

# Menem cabinet augurs ill for Argentina

by Peter Rush

As Argentina's economy sinks ever more deeply into hyperinflationary crisis, president-elect Carlos Saúl Menem, governor of La Rioja state, has announced most of his projected cabinet appointments, in anticipation of an accelerated transfer of power, perhaps as early as July 9. His choices, which include a large number of individuals from outside his own party, reflect a capitulation to powerful financial and political interests inside and outside Argentina. These forces argue that a broad-based, non-Peronist, and *non-nationalist* cabinet and policy orientation, is the only way to stabilize Argentina's volatile political and economic crisis.

In fact, the opposite is true. The only way that Argentina can survive as a nation is for the future government to adopt a war-economy based on a nationalist economic program, break with the International Monetary Fund, and rebuild the nation's infrastructure, agriculture and industry. Under current breakdown conditions, failure to adopt such a program and restart growth will ensure escalating unrest. Although the rioting and looting of late May and early June has been replaced by an uneasy calm, this will not last if things do not improve, as wages do not even permit most people to purchase enough food to eat. In an effort to stem further unrest, the government has just announced implementation of an unemployment insurance program, offering \$50 a month to the growing number of unemployed workers for a period of six months. This will hardly make a dent in the problem.

Menem's pragmatic approach to selecting his cabinet has angered many Peronist leaders who had hoped that the President-elect would aggressively tackle the rebuilding of Argentina's economy with a nationalist perspective.

The pro-IMF policies of the Alfonsín government have created a hyperinflationary collapse of the economy unprecedented in the postwar world. Wholesale price inflation in May topped 100%, and consumer price inflation was officially reported to be 79%, or 104,530% on an annual basis, and it was much higher for food and other basic necessities.

Economic activity is becoming impossible under these conditions. "Production will break down in June or July," warned Rodolfo Rossi, a private economist. Juan Luis Bour, chief economist at the Latin American Research Foundation, elaborated the point, saying that "commercial deals have

come to a halt, manufacturers cannot buy raw materials, and there's no certainty about the exchange rate." He added that "this trend cannot be solved through indexation. As inflation mounts, the economy will tend to slow down to a stop."

The response of the government has been to raise taxes, raise government-set fares and prices, and print money madly to finance a deficit that is more than half of the government budget. "The economy is in a vicious circle," economist Rossi said. "The rate at which the government is printing banknotes will make June's inflation impossible to calculate." Even so, the shortage of banknotes has been so acute that it threatens to shut down all financial activity, so great has been the inflation. The government announced a 40% hike in public utility rates on June 6, and major new price increases throughout the economy are expected any day. Gasoline prices will go up a further 30% next week, which prompted private bus operators to announce that effective immediately, they will cease operating between 9 p.m. and 6 a.m. because the high cost of gasoline means they lose money during those hours. This will make it impossible for thousands of people to get to work for late shifts.

Renewed rioting is expected any time. Leftists who sparked looting in Rosario at the end of May are reported to now be in the city of Córdoba preparing to incite similar disorder; years of austerity and budget cuts at universities have also created the potential for mass unrest among the student population.

## Early takeover likely

Both parties in Congress are reportedly near agreement on a bill to reform the Constitution, that would permit Alfonsín to resign and be immediately replaced by Menem. In addition to naming non-Peronist Miguel Roig, a longtime executive of the multinational grain cartel Bunge and Born, to the all-important post of finance minister, Menem named Domingo Cavallo, a monetarist economist, as foreign minister, reportedly because he enjoys close relations with the World Bank and other U.S. financial institutions.

The new labor minister, Peronist labor leader Jorge Triaca, was Miguel Roig's choice for the post, and is backed by monetarist and liberal business interests. In the past, he has opposed the general strikes called by the Peronist-run General Confederation of Labor (CGT) against Alfonsín's pro-IMF policies. Another non-Peronist, cement and ranching millionaire Amalia de Fortabat was named "roving ambassador" because of her close business contacts in the U.S. She frequently hosts David Rockefeller when he visits Argentina. Several other appointments are associated with former President Arturo Frondizi.

Peronists who have been chosen for remaining cabinet posts include Italo Luder, the party's 1983 presidential candidate, named as defense minister; some of Menem's close personal advisers, who worked as his presidential campaign coordinators, have also been named.