

Repudiation of Menem era

# New Argentine president to deepen austerity policies

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After a decade in power under the presidency of Carlos Menem, the Peronist party suffered a crushing defeat in Argentina's general elections held October 24.

Fernando de la Rúa, the candidate of the opposition "Alliance for Work, Justice and Education" bloc, won 48.5 percent of the votes, compared to 38 percent for Eduardo Duhalde, the Peronist candidate. Menem was prohibited by the Argentine constitution from seeking a third term, though earlier this year he launched an abortive bid to scrap the constitutional restriction.

The vote expressed a broad disgust within the Argentine population toward the impoverishment of the majority of the population, the growing social polarization and the soaring unemployment that has characterized the Menem era.

De la Rúa capitalized on these sentiments, casting himself as the anti-corruption candidate. He was elected as the head of a coalition which includes FREPASO, or the Front for a Country of Solidarity, a bloc formed by ex-Peronists who broke with Menem's party, trade union dissidents, human rights activists and others from Argentina's left-nationalist camp. Their role has been to provide a left cover for de la Rúa, even as the president-elect prepares new attacks on the working class that will be carried out in alliance with the Peronist party.

After his victory was apparent, de la Rúa pledged to work for "social justice and jobs." His administration, he promised, will reduce the jobless rate, which officially stands at 15 percent (but which most analysts believe is well over 20 percent) and improve health care and education.

How he is going to do this, while pledging at the same time to cut the state budget in order to deal with Argentina's growing deficit, is a mystery. The election

promise echoes a similar vow made by Menem himself a decade ago, when the privileged provincial caudillo ran as the "candidate of the humble" and said he would transfer money garnered from the privatization of state-owned enterprises to improve social conditions for the masses.

Duhalde attempted to revive the populist appeal of Peronism, declaring during the final days of the election: "Those who want more austerity should vote for de la Rúa. Those who want productivity and jobs should vote for me." But after 10 years of Peronism in power, the majority of the electorate was not buying.

The Menem government's economic and social policies—based on sweeping privatizations, the slashing of public services and the opening up of the Argentine economy to foreign capital—were hailed by the International Monetary Fund and international banking institutions as a model for the indebted nations of Latin America. At the same time, Menem became the unconditional ally of US foreign policy all over the globe. He began his administration in 1991 by sending Argentine military forces to participate in the Persian Gulf War, and subsequently volunteered troops for both Haiti and the Balkans.

When Menem came to power the country was gripped by a severe hyper-inflationary crisis, with the annual inflation rate for 1989 standing at 3,731 percent. By 1991 it was down to 84 percent, and this year it is running at 1.1 percent. The government's stabilization program was capped by the direct convertibility of the Argentine peso into the US dollar. The effect was to give up any independent monetary policy by the Menem government.

Hyper-unemployment and a drastic deepening of the

impoverishment of the Argentine working class, however, replaced hyperinflation. Today 13 million Argentines, out of a total population of 27 million, are classified as poor by the government's own standards.

According to one recent study, while the profits of the 500 most important firms in Argentina increased by 69 percent between 1993 and 1997, during the same period one in every ten workers lost their jobs and real wages remained stagnant while the working day was lengthened.

In short, the Menem government repudiated, in the most flagrant manner possible, all of the old political pretenses of Peronism. Founded more than half a century ago by General Juan Peron, this movement promised "social justice," "national sovereignty" and "economic independence" for Argentina. Employing populist and "anti-imperialist" demagoguery, Peron and his party managed to utilize some of the surplus created by Argentine capitalism in the post-World War II years to cultivate a corrupt and right-wing labor bureaucracy and tie it closely to the Argentine state and the military. With the growth of the economic crisis and class struggle in the 1960s and 1970s, this Peronist bureaucracy provided the manpower for anticommunist death squads, which paved the way for a decade of military dictatorship.

The "economic miracle" credited to Menem in the early 1990s rested on the transfer of ever-growing amounts of wealth from the working class and the vast majority of middle class Argentines to a thin privileged layer at the top of the society, along with its backers on Wall Street and other international financial centers.

Menem earned the praise of the IMF, which in a recent report noted that his "privatization program was unique in the world since it covered all major enterprises and it was accomplished in record time."

With the economic crisis that began with the collapse of the Asian markets in 1997, however, Argentina, along with the rest of the Latin American economies, has been plunged into a deep recession. According to IMF estimates, foreign capital flows to the region fell by 55 percent last year. Argentine industrial production has fallen 14.5 percent during the same period and the 1999 federal deficit is expected to exceed \$6.5 billion and, on its present course, pass the \$10 billion mark next year.

The IMF has promised the incoming government a

new \$10 billion loan to refinance the country's debts and pay off foreign investors. The condition for this largesse, however, is that the new president implement a sweeping and severe austerity program. This plan must include, the fund insists, "reforms" of the country's social security system, changes in labor laws to allow workers to be summarily fired and new and deeper cuts in government spending.

Among the proposals already under discussion are the relaxing of regulations on temporary labor, the further limiting of unemployment benefits and the payment of pensions in the form of stocks.

De la Rúa, who is entering the Casa Rosada after serving as the Radical Party mayor of Buenos Aires, declared shortly after his victory, "An austere president is coming; I will give an example." He is committed to maintaining dollar-peso convertibility.

The rigid fiscal controls imposed to maintain that convertibility make printing money to cover deficits impossible and massive cutbacks inevitable. Next year's fiscal deficit, for example, cannot exceed \$4.5 billion. Given current projections, this would mandate \$5.5 billion in cuts. Much of this is expected to be aimed at Argentina's provincial governments, which have gone heavily into debt in an attempt to stave off social explosions, like the tumultuous struggles launched recently by public workers in Corrientes and Tucumán and the near uprising by unemployed workers in the province of Jujuy.

Giving up convertibility offers no viable way out of the coming confrontations either. Brazil, which has rejected pegging its currency to the dollar, was forced to carry out devaluations in any case to prevent a run on its reserves. Whether by stated policy or not, the international money markets dictate the monetary policy of governments throughout Latin America, forcing a deepening of the assault on the living standards and jobs of the working class.



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