

# Argentina: Congress grants Cavallo emergency powers

## Wall Street's man in charge

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After nearly three years of recession and facing a desperate foreign debt crisis, Argentina's Congress has voted to grant emergency powers to Domingo Cavallo, the newly installed economy minister and author of previous economic plans that plunged the country into a downward spiral of poverty, unemployment and homelessness.

As Cavallo was sworn in last week, teachers, airline employees and other public sector workers struck throughout Argentina, protesting what is certain to be a new onslaught against jobs, education, health care and what remains of the country's social welfare system.

With the appointment of Cavallo, President Fernando De la Rúa is effectively retreating to become a figurehead chief of state, with real power delegated to his new minister, a trusted defender of Argentina's most powerful moneyed interests as well as the international banks.

After receiving his Ph.D. at Harvard University in 1977, Cavallo returned to Argentina to become a senior functionary and ultimately central bank chief in the military dictatorship that then ruled the country. In 1991, he became first foreign minister and then economy minister under the Peronist government of Carlos Menem. He helped to align Argentina behind US foreign policy—including the deployment of its military forces in the Persian Gulf War—and then introduced an economic plan based on pegging the peso to the dollar and privatizing much of the country's public sector.

The plan was credited with bringing down triple-digit inflation, at the cost of driving the official unemployment rate to 18.5 percent, bringing much of domestic industry to a grinding halt and driving the

country's foreign debt to astronomical heights. Opposition to Cavallo's policies led to mass strikes and protests, ultimately forcing his resignation in 1996.

De la Rúa's government has failed miserably in its promise to reduce the unemployment crisis created under the Menem regime, with the official jobless rate now standing at 14.7 percent. Nothing has been done to ameliorate the blows delivered by the privatizations of the electricity, telephone and health systems and other public sector enterprises in the 1990s, which wiped out hundreds of thousands of jobs, while forcing working class families to pay out even more for essential services.

The past year and a half have seen only an intensification of poverty, with one out of every four inhabitants of Buenos Aires, the nation's capital, officially classified as poor. While Argentina's ruling class long prided itself on having avoided the stark polarization between wealth and poverty that prevails throughout the rest of Latin America, both homelessness and violent crime have become commonplace in Buenos Aires in recent years.

Older professional workers have seen their careers destroyed or their pay reduced to a pittance, forcing them to work as taxi drivers or waiters in order to survive. For the young, the predominant aspiration is to emigrate to Europe or the United States.

De la Rúa has presided over continuing social service cuts, while pushing through tax increases that have fallen heaviest on Argentine working people, as well as a new labor law granting employers greater power to cut wages and lay off workers.

The country's foreign debt is over \$150 billion and is consuming more than \$12 billion annually in interest

alone. The International Monetary Fund granted the country a \$40 billion emergency loan in December with the aim of staving off default and propping up not only Argentina, but also the beleaguered “emerging markets” internationally. The loan was conditioned on the Argentine government implementing a new package of drastic austerity measures, aimed at cutting public sector jobs and wages, slashing pensions and imposing new labor codes on the working class.

Popular outrage over the plan forced a breakup of the alliance between De la Rúa's Radical Party and Frepaso, a coalition of left-nationalist and reformist groups, many of them spun off by the rightward lurch of Peronism. Four Frepaso ministers resigned after Cavallo's predecessor, Ricardo Lopez Murphy, who lasted just two weeks in office, unveiled a harsh plan that would have cut public spending by \$4.5 billion and axed 80,000 public sector jobs.

Apparently aiming to consolidate political power before revealing what measures he will implement, Cavallo has proposed a new “Law of Competition,” which he claims will boost local industry. His plan, he said, “will increase competition and inspire growth” through pro-big business tax cuts.

The new economy minister has also said he will bypass the IMF to negotiate Argentina's debt directly with the Bush administration's Treasury Department. Despite his popularity in US Republican circles, there is no reason to believe that Cavallo can strike a better deal with Washington, which has been the principal advocate of the international lending agency's hard-line policies.

Leading sections of both De la Rúa's Radical Union and the opposition Peronists have coalesced behind Cavallo as the only figure who can save Argentine capitalism. The logic of both parties is that the crisis requires ceding power to the man who most embodies the policies demanded by Wall Street. The so-called “progressives” of Frepaso have meekly fallen into line behind the bid to make Cavallo Argentina's economic dictator. Its parliamentary leaders have limited themselves to proposals to “modify” the law granting the new economy minister emergency powers. This law would essentially grant the regime the power to rule by decree, bypassing the legislature on issues ranging from labor laws to social services and the state pension system.

The political crisis unfolded as Argentines marked the twenty-fifth anniversary of the US-backed military coup that ushered in the most savage regime in the country's history. Demonstrations were held throughout the country repudiating the crimes of the dictatorship and remembering the 30,000 “disappeared” who were murdered by the regime.

The demand for emergency powers for Cavallo, himself a former official of that blood-soaked regime, carries with it the implicit threat of a return to dictatorial forms of rule. The attempt to insulate economic policy from legislative disapproval is, in the final analysis, an attempt to prevent popular opposition from interfering with the policies that have already been dictated by the international banks. To the extent that this opposition assumes extra-parliamentary forms, the government will be driven to the methods of military repression.

Argentina is Latin America's third-largest economy and the political and economic crisis gripping the country has profound implications for the entire continent and indeed all of the so-called emerging countries. With Argentina accounting for up to 25 percent of all tradable “emerging market” debt, a collapse of confidence in the Argentine economy would accelerate an already pronounced flow of capital from these areas, deepening their economic crisis and intensifying poverty, social polarization and class confrontation.

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