



Los Ignorantes

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On Monday 12 August 2019, one day after Argentina's primary elections were held, there was nothing to celebrate but a lot to fear. I arrived early at my job as an actuary in the Risk Department of an important financial entity in Argentina, knowing we needed to prepare for what was about to happen. Alberto Fernández had beaten Mauricio Macri by 15 per cent, which would mean his presidency if the same results repeat in the general election in October. Nobody expected this. Not even the market, which had closed optimistically, up 8 per cent, on the last Friday before the elections, in response to a poll in Macri's favour. Again, we see that in the face of Populism even polls can get it wrong. I remember starting to receive texts from friends abroad asking what was going on with Argentina, when I heard that in some markets, which had already opened, the value of some Argentine stocks were halved in a matter of minutes. My short text reply: "This is just starting. We are crashing the ship."



On this night, the shadow of the Populist, Juan Peron, who ran our country so disastrously after the war and again in the 1970s, was once again cast over Argentina. The present troubles need to be understood in the context of the terrible legacy of the man and the movement which taught the people to love the state and spurn trade and enterprise.

But on election night when the results were on the table and the centre-left party had the majority of votes, there was only room for panic. Alberto's vice-president running mate is Cristina Fernández de Kirchner, and he is surrounded by her old team. One wonders how Alberto is to govern among such a crooked assembly. The prospect of such a government is reason enough to want to leave the country, at least if your investments are in Argentina. The phantoms from the past have spooked the market, with predictable results. The memory of the measures adopted by the previous government has cut Argentina's stocks by an average of 48 per cent. This is the biggest drop in the history of the Merval (the most important index of the Buenos Aires Stock Exchange), and the second biggest internationally, only exceeded by Sri Lanka's in 1989 when their civil war began. My country can now boast world history's second and third worst market crashes. Not something to be proud of.

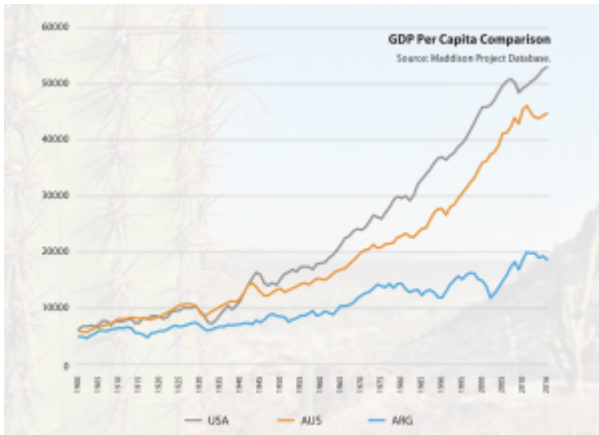
Evidently we Argentinians forgot how we used to live. We forgot about the insecurity, and the absence of an independent judiciary. We have forgotten there were no legitimate government statistics around that time because unflattering economic analysis was not allowed. Cristina Fernandez de Kirchner lied about unemployment, poverty and inflation by intervening in the INDEC (our National Institute of Statistics and Censuses) from 2007 to 2015. We forgot Kirchner became president in 2007 when inflation was running at 13.74 per cent in 2006 and pushed it to 40.28 per cent by 2014 (and these numbers are only available thanks to the tireless efforts of private analysts and NGOs).

We forgot there was no foreign investment because nobody wanted to invest in a closed economy, especially one in which they were not able to pay dividends to international investors. We forgot we lost our freedom to buy US dollars because of government- imposed limits. They left our Treasury with the lowest level of international reserves since 2006, dropping from 42.6 billion USD at the beginning of her presidency to 24.9 billion USD at the end. We also must have forgotten she is being prosecuted for treason to our nation for covering up the AMIA bombing, the worst terrorist attack in Argentina's history with 85 dead and more than 300 injured.

Disappointment is not limited to Alberto Fernández and Kirchner. Macri's government has not been kind to Argentinians and he did not keep his campaign promises. He could not manage inflation competently and random devaluations have been hitting our currency since May 2018, taking the dollar from 21 to 46 pesos per dollar by 9 August 2019. His tax cuts were only for farmers and a few production sectors, not for the many. He even maintained a Populist line by extending the non- contributive benefits (economic entitlements funded by state debt, similar to universal basic income models) that Kirchner's government had introduced. Poverty and unemployment persisted during his administration, too.

However, Macri has done right by opening us up to the world, as any country which desires

prosperity must do. He has cultivated good relationships with the right countries, shifting from being friends with Maduro's Venezuela and Cuba, to being friends with the United States and the EU. He helped the world believe in and trust us, and lend us money at very low rates, including the largest loan in the International Monetary Fund's history, US\$57 billion. Pretty good for a country with our default history. He developed our energy industry, almost making Argentina self-sufficient again.



He exploited our vast shale oil resource Vaca Muerta, securing more sources of energy and income for the years to come, forecasting a surplus of one billion dollars in energy by 2020 (according to Bloomberg). Our Federal Reserves have reached their highest values during his presidency, at last look around US\$60 billion. He opened new markets for Argentina's main exports as well, by shipping meat to Japan and China. He played a key role in the agreement between the Mercosur and the European Union, which guarantees an outstanding trade deal between both organisations by cutting red tape. In the words of Spain's president Pedro Sanchez: "If it weren't for [his] leadership, the agreement wouldn't have gone through".

So, how is it possible to think we were better before? How can we think the right path is the one already proven wrong, leaving us on the verge of a new crisis? The answer is: that is the nature of Populism. Juan Perón taught politicians how to manipulate Argentinians. Since his arrival in the 1940s, we clearly have lost our sense of what really makes a country great. We can no longer think further than a few years ahead, and as such short-term planners, we mistakenly choose immediate satisfaction. We mortgage our future for what we believe is a better present, and do not think about the consequences. We, as a nation, are unable to support a government based on what will be better for our country. We decide our votes according to what fills our pockets now. Why? Mainly, because we are uneducated, especially on economic matters. Almost 50 per cent of our children do not finish high school so we will be uneducated in the future, too. That is convenient for Populist governments.

If you spoke with the average Argentinian, you would think Juan Domingo Perón's election in 1946 was one of the greatest things that ever happened to us. The truth is Argentina's best era was long before. In 1895 and 1896, Argentina had the world's highest per capita GDP. It was greater than that of the United States and Australia, but over the years things shifted, and now these two

countries' GDP per capita are 2.8 and 2.4 times Argentina's respectively. People from Europe once chose between New York and Buenos Aires to fulfill their dreams. Can you imagine? We used to be a prosperous country with a liberal state that guaranteed free markets and promoted free enterprise, allowing people to become owners of their businesses and promoting economic growth for everyone. So why don't we yearn for a return to those years of our history? There is some kind of unbending zeal for Peronism, for nationalism, socialism, and populism.

From 1930 onwards, after several coups, and especially after the arrival of Perón in 1946, the state became the dominant figure in our economy, gaining control in almost every aspect of our lives, financing its participation with more than 160 different taxes. The most insidious consequence is that instead of rejecting the state, people have become dependent on it, demanding even more from it, believing the state must provide for each one of us, and not our own hard work. We ask for the presence of an almighty State, as if Statism has ever worked for any country. That should not be surprising: it is what Peronism strived for. Once, Otto Meynen, Minister Counselor from the German Embassy in Buenos Aires, transcribed from one of Peron's letters (because we should not forget either about Peron's good relationship with the Nazis) to Eva Duarte, his wife:

Argentinian workers were born herd animals, and as such they will die. All it takes to govern them is to provide them food, work and laws for flocks in order to keep them in line.

By these means he kept Argentinians loyal to the party. And that is the line of thought several Peronist periods were characterised by, especially the Kirchner era. By the time Cristina left the presidency, around 12 per cent of our total GDP was destined to social entitlements, despite running fiscal deficits since 2009. We can't even blame external factors for our woes. We actually enjoyed a period of record market values for products such as soy, which we were producing in excess throughout her whole presidency. Reckless public expenditure, excessive public employment and unprecedented levels of corruption produced the deficits, but since the population was happy with its present and chose to look the other way, the bureaucrats could maintain the circus. However, with rapidly dwindling federal reserves, the consequences were starting to be seen by the time Kirchner left the administration.

As if this were not enough, during Fernandez de Kirchner's presidency, Argentina nationalised two large enterprises: Aerolíneas Argentinas in 2008, which is Argentina's most important airline, and Yacimientos Petrolíferos Fiscales (YPF), one of Argentina's biggest fuel companies, in 2012. Nationalisation of Aerolíneas Argentinas has cost the State approximately 5.8 billion USD since 2008 with costs ongoing, while nationalisation of YPF cost 5 billion USD— which Argentina paid with public debt. Those bonds are currently at risk of default, given our Country Risk rose from 800 to more than 2100 points since the election, a level it hadn't hit since 2005. Not only did these programs cost a fortune, but we must now worry about their effect on multinationals.

Who would decide to invest in a country where rules are absolutely unclear? In a country where expropriation comes without notice? So, in light of recent events, we must ask ourselves: how can



we be surprised by what's going to happen now? Is it that we do not understand how the world sees what we are voting for? How is it possible Argentina still thinks Peronism and its new incarnation, Kirchnerism, are the path for a better future, for sustainable growth, for future generations?

It is not possible when we have experienced none of those positive conditions since the arrival of populism more than 70 years ago. Are we ever going to accept that the proven roads to wealth are liberal markets, competition, low taxes, private enterprise, and either little or no State intervention?

On October 27 we have the opportunity to make this right, to vote for a prosperous future instead of a mediocre past. It is time for Argentina to take off its rose-coloured glasses, and start enacting sustainable, long-term policies. Our chances are low, but they also were low for Macri in 2015.

Let's just hope we open our eyes before it is too late. Or, if you are reading this after the dice have been rolled and the election decided, at least you may better understand what was at stake in my beloved country.

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