressional leaders of the so-called 'Workers Party' (PT) for wholesale bribery, money laundering and illicit transfers of millions of dollars!

Prosecutors have jailed scores of PT officials, legislators and senior executives of the giant public petroleum company, Petrobras, the directors of the biggest construction companies and investment banks who were partners in crime with former PT President Lula Da Silva. The one-time trade union leader, President Lula, turned into a poster boy for Wall Street and more recently a notorious influence peddler for Brazilian big businesses.

Prosecutors have arrested 117 officials from Petrobras, the giant state oil corporation, and Brazil's biggest company. They have arrested two of Brazil's most powerful capitalists: Marcelo Odebrecht, president of Constructora Norberto Odebrecht, and Octavio Marquez de Azevedo of the Andrade Gutierrez Corporation. Both contributed to the Workers Party electoral campaign of ex-President Lula Da Silva and current President Dilma Rousseff.

Big business contributors, currently under investigation or jailed, had received forty-times the value of their political donations in terms of lucrative PT government contracts (a 4000% return on investment!).

Criminal cases and arrests for '*bribes for contracts*' schemes have affected the financial sector, including the billionaire financier Andre Esteves, founder-President of BTG Pactual , a close friend and associate of Lula Da Silva.

The entire elite of Brazil's capitalist and financial class has been indicted, jailed or is under investigation. The Treasurer of the PT, Senate and Congressional leaders and Presidential advisers of the '*Workers*' Party have been arrested and jailed for bribes, money laundering and fraud, in connection with the Petrobras and other corporate corruption scandals.

The judicial investigation demonstrates that the PT had become a party of the corporate elite. PT leaders and officials work closely with business elites in channeling billions to corporate treasuries. In contrast, the PT's so-called "*poverty program*" donated \$60 a month to poor families, just above subsistence level. This poverty program was part of a vast patronage machine designed to secure votes to elect corrupt officials embedded with big capital and financiers!

While the prosecutors are not explicitly anti-capitalist, the investigations have exposed the corrupt basis of capitalist rule. In the course of one year Brazilian prosecutors have conducted deeper and more thorough research on the power elite and determined how it rules, exploits and pillages the wealth of the country than any analysis by the vast majority of '*leftist*' academics and journalists over the fifteen years of PT mis-governance.

The prosecutors have acted against the entire class of capitalist executives and their political partners in the PT with greater force and integrity than the major '*left*' trade union (the CUT) and social movement (Landless Rural Workers (MST) leaders. The CUT and MST leaders secured minor regime concessions, in exchange for ignoring the large-scale, long-term criminal links between bankers, agro- businesspeople, industrialists and the PT.

While leaders of the MST, the CUT and the National Union of Students gave '*critical*' support to Presidents Lula and Dilma and their entourage of corrupt Congresspeople, the prosecutors exposed years of endemic fraud, swindles and bribes which had enabled the PT leaders to buy luxury BMWs, Rolex watches and million-dollar villas and luxury condos in exclusive neighborhoods.

Deltan Dallagnol, one of the prosecutors leading the investigation, has demonstrated that the PT works for the rich and powerful, foreign and domestic capitalists and deceives the poor. His investigations demonstrate that the PT is not a '*center-left*' party - it is a party of kleptocrats working for capitalists.

One thing is sure: the PT is not a party embracing diverse popular classes; it is not an arena for popular struggle. It is a party that serves diverse capitalist sectors, including finance, construction, petroleum and agro business.

Because of corruption, the cost of government projects doubled and tripled. As a result vital social services were starved of funds and deteriorated and public transport construction was delayed for years.

In summary, the decline and discredit of the PT is not a defeat for the Left because the PT

regime never was on the left. On the contrary, the discredit of the PT is a positive victory for anti-capitalist forces struggling against the ruling class and political elite.

Conclusion

The victory of hard right neo-liberal Mauricio Macri in Argentina and the disintegration of the PT do not augur a new rightwing cycle in Latin America. Macri's economic team will quickly confront mass opposition and, outside the upper class neighborhoods, they lack any political mass support. Their policies will polarize the country and undermine the stability, which investors require. Brutal devaluations and the end of capital controls are formulas, not for economic development, but for inciting general strikes. Conflict, stagnation and hyperinflation will put an end to the enthusiasm of local and foreign investors.

Moreover, Macri cannot embrace Washington's entire agenda because Argentina's natural trading partner is China.

Macri's regime is the beginning and the end of a reversion to the neo-liberal disaster, similar to what took place at the end of the 1990's.

The fall of the PT, more a product of conscientious prosecutors than the action of trade unions and social movements, opens political space for new working class struggles, free from the constraints of corrupt leaders and bureaucrats.

Even if the Right returns to power in Brazil- it is tainted with the same stench of corruption; its capitalist partners are in jail or facing prosecution. In other words, the fall of the PT is only part of the decline and decay of all the capitalist parties.

Over time, soon after the collapse of the 'New Right', a new authentic left may emerge, free of corruption and links to big business. Hopefully, an authentic working class party will form, which can pursue socio-economic policies to end exploitation of labor, the pillage of the public treasury and the destruction of the Amazon rainforest. This should be a left, which sustains the environment, respects nature and upholds the rights of Afro-Brazilians, indigenous people and women.

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