

Argentina: Zero Deficit Is Genocide

by Gerardo Terán and Gonzalo Huertas

A desperate Argentine President Fernando de la Rúa held an emergency meeting with an equally desperate Brazilian President Fernando Henrique Cardoso, on Oct. 8 in Brasilia. Brazil is the Third World's largest debtor, with about \$500 billion in foreign obligations; Argentina is the largest bond issuer, with more than \$200 in foreign debt. All the two desperate men could come up with, was the decision to "unite," to hold hands, and make one last effort to beg President George Bush to provide yet another cash infusion to ward off their impending bankruptcies.

It won't work. A giant blowout of both economies is imminent.

Argentina is visibly disintegrating before the eyes of the world, widely expected to default on its debt at any moment, as it heads into crucial Congressional elections on Oct. 14. On Oct. 9, the rating agency Standard & Poor's downgraded the country's credit rating to CCC+, saying that the economy shows "no signs of stabilizing." De la Rúa and Economics Minister Domingo Cavallo have stubbornly reiterated that they will stick to their "zero-deficit" policy, even though it has set off a downward spiral which is now plunging the country into the abyss. Their budget cutbacks of a few months ago lawfully produced a 14% contraction in tax revenues in September, to which they have responded with a further cut of 25% in government spending.

Brazil Is Close Behind

Brazil is poised to follow Argentina down the road to economic chaos. Its currency, the real, which has already declined 30% in value this year, continues to depreciate daily, despite Central Bank interventions. The government has responded to this with suicidal measures by issuing dollar-denominated debt, which now constitutes 30% of its overall debt. This is the same insane policy which sank Mexico prior to the 1994 peso devaluation.

Contrary to what Cavallo promised, the so-called zero-deficit program imposed on Argentina in early August by the International Monetary Fund (IMF), is not going to get the country out of a three-year depression. What is in fact happening with the zero-deficit plan, is that the disintegration of the Argentine economy is spiralling out of control, sending the nation into generalized chaos. The economic "adjustments" being enforced under this brutal program are leading Argentina along the path toward African levels of genocidal pov-

erty. Minister Cavallo prefers to call this fate AFTA, or the American Free Trade Agreement.

Leaving no doubt that "Africanization" is, in fact, the real intent of the international usurers behind zero deficit, Morgan Stanley's chief of strategy on sovereign debt, Jaime Valdivia, recently said that the Argentine government will have to resort to "permanent adjustments" in order to comply with zero deficit. He added, "It is unlikely that society is going to put up with it. That is something we've been saying for months, since the zero deficit was announced; that the recession is going to worsen the collapse in income, and that complying with zero deficit is going to mean embarking on an endless spiral of adjustment of expenditures."

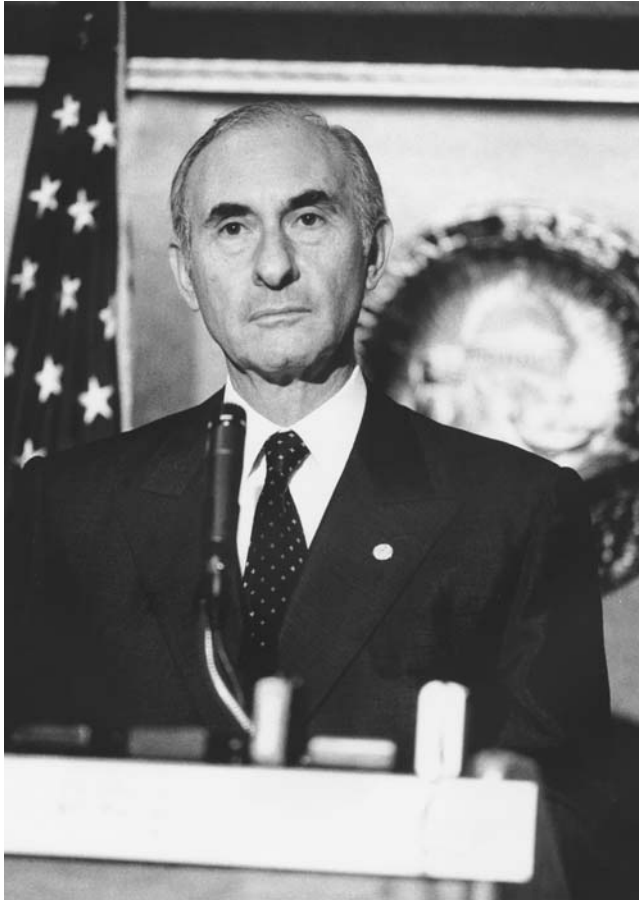
Killing The Elderly And Their Families

The first thing Cavallo did under the genocidal zero-deficit plan was to toss the weakest sector of society onto the scrapheap, that is, the retirees. According to economist Daniel Muchnik, in his column in the daily *Clarín*, in order "to have a zero deficit by September, [Cavallo] decided to put off until October the payment of a part of the pensions and other labor payments that were supposed to be paid immediately. That is 250 million pesos. We are talking about benefits that, since last July, have been cut by 13%. This means that, right now, one sector of retirees is collecting 13% less, and this more than a month later than they were supposed to have received their benefits."

At the same time, Cavallo decided not to disburse \$330 million to the provinces, equalling 26% of the resources that the national government is obligated by law to transfer during September. As a result of this illegal cutback, the provincial governments have been unable to pay 80% of their salaries. In the majority of the provinces, payment of state salaries represents more than 60% of the population's income.

Another sector seriously affected by zero deficit is education. The nation's teachers are already owed two months in promised bonuses from the first half of the year. In statements to the press, the general secretary of the Confederation of Education Workers of the Argentine Republic, Marta Maffei, charged that the situation of the education sector has become quite grave, and offered the following examples from the provinces: In Jujuy, teachers have been on indefinite strike, because "they haven't collected salaries for three months"; in Entre Ríos, "the government shut down the schools for lack of payment"; and in San Juan, there are teachers "who have not received their pay for a year."

Equally disastrous is the R&D sector of the economy. On Oct. 3, a report by DyN news agency revealed that national congressmen from the Justicialista Party declared the Argentine scientific community to be in a state of "emergency," the result of "a process of growing dis-investment" in science and technology. The congressmen warned that, next year, the De la Rúa government intends to slash the budget of the National Commission of Atomic Energy by \$20 million.



Argentina's President Fernando de la Rúa is watching his country's economy vaporize.

Less Income Means Less Consumption

The result of these inhuman zero-deficit cutbacks is an accelerated collapse in consumption, to levels not seen for a decade. A report by the Coordinator of Business Activities, dated Oct. 8, reveals that September sales fell 20-50%, compared to the same period last year. Real estate sales fell 55%; toys, 25%; construction materials, 30%; restaurants, 40%; malls, 19.3%; and supermarkets, 10.1%. This, despite the fact that there has been a reduction in consumer prices, precisely to try to avoid a still greater fall in sales. A recent poll by the Argentine Chamber of Commerce reveals that "73% of merchants consulted say they are in worse shape than a year ago," according to *Clarín*.

One of the worst-affected sectors, and also the one most responsible for directly and indirectly generating industrial employment, is the automotive industry. According to the Association of Car Dealerships, car registrations for September fell by 48.3%, compared to the same month last year. Similarly, the Association of Automotive Manufacturers reports that car production in September collapsed by 46.5%. Ever since the local recession began to intensify in 1999, the Argentine automotive sector has put nearly 56% of its

workforce out on the street, according to figures put out by the Mechanics Union of Córdoba province. In 1999, the automotive sector employed some 11,000 workers. Today, it employs 4,899.

To this fall in consumption, as reflected in sales declines and job losses, must be added the decline in the quality of consumption. In a country where beef is a dietary staple, a butcher from Olivos, in Buenos Aires province, told *Clarín*: "Before, for example, the person who bought a kilo of sirloin steak for \$9, today buys flank steak for \$4.90." The Association of Butchers in the Federal Capital (APC) reports that five years ago, an individual, on average, would spend \$10 in a butcher shop, but today, it is rare for someone to spend more than \$3.

Then there are the bankruptcies. On Oct. 2, the credit risk firm Experian reported that during September there was an 8% increase in corporate filings for bankruptcy protection, compared to August. The most striking cases were those of the privatized Argentine Postal Service (\$763 million), Perkins (\$41 million), and Musimundo (\$215 million). The study says that consumer credit defaults in September rose by 18% over the same month last year.

As might be expected, tax revenues have fallen to their lowest level in years. On Oct. 1, Cavallo admitted that tax revenues in September fell by 14% (in July, they fell 8.7% and in August 3.4%), compared to September 2000. Revenues from the value-added tax, that is, the tax on consumption, fell by 32%, social security taxes fell 22%, and taxes on personal assets fell 70%.

That same day, after releasing the figures on tax revenues, Cavallo insisted—despite the evidence to the contrary—on continuing his economic policy, cynically declaring: "Persevere and you will triumph. That is the slogan. We are not going to let down our guard. We are going to persevere because when there is no alternative, one must persevere and not weaken." He added, without the slightest expression of concern, that during the fourth quarter of 2001, the government will impose additional budget cutbacks of \$900 million, meaning further slashing of goods and services. As José de Mendiguren, president of the Argentine Industrial Union, called to mind among the harshest images of African economic and social collapse and mass death in an Oct. 2 interview with *Página 12*, "Today, the government does not have a sustainable plan, either economic or social. And if we don't come up with a plan [for economic recovery], we are going to become Biafra."

A recent study by the consulting firm Equis, headed by Artemio López, based on data from the National Institute of Statistics, indicates that 14% of the population (5.2 million Argentines) do not even meet their daily caloric needs (2,500 to 3,000 calories); between October 2000 and May 2001, the "indigent" sector of the population (that is, the poorest of the poor) rose from 10.2% to 14.4% of the total population, meaning that during that period, 8,040 Argentines became

classified as indigent per day, and that 47% of these are under 18 years of age. In 1997, 8.3% of the population were classified as indigent.

Another study, by the Institute to Develop Quality in Education, mentions that 25% of Argentina's students belong to "vulnerable sectors" of the population, live in homes with more than three people per room, in "homes without bathrooms," and have at least one sibling between the ages of 7 and 17 who is illiterate.

Observatorio Social, an agency sponsored by UNESCO and the System of Information, Monitoring, and Evaluation of Social Programs for the Social Development Ministry, explains in a recent study that "the more time spent in poverty or indigency, the more prolonged the effects. In the case of minors, this is especially serious, given that the consequences of malnutrition irreversibly affect intellectual development."

Toward A United Front

On Sept. 26, Coninagro, the Inter-Cooperative Agricultural Federation, one of the country's four most important agrarian associations, issued a call that specifically alluded to the U.S. response to the Sept. 11 terrorist attacks: "We are also on the receiving end of a brutal 'genocidal process,' which is leading us toward disappearance as a sovereign nation. The weapons used are different—in this case, the cruel international financial speculative apparatus—which, significantly, also seems unstoppable. But the results of both kinds of attack, the 'sudden blow' or the prolonged process, are equally deadly. The first claimed thousands of victims in one place, while the second destroys millions in broad areas of the planet. Both forms of violence are distinguished by high levels of irrationality and fanaticism, fed by ideological-religious causes in the one, and by materialist lust for power and money, in the other.

"A decade has passed, and the slide of systemic decadence has taken increasing hold of our social being. As with the Americans, we must recapture our sense of nationhood."

"It is clear that the model dubbed 'convertibility,' imposed as an emergency measure, is now leading to the definitive disintegration of the cohesion and interaction of different sectors of economic life, endangering:

"1. The existence of new generations, under conditions of 'minimal successful survival' which historically characterized the Argentine middle class.

"2. The 'survival of the current population,' which has reached levels of virtual genocide for the elderly and children, and deculturization of the adult productive population.

"This model has been backed by the political parties that held, and now hold, the power. Actively involved in this are also the economists, especially those who have acted in the public domain, because with the implementation of their policies, they have succeeded in destroying the productive capacity of Argentines."

The document concludes by calling for the formation of

LaRouche Prepares Policy Paper For Brazil Meet

The following statement was released by EIR on Oct. 5, and posted on the larouchepub.com web site. Those seeking more information are directed to call Gretchen Small, (703) 777-9451, ext. 272.

Lyndon H. LaRouche announced on Oct. 5, that he will unfortunately not be able to travel to Brazil in late October, to participate in an international conference organized by the Brazilian Congress on the subject of "Brazil And The Free Trade Agreement Of The Americas." Mr. LaRouche had originally been invited by Deputy Aecio Neves, the president of the Brazilian House of Representatives, to participate in that conference as a commentator in the session on agriculture. But, due to security problems related to the planned visit, Mr. LaRouche will be unable to attend the conference.

LaRouche, the founder of *Executive Intelligence Review* and a registered Democratic Presidential pre-candidate for the 2004 U.S. elections, announced that he will complete a report on "Agriculture And The Global Crisis" that he had conceived for use at that conference, and will make it available to Brazilians and others discussing the policies to be adopted in the face of the crisis.

a united front in the following terms:

"Coninagro, aware of the dimensions of the crisis that is facing the entire world, as it has been warning for several years, and assuming the responsibility that circumstances demand, has made the decision:

"1. To form a common front with other entities and sectors which defend national thinking and the interests of production.

"2. To put together a team of specialists linked to the production of wealth, to present an alternative model that will define, among other things, the following direction:

"a. Reestablish national monetary and credit sovereignty.

"b. Establish the mechanisms for negotiation of the foreign and domestic debt, backed by the labor and wealth of nations and not by financial speculation.

"c. Return to a taxation system that stimulates production.

"d. Reestablish the national sale of our own wealth, controlling the participation of hypermarkets regarding the imposition of prices, and avoiding the mass import of merchandise.

"e. Have the political nation return to its moral grounding."