Carlos Menem's woes multiply

by Gerardo Terán and Cynthia Rush

Argentine political, economic, and social developments in June indicate that President Carlos Menem's much-heralded policy of bringing his country into the "First World" is rapidly becoming the route to the inferno. The International Monetary Fund's adjustment policy, which for the past year has been dressed in the rhetoric of "stability," low inflation, and monetary parity, is now producing the results it must lawfully yield.

On July 20, the ruling Peronist party's candidate for the Buenos Aires Senate, Avelino Porto, was roundly defeated by Fernando de la Rua, candidate of the opposition Radical Civic Union (UCR). De la Rua received 50% of the vote against Menem's candidate, Porto, who garnered only 31%. Political observers note that De la Rua's victory wasn't due to any legitimate growth in the ranks of the Radical Party, but rather to the population's growing opposition to the Menem government's economic and social policy. Even De la Rua noted that many independents and Peronists voted for him.

On June 30, the daily *Crónica* published remarks by Humberto Volando, president of the Argentine Agrarian Federation (FAA), who stated that Menem's administration "is rotting, in social and economic matters, as well as in political ones. . . . It cannot consolidate itself, because it is based on false premises."

The market collapse

June's economic figures show exactly that. Like many other Ibero-American countries, the speculative binge which has characterized Argentina's alleged "economic miracle," based on the stock market, has started to unravel. During the last two weeks of June, the Buenos Aires stock market plunged by 22%, demonstrating the precariousness of Finance Minister Domingo Cavallo's much-touted "convertibility" program, which maintains peso-dollar parity. As reported in the July 1 *Ambito Financiero,* the National Securities Commission estimated that the total value of the companies quoted on the stock market at the end of May was $32.1 billion. The 22% drop then represented a loss of over $7 billion.

Daniel Muchnik, economic commentator for the daily *Clarín,* noted on June 29 that while the government only had reserves of $9 billion, "stock market capitalization has reached $50 billion. It would only take a partial withdrawal of those funds to cause reserves to evaporate literally overnight." Muchnik added that of the $5 billion in foreign capital which entered the country in 1991, only $750 million went for new investments. In 1992, with $6.5 billion entering the country so far, only $1 billion is destined for new investment. Where is the rest of the money going?

According to *Ambito,* despite foreign investment, the majority of those investing in the stock market are Argentine. If the decline continues, this could mean "a rapid impoverishment which lowers the propensity to consume as well as to invest in the entire society." The market's drop, the daily warns, shows that the investment "risk in Latin America is high, significantly greater than in some of the large international financial markets." Even if that risk is lowered, recent developments "will cause a strong recessionary effect on the economy."

The secretary of Economic Planning has just reported that in the first five months of 1992, exports increased only by 12%, while imports (televisions, videocassette recorders, and large quantities of consumption items) increased by 104%. Meanwhile, the government is liquidating highly productive sectors such as the nuclear industry, whose exports to Iran alone had an annual value of $700 million, before they were suspended due to the Bush administration's phony campaign against "weapons of mass destruction." The same has occurred with the export-linked capital goods sector. Argentine prices, among the highest in the world, are simply not competitive in the midst of the current world economic depression.

Mass protests

The other aspect of Cavallo's convertibility program was linking wage increases to productivity. As a result of this policy, Argentina has gone from having one of the highest average rates of consumption in Ibero-America to being a consumer of ever-smaller quantities of goods which are increasingly more expensive. The monthly market basket of goods for employees costs $750; yet on the average, teachers and other public employees earn only enough to cover seven days worth of goods. While there may be no hyperinflation in figures, consumption of meat and other basic foods, which have always been part of the Argentine market basket, has declined dramatically.

On top of the electoral defeat, for three weeks the government has had to face mass protests organized by teachers, students, and parents, demanding budget increases for public education and wage increases for teachers. On July 3, the protests culminated in a 24-hour nationwide strike and demonstration of more than 70,000 people which virtually paralyzed Buenos Aires. The General Labor Confederation (CGT) is threatening to call a general strike at the end of July to protest the government's wage policy. Provincial governors, who have been told to assume the costs for health and education previously paid by the central government, are also protesting. The provinces are in dire economic straits and most have no capability of finding new sources of financing for these services.