Wave of budget cuts throughout Latin America

Neil Hardt
27 May 2016

The governments of Latin America are preparing a wave of budget cuts that will impact hundreds of millions of workers across the region. The cuts, orchestrated at the behest of international finance capital and supported by US imperialism, represent an intensification of anti-working class policies already implemented by the so-called "pink tide" governments.

The intensification of the attacks on the working class are being carried out in tandem with the US pivot to Latin America, aimed at countering Chinese influence in the region and facilitating the exploitation of the region by Wall Street and US corporations. The harshest cuts are being imposed in Mexico, Argentina, Brazil, Colombia, Chile, and Ecuador.

In April, Mexico's Secretary of the Interior announced $US9.4 billion in cuts to many of the country's "priority programs." The government has previously been reluctant to attack these programs due to fear of provoking social opposition.

In education, five out of 15 priority programs will be cut, including 5 percent from educational quality programs and 1.7 percent from scientific research and technological development programs. Health budgets will also be slashed. Obesity and diabetes prevention programs face a 21 percent cut, HIV and STD prevention will be cut by 13.3 percent, and disease control programs will be slashed by 20 percent, this as the Zika virus makes its way through the country.

On May 22, sub-Secretary of the Interior Fernando Galindo Favela said that the decline in world commodity prices would force the government to reevaluate these cuts, in order to deepen them. "We will reevaluate the role of all of these programs and will change the rules of operation of those that are not working so they can serve the intended population. This does not mean we are eliminating them," he said.

In Argentina, the newly elected government of Mauricio Macri announced a series of moves that are dramatically raising the cost of living for the working class. In February, the government announced a series of taxes on basic utilities. Since then, the price of electricity has increased between 250 and 700 percent. Train and bus prices have also doubled, while gas and water prices have tripled.

As a result, Macri's favorability ratings are beginning to plummet. According to the Argentinian firm Public Opinion Group (GOP), Macri's popularity has dropped 12.6 percent since taking office in December 2015. Today, 57.2 percent of Argentinians say the situation is worse than a year before, up from 41.4 percent in March. 53.2 percent say Macri's administration governs on behalf of society's richest, up from 49.5 percent in March.

"This is the price he pays for the enormous quantity of methods he has taken which have affected the daily life of the population, like increases to taxes, inflation, and the freeze on parity salaries," said Raul Timerman, director of the GOP.

The government of Brazilian Interim President Michel Temer is also preparing to launch a wave of cuts against the Brazilian working class. On Wednesday, the legislature accepted Temer's plan to cap budget spending, with Wall Street nodding in approval. "The plans are lofty in ambition, but so far lacking in detail. The problem, as ever, remains implementation," Neil Shearing, chief emerging markets economist with Capital economics, told *Bloomberg*.

Rafael Cortes, a political analyst from the firm Integrated Consulting Tendencies, told the *Chicago Tribune*: "There's a feeling that the government does have a coalition and passed this first test in the legislative process. The hope is that it can hold on to that to approve the economic measures."

The legislation limits government spending for health, education, science and environmental protection programs while opening avenues for the selling off of state assets. Scientists in Brazil have expressed a fear of what the impact of the cuts will mean.

Similar waves of cuts have been imposed by the governments of Colombia, Chile, and Ecuador.

In February, Colombian President Miguel Santos announced that 3 percent of the country's budget would be cut in the coming fiscal year, with each ministry forced to cut spending by 5 percent.

"You have to make adjustments when you have to, even though they are painful," he said. "It's the responsible thing to do."

Chile's government also announced cuts in February totaling $540 million for the 2016 budget. "When the economy gets difficult, like now, to make investments like these becomes more difficult. At times, it is necessary to make adjustments," Chilean President Michelle Bachelet tweeted in February.

Ecuador's President Rafael Correa has imposed a new ruthless austerity regime, raising the value-added tax to 14 percent in 2016, up from 12 percent in 2015. Last year, Correa imposed $US2.2 billion in cuts to social spending. In his state of the union address delivered Tuesday, he stated that in 2015 and 2016, "6 percent of GDP [was cut] from the state budget, basically in investment, in such a way as to affect the poorest and economic activity to the least extent possible. By far, it's the biggest adjustment in all of Latin America."

This is not an exhaustive list. In numerous other countries in Latin America, cuts are impacting an already devastated working class.

From 2002 to 2015, Latin America's billionaires grew 21 percent wealthier each year, a rate six times higher than that of the whole region's GDP. Across the region, the average tax rate for the wealthiest 10 percent of the population amounts to roughly 5 percent of their income. In 2014, Oxfam reported that the richest 10 percent of Latin Americans control 71 percent of the wealth. The World Economic Forum noted that "if this trend continues, according to Oxfam's calculations, in just six years' time the richest 1 percent in the region will have accumulated more wealth than the remaining 99 percent."

These figures are not the product of accident or poor planning. Rather, they are the product of decades of attacks against the working class, led by the bourgeoisie of each country at the encouragement of Wall Street and US imperialism. Whether openly right-wing or self-proclaimed "left" or "socialist," the bourgeois governments of Latin America are to blame for deepening social inequality and poverty.