

Argentina's President Struggles to Avert Economic Crash – Wall Street Journal

Alberto Fernández is **under fire** for a **foundering** economy, as he **grapples** with a leftist **faction** loyal to Vice President Kirchner

When Argentine President Alberto Fernández was elected last year, many hoped he could lift the country out of a painful economic recession.

But today, the economy is facing a growing crisis, as he struggles to **come up** with an economic plan while managing a **fractious** Peronist coalition. Its leftist base is loyal to Vice President Cristina Kirchner, the powerful former president.

Under his leadership, the country has seen many **erratic** policies that have **fuelled** a deepening currency crisis and **undercut** confidence in the government, economists and political analysts say. Now investors are questioning Mr. Fernández's ability to avoid a **full-blown** financial crash in South America's second biggest economy. The International Monetary Fund expects gross domestic product to contract 12% this year amid a coronavirus pandemic that has killed 30,000 Argentines.

The government's interventionist policies have prompted foreign businesses to leave the country, and store shelves are short of everything from shampoo to car parts.

"There is a complete lack of confidence in the management of the economy, and that really relates to uncertainty over who is making economic policy," said Benjamin Gedan, an Argentina expert at the Wilson Center, a Washington policy group. He said a crash could **fuel** protests and political unrest—and pose a risk to Mr. Fernández's ability to govern.

The lack of a clear governing plan has **dogged** Mr. Fernández from the beginning, as he has grappled with the various Peronist factions, which were **bitterly** divided during Mrs. Kirchner's time in office.

Mr. Fernández appeared to be **swayed** by leftist members of his government when he announced the **expropriation** of one of the country's top agricultural companies that had been struggling financially. He said the idea was first floated by a senator who is a member of La Cámpora, a youth group of Mrs. Kirchner's **die-hard** supporters led by her son, Máximo. He then **backtracked** after investor concerns over a return to an era of nationalization under Mrs. Kirchner.

In September, there was another sign Mr. Fernández's economic strategy was in **disarray** after his finance minister, Martín Guzmán, told local media that the government didn't plan to further **tighten** currency controls. But a few days later, the central bank caught economists by surprise with a 35% tax on foreign currency purchases.

The government says its economic policy has aimed to ensure long-term financial stability, with the first step being the restructuring of debt with private bondholders. It blames its economic troubles on the previous administration, and said the **downturn** has been made worse by the coronavirus pandemic.

Mr. Fernández had always faced **pitfalls** in his ascent to the presidential palace. He has no political base of his own after years as a political broker working behind the scenes, including as the chief of staff to Mrs. Kirchner and her late husband and predecessor as president, Néstor Kirchner.

He publicly **clashed** with Mrs. Kirchner, resigning from her 2007-2015 administration. Mr. Fernández at the time had frequently criticized what he called her heavy-handed state policies, like price and currency controls, and a **ballooning** fiscal deficit.

They later **reconciled** in a bid to unite the Peronists, a populist and ideologically diverse movement, to defeat conservative President Mauricio Macri's re-election bid in 2019. Mrs. Kirchner selected Mr. Fernández to be on the top of the ticket at that **tumultuous** moment.

Mr. Fernández **took over** a cash-strapped government and a **languishing** economy **saddled** with fast-rising unemployment, a **far cry** from the Kirchner years when a commodity boom meant an economic windfall and steady growth.

He seemed to be in control earlier this year, with his approval rating about 70% as he implemented an early lockdown that initially worked. After **defaulting** for the ninth time in Argentina's history, his government reached a deal with bondholders to restructure \$65 billion in foreign debt. His approach to dialogue appeared to **yield** better results for Argentina than Mrs. Kirchner's **bitter** confrontations with creditors.

As his deputy, Mrs. Kirchner has had an **outsize** role for a vice president. Analysts say her priorities have been to **shield** herself from investigations into corruption allegations during her time as president and strengthen the political power of La Cámpora.

Mr. Fernández appointed her loyalists to key posts, including the interior minister and the attorney general. He is advancing a judicial **overhaul** that sparked protests by political opponents who see it as an attempt to block corruption probes into Mrs. Kirchner, including through the removal of the judges overseeing her cases. She denies **wrongdoing**.

"Cristina's influence is **undeniable**," said Matias Carugati, an economist with Seido, a Buenos Aires-based consulting firm. "So is her discontent with some of Alberto's policies."

That **displeasure** surfaced this past week with a 3,000-word letter Mrs. Kirchner wrote to **mark** the 10th anniversary of the death of her husband, Nestor, who served as president of Argentina from 2003 to 2007.

In it, she took a **swipe** at the president's team, noting that there have been government mistakes and appearing to call for a cabinet **shake-up** by asserting that some ministers "don't function." Mrs. Kirchner tried to show she's accommodating, saying she favored compromise with political opponents and the private sector to solve the currency crisis.

Mr. Fernández said he didn't see the letter as criticism of his administration.

Latin America has a long history of powerful former presidents like Mrs. Kirchner influencing policy through **handpicked** successors.

“It creates a very unstable situation. A year on, we still don’t know with clarity who is heading the government,” said Jimena Blanco, an economist in Buenos Aires with consulting firm Verisk Maplecroft.

Nearly half of Argentines believe Mrs. Kirchner is either in control or locked in a power struggle with Mr. Fernández, according to pollster Poliarquia.

Susana Dunleavy, a 77-year-old retiree in Buenos Aires, believes the vice president holds much of the power. She is worried about rising food prices amid a widening gap between the official value of the peso, at about 80 per dollar, with the black-market exchange rate, which reached 180 per dollar last week.

She fears the government will eventually have to **enact** a painful devaluation as the central bank’s reserves **plunge**, driving even more people into poverty. She is also fatigued with one of the world’s longest lockdowns, which health officials say failed to **stem** a surge in coronavirus cases and made Argentina one of the hardest hit nations anywhere.

“The government we have is an embarrassment,” said Ms. Dunleavy.

Bondholders have **lashed out** at Argentina, saying the government failed to restore confidence and is **jeopardizing** a post-pandemic recovery through currency controls and other policies that are making the crisis worse. Two bondholder groups said there is now a “virtual **wasteland**” for Argentine credit.

“Macroeconomic stability appears to be an **ever-receding** mirage,” the bondholders said in a statement last month.

Review:

1. What did you think of the article?
2. How difficult was it to understand?
3. Who do you think really holds the power in Argentina, Kirchner or Fernández?
4. Do you agree that the economy is in “disarray”?
5. Why do you think he made several announcements and then backtracked (the expropriation of one of the country’s top agricultural companies and the currency controls)?
6. Do you think it’s true that Kirchner is using her position to avoid corruption investigations? Why or why not?
7. Why do you think he is pushing through judicial reforms?
8. Why do you think Fernández didn’t see the letter Kirchner wrote as criticism of his government? Why do you think she wrote it?
9. What do you think is the solution for Argentina?
10. Do you think a devaluation of the peso is likely? What will this lead to if it happens?
11. What do you think Fernández can do next?

12. What do you think life is like for an average Argentina with an employment rate of 10.44% and a poverty rate that has jumped to 40.9% in first half of 2020?
13. Is the economic crisis only a result of mismanagement, but has the COVID pandemic also affected the economy?
14. Vocabulary – let's us review the vocabulary highlighted.
15. Final thoughts.