

Conceptual Errors of the “President of all the Argentineans”

By Adrián Lucardi

The most alarming issue within the President’s speech is her conception of economics: “*Economics – as you all know - is, precisely, to administer with the disposable resources and the contributions at hand. Always within economy it occurs that what some people receive is taken from others, because the only one who could multiply fish and bread was Jesus Christ, the rest has to make decisions based on the disposable resources.*” In fact, economics is quite the contrary: It’s the creation of wealth that permits a major share for everybody, thus everybody comes out winning. If what the President said was right that would imply we still lived in the Stone Age, covering ourselves with loincloths and stealing from each other, using bow and arrow. All the advanced materials we see nowadays (like cars, computers, buildings, clothes, the Vuitton-handbags...) did not exist in the age of the hunter-gatherer. However, at that time nobody could take anything from anybody, as everything had to be created, and within this process of creation benefited as much the ones who manufactured – because they obtained resources to satisfy other desires – as also the ones who bought, since this permitted them to improve their quality of life. This is the secret of economy, and this is what can be called economic “growth”.

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In her speech to the Legislative Assembly on March 1st, the President approached various topics: the worldwide economic crisis, the importance to reform the rules of the international economic system, the results in respect to growth and employment of the economic model that rules Argentina since 2003, the economic aid the Nation is granting the provinces, the importance to redistribute the incomes, the improvement of the situation of the retirement pensioners and a superior institutional quality that the country allegedly presents since her husband Néstor Kirchner took over government. The speech contains various inaccuracies; however this is not to be considered at this point. More important is to emphasize some conceptual errors which were committed by, as she herself likes to phrase it, the “President of all Argentineans”.

In the first place there is the question of the international economic crisis and of the model to apply in order to face this crisis. It is absolutely right that, unlike most of the crisis that Argentina has suffered during previous years, this one has an external origin. It is also right that during the government of Néstor and Cristina Kirchner the economic policies applied were generally the opposite of what the international community had recommended. However, it does not follow from these two correct premises that the “alternative model” that was proposed by the President, is the appropriate one to confront the internal crisis. And this is not a question of orthodoxy or heterodoxy but rather because the “Kirchner’s model” is absolutely procyclic. In other words, the success of this model is tied to a favorable international situation as it is based on the increase of public spending, depending on the emission of money and on the increase in tax revenue that predominantly stems from taxes like the VAT and the export duty, which on their part increase and decrease according to the level of economic activity. Within her speech the President mentions many numbers (not adjusted to inflation) intending to demonstrate the exceptional results of this model. However, the same could be done by authorities of other countries due to the simple reason that within the last five years the world grew thanks to the despised “financial speculations”. If in Argentina the growth was larger than in other countries, this is due to the fact that this country came from a large period of economic recession, followed by a deep depression, so good part of its growth can be considered not more than a recovery from the previous level of activity. Thus the “Kirchner’s model” has less intrinsic virtues than the government likes to point out.

Second, the rules of the international financial system seem to disturb the President, as they are rules that, as she points out, “*only exist and have to be obeyed by the economically weak or emerging countries*”, thus the powerful are left unpunished. This criticism seems reasonable, however, that would be even more the case if the President applied it to her own country: Does a huge majority of the Argentines not feel that they are living in a place where the rules are only followed by “parsleys” who lack the resources or the contacts necessary to escape the penalty? Could it be that the widespread sensation of Argentina as a country, where the civil servants never receive conviction for their crimes, even less when they are in power, does not exist? During the despised 90s, the Menemists claimed that the denunciations of corruption against government officials were mere inventions by the media that the justice had never proved. During the Kirchnerism things did not change a lot: the officials involved in corruption scandals were dismissed from their posts but the denunciations against them did not move; and as soon as the principal tax collector of the country launches a large campaign to “raise the awareness” of the importance to pay taxes, the government ends up announcing a wide tax moratorium and a whitening of the capitals that would benefit particularly the major tax evaders.

As it is the case with the economic models, the President also points out that the “Kirchnerism” could offer an alternative proposal within this field. After emphasizing “*the crisis of a system of ideas that turned the speculation, the subordination, the world in which few people lead and the rest has to follow (...) into a model of decision, a model of exercising power*”, she adds that “*I think that these are the issues in which the Argentineans have to contribute (...) with the conviction that we could have done, here and within the Argentine Republic, something different (...)*”. It would be good if the President clarified to what exactly the term “*something different*” is referred, which is not based in the “*subordination*” that the Argentineans could contribute to, because the perception of the ones who live within this country is that neither the government of the current President nor the one of her husband could be considered examples of “*cooperation*”, not only with a view to their political competitors, but also regarding their own supporters within the Legislature. As a matter of fact, this conflict is inseparable from political activity and that’s why there will always be fundamental disagreements as well as different interest groups that

¹http://www.caserosada.gov.ar/index.php?option=com_content&task=view&id=5612&Itemid=66

consider themselves defeated by others. This will be even more the case as soon as the current government has achieved enough support in the ballot boxes to pass its legislative bills without any modifications. However, a government that continuously demands that all projects that are sent to the Congress are passed without any modifications, although this would possibly make them more acceptable to some of the opposition parties, and that, if it had lost an important legislative voting, this had happened because the government *did not want* to accept substantial modifications to its original project, this government cannot boast on being in favor of “cooperation” within the formulation of politics. If the President really thinks that cooperation influences the quality of the public policy in a favorable way, she should start to practice it within her own country.

However, the most alarming issue within the President’s speech is her conception of economics: *“Economics – as you all know - is, precisely, to administer with the disposable resources and the contribution at hand. Always within economy it occurs that what some people receive is taken from others, because the only one who could multiply fish and bread was Jesus Christ, the rest has to make decisions based on the disposable resources.”* In fact, economics is quite the contrary: It’s the creation of wealth that permits a major share for everybody, thus everybody comes out winning. If what the President said was right that would imply we still

lived in the Stone Age, covering ourselves with loincloths and stealing from each other, using bow and arrow. All the advanced materials we see nowadays (like cars, computers, buildings, clothes, the Vuitton-handbags...) did not exist in the age of the hunter-gatherer. However, at that time nobody could take anything from anybody, as everything had to be created, and within this process of creation benefited as much the ones who manufactured – because they obtained resources to satisfy other desires – as also the ones who bought, since this permitted them to improve their quality of life. This is the secret of economy, and this is what can be called economic “growth”. Naturally, this growth is not similar to the multiplication of bread and fish which is told in the biblical myth, it is rather a product of savings, investment and labor, things that do not exist where bank deposits get confiscated, the value of currency is constantly reduced (which discourages the savings), the ones who invest to gain high profits are punished by high taxes, and tempting salaries are offered to realize unexact labor within an enormous public sector, inefficient and nonproductive. In other words, growth is produced when the ones who create more wealth than others know that they can dispose of the benefits of their high productivity. It would be good if in Argentina the laws and regulations aimed in this direction, instead of annexing the benefits of the most efficient to redistribute them among the ones who are less productive.

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