

## SPARE A TEAR FOR ARGENTINA

Once a shining star of free-market capitalism, the country is in economic meltdown. So where did it all go wrong?

As Argentina followed its team in the World Cup, one who did not take his usual place in the press box was the sports journalist Horacio Garcia Blanco. A veteran reporter of nine world cups, Blanco was expecting to cover his 10th when his doctors told him that he needed a kidney transplant. It should not have been a problem because Blanco, 65, was comfortably off. He had the money to pay for the operation. But there was one snag. Like millions of other Argentinians, Blanco has had his account frozen since December. Banks only have to pay out if judges rule that there are special circumstances. Blanco's case was not considered serious enough, and he was offered just 10% of his money in devalued pesos. The operation cost a lot more and Blanco died two weeks before the World Cup.

For many Argentinians Blanco's story summed up what has been happening to their country over the past four years, as it has been transformed from the blue-eyed boy of Latin American globalisation into a country imploding economically, politically and socially. Unemployment is 25%, the economy is contracting at a rate of 15% a year, the central bank is running out of money to defend the currency, and a quarter of children are suffering from malnutrition in a country so rich in farmland that it produces enough to feed 10 times its population.

Outside the Casa Rosada, where Evita waved to the adoring crowds from the balcony, there are daily demonstrations against the Peronist president, Eduardo Duhalde. These are not demonstrations

orchestrated by the young, but by the grande dames of Buenos Aires, banging away on their pots and pans like May Day anarchists but with their hair nicely tinted for the occasion. Argentina's middle class has been impoverished. And it is angry. Very angry indeed.

Having been used as a *test-bed for free-market ideology*, Argentina is now the *laboratory mouse for what to do when those ideas go badly wrong*. All this was unthinkable as recently as the mid-90s, when the Peronist president, Carlos Menem, was praised in the West for *taming Argentina's hyper-inflation* and introducing a package of market-friendly reforms. Menem pegged the peso to the dollar, abolished exchange controls, privatised large chunks of Argentina's state-owned firms and opened up the country to *the full blast of foreign competition*. The key to his early economic success was the dollar peg, since the commitment to convert pesos into dollars at a one-for-one exchange rate meant that Argentina could not fall back into bad habits and simply print money when times got tough. As a result, inflation fell from 5,000% a year in the late 1980s to almost zero in the early 90s.

But the "miracle cure" contained within it the seeds of its own destruction. Being pegged to the dollar was fine when the United States currency was falling, as it did for the first half of the 90s, because that meant that Argentinian exports to the rest of South America and Europe remained competitive. It was a different story, however, once the dollar started to rise from 1995 onwards. The deflationary impact of the dollar peg was exacerbated by another development - the spate of

financial crises in developing countries that started in Mexico in 1994 and spread to Asia, Russia and Brazil between 1997 and 1999

Duhalde has yet to find a way of unfreezing deposits that satisfies the depositors, compensates the banks for the losses made as a result of devaluation, and alleviates the IMF's fears that the country could slip into hyper-inflation. He is now trying desperately to cut a deal with the IMF that would provide a bail-out in return for the acceptance of stringent conditions. Until recently, the fund's tough-love approach was supported by Argentinians, who were convinced that any cash provided would find its way into the pockets of the notoriously corrupt political establishment. But the IMF's insistence on two further conditions has altered the public mood. The first is that the government in Buenos Aires changes its bankruptcy law to allow foreign - almost certainly US firms - to buy up liquidated Argentinian firms at bargain-basement prices. The second is that Argentina scraps an economic subversion law that was originally passed

to deal with leftwing terrorists in the 70s, but is now being used against bankers accused of spiriting millions of dollars out of the country. The fund says that the reforms are vital if the confidence of foreign investors is to be restored.

Argentinians think otherwise. "First they came for our companies and they took them away," says a fly poster on the doors of Bank Boston, pitted with dents from hammer blows. "Then they came for our savings and they stole them. Now they are coming for our whole country. Argentina rise - now or never."

Argentina is a country rich in resources and culture. It feels its humiliation deeply. The sense is that the economic situation will get worse before it gets better. History suggests that the combination of a dispossessed middle class and a working class with nothing to lose is a catalyst for revolution. That is the real worry. Tragedy is not losing a football match. It is what is unfolding in Argentina now.

The *Guardian Weekly* 13-6-2002, page 10

## 1. Summary

Which of these sentences is the best summary of the text?

- 1 The Argentinian football team's defeat in the World Cup will have a bad effect on the economy.
- 2 People in Argentina have been demonstrating because of the exchange rate.
- 3 Compared to the problems in the Argentinian economy, football is a minor problem.

## 2. Correct order

Each of these sentences summarises a paragraph in the text. Put them in the correct order.

- a The IMF wants to impose some unpopular conditions on Argentina.
- b There are large demonstrations every day outside the Presidential Palace.
- c The situation may get worse before it gets better
- d When the dollar began to rise, Argentina suffered serious problems.
- e Argentina is collapsing economically, politically and socially.
- f In the mid-1990s President Menem introduced reforms and managed to control inflation.
- g Argentina's banks have frozen their customers accounts.

### 3. True or False

Which of these statements are true and which are false?

- 1 The Argentine economy is expanding at the rate of 15% a year.
- 2 Argentina produces enough food to feed its population 10 times over.
- 3 Unemployment is currently around 25%.
- 4 In the late 1980s inflation in Argentina was 5,000% a year.
- 5 In the early 1990s inflation reached 10,000% a year.
- 6 In the mid-1990s the Argentinian peso was still pegged to the dollar.

### 4. Comprehension check

Choose the best answer for each of these questions:

- 1 Horacio Blanco, a leading Argentine sports journalist, died because:
  - a He had no money to pay for his operation.
  - b The bank refused to release his money.
  - c The price of the operation had increased by 10%.
- 2 When the writer says the Argentinian economy is "imploding", he means:
  - a It is growing too rapidly.
  - b It is stagnating.
  - c It is collapsing.
- 3 Argentina's middle classes are demonstrating every day because:
  - a They have lost their jobs.
  - b They are anarchists.
  - c They have become poor.
- 4 What was the initial effect of pegging the peso to the dollar?
  - a Inflation fell to almost zero.
  - b The dollar fell in value.
  - c Argentina printed more money.
- 5 What happened in 1995 when the dollar (and the peso) began to rise in value?
  - a There was a financial crisis in Mexico.
  - b Argentinian exports became more expensive.
  - c Inflation increased.

- 6 What will happen if Argentina changes its bankruptcy law?
- a American companies will buy liquidated local companies at cheap prices.
  - b Bankers will be able to export currency freely.
  - c The money will go to the corrupt political establishment.
- 7 What is the forecast for the immediate future?
- a Things will get better for a while.
  - b Things will get much worse.
  - c Things will get worse before they get better.

## 5. Vocabulary Work

Match the words in the left-hand column with the definitions in the right-hand column.

- |                     |   |
|---------------------|---|
| 1 a snag            | a impossible to imagine                       |
| 2 the blue-eyed boy | b famous for something bad                    |
| 3 barter            | c very strict                                 |
| 4 unthinkable       | d the favourite                               |
| 5 a chunk           | e to make a problem worse                     |
| 6 to exacerbate     | f a problem                                   |
| 7 to alleviate      | g paying for goods with other goods not money |
| 8 stringent         | h something that causes something to happen   |
| 9 notorious         | i a large piece                               |
| 10 a catalyst       | j to make something less serious              |

## 6. Vocabulary work 2 – collocations

Match the verbs in the left-hand column with the nouns they collocate with in the right-hand column

- |                     |                     |
|---------------------|---------------------|
| 1 to run out of     | a a demonstration   |
| 2 to suffer from    | b exchange controls |
| 3 to lead           | c conditions        |
| 4 to control        | d money             |
| 5 to abolish        | e debts             |
| 6 to compensate for | f growth            |
| 7 to impose         | g. malnutrition     |
| 8 to finance        | h inflation         |
| 9 to slow           | i a bank account    |
| 10 to freeze        | j losses            |

Fill the gaps using an appropriate word from the text in the correct form.

- 1 In Argentina most bank accounts have been \_\_\_\_\_.
- 2 People have been demonstrating \_\_\_\_\_ the government.
- 3 Carlos Menem was believed to have \_\_\_\_\_ inflation.
- 4 Menem's government \_\_\_\_\_ exchange controls.
- 5 The dollar peg meant that Argentina could not \_\_\_\_\_ into bad habits.
- 6 President Duhalde needs to find a way to \_\_\_\_\_ the fears of the IMF.
- 7 The IMF is insisting \_\_\_\_\_ two further conditions.
- 8 It is hoped that the reforms will \_\_\_\_\_ the confidence of foreign investors.

## 7. Metaphorical and idiomatic phrases.

Try to paraphrase the meaning in context of the following phrases from the text. In some of the phrases there is a transfer of meaning from one area of language to another. In 1 language from agriculture/horticulture is transferred to help illustrate language discussing economics. Try to identify these transfers

The first has been done for you.

1 *a test bed for free market ideology* → *a place used to experiment with ideas and practices coming from free market ideas. (a test bed is a term from agriculture referring to an area set aside for experimental cultivation.)*

2 *Argentina is now the laboratory mouse for what to do when these ideas go wrong* →

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.....

3 *Carlos Menem was praised for taming Argentina's hyperinflation* →

.....  
.....

4 *to cut a deal that would provide a bail-out in return for the acceptance of stringent conditions* →

.....  
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## 8. Discussion Points

Is investment from abroad the answer to the problems of a country like Argentina?

Should American companies be allowed to buy bankrupt Argentinian companies at knock-down prices?

Is the government justified in freezing people's bank accounts to protect the economy?