

Bankers Hit Argentina With 'Kirchnergate'

by Cynthia R. Rush

Almost as soon as Argentina successfully completed its restructuring of \$82 billion in defaulted debt, international financial predators launched a speculative assault on the country, not unlike the one they directed against the nations of Asia in the mid to late 1990s. These synarchist financiers intend to bring the country down, first flooding it with speculative capital, producing uncontrolled inflation and economic chaos, and then pulling the plug, leading to massive capital flight and renewed debt crisis.

Why?

President Néstor Kirchner is dealing with a still-fragile economy, growing poverty, and wage levels that have yet to recover from the free-market looting of the 1990s. Although he has continued to pay Argentina's debt to the International Monetary Fund (IMF) and other multilateral lenders, his warnings that he will rebuild the economy without the Fund's austerity dictates have reverberated around the continent. As they face a global financial debacle, foreign banker elites are also shaken by Argentina's insistence that the Summit of the Americas it will host Nov. 3-4, in the resort city of Mar del Plata, will debate the need to reform the international "financial architecture."

Post-default bonds that are denominated in pesos, and indexed to an inflation coefficient known as CER, have provided the immediate vehicle for a speculative frenzy that has reached dangerous proportions in recent weeks, despite the government's imposition of capital controls and efforts to stem the rising inflation resulting from the ballooning trade in these instruments. Both President Kirchner and Finance Minister Roberto Lavagna have refused to resort to the restrictive monetary policy the IMF says is necessary to "cool down" the economy.

Government officials have appropriately referred to the speculative offensive as a "financial bicycle" a phrase identified with the barbaric looting practices of José "Joe" Martínez de Hoz, the British-trained Finance Minister of the 1976-83 military junta. The current spiral isn't close in size to what Martínez de Hoz unleashed, but its intent is the same.

In recent weeks, large institutional investors such as Deutsche Bank and Morgan Stanley, and allied U.S. investment funds, have poured billions into the country to snap up such inflation-indexed bonds as the Boden 2014, Dis-

count, and Par bonds. In July alone, the value of these bonds soared by 20%, and their 16% yields make them the most profitable in the world.

Almost 40% of Argentina's public debt is now denominated in these peso bonds. As prices rise, thanks to the machinations of large foreign and domestic economic conglomerates, so does the yield on the inflation-indexed bonds, which in turn drives inflation even higher. Even after Lavagna announced in late July that the government would cease issuing the bonds, they continued to trade furiously in secondary markets, while large investors and banks accelerated the dumping of their dollar holdings, increasing pressure on the exchange rate.

As one economist noted, at some point soon, the financial interests that set off this speculative cycle will just as quickly step in to stop the "inflation-interest rate bi-cycle," as a prelude to launching massive capital flight.

Local Synarchists Scream

Nor have the local synarchists been idle in their attempts to plunge the country into political chaos.

On Aug. 1, Santa Cruz Gov. Sergio Acevedo announced his intention to repatriate over \$500 million in funds derived from oil royalties which his predecessor, Néstor Kirchner, had deposited abroad for safekeeping, during his term as governor of Santa Cruz in the 1990s. Acevedo's announcement provoked howls of protest from a gang of thugs who claimed that by sending the funds abroad, Kirchner had committed outrageous acts of corruption, abuse of power, and fraud against the state, which required an immediate congressional investigation and action by the courts.

That these charges against the Argentine President are bogus can be seen in the pedigrees of those who are making them. As Kirchner said on Aug. 1, it was these same criminals who were personally involved in looting Argentina with their murderous free-market policies during the 1990s: former Finance Minister Domingo Cavallo, possibly the most hated man in Argentina; and former Finance Minister and Mont Pelerin ally of Washington's neo-con think-tanks, Ricardo López Murphy. And now they want to give Kirchner advice on proper "financial management?"

Another member of this gang is one Adrián Salbuchi, a Hitler admirer who poses as a patriot and enthusiastically warns that the Santa Cruz funds "scandal" is the "Kirchnergate" that will bring down the President. In its Aug. 2 coverage of the Santa Cruz issue, that mouthpiece of synarchist bankers the *Wall Street Journal*, prominently covered Salbuchi's charges, failing to note, however, that this allegedly anti-British "nationalist" has taken the Kirchner case to Transparency International, the "anti-corruption" non-governmental organization created by Britain's Prince Philip to wage war against the institutions of the nation-state.