

Argentines fight war —against Volckerism

by Valérie Rush

The war mobilization in Argentina, however inadvertently, has lifted the lid on widespread outrage over the state into which Friedmanite policies have driven the economy, outrage focused against economics minister Roberto Alemann, Argentina's Paul Volcker.

The opposition to Alemann's tight-money austerity policies includes the military, industrialists, bankers, opposition political leaders, and those within the government who have acquired a healthy instinct for survival. The Buenos Aires daily *Clarín* reported May 15 that Argentine President Leopoldo Galtieri complained to one of his cabinet ministers, "The patient has already taken its medicine, and yet continues to worsen. . . . After the [Malvinas] conflict, we will have to take other measures or different courses of action."

One of the most outspoken opposition political leaders, Raul Alfonsín of the Radical Party, declared recently, "We have fallen into the Chicago School. It has been a disaster—like the neutron bomb in reverse. The people are alive, but the productive machine is destroyed." He was referring to the as many as 10 and 12 bankruptcies per day hitting the productive sectors of the economy. With interest rates ranging from 150 to 200 percent, industry is estimated to be operating at barely 50 percent capacity, and production rates are dropping.

The Argentine Industrial Union (UIA) issued a highly controversial document in mid-May which stated: "The current norms . . . have nearly destroyed the productive apparatus and have inevitably and seriously affected banking activities such that neither Argentina nor any other country in the world could subsist for any length of time with the extremely high rates of interest that dominate the market."

In a warning to the Galtieri government, the UIA document says, "No country neglects for a moment its internal market. . . . This must be the point of departure to pass from an economy of speculation to an economy of production." The document is widely interpreted as a call for Alemann's resignation.

Furious at Alemann's refusal to address the interest-rate problem, the Argentine Chamber of Financial

Companies insisted that "modifying the excessively high interest rates down to the actual capability of the productive sector to pay should constitute at this moment the priority of economic policy."

Bankers denounce Alemann

Alemann had centered his emergency proposals around a gradual dismantling of central bank guarantees on deposits, guarantees he claimed were a root cause of high interest rates. The Argentine Institute of Cooperative Funds countered that the measure would only "aggravate the market situation, introducing one more element of disorientation . . . and tending to concentrate the financial system to the benefit of the foreign banks."

The Argentine junta has begun to show some awareness that Alemann's policies could undermine the country's war effort. In a statement released the week of May 10 by the Public Information Service (the propaganda arm of the ruling junta), Galtieri ordered a temporary "halt" to the process of "denationalization" of Argentina's once-huge state sector, thereby striking a blow at the centerpiece of Alemann's economic program.

Galtieri's public explanation was the need to avoid "interruptions" of the war mobilization. However, it is well known that the principal targets of the denationalization strategy were the state-run oil company Yacimientos Petrolíferos Argentinos (YPF) and the massive military-run industrial complex Industrias Militares. The essence of the fight is whether the vital state sector will be dismantled as Alemann plans.

While many of the country's industrialists view this move as just a temporary retreat in the face of their anti-Alemann campaign and not as a fundamental shift in economic policy, there are indications that a factional battle is occurring on the issue within the government. *Clarín* reported May 16 that the Minister of Public Works, an Alemann ally, had violently protested the halt in denationalization. Alemann was out of the country at the time.

A *Clarín* economic review dated May 16 is nonetheless hopeful that a pro-industrial tendency is taking root inside the government. "Sectors of the government are beginning to understand that a good war economy depends less on norms dictated in times of emergency than on the health and vigor of the economy to which they are applied. And if it is sunk in deep crisis, this not only compromises the material effort which national defense demands, but also the social peace one hopes to consolidate in the postwar period."

What is required, concludes the analysis, is to "force the machinery" with exceptional stimulants, taking advantage of the fact that the industrial sector is operating with a major portion of its capacity unused."