

# Weekly Asado



Wilson Center

Argentina Project

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**A Conversation with Matías Pellegrini, a director for political analysis at the Buenos Aires-based Directorio Legislativo**

**Q: Reports from Directorio Legislativo show that the Argentine government has had two and a half years of important legislative successes, including controversial laws such as the payment to holdout bondholders in 2016, and consequential reforms in 2017, such as tax reform, social security reform and the fiscal pact. It is especially notable that these laws were passed with a *Cambiamos* minority in both legislative chambers. With so many laws passed in President Mauricio Macri's first years, how would you compare the performance of this government to previous governments?**

**A:** First, it should be stated that in these two and a half years, the government has had successes and failures in its relationship with Congress. Despite never having a majority, the governing party was able to pass laws that were vital to its agenda, including some that faced fierce challenges from the opposition, such as the payment to holdout bondholders, capital repatriation and social security reform. Nevertheless, these successes were interspersed with no small number of legislative setbacks. Among those, we highlight the occasions in which the diverse factions of the opposition were able to reach a consensus to pass laws that the government wound up vetoing: the anti-layoffs law of May 2016, and the recent law against public utility price increases. We can also mention as a legislative setback the government's labor and political reforms –

important bills for the president that have not overcome the resistance in Congress.

Having said this, we can focus on the cases in which the government was successful in Congress. The legislative dynamic is determined by the logic of majorities and minorities. During Cristina's second term, the ruling party enjoyed a majority in both chambers, which guaranteed legislative success without needing to build consensus with the opposition. For its part, the government of Mauricio Macri began (and will finish) its term without a majority in Congress. Nevertheless, the government has been able to pass important laws. However, these negotiations were costly for the government; none of the bills that the president sent to Congress passed without the opposition introducing modifications.

**Q: In your opinion, what were the most important factors that contributed to the government's successful legislative agenda? In particular, can you describe the relationship between the opposition and the governing party in Mr. Macri's first years?**

**A:** In the cases in which the government has had success in the legislature, *negotiation was key*. The government has depended upon skillful negotiators with the opposition, and has maintained a careful balance in its relationship with opposition provincial governors. Without a doubt, however, the most relevant factor for the government's success in Congress was the opposition's dispersion. After Cambiemos's triumph in December 2015, Peronism lost a leading figure at the national level, heightening its dispersion. Since then, *kirchnerismo*, Peronism linked with provincial governors, *massismo* and other factions outside of Peronism (the left, progressives and political parties associated with social movements) showed varying levels of opposition to the government, ranging from a greater willingness to negotiate – in the cases of Peronism associated with governors, and *massismo* – to unwavering opposition, from *kirchnerismo* and left-wing parties.

In the cases in which these strands of the opposition reached consensus, the government was unable to stop the advance of legislation that it opposed, such as the anti-layoffs and anti-utility price increase laws. When the opposition did not unify, the government was able to advance with the sectors more willing to negotiate.

**Q: After its victory in the legislative elections in October 2017, the government felt strengthened and hoped to advance important legislation such as social security reform and labor reform. But the costly social security reform is seen as a before and after for the legislative agenda of the government. For example, the government lost the support of the CGT and Peronism to promote labor reform. Also, according to polls, the popularity of the government began to decline after the social security reform. With this decline in popularity, did the government change strategies to maintain its legislative momentum in 2018? And if so, how?**

**A:** After Cambiemos's electoral triumph in October, the government made the decision to invest without delay its political capital in a series of structural reforms (tax, social security, labor and fiscal). As we say in Argentina, "*con el diario del lunes*" we can affirm that this investment of political capital was a bad bet. Even though the social security and tax reforms, and the fiscal pact with the provinces, were able to pass, the cost was high: strong resistance by the citizens, with protests in the street at the end of the year and a marked decrease in the government's popularity.

The government's poor political maneuvering in October, November and December of 2017 was compounded by the worsening economic crisis: after May of this year, the impact of rising inflation, higher utility prices, the currency devaluation and the agreement with the IMF greatly weakened the government. In that context, with the exception of the debate about the legalization of abortion, in 2018 the government has not promoted weighty debates in Congress. This year, one can highlight the passing of important laws such as the Capital Markets Law, the Defense of Competition Law and the "Buy National" scheme, but none of these projects had the controversial character of previous laws pushed by the government (holdout bondholders, capital repatriation and the structural reforms to the tax and social security systems). It seems that the government's strategy for this year is to prevent Congress from debating laws that are too controversial, and to avoid situations such as those at the end of 2016, when the opposition was able to force the Chamber of Deputies to pass an ambitious bill to modify income taxes.

**Q: In May, in the midst of the exchange rate crisis, the opposition demonstrated its protagonism with the tariff law. That law was vetoed by Mr. Macri, but the Directorio Legislativo signaled that the veto**

**“increased the political cost that the government is paying for the adjustment.” Do you think that the Peronist opposition – which in past years has been very divided between traditional Peronism and *kirchnerismo* – will be more coordinated as a result of the economic crisis? How can the government prevent coordination between Peronist factions? Will it be more complicated for the government in the era of adjustment, with fewer resources?**

**A:** Coordination between the distinct strands of Peronism at the legislative level will be conditioned by the internal debate that these factions will have in light of the 2019 presidential elections. This is a debate within Peronism that the elections of October 2017 did not help resolve: Even though Cristina lost to Esteban Bullrich in the Province of Buenos Aires, she remains the most popular opposition figure. And, with 2019 on the horizon, *no figure has appeared that can align all the Peronist factions behind him or her.*

It is not clear if the government can influence this internal debate (which would actually be undesirable from a democratic perspective). But what is clear is that the debate within Peronism will condition all the actions (political in general, and legislative in particular) that its different factions will take from now until 2019.

**Q: President Macri decided to sanction a debate regarding abortion. In June, the Chamber of Deputies passed the law, but the majority (65 percent) of his own party voted against it. According to reports, there is tension within Cambiemos between those who support and those who oppose the law. When seen in terms of the government’s legislative agenda, are there signs that the sanctioning of this law weakened the government with its own representatives?**

**A:** The abortion issue is a typical case of a debate that breaks party discipline, which is to say that legislators do not vote according to an internal party consensus, but rather according to their own conscience. When party discipline is broken, it is inevitable that tensions appear. But this does not necessarily signify a breakdown of legislative coalitions, as similar debates in the past have shown, such as the debate on marriage equality.

With respect to Macri’s relationship with the electorate, we can think of it in two ways. On the one hand, we can ask ourselves what option is left for

the portion of Macri's electorate that is unhappy with this bill? On the other hand, it is possible that the government will seek to capitalize on the bill as a strategy particularly oriented towards the youth vote.

**Q: Thinking of the 2019 budget and the proposed laws about the independence of the central bank – issues related to Argentina's agreement with the IMF – what is the legislative role in the implementation of the agreement?**

**A:** By constitutional mandate, the 2019 budget must be drafted by the executive and sent to the legislative branch before September 15 each year. This debate has not yet begun in Congress, but it has begun outside of it: government officials have had meetings with governors of their party, and will now start working with Peronist governors to negotiate how they will carry out the budget cuts that the government requires to reduce the fiscal deficit. On the other hand, the announced reform of the charter of the central bank has not been sent to Congress. If sent this year, its debate will surely overlap with the budget debate, which will make the negotiations between the government and the opposition even more complicated.

As for the agreement with the IMF, although the constitution states that debt issuances must be debated in Congress, Cambiemos argues that the Financial Administration Law allows the president to issue debt with multilateral organizations without the consent of Congress. Nevertheless, *kirchnerismo* and the left convened a special session to reject the agreement. However, diverse factions of Peronism and the rest of the opposition did not accompany the session, which ended due to a lack of quorum.

**Q: Finally, Mr. Macri recently announced reforms to the Argentine armed forces, and is considering penal code reforms. Does the government have enough political capital to drive these projects forward? Can it count on the support of its own party, and of factions of the opposition?**

**A:** You cannot propose a debate on the role of the armed forces without keeping in mind the history of the armed forces in our country. In a country whose history is full of military dictatorships, a debate such as this one will inevitably awaken strong controversies. Taking into consideration the delicate economic situation of the country, and the government's

subsequent political weakening, it does not seem to be the most opportune moment for the government to propose this debate.

Having said this, the government maintains that the reforms announced for the armed forces were carried out by means of a modification to the 2006 decree that regulates the National Defense Law. Since it is a reform of the law's regulations, it is within the executive's power to change it, meaning that modifications do not necessarily have to be addressed in Congress. Nevertheless, the opposition is attempting to review the changes.

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