

Argentina puts austerity sceptic in charge of debt talks

President-elect appoints Columbia University academic Martín Guzmán as economy minister



Alberto Fernández's new cabinet includes several close allies of his powerful running mate, Cristina Fernández de Kirchner © Reuters

Benedict Mander in Buenos Aires and Colby Smith in New York DECEMBER 6 2019



Alberto Fernández, Argentina's president-elect, has appointed Martín Guzmán, a Columbia University-trained sceptic of austerity, as the economy minister in charge of renegotiating some \$100bn of [debt](#) with private creditors and the IMF.

Mr Guzmán has been critical of austerity policies as a solution to debt crises. He told delegates at a UN debt management conference last month that Argentina should seek a swift restructuring with private bondholders by March next year. His plan includes freezing coupon and interest payments over the next two years, as well as pursuing primary fiscal surpluses.

The appointment was met with mixed reaction from Argentina's bondholders. "The risk we are getting with someone like Guzmán is that we are getting a young idealist and there is a learning curve he has to go through to pick up a lot of the things that people have with years of experience, policymaking and dealing with financial markets," said one international creditor.

But according to Hans Humes, the chief executive of Greylock Capital Management and organiser of one of [Argentina's bondholder groups](#), Wall Street's concerns about Mr Guzmán's lack of experience in politics and heterodox economic views are "misplaced".

"I think his understanding of the process, the players and the financial tools of working through a cash flow crunch in a country will make him extremely capable in the role," Mr Humes said. "His views on growth rather than austerity-led recoveries are spot on."

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Mr Humes added that as a member of the steering committee of investors involved in the restructuring of Greece's debt, "I feel that we took a recovery that would have taken three years and turned it into a decade-long travail because of the harsh imposition of austerity".

The 37-year-old economist's appointment on Friday afternoon came as Mr Fernández unveiled his cabinet, which will include several close allies of his powerful running mate, former populist president Cristina Fernández de Kirchner.

With just four days to go until Mr Fernández's inauguration as president on Tuesday, the confirmation of who will be in charge of revitalising Argentina's economy, which is in a deep recession and saddled with one of the highest inflation rates in the world, was keenly awaited by markets.

With [IMF-backed austerity measures](#) expected to be off the table, the appointment of Mr Guzmán is "unlikely to inspire much investor confidence", according to a note to clients by Capital Economics in London. "Fiscal policy is set to become more accommodative. This risks a fallout with the IMF, and a messier debt restructuring," the analysts wrote.

Mr Guzmán, an academic at Columbia University, will work closely with another heterodox economist, Matías Kulfas, 47, who will be minister of productive development — a "super ministry" which will include secretariats for energy, industry and commerce.

Mr Guzmán is a specialist in sovereign debt crises and has co-authored several academic papers and articles with Joseph Stiglitz, a renowned critic of the IMF and its involvement in Argentina, and believed to be Ms Fernández's favourite Nobel laureate.

"The problem is that with this economic team, the orthodox technocrat candidates have been vetoed," warned Siobhan Morden at Amherst Pierpont Securities. "The economic team is now Cristina loyalists and are viewed as heterodox. If this is the team that sets the context, how does it produce a credible future repayment plan? There is no fiscal discipline and no growth model. That is the bottleneck to reach a compromise solution."

Other appointments include Felipe Solá, a veteran Peronist politician and former governor of the province of Buenos Aires, as foreign minister, while Eduardo "Wado" de Pedro, a founding member of the militant "kirchnerista" youth group La Cámpora, will be interior minister. The 40-year-old Santiago Cafiero, the grandson of one of the most important figures of the Peronist party, will be cabinet chief.