

# Argentina's government is paralyzed as economy crashes

by Peter Rush

The eight-month-old government of President Carlos Menem in Argentina demonstrated the week of Feb. 19 that it has lost all control over the plummeting economy, as yet another package of impotent measures failed to do anything to stem the collapse of the currency or the galloping inflation. Food riots and looting broke out in the country's second and third largest cities, caused by price increases that have now placed even food beyond the means of increasing numbers of Argentines. The Menem administration, which has suffered 37 resignations of top officials in its six months in power, is beset by scandal and chaos, and has lost all credibility.

This situation has led to rumors, reported in the domestic and foreign press, that, for the first time since 1983, the Argentine military may be contemplating a coup. Such a development would conform to predictions being made by U.S. think tankers, some very close to the Bush administration, that Ibero-America is descending into a "dark age" which will be characterized by military coups and new dictatorships (see *International Intelligence*, page 58-59). Numerous so-called experts have recently given press interviews in which they have virtually written off much of Ibero-America, and Argentina heads these experts' list of countries with the least hope. In reality, the destruction of most nations of the continent through economic crisis, military coups, and social chaos, starting with Argentina, is Bush administration policy.

## No end to the collapse

Beginning on Feb. 12, the Argentine currency, the austral, began a rapid descent from 2,860 to the dollar to 4,500 at the close of the day Feb. 21—a loss of 36% of its value in little over a week. The rate of descent was not slowed at all by the government's Feb. 18 announcement of new measures, described by the London *Financial Times* Feb. 20 as "little more than a promise to cut central government spending in areas where the administration hopes political repercussions will be minimal."

The collapse of the austral has virtually made the dollar the currency of Argentina. "All industry and business has ceased to quote prices in australs, and is giving them in dollars. The economy has converted to the dollar," said Argentine economist Gustavo Ochoa, quoted by Reuters Feb. 17. Many manufacturers are even demanding their

customers make payment in dollars.

The effect of "dollarization" is that every decline in the value of the austral immediately translates into inflation. The decline in value from Feb. 12-21 implies a rate of inflation of 57% over 10 days, or 287% per month, if continued for 30 days. Overnight on the night of Feb. 19, meat prices jumped 38%; they had risen 168% in the month, as of Feb. 20. Agriculture Secretary Felipe Solá admitted that "with the dollarization of prices, meat is becoming a luxury item." This, in the country which until recently enjoyed the highest per capita consumption of beef of any major nation in the world.

In response to increases in food prices, the government decreed Feb. 18 that tariffs on imported food would be lowered from 25-30% to 10%, or even zero, in order to push down the price of food and slow inflation. The insanity of taking such a measure in one of the world's most productive agricultural countries, whose only effects will be to bankrupt farmers and squander very limited foreign exchange available to finance imports, reveals the desperation of the present government.

Further, restrictive Central Bank actions have driven interest rates to 300% a month, while the government continues, according to the *Financial Times*, to print money wildly to cover its deficit. And unemployment in the country was reported to have reached 7.5%, the highest in modern Argentine history, with 910,000 unemployed. Worse, another 3.6 million workers—out of 11.3 million employed—only work part-time, such that a full 37% of the Argentine labor force, 4.5 million workers, are either unemployed or underemployed.

Moreover, the new depressionary wave set in motion by a package of radical monetarist measures at the first of the year is now threatening to more than double the unemployment rate almost overnight. *Financial Times* reporter Gary Mead reported Feb. 21, "Industrialists are predicting that by next month they will be suspending more than 30% of their workforce." And there are reports of large private companies that are on the verge of closing down, due to the collapse in consumer demand. Retail sales have declined 50% in the last year.

In the midst of this situation, a desperate Argentine business community has called for measures to reactivate the

economy. Although many businessmen erroneously also support the notion of the “free market,” one prominent Peronist businessman and economist, a former adviser to Peru’s President Alan García, Daniel Carbonetto, argued in a Feb. 18 interview in *Cronista Comercial* that “it is essential to rebuild consumer buying power” as the highest priority. He called for “a capitalist revolution” that would end the rule of speculation, revive the internal market, increase incomes, and permit businesses now going bankrupt to survive. “One cannot make a holocaust of our industrial assets, of our level of employment” on the altar of free trade, he said. “What would have happened to the U.S. if Washington, Hamilton, List and so many others had proceeded that way?” If industry is seeking a “foreign model” to follow, Carbonetto said, it must look to the economists of the American Revolution who built the United States.

### **Riots, strikes, looting**

On the morning of Feb. 21, poor people in Rosario, Argentina’s second largest city, in desperate straits after the recent food price increases, began raiding trucks transporting food, and looting supermarkets. Nine separate incidents were reported by nightfall. The same day, groups of 30-40 people raided two supermarkets in Córdoba, the third largest city, and smaller groups of looters stole food from five other stores. The governor of Santa Fe province, in which Rosario is located, commented, “The situation, not only in Rosario but in the whole country, is tense because of the runaway economic crisis and the incredible rise in prices, added to unemployment.”

Labor, threatened with wholesale firings and with wages far behind inflation, is also near the breaking point. A strike wave is growing in the country. On Feb. 19, members of the bank workers union carried out strikes in state-owned banks to protest plans to close 14 branches of the National Mortgage Bank. The teachers’ union’s members voted not to open school after summer vacation ends on March 5, after wage talks collapsed. And railroad workers, facing mass layoffs by the government-owned railroad company, staged a 15,000-person march Feb. 20 to protest plans to privatize the railroad. They carried signs such as “Menem, traitor, the railroads belong to the people, you can’t sell them the way you’ve sold yourself,” indicating the depth of opposition that has developed against the President from the traditional worker base of his Peronist party.

### **Cabinet chaos, coup threat**

On Feb. 19, yet another cabinet member, Interior Minister Mera Figueroa, reportedly tendered his resignation, apparently over concern that the government’s policies were risking a social explosion, which the Interior Ministry would have the responsibility to repress. Days later, it was revealed that Menem had invited Eduardo Angeloz, the presidential candidate from the Radical Civic Union (UCR), whom Men-

em had defeated last spring, to join his cabinet in a capacity yet to be determined. Angeloz, a monetarist, has been giving full backing to Menem’s policies, and was reported to have taken the offer seriously, although the latest report is he will decline it.

In this situation, the local and foreign press have reported rumors that the liberal, right-wing leadership of the Argentine Army may be preparing for a coup. The *Jornal do Brasil* of Feb. 18, under the headline, “‘Washed Faces’ Generals Are Now the Threat,” reports that for the first time since 1983, the Argentina military leadership is showing an ambition to return to power. It forced the resignation of Peronist Defense Minister Italo Luder in January, and is strongly pressing its demand that the six generals still in jail for human rights crimes during the last military rule (1976-83), not only be freed, but be restored their ranks and full military honors. They have also secured a large wage increase for the Army.

The military is also demanding the right to intervene domestically against internal security threats, which is now prohibited by law. The very day of the food store lootings in Rosario and Córdoba, Army Chief of Staff Isidro Cáceres told journalists, “The Army is prepared to help the President maintain a climate of calm, either through persuasion or action, if it is considered necessary.” Menem is reported to favor changing the law. This raises the prospect of the Army command using a popular outbreak of violence—or a manufactured pretext, such as an incident involving leftists—as an excuse to overthrow the constitutional order and take power.

Arrayed against a military coup is the nationalist faction of the military headed by Col. Mohamed Ali Seineldín, forced to retire by the High Command last fall, but who still commands the respect and loyalty of most of the lower and middle ranks of the Army. According to reports in *Jornal do Brasil* and the Argentine weekly *Somos*, Colonel Seineldín has been traveling around the country meeting with thousands of people, from many walks of life. *Jornal do Brasil* reported Feb. 19 that his preferred audience is the poor, among whom he has great respect, but that he is also meeting with powerful business leaders. *Somos* reports Jan. 24 that Seineldín has in recent weeks met, usually in groups of 20 to 30, with middle-level Peronists, trade unionists, businessmen, professors, clergy, politicians, active-duty military men, and others.

His message is reportedly always the same: “You must organize to back constitutional power and fight to maintain unity of the Army.” According to *Somos*, he also expresses his grave concern over the depth of the current economic crisis, and skepticism at the government’s monetarist measures, which, he says, have provoked a deep recession and “hit the neediest sectors.” He told an audience of active duty military men from the Third Corps near Córdoba that it was necessary to “help consolidate a truly national effort” to save the country.