

IMF austerity sparks upheavals

Social unrest topples Argentina's president

Rafael Azul

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President Fernando de la Rúa fled the Casa Rosada, Argentina's presidential palace, aboard a helicopter December 20 after a day of violent clashes between riot police and thousands of workers and youth who defied a state of siege to protest the government's economic austerity policies.

De la Rúa, who was elected in October 1999, resigned after the opposition Peronist party refused to join him in a government of national unity. Instead, legislators called for the president to be placed on trial for mishandling the country's desperate economic and social crisis.

As the day wore on and the political crisis deepened, the chiefs of the armed forces convened their own meeting to consider their "duty to uphold the constitution," a task they fulfilled a quarter century ago through the murder, torture and "disappearance" of tens of thousands of Argentine working and middle class people.

At least five people were killed in the clashes that rocked the area around the Plaza de Mayo throughout the day. Police used water cannon, rubber bullets and cavalry charges against the crowds of workers, unemployed and students who poured into the center of the capital from midnight onwards. Nationwide, the social unrest claimed at least 21 lives.

De la Rúa's announcement the night before of a 30-day state of siege—an illegal measure specifically barred by the Argentine constitution while the Congress is in session—provoked spontaneous demonstrations throughout the country, with working class and middle class people pouring into the streets banging pots and chanting defiant slogans against the government.

Both wings of the General Workers Confederation (CGT) called for a general strike of indefinite duration as long as the state of siege remains in place.

Rioting and the looting of supermarkets began in the provincial capital of Rosario December 14 and continued to spread across the country, reaching virtually every region. Residents of the "villas de miseria," the

shantytown slums that have sprung up around Buenos Aires and other cities, were joined by newly impoverished members of a once relatively comfortable middle class in breaking into stores and seizing meat, vegetables, cooking oil and other necessities. In some areas crowds stood peacefully outside of stores begging for food, while in others angry mobs marched shouting, "We want to eat."

In the city of Cordoba, crowds of workers, including many public employees, laid siege to the municipal building, breaking out its windows and setting the structure on fire before troops moved against them.

The De la Rúa government initially reacted by denying that there was any real social unrest and promising \$7 million in food relief, a pittance in a country where working people have seen their real income drop by 20 percent during the last three-and-a-half years. The International Monetary Fund-mandated \$7 billion cut in the 2002 budget, almost 20 percent, plus government interference on bank withdrawals pushed workers and the unemployed over the brink. Many were left without the means to buy food and supermarkets became the battleground of the class struggle.

"This is what we must do to put a slice of bread on our table. We are not asking for handouts, we want to work, to earn our own wages," said the wife of an unemployed worker. In addition to the death toll, hundreds were wounded in the social unrest and the police arrested thousands of protesters.

The political crisis spun swiftly out of control in the 24 hours before De la Rúa's ouster. Economics Minister Domingo Cavallo, who won the trust of Wall Street as a central banker under the Argentine military dictatorship and later served as a minister in the Peronist government, resigned Wednesday night.

Protesters in the Plaza de Mayo cheered and honked their car horns as news swept through the city of the resignation of the man who had served as the architect of the most recent austerity measures. At 11 p.m. that night

President De la Rúa declared the state of siege, a measure that gives the police broad powers to impose curfews and carry out arrests.

The speech, which proposed no solutions, was infused with the hated language of the former military regime, blaming the mass unrest on “groups that are enemies of order who seek to sow discord and violence.” Anger over the speech sent people streaming into the Plaza de Mayo. Thirty-five thousand federal police agents were mobilized on Wednesday night to enforce the state of siege in the capital.

On Thursday afternoon De la Rúa again took to the airwaves. This time he invited the Peronist opposition to form a government of national unity to resolve the debt crisis. Peronist leaders rebuffed the offer, leaving De la Rúa no political alternative but to resign. At around 6 p.m. Buenos Aires time, 19 hours after declaring a state of siege, De la Rúa announced his intention to resign.

With the vice presidency vacant, the next in line for the presidency is Senate chief Ramon Puerta, a Peronist, who said on Thursday he would only remain in the job for 48 hours. The Peronist Party is itself badly divided and utterly complicit in the economic policies that have devastated the lives of millions of Argentines. The former Peronist president, Carlos Menem, has been indicted on charges of massive corruption. It was he who turned the country into Washington’s closest ally during the last decade, introducing the dollar-to-peso convertibility that has helped strangle Argentina’s economy.

The Peronists in Congress as well as the party’s provincial governors gave their support to granting extraordinary powers to both Carvallo and De la Rúa to carry out their economic austerity plans.

Austerity measures introduced by both De la Rúa and his Peronist predecessors have created a country in which fully 10 percent of the Argentine population is forced to survive on less than two dollars a day, an historically unprecedented level of poverty. The official unemployment figures of 18.5 percent obscure the millions of underemployed. By some estimates, 5.5 million Argentines, two-thirds of the labor force, are either unemployed or underemployed and 15 million live under the official level of poverty (out of a population of 36 million.) The *Financial Times* reports that every day 2,000 people drop below the official poverty line of \$470 a month for a family of four.

For the first time since the debt crisis began, Argentina may have defaulted on debt payments due last Friday. In addition, the flagships of Argentine industry—companies

such as steel giant Acindar, and Industrias Metalurgicas Pescarmona SA (IMPSA), Argentina’s biggest overseas power plant builder—announced that they are also defaulting on their debts. Other corporate falling dominoes include Orfila wineries, steelmaker Sideco, and the Fargo bakeries.

The Argentine peso is widely expected to fall. The Central Bank is fast running out of hard currency reserves to sustain the peso-to-dollar convertibility. The forward market for peso—what foreign currency traders think the peso will be worth next year—is now at 1.7 per dollar, a 70-percent discount from current prices.

A drastic devaluation would wreck the Buenos Aires government’s economic program and the ability of private companies to pay their dollar denominated debts. There was no immediate reaction from world currency and stock markets. While US Treasury Secretary Paul O’Neill and President Bush signaled no change in the official US stand that Argentina work with the IMF to find a way out of the crisis, US officials are watching developments closely.

For its part, the International Monetary Fund arrogantly refused to take any responsibility for the Argentine crisis, according to Thomas Dawson, director of Foreign Relations for the IMF. Leading IMF official Anne Krueger officially indicated no change in the IMF position that the Argentine government slash its 2002 budget and achieve political consensus. As Argentines die on the streets, Krueger cynically lectured reporters that an IMF bailout of \$10 billion next year would not have helped Argentina.



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