As markets applaud cuts

Argentine workers strike against austerity measures

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International financial investors appeared satisfied, at least for the moment, with a new round of economic austerity measures that provoked crippling strikes by the Argentine workers last week. The Buenos Aires stock market continued a moderate rebound amid indications that the Peronist opposition as well as the petty-bourgeois left FREPASO coalition are prepared to support the “zero deficit” program advanced by President Fernando De la Rua and his economy minister, Domingo Cavallo.

The economic plan calls for immediately slashing by 13 percent all public employee salaries and pensions amounting to more than 500 pesos a month. (The Argentine peso is pegged to the US dollar.) The government has also pledged to “live within its means,” signifying that if revenues are not adequate, even more drastic cuts in incomes and social spending will be automatically implemented.

In addition to the applause of the market investors, the Argentine government’s proposals also earned praise from the “Group of 8” meeting in Genoa, where the leaders of the major capitalist powers expressed their support for the austerity measures.

Earlier this month, after the De la Rua government was compelled to drastically increase interest rates on 90-day treasury bills needed for debt refinancing, fear spread throughout the financial markets that the country was on the verge of a default on its $130 billion foreign debt. The financial impact was felt not only in Latin America, but also in Africa, Eastern Europe and Asia, with investors fleeing “emerging markets” stocks, bonds and currencies. While Argentina’s economy is considerably smaller than those of countries that have previously been at the eye of world financial crises—Russia, Korea, Mexico—it accounts for approximately one fifth of the bonds in emerging market portfolios held by overseas investors and one quarter of all emerging market debt.

The entire political establishment in Argentina has spelled out in unmistakable terms that its top priority is to placate international investors—and to win the approval of an International Monetary Fund crisis team visiting the country this week—at the expense of the masses of Argentine working people. Only credible cuts in the social welfare and income of the working class, the government has concluded, can restore investor confidence and thereby regain Argentina’s access to affordable credit in the international bond markets, which will in turn be shoveled back into meeting the country’s staggering debt obligations.

The proposed cuts were met with mass walkouts, first by public sector workers and then by the rest of the Argentine unions. Government workers struck on July 19. Transport was interrupted as well as public services, with workers shutting down hospitals, government offices and banks throughout the country. The next day, the country’s three trade union federations staged one of the largest strikes Argentina has seen in years.

In a number of cities, workers blockaded highways, while in Buenos Aires, workers and students demonstrated outside the stock exchange until riot police backed by a water cannon dispersed them. Aereolineas Argentinas, the national airlines, was shut down entirely by the walkout, as were trains, bus service and urban transport. An estimated 60 percent of the industrial sector was paralyzed.

The government has responded to the opposition within the working class with threats of repression and

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by seizing upon the corrupt and reactionary character of the Peronist-dominated trade union bureaucracy in an attempt to discredit the opposition from below and swing public opinion against the strike movement. Government officials announced that they were looking in to whether sedition charges can be brought against union leaders over the walkouts.

Minister of Labor Patricia Bullrich, meanwhile, called on the union bureaucrats to cut their own inflated salaries in accord with the government plan as a "patriotic gesture." Government officials claimed that such a measure could produce $156 million to aid the poor. Bullrich also appealed to the workers "that instead of going on strike, they donate an hour of their salaries to collaborate with a solidarity fund."

In announcing the austerity package, De la Rua has vowed that the plan is "not negotiable," declaring, "I will give my life in this fight, because I am saving the people from catastrophic consequences." He has defended the measures by claiming that they are necessary to prevent a drastic worsening of social conditions should the country default on its foreign debt.

Many economists both in Argentina and internationally, however, consider such a default inevitable, with only its timing and the immediate regional and world impact in question. Others point out that Argentina is already living the consequences that the government's plan is supposed to avoid.

In the midst of the general strike last week, the Labor Ministry released new figures showing that the country's official unemployment rate has risen from 15 percent last October to 16.4 percent this month—the highest rate in five years and one of the highest rates throughout the hemisphere. According to the government's own statistics, more than 10 million Argentines are living in poverty—nearly one in three—while homelessness has become a pervasive phenomenon in the streets of Buenos Aires and other cities.

What was once considered one of Latin America's least stratified societies has been sharply polarized in the years since the coming to power of the military dictatorship in 1976. A thin layer at the top has accumulated unprecedented wealth from stock market investments and privatization schemes, while the masses of workers and large sections of the country's professionals have sunk into misery. In increasing numbers, those who can are attempting to emigrate, many returning to Spain and Italy, the countries their forefathers left in the early part of the century seeking a better life in Argentina.

International investors fear social unrest and have made it clear that they expect the De la Rua government to carry out the repression of working class resistance. "The only thing that will appease the markets is the belief the government is in control of the situation," international credit-rating agency Standard and Poors warned last week.

The thinking within international financial circles was further spelled out in a recent column published by the Financial Times of London. Written by David Hale, chief global economic analyst for Zurich Financial Services, it points to growing concerns that the financial crisis and the social unrest created by uninterrupted austerity are leading inevitably to a new period of intense class struggle in Latin America.

"The Mercosur region is vulnerable to a serious crisis if Argentina defaults because Brazil is also suffering from a weak currency, rising interest rates and electricity shortages," writes Hale. "The government has become unpopular and opinion polls are suggesting that the 2002 presidential election could be won by a Marxist or populist demagogue who could set the stage for a prolonged period of economic instability. The situation could become so unsettled that it is even possible to imagine scenarios in which both Argentina and Brazil could return to military rule."

If these ruling class spokesmen are imagining a return to the methods of dictatorship that dominated Latin America's Southern Cone from the late 1960s through the 1980s, it is because they understand that the measures being demanded to stave off default must inevitably provoke revolutionary upheavals.

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