

Argentina's 'Default': The Pot Calls the Kettle Black

by Dennis Small and Cynthia Rush

The International Swaps and Derivatives Association (ISDA), which has approved and presided over the growth of a completely unpayable international speculative bubble of some \$1.7 quadrillion in financial derivatives, on Aug. 1 had the audacity to declare that Argentina's supposed failure to make a \$539 million payment to bondholders was a "technical default," and therefore a "credit event." This ruling means that sellers of credit default swaps (CDSs) must pay buyers, triggering an estimated \$1 billion in credit default swaps. The 15-member board of the ISDA voted unanimously to declare such a "credit event"—and among those 15 are CDS giant JPMorgan Chase and Elliott Management, the latter being the very vulture fund that took Argentina to court to force a default in the first place!

Argentina, as is well known, *did* make its \$539 million payment on sovereign debt that was restructured in 2005 and 2010 with 93% of its bondholders, transferring the funds in a timely fashion to the accounts of the fiduciary, Bank of New York-Mellon (BoNY), as is normal in such cases. Some of the 7% of holdouts, however, led by vulture fund NML Capital (Elliott Management) of Paul Singer, have been authorized by U.S. Federal Judge Thomas Griesa and his Special Master Daniel Pollack—and upheld by the Supreme Court of the United States—to get full payment on distressed bonds they purchased at mere pennies on the dollar, prohibiting BoNY from paying the restructured bond-

holders, unless and until the vultures are paid simultaneously. This, Argentina has emphatically refused to do, noting the 1,608% profit the vultures would make, and the fact that the RUFO (Rights Upon Future Offers) clause would require them to make equivalent payments to all bondholders, thus bankrupting the Argentine nation.

But that is precisely what the bankrupt and desperate British Empire and its vulture fund hit-men like Singer intend: to create defaults where none in fact exist; to make a speculative killing on the side with CDS bets against the targeted country, as appears to be the case with Argentina; and then to foreclose on entire nations and populations in order to keep their derivatives scam in motion. The very same vulture funds that are attacking Argentina, have positioned themselves to carry out similar operations against the nations of Europe [see *International* article by Helga Zepp-LaRouche]. This is what Lyndon LaRouche has characterized as the British Empire's "bail-in" policy, whose technical definition is identical to its stated intention to reduce the planet's population from 7 billion to 1 billion people.

Argentina Slams the Obama Administration

In a press conference on July 31, Argentine cabinet Chief of Staff Jorge Capitanich slammed the U.S. government for its lack of "rationality" and biased court officers, accurately characterizing Judge Griesa and



UN Photo/Evan Schneider

President Cristina Fernández de Kirchner: “I believe that Argentina today is a global test case.” If the financial vultures win, “it’s going to be very difficult for debts to be restructured, or to convince people to invest to reactivate the global economy which urgently requires jobs, research and development in science and technology.”

Special Master Pollack as “agents of the vulture funds.”

“The United States is responsible for not acting appropriately,” Capitanich said. “Don’t come to us with the excuse that the judiciary is independent.” What the United States is independent of “is rationality. It is independent of decisions that are compatible with the functioning of the international financial system, *but it is not independent of the vulture funds.*”

“Let there be no doubt that . . . Judge Griesa is not an independent judge; he is an agent of the vulture funds. Pollack is an agent of the vulture funds. So, what justice system are you talking about? What independent judiciary are you talking about? We are talking about the responsibility of a State, that is, the United States, to create the conditions of respect for the unrestricted sovereignty of nations. This is Argentina’s position—a *rational* position. . . . Argentina will stand up for its rights before the international community,” especially because it has overwhelming international support, as was seen most recently at the mid-July BRICS and Unasur summits in Brazil.

Capitanich also addressed the insanity of the global

situation, both in strategic and financial terms. “The international community cannot endorse the actions of minuscule groups that aim to undermine the process of a sovereign country’s voluntary restructuring,” he said. “But, what can we expect from a world leadership which is not even capable of intervening in wars, where people are killed? They don’t even care—it doesn’t matter to them that the sovereignty of nations is undermined. They don’t care that people get killed, and they won’t do what they’re supposed to do in dealing with these tiny groups” of vultures.

“This situation can’t go on indefinitely,” he warned. “It is not possible for the world to coexist with these types of minuscule agents who distort the functioning of the international financial system, relations among nations, the exercise of sovereignty, and, above all, the will of nations.”

Fernández: Glass-Steagall Would Have Stopped This

In a July 25 video address to an audience in the northern province of Chaco, to celebrate the opening of an iron smelting plant, Argentine President Cristina Fernández de Kirchner made an unmistakable reference to the Glass-Steagall law—without naming it—noting that “there was once a law in the United States that prohibited the type of speculation” which the predatory vulture funds have engaged in, in their war against Argentina.

President Fernández alluded to Glass-Steagall in discussing the vulture fund rampage against her country, by which “they bought paper they knew was worthless, bought it for nothing.” She clearly implied that a law such as “once existed in the United States” is necessary now, because “whoever buys defaulted paper, obviously has no good intention in mind . . . they want to speculate and see how they can make more money. . . .”

“We have a very strong sense of our historic responsibility at this moment,” she said, “to defend our model, and especially to defend all Argentines. . . . I believe that Argentina today is a global test case. . . . If these [speculative] practices triumph in the world,” who will want to engage in productive investment,

such as that made to build Chaco's iron-smelting plant, "if in six years, someone can reap a return in dollars of 1,608% without having [invested] anything, or risked anything?"

If the vultures win out, she warned, "it's going to be very difficult in the world for debts to be restructured, or to convince people to invest to reactivate the global economy which urgently requires jobs, research and development in science and technology, etc."

Fernández de Kirchner also exposed the murderous practice of "bankers' arithmetic," as Lyndon LaRouche has denounced it over decades. This is the looting mechanism by which nations pay and pay, yet end up with more debt than they began with, through usurious interest rates, forced devaluations, and bankers' commissions, combined with austerity conditionalities. In Argentina, Fernández explained, this "financial bicycle" began in 1976 after the military coup and continued for 25 years. How did it work? "Well, a loan came due, and [they] took out another loan, and added more interest and more capital to refinance it. Do you know what foreign debt is? A snowball, which grew as it moved forward, because as usual, we couldn't pay, so we were always refinancing, and that was how, finally in 2001, the thing exploded," and Argentina went through the largest debt default in history.

Since President Fernández alluded to Glass-Steagall, others have raised this issue more explicitly. "The vultures *are* the transnational financial system," wrote Federico Martelli, director of the Argentine magazine *Revista 2016* in its June edition. Debunking any notion that the vultures are just "residual" elements within the global financial system, he asserted that they are in reality "the most advanced organic part" of that system, which gained prominence after the 1999 repeal of Glass-Steagall in the United States, "which regulated and limited the comingling of service banks with investment banks."

The financial consolidation which followed the law's repeal, he said, wiped out more traditional forms of banking and production, created huge financial conglomerates such as Citigroup, and eliminated any distinctions among investment banks, hedge funds, and the "subset" of vulture funds. While the vultures may specialize in buying up nations' defaulted debt for nothing, he warned, they in fact reflect the character of the financial system itself, "which just rearranges roles according to the needs of the moment."