

Argentina goes to the IMF; poverty deepens

by Cynthia Rush

Anxious to mend fences with foreign creditors and international lending agencies, the government of Argentine President Carlos Menem has just presented a letter of intent to the International Monetary Fund. If the Fund accepts the proposed program to "stabilize" Argentina's economy, it will grant a \$1.4 billion standby loan, the first tranche of which could be forthcoming by the middle or end of November.

The document submitted by Argentina largely complies with bankers' demands that the economy be "deregulated." This means privatizing the state sector, removing dirigistic policymaking tendencies associated with it, and opening up the economy to large amounts of foreign investment, particularly in raw materials extraction.

In monetarist fashion, the letter of intent blames the nation's extraordinary economic crisis on "the lack of fiscal discipline," and promises to reverse this situation by imposing strict austerity to achieve desired goals for controlling inflation and the fiscal deficit. The government says it will reduce the public sector's global deficit from 16% of Gross Domestic Product to 1.25% in 1990; as part of its deficit-reduction plan, it will privatize 26 state-sector enterprises and slash spending overall in the public sector. The letter of intent proposes an inflation target of no more than 2% monthly by the end of this year—September's rate was 9.4%—and an annual economic growth rate of 5-6% for 1990.

Included among the state-owned companies slated for privatization are the telephone company, ENTEL, the airline company Aerolíneas Argentinas, the railroads, the merchant marine fleet, and the service company responsible for maintenance of highways. A decree just promulgated by the government also approves a gradual deregulation of the country's state-run oil industry. Within six months, the government intends to sell 250 oil wells now controlled by YPF, the state oil concern.

Shock measures

The government's economic program, formulated by the Bunge and Born grain cartel, relies heavily on the oil and agricultural sectors to be the "drivers" of the Argentine economy. A recently promulgated decree makes it possible for foreign investors to set up or purchase businesses in the country, with no previous requirements, and eliminates the "buy Argentine" law which offered a degree of protection to nationally produced goods. Almost all tariff barriers are to be eliminated to facilitate imports.

Since taking office on July 8, Menem has reduced the panic which afflicted the country, at that time in the throes of hyperinflationary chaos. Through a series of emergency "shock" measures, his government brought inflation down from the monthly high of 200% in July to 9.4% in September. Despite his call that the population accept greater sacrifice, Menem remains extremely popular.

Given the levels of impoverishment, however, it is unlikely that people can tolerate for long the type of continued austerity demanded by the recent letter of intent. The success of the Bunge and Born plan is dependent on restricting wages and rallying the organized labor movement, controlled by Peronism, behind the program's goals. The government hopes to consolidate a Mexican-style "social pact" in which government, business, and labor agree to wage and price controls.

This is not likely to happen soon. On Oct. 11, the leadership of the General Confederation of Labor (CGT) split over the issue of support for the government's economic policies. Labor leaders close to Labor Minister Jorge Triaca, who claims that the labor movement must unreservedly support Menem's economic policies, and not contemplate the possibility of strikes, ousted CGT Secretary General Saul Ubaldini and other more militant Peronists who had been critical of aspects of the government plan. National media claimed Ubaldini's criticism of economic policy reflected the outmoded "corporatist, fascist" tendencies of Peronist trade unionism which now must be made more "democratic."

Real wages have not recovered from the dramatic 30% decline suffered under the previous regime of President Raúl Alfonsín, despite initial wage increases granted by Menem's government. While most salaries remain in the range of 35,000 to 50,000 australes (\$50), recent studies by the state statistical agency estimate that a minimal salary of 93,000 australes is required to cover the costs of the basic family market basket.

A key indicator of the decline in industrial activity is the fact that membership in the Union of Metallurgical Workers has fallen from 485,000 in 1976 to 290,000 in 1989. Officially, total unemployment stands at 16%.

Statistics released by several private think tanks as well as government agencies reveal that one-third of the Argentine population, or 9 million people, now lives in extreme poverty. Between 1980 and 1988, poverty in metropolitan and suburban Buenos Aires increased by 50%, reflecting the IMF austerity policies imposed by both the 1976-83 military junta and the "democratic" regime of Alfonsín. The statistical agency reports that 725,000 households fall into this category, and of this number, 69% can be classified as "newly impoverished."

In the country where few once went hungry, 44 children nationwide daily die of malnutrition. In the province of Buenos Aires alone, over 2,000 soup kitchens operate to feed the hungry.