

Eduardo Basualdo (ed.), *Endeudar y Fugar: Un análisis de la historia económica argentina, de Martínez de Hoz a Macri*, Siglo XXI Editores, Buenos Aires, 2020, pp. 232.

Argentina's contemporary history is above all its economic and financial history, and Eduardo Basualdo knows this very well. His research has always been focused on the complex relationship between the domestic economic structure of Argentina and its insertion in the international context, without forgetting, or rather highlighting, the social background within which this relationship is produced and reflected. The result of the research work by the Área de Economía y Tecnología of the Facultad Latinoamericana de Ciencias Sociales (FLACSO), *Endeudar y Fugar* reflects the *modus operandi* of its editor and represents, in the opinion of the reviewer, its most complete formalization. In particular, the description of the foreign debt/capital flight dynamic, on which Eduardo Basualdo himself has focused his attention in the past twenty years, is finally placed within a conceptual scheme that emphasizes the simultaneous succession of different models of capital accumulation. But beware, if the reader is looking for a text that disguises itself under

the cloak of apparent scientific objectivity, he will not find it here. This text is also a political text. And it could not be otherwise given the nature of the text itself, so far from modern economics and so close to classical *political economy*. The editor himself warns us in the very first lines of the prologue, in which he explains how this new version of the text was necessary to incorporate the four years of Mauricio Macri's Presidency (2015-2019), which he describes as the "process of national destruction" (p. 11).

The book consists of six chapters arranged chronologically. The starting point is 1976 – the book opens with the establishment of the military regime known as the "National Reorganization Process" (Proceso de Reorganización Nacional) in 1976 – and closes in 2019, passing through the return to democracy in 1983 and the infamous financial economic crash of 2001. Unlike most texts on Argentinean economic history, but consistently with the text's methodological premises, the book does not follow a division based on the succession of different presidential administrations. The chapters follow the timescale dictated by the different stages of the relationship between foreign debt and capital flight, and the model of capital accumulation in which this relationship is embedded.

In the first chapter, the editor Eduardo Basualdo, together with Leandro Bona, describe the relationship between foreign debt and capital flight in the years between 1976 and 2001. From the onset, the two authors take a clear position on one of the most debated topics in Argentine economic history: the evaluation of import substitution industrialization (ISI). For Basualdo and Bona, ISI would be forcibly terminated at the dawn of its final consolidation, and would not naturally come to an end, to make way to Argentina's new (but old) integration of production on an international scale, based on the agro-export model, the expansion of foreign investment and financial internationalization. With the end of ISI, debt ceased to be a way of financing investments and became a means of obtaining a financial return. In addition, public debt is subordinated to the logic of the private sector (or rather of the dominant sector of capital), which thus finds itself dictating the strategic lines of the entire Argentinean economy. The financial return obtained by these "dominant fractions of capital" (p. 18) was essentially based on one of the leitmotifs of Basualdo's work (see for instance Eduardo Basualdo, *Estudios de historia economica argentina. Desde mediados del siglo XX á la actualidad*, Siglo XXI Editores, Buenos Aires, 2010, pp. 496) i.e., on the positive difference between domestic and international interest rates. The existence of this differential made it possible to borrow abroad at lower rates, to speculate on the domestic market, and to take profits out of the country. In this way, capital flight was intrinsically linked to

foreign debt. This is the process the authors call “financial valorization” and that they use to designate the entire phase under consideration. With the start of this phase, the very nature of the State changed. Its role was now basically to maintain high domestic interest rates by borrowing from the local financial market; to obtain the necessary foreign currency through foreign borrowing; to nationalize private debt at critical moments, as in 1982. This “financial valorization” would have only been possible thanks to a context characterized by an unequal redistribution of income to the detriment of wage earners. In this sense, the authors highlight the strongly regressive character of the 1977 financial reform. All this was accentuated by the extreme difficulty of the working class to create an alternative social bloc in a highly repressive climate dominated “hegemonically” by the specific regime that the authors, drawing heavily on the work of Antonio Gramsci, call “Argentinean transformism” (p. 25) exercised by the local ruling class. Moreover, according to the authors, it was at this stage that the “comunidad de negocios” (business community, p. 26) between local and foreign capital was consolidated for the first time in Argentina, which would directly benefit from the completion of the commercial and financial opening, and the privatization program implemented in the 1990-2001 period. The remainder of the first chapter focuses on the process of private foreign debt during the 1990s and its composition, concluding that it was the private sector debt that drove the country’s foreign debt. A fundamental role was played by the “cupola empresaria” (Entrepreneur Circle, p. 46) made up of the 200 companies with the highest turnover in Argentina, which in 1999 held 90% of private debt. For the reviewer, however, this passage would need additional clarifications, especially on the links between local economic groups-foreign capital and the non-financial private sector. This absence may leave the reader with a sense of confusion that can be summarized as who is who? The point of connection between the first and second chapter is the end of the peso-dollar parity inaugurated in 1991 with the Convertibility Plan. Between 1998 and 2001, the different internal visions on how to get out of a situation that had become unsustainable produced a break within the dominant bloc between local economic groups in favor of the devaluation of the peso and those linked to foreign capitals in favor of the complete dollarization of the Argentine economy. While the former was more linked to the export sector (and could therefore have benefited from a devaluation), the latter were, after the privatization process in which they played a major role, more exposed to the local market. Finally, for the authors, the mobilization of the popular sector was crucial to the definitive fall of the financial exploitation regime.

The second chapter written by Andrés Wainer and Mariano Barrera starts from the end of the process of “financial valorization” that culminated in the collapse of 2001, retracing the more purely financial stages that marked the Fernando de la Rúa administration (1999-2001). Through the detailed analysis of the loan program of the late 2000s’ known as “blindaje financiero” (financial shield) first, and the equally precise analysis of one of the largest (and most inconclusive) maneuvers to restructure public debt into bonds in Argentine history (the so-called “megacanje”, mega-exchange), the authors highlight the complex relationships between Argentina and its creditors. In particular, the International Monetary Fund (IMF), the supervisor of both agreements, played a major role in this, and its relationship with Argentina is still the subject of endless debate. From this point of view, Wainer and Barrera’s essay lays the groundwork for the topics in chapters four and five. This chapter concludes by picking up the red thread that links all the contributions to the work, namely capital flight. It does so by focusing on the one that took place during 2001, further highlighting the high degree of concentration that capital flight abroad exhibited during that year. In chapter three, Eduardo Basualdo and Pablo Manzanelli discuss the political, social and economic nature of the Kirchner-Fernández administrations (“Kirchnerist era” p. 75). Through a concise but nevertheless rich examination of the twelve years marked by the administrations of Nestor Kirchner (2003-2007) first and then of his wife Cristina Fernández (2007-2015), the authors manage to bring out the clear points of rupture, but also the less visible elements of continuity, between the “Kirchnerist era” and the previous regime of “financial valorization”. The most obvious characteristic of the Kirchner phase is to be found by the authors in the renewed central role of the industrialization process, to be achieved, however, by neutralizing the decisive influence of foreign capital and strengthening the expansion of national public and private enterprises as a means of achieving economic growth.

After dividing this phase into a first stage marked by the “cuestión nacional” (national issue, 2003-2007) and a second more properly “nacional y popular” (national and popular, 2008-2015), the authors describe how Argentine real economy was reactivated in these years, adding to this description that of the contemporary modification of the form of hegemony in the Gramscian sense. The expansive monetary and budgetary policy, the favorable exchange rate for exports, the specific international situation characterized by high commodity prices (in the case of Argentina, we are talking in particular about agricultural commodities), enabled a decidedly high growth rate characterized by a far from negligible increase in real wages and a fall in unemployment and poverty rates. However, this situation did not withstand the international and national upheavals that

took place starting from 2008, represented by the financial (and then economic) crisis on the one hand and the clash with the “terratenientes” (landowner) of the Pampas on the other. Between 2012 and 2015, the authors identify a clear decline in the model set by Kirchner and Fernández. The sixth paragraph of the chapter is particularly relevant and demonstrates the structural limits of Argentina’s productive capacity, characterized by a strong dependence of the industrial and energy sectors on imports and a constant capital flight that denies resources to productive investments. The reviewer thinks that this is the most stimulating paragraph of the entire text. The authors’ final view is that the Kirchner administrations were not supported by the capability of the State to create the political and social pressure essential to direct economic surplus towards the specific interests of popular sectors.

The fourth chapter, written by Andrés Wainer and Leandro Bona, focuses on the intricate history of the Argentine debt default renegotiations that took place in 2005 and 2010. Beyond the more specifically financial issues, which the reader will find masterfully described here, this chapter succeeds in shedding light on the often poorly illuminated recesses in which sovereign debt renegotiations actually take place. The complex entanglements between creditor and debtor are unraveled here, enabling to identify all the subjects and interests usually involved in these events. In the case of Argentina, these were the International Monetary Fund, the many states involved (the United States, Great Britain, Germany, Italy in particular) and the agenda not always coinciding with that of their own citizens directly involved in the default (the US case being exemplary). But perhaps the most interesting element of the whole chapter is the recognition of the central role played by “individual” buyers of public bonds (“bonistas” p. 117) who were often unaware of the speculative investments orchestrated by the financial agents (investment funds, pension funds, etc.) to whom they had entrusted their savings. This “atomization” of creditors (who were replacing the old role played by commercial banks) was an international trend that began in the 1980s and which in Argentina took shape in 1993 with the official implementation of the Brady Plan. In this way, the Argentine default did not put the entire international financial system at risk due to the changes in the global financial system. This is a very different outcome for creditors than that of the Latin American debt crisis of the 1980s. The same cannot be said for debtors.

In any case, the renegotiation of Argentina’s defaulted debt was a relative success for Nestor Kirchner at first and Cristina Fernández later on. By 2010, 92.2% of the creditors involved in the default had renegotiated their claims in Argentina, resulting in a 42.8% cut in Argentina’s nominal public debt. But the small minority of creditors (and

in particular the so-called vulture funds) which remained outside the agreements were still a thorn in Argentina's side for a long time. In chapter five, Mariano Barrera and Leandro Bona take up two issues left unresolved in chapters three and four: the persistence of capital flight during the Kirchner era; and the conflict between Argentina and the so-called "vulture funds". As regards the first point, capital flight during the Kirchner and Fernández administrations changed in nature but not in substance: while during the exploitation it was closely linked to the process of foreign indebtedness, now it was directly linked to trade surplus. The authors therefore define capital flight as a structural phenomenon of Argentina's economy from 1976 onwards, characterized by the following phases: accumulation; dollarization of profits; capital flight abroad. Taking up the two-stage division of the "Kirchnerist" phase, the authors also point out that during the first phase (2003-2007) the flight was indeed financed by trade surpluses, but that in the second (2008-2015) it reverted to refinancing through the accumulation of new foreign debt, mainly due to a progressive shortage of international currency (especially since 2014). As for the Argentina/vulture fund clash, the authors manage to masterfully summarize one of the conflicts that inflamed the global financial chronicle in the first 15 years of the 21st century. As the authors themselves explain, vulture funds are nothing more than speculative funds that invest in risky public debt (often on the road to default) to claim 100% of the nominal value once in default, thanks to the expertise of teams of highly paid lawyers. The clash of these funds with Argentina represents a very important passage not only in global financial history, but also in international law. The authors succeed in highlighting not only the conflict as an expression of national and international disputes, but also the intrinsic dangers for the international system represented by the very existence and freedom of action of these funds. In any case, after more than ten years of legal wrangling, marked by the rulings of US judge Thomas Griesa, it was only with the arrival of Macri at the Casa Rosada that the issue was resolved. Needless to say, in favor of the vulture funds. The text ends with the undoubtedly most politically charged chapter. Written by Pablo Manzanelli, Mariana González and Eduardo Basualdo, it covers the four years of Mauricio Macri's administration. According to the authors, for the first time in modern Argentine history, the "dominant sectors" (p. 179) have direct access to State control, through their own democratically elected party. For the authors, the advent of Macri represented a return to the model of accumulation typical of 1976-2001, but with some important innovations. The core of this new "financial valorization" was still centered on the foreign debt/capital flight dynamic, but this time it was the financial capital that directly

exercised a hegemonic role, rather than the local economic groups. This time, the process of financial valorization is also directed by public debt and not by private debt as in the previous phase. The central element of this new valorization is, according to the authors, the high local interest rate compared to the exchange rate movement. Again, this is more a change of form than of substance.

The authors' assessment of the economic policy undertaken by the government is decidedly negative. Despite the fact that there were no external preconditions for doing so, it opted for the launch of an export-led economy through a deepening of trade and financial liberalization, supported by a reduction of domestic consumption (adjustment policies and restrictive monetary policy). But austerity did not lead to a relative decrease in inflation. In fact, inflation continued to rise almost exponentially, mainly due to devaluation, the increase in public services fees and the rise in prices following a falling demand. Adopting a behavior that the authors define as historically typical of Argentinean companies, the increase in profit margin is implemented through the increase in prices and not in quantities sold. In the end, the authors conclude by pointing the finger directly at the Macri administration, accused of having deliberately supported the fall in real wages and the precariousness of the work environment to reformulate the capital-labour relationship in favour of the former. All in all, this is not a simple text, which probably requires further reading by the editor to be fully understood and a non-elementary knowledge of Argentine political and economic history. In the reviewer's opinion, the book tends perhaps too often to underestimate the weight of political upheaval in the so-called "financial valorization" phase, but this changes in the second part of the book, when it is given due prominence. Certain dynamics should also be explained more clearly and in greater depth, if only to give greater legitimacy to the attacks, and the defenses, that are being made.

Despite the many authors involved, the text does not appear disjointed at all, but it rather maintains its analytical compactness from beginning to end. Given the extensive use of Gramscian concepts throughout the text, the reviewer would have expected at least a reference to the work by Guillermo O'Donnell and Oscar Oszlak on the social formation of the Argentinean State. Integrating the work of the two great Argentinean political scientists would have probably worked in favour of the completeness of the text, broadening its scope and analytical depth. The success of Antonio Gramsci's studies outside his native country should be acknowledged. It is there, however, that they seem to have increasingly lost the centrality they deserve.

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