



Written by [Charles Scaliger](#) on September 4, 2012

Argentina's Government Clamps Down on Credit Card Use

Pity poor Argentina. As her economic situation once again spirals downward from merely terrible to catastrophic, the government in Buenos Aires [is pulling out all the stops](#) to force the population into financial serfdom in order to maintain its grip on power. The very latest outrage from President Cristina Fernandez — who only months ago, in an act of naked theft reminiscent of the worst banana republics, nationalized Argentine holdings of the Spanish-controlled oil company YPF — has now announced heavy new taxes on the use of Argentine-issued credit cards overseas, and a law requiring disclosure to the government of every credit card transaction made on Argentine soil. The new 15-percent tax levied on foreign credit card transactions, sold by the Fernandez government as a strike only against a small percentage of wealthy Argentines traveling abroad, is in fact a blatant bid to tighten the financial noose around all Argentine citizens, denying them access to foreign currencies and overseas purchases to shield their eroding assets.



Argentina's peso is once again in an inflationary tailspin. The last time things were this bad, a decade ago, the government shut down banks and confiscated savings accounts to stay afloat, an act Argentines have not forgotten. This time around, Argentines, wary of banks, are converting their fast-depreciating currency into U.S. dollars and other more stable currencies. But last November, the Argentine government passed measures virtually outlawing the conversion of pesos to dollars and other foreign currencies, in an attempt to keep the Argentine people imprisoned in a regime of depreciating pesos.

In response, a flourishing black market in currencies sprang up, with desperate Argentines paying significantly higher exchange rates than those officially permitted for precious dollars. Argentines also discovered that, by making credit card purchases of assets abroad, they could safeguard their hard-earned wealth.

But no more. The fanatical populist government of Cristina Fernandez, determined to evade responsibility for the latest financial debacle unfolding on the River Plate, has, with the stroke of a pen, made such credit card transactions highly inadvisable. Argentine law already permits the government extraordinary latitude in snooping into private citizens' financial activities. The new laws will empower customs to compare customs declarations of Argentines returning from abroad with records of their



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credit card transactions, and will give the government access to detailed information of purchases at home.

Cristina Fernandez has become very unpopular, with a new poll showing only a third of Argentines still supporting her policies. But even if the Fernandez government is repudiated by the voters, Argentina's woes are unlikely to recede. After all, the country was in similar straits more than three decades ago under a military junta, when this author spent a year there. More than a generation later, Argentines are still haunted by the specter of high inflation and evaporating assets. Then as now, most meaningful financial activity was under the table, because the government could not be trusted to maintain the peso's value. Financial ruin seems to be encoded in Argentina's cultural DNA (unlike her neighbors Chile and Uruguay), at least since the populist regime of Juan Perón got Argentines accustomed to feeding at the public trough.

The financial collapse and subsequent social unrest of a decade ago nearly tore Argentina apart. If the government once again defaults, there can be no telling what awaits in the new abyss.

Argentina's present is our future, unless America soon changes course. Like the Argentines, we have become all too accustomed to so-called entitlements of one sort or another — all conferred by a government willing to rob Peter to pay Paul. For us, though, the IMF and World Bank will have no lifelines. The rest of the world, still hoping desperately that America will right its financial ship, has neither the resources nor the will to save us from our follies. But as the national debt continues to climb and interest rates begin to bite, expect our government to begin railing against "currency speculators" and other make-believe villains. Expect draconian controls on currency exchanges and on the purchase of hard assets, especially gold. Expect the government to place blame for the escalating crisis on those who try to divest themselves of depreciating dollars in an attempt to preserve their savings.

In a word, expect Argentina here.



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