General strike paralyzes Argentina as bankruptcy threatens economy

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Argentina was paralyzed on Thursday, December 13 during the seventh general strike this year against the government of President Fernando De la Rua.

The national strike was called by both wings of the General Workers Confederation (CGT), and by the Argentine Workers Central (CTA) in the wake of the government's order last week limiting cash withdrawals from financial institutions, a desperate measure to stem a run on the banks. The banking panic was being fueled by expectations that the administration was about to confiscate bank deposits to service government debt.

The walkout was widely supported by the middle class, which is being ruined by the current crisis. The night before, hundreds of thousands of Buenos Aires women took to the streets and balconies banging empty pots. The deafening noise was accompanied by darkness as Buenos Aires' inhabitants and thousands of small businesses turned off their lights in unison. Even swanky and usually brightly illuminated Corrientes Avenue, Buenos Aires' theater district, went dark as theater owners joined in the protest.

During Thursday's strike, demonstrators blocked some of the main access roads to this sprawling capital city. Others set up a soup kitchen on the street across from Economic Minister Domingo Cavallo's residence, chanting slogans demanding his resignation. Banks and state offices were stoned in some areas of the nation's interior.

In the interior cities of Cordoba, Rosario, Mendoza, Mar del Plata, San Miguel de Tucuman and General Roca, employed and unemployed workers marched demanding jobs and subsidies to the jobless. In the industrial cities of Cordoba, Rosario, Neuquen and Pergamino there were confrontations with the police.

CTA and CGT leaders are now considering a 48-hour strike this week.

Earlier last week, Argentine Economics Minister, Domingo Cavallo called on the International Monetary Fund in New York and agreed to its conditions for a $1.24 billion loan disbursement. These include slashing the 2002 budget by more than $7 billion.

On Friday, December 14, Finance Secretary Daniel Marx resigned as it appeared likely that a $163 million payment due on three pending bond issues would be postponed. Marx's resignation renewed calls by the opposition Peronist Party that Cavallo also resign. The latter has taken on a role akin to the proconsuls of the Roman Empire, dutifully relaying ever more onerous conditions imposed by the IMF.

The IMF now considers the Argentine crisis the result of structural problems, such as inefficient tax collections and rigid labor laws. It is demanding that those problems be addressed. Until then, economic growth is not an option and Argentina can expect at least another year of economic depression.

Also last Thursday, Industrias Metalurgicas Pescarmona SA (IMPSA), Argentina's biggest overseas power plant builder, announced that it is unable to service its own dollar-denominated debt. Instead it intends to issue $137.6 million in bonds to its debt holders. Investors expect that IMPSA's default is the beginning of many other corporate defaults. Argentina's private sector has been locked out of the credit market because investors feel that a peso devaluation is imminent. Up until now the peso-dollar convertibility implied that the Central Bank had sufficient reserves to maintain parity. It now appears that this may not be the case.

Last week's controls on bank deposits immediately gave rise to a parallel market in dollars, which devalued the peso by 40 percent, to 1.40 pesos per dollar. At that exchange rate, the peso value of all foreign currency-denominated debt also automatically rises by 40 percent, virtually guaranteeing the bankruptcy of an entire layer of Argentine corporations.

For the average Argentine, pesos and dollars are becoming a scarce item. Instead state issued bonds, like Buenos Aires' *Patacon* and the federally issued *Lecops*, are taking the place of money. Many workers already receive part of their wages in these bonds. For want of pesos, businesses accept them at a steep discount.

In contrast to the policies of the Clinton administration toward Mexico in 1994, when the US Treasury rapidly intervened to stop the hemorrhaging of financial capital, the Bush administration opposes a bailout. In this it is driven both by an extreme free-market ideology and by calculations that US banks will not be hurt as much as their European and Japanese rivals, which are heavily burdened by Argentine bonds.