BUENOS AIRES — For all appearances, the Escuela de Mecánica de la Fuerza Armada, a complex of buildings along the Avenida Libertador, could pass for a university campus built early in the last century. Trees line the broad boulevard, as it skirts the Plate River. And the edifices across the street evoke the architecture of Paris and Barcelona, remnants of Argentina’s Belle Epoque – the beginning of the 20th century when, along with the United States and the Western European powers, Argentina could boast of one of the richest and fastest growing economies on the planet.

That was long ago, in a country far, far away. During Argentina’s Dirty War (1976-83), the innocent-looking structures of the School of Naval Mechanics that is known by the acronym EMSA were the center of the military junta’s killing machine, a place where thousands were tortured and murdered. And the grandeur of the nearby architecture stands as ironic testament to Argentina’s once-great promise and greater disappointments. For this sprawling country – four times the size of France – now holds the dubious distinction of having fallen further and faster than any other in modern times. A century of dysfunctional government and economic mismanagement have kept it on a Sisyphean slope; each time Argentina appears poised for a comeback, another crisis sends it tumbling.

Case in point: the tabloid-style death this year of Alberto Nisman, a special prosecutor who was investigating charges of a cover-up that reached all the way to President Cristina Fernández de Kirchner. This, just when it appeared that the president was going to elude a sword of Damocles wielded by a couple of American hedge funds, whose refusal to accept a discounted repayment schedule on the defaulted Argentine bonds they held had rattled the fragile Argentine economy.

Nisman had spent the past decade investigating the 1994 bombing of the Jewish Community Center of Buenos Aires, which killed 85 people. This, by the way, was hardly the first time that Argentina’s 200,000-strong Jewish community – the largest in Latin America – was a target. Two years earlier another suicide bomber drove a truck into the Israeli embassy in Buenos Aires, killing 29. In the 1994 bombing, however, most of the victims were Argentine civilians. Suspicion immediately fell on Iran and its Lebanese client, Hezbollah. But no one was ever brought to justice, and the investigations were so botched that President Nestor Kirchner, who preceded his wife, Cristina, in office, called them a “national disgrace.”

CHARLES CASTALDI, a former National Public Radio reporter and producer, lives in Nicaragua.
This is where Nisman came in. He was either killed or committed suicide the day before he was to present evidence that the president and her foreign minister had conspired to put the kibosh on the pursuit of the Iranian masterminds of the Jewish center bombing in exchange for much-needed Iranian oil. It seems that Nisman’s security detail – provided by the government – somehow didn’t realize anything was amiss for 11 hours. And the documents containing the allegations against Fernández were found in a trash bin outside his apartment the day after his death.

At first, Fernández said it was a suicide, then claimed it was an assassination carried out by rogue intelligence agents with the intent of discrediting her. The state prosecutor who was charged with looking into Nisman’s death announced that she was going on vacation a couple of days later, only to think better of it when Argentines responded with outrage.

To paraphrase Winston Churchill (who was referring to the Soviet Union), Argentina is a riddle wrapped in a mystery inside an enigma, and the ESMA that fine day offered a fitting place to ponder the phenomenon. Benign appearances to the contrary, the ESMA is a haunting reminder of how far Argentina can stray from the straight and civil path. It’s been turned into a museum dedicated to the memories of the disappeared, who number somewhere between 10,000 and 30,000; as with so much in Argentina, the truth is elusive.

In front of the former naval mechanics school this fine day, a few hundred mostly young people had gathered to commemorate the birthday of the late President Nestor Kirchner, hero to the Peronistas, as the current ruling party is commonly known, and on whose coattails his wife rode into the presidency.

Kirchner, an unknown from Patagonia, the country’s sparsely populated south, took
the reins of office in 2003. By then the wheels had (once again) come off the ever-promising (and rarely delivering) Argentine economy. It had been battered by hyperinflation, then depression. Unemployment had reached at least 25 percent. The government had defaulted on a dollar-denominated debt mostly held by foreigners that had ballooned to $140 billion, and, as a coup de grâce, an attempt to prevent Argentines from shifting their hard-currency holdings abroad had led to a run on the banks. In the process, average Argentines had lost half of their savings.

Kirchner turned the situation around in short order. An agreement was reached with most of the creditors, economic growth resumed and unemployment receded to single digits. After his wife succeeded him in 2007, he remained a power behind the curtain. However, in the tradition of so many Latin American political families, the stench of corruption has wafted throughout both of their tenures. It’s estimated that their family fortune increased tenfold since the first Kirchner came into office.

The Peronista party, which is officially called the Justicialist Party, has been, along with its main opponent, the Radical Civic Union, at the center of Argentine politics since the former was founded in the 1940s by Juan Perón. Perón, himself a military man, had participated in an earlier coup and catapulted himself to prominence as minister of labor by modernizing labor laws and increasing minimum wages – in the process winning enduring fealty from unions in a country that was divided starkly along class lines.

The coups, countercoups and fraudulent elections that were the mainstay of Argentine politics during much of the 20th century make for dizzying reading. Suffice it to say that by the time Perón won his first term as president in 1946, Argentina’s economy, which was heavily dependent on agricultural exports, had been thoroughly bludgeoned by the Great Depression.

Perón’s first term initiated an era of considerable growth and much-improved conditions for workers and the poor, as the country spent heavily on social-welfare programs calculated to cement his popularity. But it didn’t take long for Perón to stumble in the rubble of his corruption-fed political contradictions. He espoused nonalignment as the Cold War blossomed. In retaliation (and in deference to U.S. farm lobbies), the United States limited agricultural imports from Argentina’s vast hinterland. And Perón gave refuge to loads of Nazi war criminals (some of whom ended up in his secret police), even as he was softening official Argentina’s inclination toward anti-Semitism by including a number of Jews in his cabinet.

When inflation increased, real wages dropped and workers began to strike, Perón, hero of the working classes, did not hesitate to muscle out labor leaders who would not bend to his needs. He had won a second term buoyed in part by the wild popularity of his wife, Eva, beloved as Argentina’s embodiment of Catholic piety. But shortly thereafter (after Eva died of cancer), he shook the foundations

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of the conservative Argentine bourgeoisie by legalizing divorce and prostitution.

And then there was the issue of his 16-year-old girlfriend. The romance, which Perón never denied, mobilized opposition in the Catholic hierarchy, which edged up to brink of excommunicating the head of state. Perón responded with giant street rallies. And all hell broke loose when the military bombed a pro-Perón demonstration – with Navy fighter jets no less – killing over 300 people. In the rioting that ensued across the country, another military coup forced Perón into exile in 1955.

He made an electoral comeback in 1973, this time with his third wife, Isabel Perón, an ex-nightclub singer, as his vice-president. But by then, the magic of Perón’s political theater, and any remnants of his populist patina, had faded. Perón died just months into his term, even as the country was slipping back into low-level civil war. Isabel, who took over for him, proved incapable of dealing with the polarization that was destroying whatever vestiges of democracy remained.

Why recite all that ancient history? For one thing, it hints at the way chaos has of breaking through Argentina’s veneer of charm and civility. For another, it makes it all too clear that Peronismo, as practiced today by President Fernández and cheered on by the crowd at the entrance to the ESMA that day, is nothing more than a flag of convenience that blows in whatever direction the political winds are gusting.

In front of the school, music blared, banners snapped in the breeze and the multitude occasionally broke into chants. One of them, “give us back our dead,” a reference to the disappeared, raised a question that I posed to a young woman next to me. Doesn’t it seem ironic that Peronistas are calling for justice in front of the building where Perón and his wife created the secret police responsible for so many disappearances? Her expression of disdain toward me said it all.
Oscar Parrilli, the then-secretary of the presidency, greeted me backstage at the birthday rally with a kiss on both cheeks. Parrilli now heads the Intelligence Secretariat, newly formed as part of Fernández’s belated attempt to bring rogue elements under her control. Parrilli waxes enthusiastic over Nestor Kirchner’s legacy, and when I ask if Fernández will be remembered the same way, he stays on message: “She’ll be remembered for her own merits, for continuing where Nestor left off, for protecting Argentine sovereignty.”

As to whether Argentina is better off now than when she took office, Parrilli says, “definitely yes. And we’d be even better off if we weren’t being held hostage by foreign interests who are driven by uncontrolled avarice.” This, a not-too-veiled reference to the so-called vulture funds, the American hedge funds with portfolios stuffed with Argentine sovereign debt bought cheaply. They’re the investors who broke from the majority and refused to take the deal offered by Argentina after the 2001 default.

These holdouts subsequently sued Argentina for 100 cents on the dollar. And last year they got a big boost from a federal judge in New York, who ruled that Argentina could not pay off bondholders who had accepted the deal until the holdouts were made whole. Fernández has made hay from the decision, casting herself as David taking on the American Goliath and calling the holdouts “economic terrorists.” In the meantime, Argentina has been shut out of international credit markets, but is managing to import goods on terms that amount to cash and carry.

A MONUMENT TO SELF-DESTRUCTION
The ESMA museum is empty on this particular day, the wind coursing between buildings and carrying with it wisps of music from the rally outside. This is where most of the leftist guerillas, trade unionists, journalists, students, Jews and pretty much anyone suspected of having read Das Kapital were tortured, then disposed of, during the Dirty War. The Argentine military’s name for the suppression of dissent was the Process of National Reorganization, an Orwellian expression well in keeping with Argentina’s loose grip on reality.

But one monument to Argentina’s self-destructive tendencies was apparently not enough. At the far end of the ESMA campus is the spanking new Museum of the Malvinas, an oddly grandiose tribute to the 1982 Falklands War, which started with an Argentine invasion of the lightly defended British islands that lie 300 miles off Patagonia. The Argentine military junta had assumed that British Prime Minister Margaret Thatcher would just let the new reality of the ground remain, since the 8,000-mile distance between the Falklands and Britain made a military response a logistical nightmare. This was, as we now know, a gross miscalculation. The Argentines lost 649 combatants, and the military junta that started the war lost face – and a short while later, power.

The museum goes to great lengths to explain why, for reasons of geography, historical sovereignty and even ecology, the Falklands are really, truly Argentine. And it does a very good job of building the case from the Argentine point of view, skillfully avoiding the details that make the whole story almost impossible to sort out. The Spanish, French, English and Argentines have taken turns running the barren archipelago, which was valued for its fishing and seal hunting. But most of the time, the few Argentine settlers were left to their own devices, which inevitably degenerated into internecine fights. Eventually, the British took advantage of a mutiny, arrived to restore order and made it a colony in 1840.
The Falklands/Malvinas War continues to have very strong emotional resonance with Argentines across the political spectrum. “Sovereignty over the Malvinas is one of the pillars of Argentine culture, even if it was a diversion that failed utterly,” says Ignacio Zuleta, the editor of Ambito Financiero, Argentina’s variation on The Wall Street Journal.

The fact that the loss brought about the end of a brutal dictatorship is seldom part of the narrative, he notes. The war was the military junta’s way of distracting Argentines from dire economic circumstances at home. Sure we’ve got 25-plus percent inflation and corruption up to the eyeballs, but we’re standing up to the imperialists.

FUDGING THE NUMBERS
Fernández has plenty of reasons to draw attention away from her policies, not the least of which became apparent when I passed a closed foreign-currency-exchange storefront, whose shuttering Zuleta attributed to the Fernández government’s frantic efforts to reassert the peso’s claim to stability. “They have an overvalued currency and they can’t get out from under it. It makes changing pesos at the official rate complete insanity,” he explained. In fact, buying Argentine pesos is best done on the black market, where the exchange rate for dollars is almost double the official rate.

Restricted access to dollars isn’t just manifest in the dearth of imported luxury products in the stores that line the streets in Recoleta (the swank residential neighborhood best known for its eponymous cemetery), but also in the lack of investment in manufacturing, which has been strangled by the high costs of imported machinery and raw materials. “This government doesn’t care about productivity, they care about power,” Zuleta laments. “There’s no long view in this government.”

Zuleta rolls through the numbers, pointing out that on top of everything else, the government’s published statistics are fudged. The government estimated inflation at 20 percent last year, but most experts say it was more than twice that. The GNP is thought to have fallen by 10 percent (though nobody truly knows), largely due to the investment chill and the drop in global commodity prices.

The official unemployment rate number, around 7 percent last year, is also suspect. But it wouldn’t necessarily be good news even if it were accurate. The government’s fear of the people’s wrath has led it to plow huge sums into social programs. “The government wants to maintain employment, which they’ve done at great cost to the overall economic health,” Zuleta argues. Fernández’s largess on social spending has taken government spending from 20 percent of GDP when her husband took office to almost 40 percent today, a figure that is untenable in the long run.

“We have a minister of economy who is trying to demonstrate that 200 years of classical economics it wrong,” Zuleta says, referring to Axel Kicillof, the dashing 43-year-old whose claim to fame was the nationalization in 2012 of Spanish energy giant Repsol’s stake in Ar-

Transparency International’s Corruption Perception Index ranks Argentina below the likes of Liberia, Egypt and Moldova.
Argentina's energy sector. "They are so focused on employment they don't care about exchange rates and lowering tariffs. Look at what they've done to the agricultural sector. Wine producers are selling grapes instead of making wine because of export and currency restrictions."

As we downed another round of delicious espressos – in this, the Argentines are world class – Zuleta explained that in the end, much of what goes on in Argentina is based on "clientelism," a pervasive form of soft corruption in which arms-length transactions are replaced by commerce based on exchanges of favors – as in “you give me something, I give you something.” Actually, not all the corruption is so soft: Transparency International’s Corruption Perception Index ranks Argentina below the likes of Liberia, Egypt and Moldova.

**Uphill Push**

The following morning, I went to the Congressional Palace, home to the Congress of the Argentine Nation, to speak to Federico Sturzenegger. He’s a Buenos Aires deputy for the Propuesta Republicana party (PRO), the equivalent of a moderate Republican, when such creatures were not yet extinct. Sturzenegger received his doctorate in economics from MIT and taught at Harvard’s Kennedy School of Government. Before being elected deputy, he had run the Bank of Buenos Aires, a bank owned by the city, transforming it from a perennial money loser into an institution with a sizable cash surplus.

On the day we met, the Congress was discussing reforms to hydrocarbon laws in the hopes of spurring investment and production
Tremendous potential is in a constant struggle with venality, bureaucratic incompetence and shortsightedness.

in the Vaca Muerta shale formation – the second largest in the world. Argentina suffers from a serious energy deficit, which has only added to its hard-currency woes, and Vaca Muerta is seen as a way to claw its way back. But the government’s currency controls makes the importation of equipment expensive. And it’s erratic policies, including Economics Minister Kicillof’s nationalization of Repsol’s Argentine subsidiary, compounded the problem by making executives at Shell and ExxonMobil skittish about plowing more into their Vaca Muerta stakes.

The new law would allow companies with as little as $250 million to invest to get a piece of the action, and it would ease restrictions on repatriating earnings. Sturzenegger says the reform is as much about desperation as it is good husbandry of resources. “This government has been a very poor manager of public goods,” he says. “It’s a form of socialism without planning and capitalism without markets.”

He thinks energy companies will hold back until Fernández leaves office at the end of this year, at which point he expects a more market-friendly president could turn things around.
The Kirchners have “spent years telling producers how to produce, telling people how to live; how to spend; how to travel;” he says. “This has been a huge drag on productivity.”

His view in this regard is widely held. No matter who wins – and it will likely be another Peronista – candidates are all distancing themselves from Fernández’s populist policies. “It will be like walking into a company that is very disorderly, but which doesn’t have foundational issues,” he says, “a company where lots of things don’t work, but where you have no debts, no contingent liabilities – a situation that could be rectified with good management.”

Sturzenegger argues that if the next government finds a way to negotiate with the bond holdouts and to loosen currency restrictions, capital will again flow into Argentina. “I am an optimist,” he says. “I have to think that at some point we can break out of these cycles where the policies are all based on short-term thinking.”

**VERY HUMAN CONSEQUENCES**

From the Congress, I hopped in a taxi and asked the driver to take me straight south on the Avenida Entre Ríos. He asked me for an address and when I told him I was on my way to the villas, he turned to look at me with an expression of alarm. The slums of Buenos Aires are known as villas miseria (villas, for short), and the most notorious of these are on the south side of the city.

Just as in any large metropolis these days, it isn’t just the nature of the buildings that change from neighborhood to neighborhood, but the ethnicity of the residents. And in Buenos Aires, as in the rest of Latin America, that means the people are not just poorer, but darker complexioned and often immigrants – in this case, from Bolivia, Paraguay and Peru.

They come here for jobs and access to Argentine social programs. Officially, 11 percent of Buenos Aires’ residents are foreigners, but the actual figure is likely higher. Argentina, of all the countries in Latin America, most resembles the United States in its demographic history. With a few exceptions, the indigenous populations that existed before colonization collapsed, either through extermination or as casualties of imported diseases. The result is that modern Argentina, along with Uruguay, its northern neighbor, was mostly populated by people from Europe and their descendants. But the new influx of immigrants is changing that, and Argentina hardly seems prepared.

The villas are not as decrepit as the slums of most other Latin American countries, but any American slum would still look positively middle class by comparison. The government says 5 percent of Argentines are poor, while independent researchers come up with numbers as high as 30 percent.

Whatever the reality, Buenos Aires’ villas have no shortage of poor people – and no abundance of public services. Here, garbage is thrown out into certain streets spontaneously anointed as collection points by the residents, running water and proper sewage are hit-or-miss propositions and the roads are so potholed that it’s a stretch to call them paved. And the bad is getting worse: drug trafficking, a relatively new development, has nourished a gang culture and the territorial disputes and killings that go with it.

The villa doesn’t make for pretty pictures, but it’s hardly the whole picture either. Argentina is confounding that way. Tremendous potential is in a constant struggle with venality, bureaucratic incompetence and shortsightedness. It is a country of contradiction that makes it fascinating to outsiders but tragic to those who are waiting for the bright future that somehow never comes.