

Argentina at 'Limits Of What's Bearable'

by Mariano Salazar and Alejandro Lezcano

As the Argentine press reported a recent statement by U.S. Treasury Secretary Paul O'Neill, "The world is ready to help Argentina when it has reached the limits of what's tolerable." To make the discussion less abstract, the abstract, recent data released by the Argentine government's Institute of Statistics and Census (Indec) makes it possible to clearly see the path that Argentina is expected to travel—and is travelling—to reach this required "limit" in the name of the International Monetary Fund (IMF) and international financial community's "sustainable" plan. Indec's general director Juan Carlos Del Bello reported, at the close of April, that in Argentina, "half the population—18 million people—was already living below the poverty line" (Figure 1). This, he said, is primarily due to two factors:

1) a 32.5% increase in the price of the basic food market basket since December 2001, and the fact that food costs now absorb 46.6% of the income of low-income households, making the impact of increases in such products as oils, flour

and meat, proportionally greater.

2) an increase in unemployment to 25% of the labor force, as compared to 18.3% in October 2001.

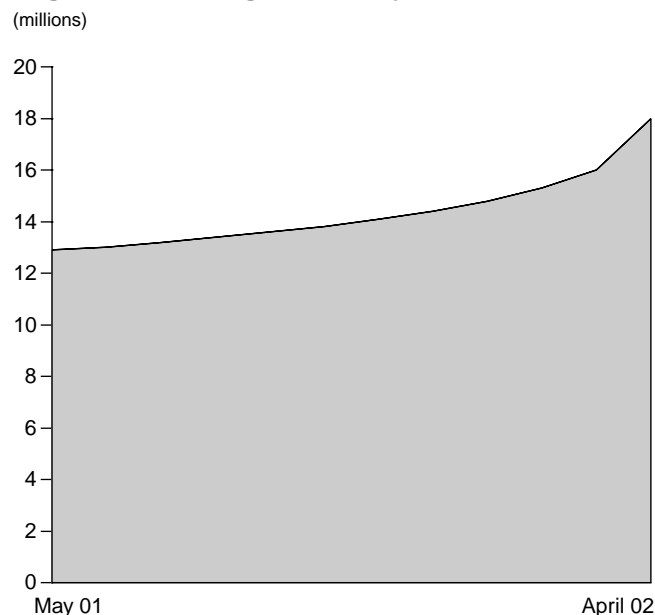
Until March 2002, Indec's studies indicated that there had been nearly 16 million poor. This means that in a single month, another 2 million people have joined the ranks of the impoverished—that is, some 65,000 new poor per day (Figure 2).

In the Federal District (the capital of Buenos Aires) and in Greater Buenos Aires, through March of this year, there were nearly 5 million poor; in May, there are 5.5 million people who have fallen below the poverty line (Figure 3). This means an increase of 16,000 new poor per day in the District alone.

The area most affected by poverty is in the country's North, where the consulting company Equis calculated that, based on official April figures, the average poverty level in Corrientes, Formosa, Misiones and Chaco provinces, has reached 66% of the total population. The area with the "fewest" poor is Patagonia in the south of Argentina, where the poverty level is estimated at 30% of the population.

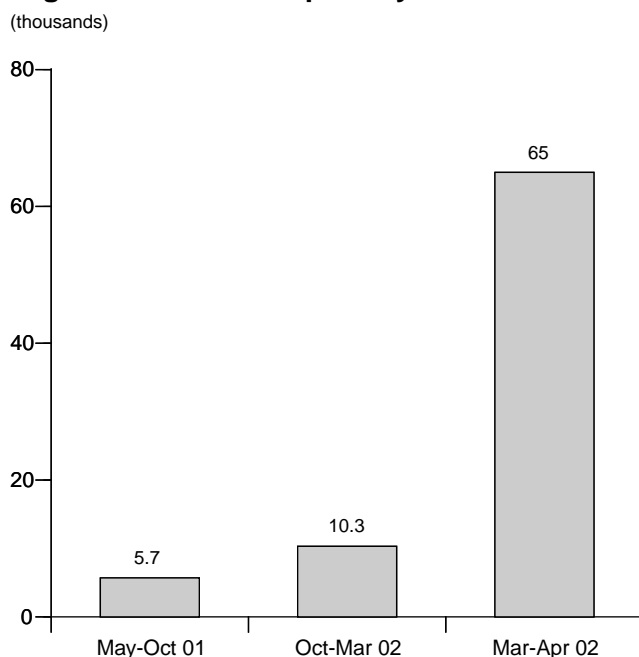
The official projections show a strong increase in the number of indigents, those defined as so poor that they have no money to buy a basic market basket of 27 foods to cover essential caloric and protein requirements. This category now includes nearly 6.5 million Argentines, 17.8% of the total population.

FIGURE 1
Argentines Living in Poverty



Source: EIRNS.

FIGURE 2
Argentina: New Poor per Day

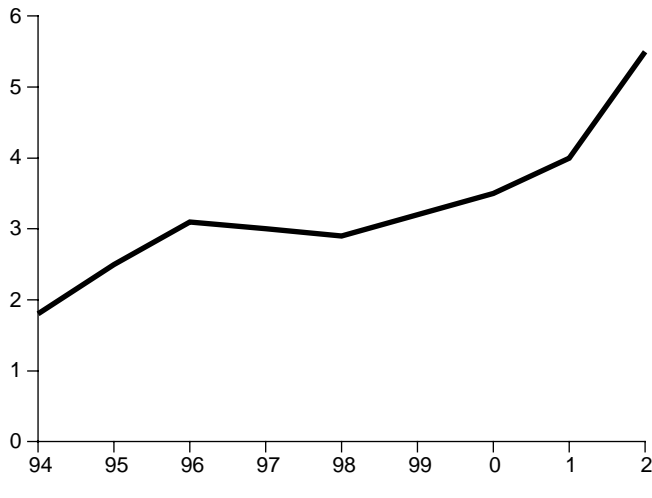


Source: EIRNS.

FIGURE 3

People Living in Poverty: Buenos Aires

(millions)



Source: EIRNS.

According to the metric used by Indec, a 60-year-old or older woman is not indigent if she receives 52 pesos a month (\$16, at the current exchange rate of \$3.19/peso). This amount, according to Indec, should be able to maintain a child of between 4 and 6 years of age for a month, without falling into the category of indigent. In other words, \$16 is supposed to meet their monthly food needs! Or, a couple with one small child would not be considered indigent, if their monthly income were more than 193 pesos (\$60). At \$147 a month, they would move out of the poverty category, as well.

We are thus left with the question: If common sense were used in measuring the country's true social conditions, what would be the real number of impoverished and indigent in Argentina?

How Do I Know If I Am Poor?

Officially in Argentina, "the indigence line" is used to measure households that lack sufficient income to purchase a market basket capable of satisfying minimum energy and protein needs. This line, as of April 2002, was set at 81.76 pesos per adult, equivalent to \$25.63. In December 2001, the "indigence line" was set at \$19.

The "poverty line" is defined by the ability to satisfy a combination of food and non-food essentials. This level, as of April 2002, was \$60.74 per person.

To determine the poverty line, the indigence line is multiplied by a coefficient (the Engel coefficient), defined as the ratio between food expenses and total expenses of the population. In this calculation, the latest Permanent Home Census was used, where the Engel coefficient was 1:2.46.

For example, a typical family of four (one 44-year-old adult=1, plus the 40-year-old wife=0.74, plus a five-year-old

son=0.63, plus a nine-year-old daughter=0.72, according to the table of equivalences) adds up to the equivalent of 3.09 adults. If this family earned less than \$252.64 a month, they would be categorized as indigent. If they earned less than \$621.50 a month, they would be classified as below the poverty line.

Consumer Price Increases

The index of prices for mass consumption products rose 46% since Argentina abandoned convertibility, according to the May 12 issue of the daily *La Nación*. Some categories registered increases of more than 100% in late April.

In April, the increase in the inflation index was 13.2%, the fourth consecutive month it rose. In April, Argentines had to spend 3.7% more each week than the previous week, to satisfy the same consumption needs.

Thus, in an economy in which unemployment is growing by leaps and bounds, current wages are being devalued daily because of inflation, throwing millions of Argentines into growing categories of impoverishment and marginality, in the course of just a few months.

The most significant price hikes during the period between November 2001 and the fourth week of April 2002, are seen in the following products: diapers, 111%; oils, 100%; flour, 100%; chicken, 90%; tomatoes, 90%; mayonnaise, 80%; laundry detergents and fabric softeners, 71%.

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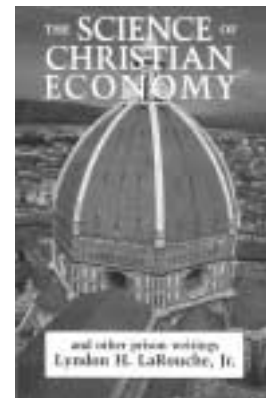
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