

Argentina on the brink of a social explosion

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At the beginning of February, Argentine President Cristina Fernández announced a cost of living adjustment for government pension recipients of 11.31 percent. This increase is woefully inadequate and substantially below the 2013 rate of inflation, estimated at 28.4 percent. The increase barely reflects the inflation that occurred in the last three months of last year.

The president also said that since 2009 until now pensions have risen by 300 percent in nominal terms, the best performance relative to all wage increases in the intervening four years. In real terms, however, pensioners and workers have lagged behind the cost of living as more and more Argentines slide below the poverty line.

Price increases continue to accelerate; between November and December, prices rose 5.4 percent. In January alone, prices rose by 5 percent. When one considers the more volatile food and fuel prices, the increase was nearly double that amount.

Beginning next month, the minimum monthly pension will rise to 2557 pesos and will remain at that level for six months; the median pension will be 4804 pesos. By comparison, the cost of a basic “family basket” went up in 2013 by more than 50 percent, roughly twice the rate of inflation. The General Labor Confederation (*Confederación General del Trabajo*, CGT) issued a report that points out that this “basket of poverty” continues to rise at an alarming rate. According to this report, a family of four required in December 6100 pesos to afford life’s basic necessities, up from 4500 12 months earlier.

The CGT report also found that 550,000 Argentines were added to the poverty rolls just in the last trimester of 2013. For the entire year, the number of poor shot up by 1.25 million people. Twelve million Argentines now live below the official poverty line (over 29 percent of the population of 41 million); 5.5 million of those in poverty are under the age of 18.

In the speech announcing the pension increase, president Fernández confirmed that the government would cut transportation, energy, and fuel subsidies. The

Department of Economics and the Department of Planning are already at work on a proposal to reduce the subsidies, or to eliminate them altogether, a measure that will surely add to the accelerating rate of inflation, as consumers confront ever higher utility, fuel, transit and food prices.

In January, as the price of black market dollars was exploding, the government allowed the official controlled peso to float against the US dollar, resulting in a devaluation of nearly 20 percent—the peso lost 15 percent of its value in just two hours on January 23.

The devaluation was accompanied by new rules that partially lift the controls over the purchase of dollars by ordinary Argentines. This week, the Fernández government imposed controls on the borrowing of dollars by large importers, who will be required to borrow their dollars from outside the country.

In response to this steady deterioration of living standards, and expecting inflation to rise, Argentines purchase US dollars in the black market, widening the gap between it and the official price. The rise of dollar balances in the hands of the public, combined with the flight of financial capital, triggered by the decision of the US Central Bank, the Federal Reserve Board, to begin winding down its quantitative easing measures that injected liquidity into financial institutions, left the Argentine Central Bank no choice but to allow the peso to devalue.

It is an open secret that, since 2007, the government has deliberately lied about inflation rates. Non-governmental statistics and provincial statistics indicate that the real rate of price increases has been about three times what government figures indicate. Those figures, once factored into real GDP, show that Argentina’s GDP growth was as low as 0.5 percent, belying exaggerated reports of 10 percent growth.

To temper the bad news the president also announced a 200 percent increase in education subsidies to families that earn less than 30,000 pesos. This payment, which averages 813 pesos, affects 1.9 million households at an

annual cost of 1.56 billion pesos, a paltry amount, in comparison to the 140 billion pesos in energy and transit subsidies to be slashed.

Government chief of staff Jorge Capitanich has called for the elimination of subsidies to anyone who saves dollars. Fernandez seconded his suggestion: “It is evident,” declared *doña Cristina*, “that there are layers in the population that receive subsidies without needing them. It is unjust for workers that buy dollars to have their electricity, gas, and other things subsidized.”

These measures are being taken with the approval of the International Monetary Fund. If Argentina’s Central Bank is forced to borrow dollar reserves from the IMF, it will be in exchange for so-called orthodox monetary and fiscal policies, cutting back on the money supply and drastically gutting government social spending.

The government has launched a demagogic campaign of shaming supermarkets that raise prices excessively; the president has met with housewives who participated in the campaign. The Peronist youth movement La Campora has been enlisted in this project. The program is ineffective; prices for staples, such as flour, bread and fruit continue to rise. The price of bread in 2013 increased 105 percent, dragged up by a whopping 170 percent in the price of flour. Many of the poor find themselves unable to afford domestically grown apples and citrus fruits.

It is very possible that 2014 will see the beginning of hyperinflation in Argentina (monthly price increases of 50 or more percent), devastating those with fixed incomes. Income for pensioners and those that depend on government handouts are adjusted every six months on the basis of figures from a year before

Beyond the Peronist demagoguery, since 2003 the governments of Nestor Kirchner and Cristina Fernández de Kirchner, have relied on the trade unions to buffer working class reaction to the steady deterioration of living standards and working conditions. Both wings of the CGT (General Confederation of Workers), as well as the pro-government Argentine Workers Central (*Central de Trabajadores Argentinos*, CTA) step forward once again to manage the popular response. In this, they count with the support of the nation’s various pseudo-left organizations.

In her speech president Cristina Fernández had asked the trade unions, now poised for national wage negotiations, to be “responsible” in their wage demands. They have agreed. In essence, unionized workers will be forced to accept inadequate increases in money wages, while their real wages lag further and further behind price

increases. All three federations are united in a strategy of betrayal.

The official CGT leadership responded positively to Fernandez, first by announcing that it would involve itself in negotiations between the government and four teacher unions to make sure that the teachers, first in line in the negotiations, lower any expectations to below 30 percent, down from 60 percent that many teachers demand (the government offer stands at 23 percent.) Public schools come back into session after summer vacation on March 5 under a threat of strike. CETERA, the teachers union of the CTA, has asked for a 35 percent raise.

The labor movement also agreed to Fernandez’s request not to make public comments while negotiations are taking place. Truck driver’s union leader Hugo Moyano, leader of the dissident faction of the CGT, has called for a “social pact” between the government and the trade unions.

All the pseudo-left organizations are fostering the illusion that the union federations can be pushed to the left, part of a maneuver to prevent the building of independent workers organizations of struggle. Typical is a February 20 statement by the Partido de los Trabajadores Socialistas (PTS) calling for a “plan of struggle” for the teachers. This plan consists of attempting to convince workers that the union bureaucracies can be pressured from below. Even as these same bureaucracies are fully collaborating with the government in imposing austerity and cuts in real wages, the PTS calls on them to organize “rank-and-file assemblies” and a general strike.

“We need to organize the struggle from the bottom up, forcing a plan of struggle on the bureaucracy,” the article states. Such a perspective serves only to divert working class anger back into the safe channels controlled by the Peronist bureaucrats and impede the building of the new revolutionary leadership that is required.



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