

# Menem applies 'savage capitalism'

by Gerardo Terán and Cynthia Rush

On the eve of his trip to Washington to meet with George Bush, Argentine President Carlos Menem has taken action that will have sweeping consequences for his nation's future. On Oct. 31, Menem went on national television to announce that he had just decreed the "total deregulation" of his nation's economy. Decree 2284 lifts government regulations on virtually every sector of the economy, abdicating all sovereign control over the nation's economic activities and resources and throwing them open to whichever foreign looter gets there first. The Argentine President and his Harvard-trained finance minister, Domingo Cavallo, rushed to prepare and announce the decree so that Menem could present it as a *fait accompli* when he meets with Bush later in November.

With the backing of the International Monetary Fund and creditor banks, the Argentine government has opted to impose the "savage capitalism" denounced by Pope John Paul II in his recent encyclical *Centesimus Annus*. It lifts restrictions on the "supply of goods and services throughout the national territory" including transportation, insurance, labor, and capital markets. There will be virtually no restrictions on imports, particularly for medicine and food, which will have devastating consequences for national industry. Menem argues that these measures will force domestic producers to become more efficient and "competitive." In reality, they will bankrupt thousands of industrial and agricultural producers, and open up the country to an expansion of the drug trade, money laundering, and other dirty financial operations.

Legal experts are questioning the measure's constitutionality since Menem based the decree on the Economic Emergency Law. This legislation empowers the President only to decree "emergency" measures, but not to eliminate in one blow 17 laws protected by the Constitution, which is what Menem did.

## 'Bush will be thrilled'

One need only look at the comments of Finance Minister Cavallo to understand the motivation behind these measures. As reported in the Oct. 30 daily *Ambito Financiero*, Cavallo reported that with the text of the decree completed, "the Fund will grant us a facilitating loan so that we can seriously aspire to join the Brady Plan." But, he added, "we have to have

it ready before the [President's] trip to the U.S." Another unnamed government official put it more bluntly. He told the daily *Página 12* that "this package goes well beyond what the IMF, World Bank, and U.S. Treasury tend to require. . . . The idea is that this will pave the way for a debt agreement."

Beside himself, Cavallo gushed, "Just imagine what this will mean, when the President sits down next to George Bush, with such an important measure in effect." According to Finance Undersecretary Hector Domeniconi, it was Cavallo's personal foundation, the Fundación Mediterránea, which carried out and financed the feasibility studies for the deregulation package. Representatives of such companies and banking interests as Alpargatas, Techint, Citibank, Roberts Bank (which is the local affiliate of Morgan Bank), and the Cargill grain cartel, participated in the studies. These are the multinational interests which have invested the most in the privatization of Argentina's state-run companies.

A businessman from the Argentindustrial Union (UIA), Carlos de la Vega, correctly described the measure as having put an end to the country's "dirigist economic culture." With one stroke, it eliminates the entire structure of dirigist institutions which have been built up over the years. In the case of the all-important agricultural sector, this is an open invitation to the international grain and food cartels which historically dominated the sector up until Gen. Juan Perón took power in 1946. The decree drastically reduces or does away altogether with the power of the boards which control the prices and exports of meat and grains, maté, and wine, among other major export products. Juan Reyes, secretary general of the National Grain Board, warned that the state "will lose all control over the export of grains, leaving in private hands the quality control over what is exported."

One of the decree's primary objectives is the destruction of the organized labor movement, represented by the General Confederation of Labor (CGT), which still has the potential to resist the government's draconian austerity policies. The decree replaces industry-wide collective bargaining with factory-by-factory wage negotiations, and does away with special trade union-administered funds used to pay for health insurance, education, and other services for workers' families.

Though the CGT and large industrial unions have been divided, and have failed in recent years to take unified or bold action in defense of living standards, these latest measures are a tremendous blow to their negotiating power. The executive committee of the CGT-Azopardo, a faction which opposes the government, issued a statement warning that the decree "endangers the labor movement's only remaining means of defense. It implies that anyone who wants to strike can be thrown out on the street without a second thought." The daily *Clarín* noted on Oct. 31 that with this decree, "the government thus advances on the remaining tool of trade union power."