EIR Economics

Argentina's Children Are Sacrificed to the IMF

by Cynthia R. Rush

How is it possible that children are dying of starvation in Argentina, South America's premier food producer, whose exports feed hundreds of millions around the world? This is the question which shocked Argentines were asking themselves on Nov. 15, as the news broke that five young children in the northern province of Tucumán had died gruesome deaths of starvation and malnutrition. In the days that followed, it became clear that Tucumán was just the tip of the iceberg: Every one of Argentina's 23 provinces exhibits the same horrifying picture of children dying from starvation.

The report almost overshadowed the breaking news from Nov. 14, that in the midst of intense negotiations with the International Monetary Fund (IMF), the government of President Eduardo Duhalde had failed to make a $805 million debt payment due that day to the World Bank. Despite its December 2001 debt default, Argentina has, until now, faithfully paid its multilateral creditors—the IMF, World Bank, and Inter-American Development Bank—operating under the delusion that this might help it remain in these institutions' good graces, and seal an agreement to roll over the $18 billion in debt that comes due between now and the end of 2003.

Good graces? This slaughter of innocents is the result of Argentina's *failure* to break with the IMF—of its insistence that it is worth negotiating, as the Duhalde government has done now for ten months, how much loot the Fund has a right to extract from the country, in its attempt to collect an unpayable $220 billion in foreign debt. Even as news, that hundreds more children have died this year from malnutrition, emerged in the days following Nov. 15, the government announced that it would continue to play the IMF's negotiating game, certain that an agreement would be forthcoming "soon."

Democratic Presidential pre-candidate Lyndon LaRouche addressed the insanity of this approach in graphic—and prophetic—remarks to a group of Brazilian businessmen last June, during his historic visit to São Paulo. "Why is the crazy IMF sending these gravediggers down to Argentina?" he asked. "Why are they doing that? To maintain the principle that any debt which is owed to New York bankers will be paid, if they have to sell the Argentine babies for hamburger to do it!"

The IMF's Pound of Flesh

Revelations of the extent of starvation in Argentina—359 children in Tucumán alone have died of malnutrition so far this year—provoked a frenzy of finger-pointing, as national and provincial officials blamed each other for the deaths. Implying that the Tucumán provincial government was at fault, President Duhalde denied there is a problem of hunger or starvation, blathering about "structural poverty" and "chronic" health problems, but asserting "I don't believe that any child in Argentina lacks food." First Lady Hilda "Chiche" Duhalde dramatically announced she would travel to the province to personally oversee its food distribution program, while the government also loudly announced the launching of an "Operation Rescue" to combat proverty and hunger nationwide.

The stench of hypocrisy in all this chest-thumping is overwhelming. Did government officials really think the country *wouldn't* be strewn with the corpses of infants and children, as a result of free-market policies that cut off crucial funding to the provinces, while ravaging the physical economy? Did they think there would be no consequences, if living standards were destroyed, if unemployment soared over 25%, if medical services and health care, once the best in Ibero-America, were savaged? Was anyone really surprised to see pictures of emaciated children on the front pages of national and regional dailies, more typical of Sub-Saharan Africa than the land of vast fertile *pampas* and unlimited supplies of wheat and cattle?

Today, as a result of IMF-dictated austerity applied by successive governments, 57% of all Argentines—by year's end it will be 60%—are classified as poor, while an unprecedented 67% of all children are poor, a rate higher than Bolivia, Brazil, and Mexico. The average wage, once the highest, is now among the lowest in Ibero-America. There are 260,000 children nationwide suffering from malnutrition, three of whom die each day.

Infant mortality stands at 18.4 per 1,000 live births, double the rates in industrialized countries, but also higher than Costa Rica, Cuba, Chile, or neighboring Uruguay. In poorer parts of the country, it is as high as 30 per 1,000 per live births.

According to the Health Secretary of the province of Misiones, the 49 deaths from malnutrition there this year were due to "the suspension of aid programs from the national government," a "cost-cutting" measure carried out under the governments of both former President Fernando de la Rúa and current President Duhalde. Countering Duhalde's absurd denial that children *are* dying of starvation in Argentina, Tucumán's Health Secretary Juan Masaguer warned that "we can't ignore the fact that what really killed" the most recent small victims, "was hunger." "It's incredible, he said, "that we produce food to feed 300 million people" around the world. Yet "there are only 37 million of us, and people are dying of starvation."

Kill the IMF Instead!

Instead of crawling to the IMF to agree on how many more children should die, Argentina should take its cue from Lyndon LaRouche's evaluation of the dilemma the IMF and global financial system now face. Should Brazil and Argentina continue to impose IMF austerity, they will implode and bring down the bankrupt global system with them, LaRouche explains. But, should they reject austerity conditionalities and not pay their debt, the IMF will also disintegrate. It's a "lose-lose" situation.

The nervousness with which London and Wall Street greeted Argentina's failure to make its Nov. 14 payment to the World Bank, should have alerted the government to its advantageous position. Could it have brought down the New York banks and busted the whole system? Some feared it might. The Nov. 15 edition of the *Washington Post,* voice of the Lazard Frères banking interests, worried that Argentina's default increased the danger that anti-globalization sentiment "will turn increasingly against the Fund, its overseers in the U.S. government, and the system of global capitalism that they champion." Worse, how will Brazil's next President, Luiz Inácio "Lula" da Silva, be able to "hew to IMF-backed policies," the *Post* fretted, "if neighboring Argentina rejects them?"

The same day, the London *Economist* effectively admitted that the problem rests with the global financial system. While it would be politically disastrous for the IMF to give more money to Argentina without guarantees of necessary reforms being implemented, it said, letting it fully default to multilateral agencies won't work, either. "The IMF's own financial structure means it cannot afford to see a big borrower halt all repayments—especially when problems in Brazil and Turkey still loom large."

The Duhalde government nonetheless decided to keep the insane process with the IMF going. Even though negotiations almost broke off altogether on Nov. 14, because of the Fund's again raising issues Argentina thought had been long settled, Finance Minister Roberto Lavagna announced that they would continue, because the IMF's Deputy Managing Director Anne Krueger and U.S. Treasury Secretary Paul O'Neill had supposedly softened and had begun to show a more "conciliatory" attitude.

Lavagna returned to Buenos Aires, and together with Duhalde, herded provincial governors and national legislators into a two-day meeting on Nov. 17-18, and came out dangling a 12-point document of "political consensus." In it, governors and legislators agreed to most of what the Fund wanted: reduce expenditures by 50% this year and 60% in 2003; pass the 2003 budget which has already incorporated changes requested by the Fund; accept the Fund's longtime demand to grant immunity to Central Bank directors, and not to make changes in the bankruptcy legislation to postpone foreclosures of those who have defaulted on their mortgages. Additionally, the government announced it would issue a decree raising public utility rates by 10% now, and another 10% in March—not quite the 30% the IMF demanded, but far more than anyone in Argentina can pay.

Although Lavagna assured the country that the 12-point document was all that was missing to clinch an agreement with the Fund, IMF External Relations Director Thomas Dawson said otherwise. In a Nov. 19 briefing in Washington, Dawson coldly reminded the Argentines that "whatever agreement is reached needs to be implemented," noting that a 14-point document issued last April with similar content "was not implemented." Dawson repeatedly expressed the IMF's "regret" that Argentina hadn't paid the World Bank, warning that "for an agreement to go forward," the Bank would first have to be paid.

Absurdly, Lavagna is warning legislators that should they fail to act as the Fund requires, they will be responsible for sabotaging an agreement. But it's already clear that the 12-point agreement will go the way of the April one—Congress is already balking at doing the Fund's bidding—for the simple reason that the program *cannot be implemented.* Deputy Finance Minister Guillermo Nielsen, now leading negotiations with the Fund, warned on Nov. 21 that there will be no agreement before the end of the year, and perhaps not until February or March, by which time Argentina will run out of reserves altogether, and will have trouble "managing the economy." How many more children will be sacrified on the IMF's debt altar between now and then?