

Argentina Driven To Ungovernability

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Daily life in Argentina has become a nightmare—full of horrors unimagined even six months ago. In a country where most people have no bank accounts, and transactions are carried out in cash, the freezing of bank deposits on Dec. 3, 2001, the infamous “*corralito*,” has driven people to despair. Coming in the midst of soaring unemployment (now at 22%), growing impoverishment, and declining consumption, the freeze denied Argentines the most basic necessities of life—food, medicine, clothing. Mass desperation is now played out in daily, increasingly violent protests, road blockades, and pots and pans demonstrations (*cacerolazos*) seen in major cities around the country.

Imposed by then-Finance Minister Domingo Cavallo to stem the collapse of a banking system which had hemorrhaged \$25 billion in the preceding months, the “*corralito*” was the final blow to a nation whose physical economy had been ravaged by more than a decade of free-market looting. Anger over the incredible frustrations of a daily existence in which no one has any money and vitally needed products are in short supply or overpriced, came to a head on Dec. 20, in a popular uprising which drove the despised President Fernando de la Rúa and Cavallo from office.

The crisis, which has deepened since then, has been steadily driving the Argentine people insane, pushing the country toward a dangerous state of ungovernability and chaos, which threatens not only its own existence but that of its South American neighbors as well. In a statement of concern issued on Feb. 11, Pope John Paul II warned that the nation’s “profound social and economic crisis which affects all society, endangers democratic stability and the solidity of public institutions, with consequences which go well beyond its own borders.”

But in one respect, Argentines had already been insane. They bought into the lie, initially peddled in the early 1990s by President Carlos Menem and his Finance Minister Domingo Cavallo (who returned to the same post in March 2001), that the International Monetary Fund’s (IMF) murderous policies would guarantee their personal security, if not the welfare of the nation. The U.S. dollars available to them under the currency board system known as “convertibility,” became the guarantor of that security, even as the state, the only institution capable of defending the general welfare, was smashed by the

“magic of the marketplace,” and dirty bankers and corrupt politicians robbed the country blind, with the aid of their foreign cohorts.

In 1991, *EIR*’s Buenos Aires bureau began to expose the real nature of Argentina’s much-heralded “model,” and has continued to do so ever since. It warned that the model’s only beneficiaries were the drug-money launderers posing as bankers, and speculators of the ilk of George Soros. But as long as no implosion of the model were immediately evident, people preferred to cling to their delusions. Now they are paying the price, just as Americans and others will pay, should they fail to heed U.S. Presidential pre-candidate Lyndon LaRouche’s warnings that the collapse of the global financial “model” is under way, and his proposed programmatic solutions to rebuild the world’s economy.

Afghanistan Without the Bombs

Argentina hasn’t been subjected to the horror of 20 years’ bombing that Afghanistan has suffered, but it might as well have been. The country is shattered, physically and psychologically.

The significance of the bank deposit freeze imposed last December wasn’t just that people couldn’t withdraw funds from banks—this was restricted to a specific amount each week. Most people didn’t have bank accounts, and were accustomed to doing business in cash. This was especially true of the poor working in the “informal economy,” or workers employed and paid off the books, in cash. The fallacy of the government’s argument, that people could carry out transactions by using checks or credit or debit cards, became immediately obvious.

Millions of people rushed to banks to open accounts, as general chaos ensued. Banks remained closed, and ATM machines didn’t work. Hysteria set in as state-sector employees or pensioners, whose wages and pensions are deposited directly into the banks, couldn’t access these funds. As cash and credit disappeared, the payments chain also broke down. Tens of thousands of checks couldn’t be cleared, wreaking havoc throughout the economy. The government stopped paying suppliers, to whom they already owed hundreds of thousands of dollars, forcing many to close their doors.

Foreign trade also came to a standstill, as payments abroad were restricted or halted altogether. Exports dropped by 19% in December, and imports dropped a precipitous 55%. The use of overdrafts disappeared. The grain trade, the country’s chief source of foreign exchange, was paralyzed, further constricting the depression-wracked economy. Moreover, on the expectation that the new President, Eduardo Duhalde, was going to devalue the Argentine peso, and let it float freely—which happened officially on Jan. 11—farmers stored wheat in their silos instead of selling it, waiting for what they considered to be a fair price.

This drove up the international wheat price by 70%, which was then passed along to the price of flour and to the prices

of many basic foods prepared with grains, such as pasta, crackers, breakfast cereals, and rice. Bread prices rose 30%. Many other producers also speculated on the exchange rate, and withheld goods from market in anticipation of a collapse of the peso following the devaluation. In early February, prices on key food and other household items—flour, sugar, cooking oil, cleaning products, beef, and chicken, all crucial to the family market-basket—rose anywhere from 10% to 40%. Many supermarket shelves were empty.

The result was an immediate decline in consumption. Supermarket sales dropped by 14.4% in December, but overall food consumption dropped by an incredible 19%! In January, supermarket sales dropped 12% overall, but by 14% in the federal district of Buenos Aires. Argentina is one of the world's premier food producers, but on Jan. 16, the Duhalde government was forced to declare a national food emergency, to purchase food "with priority attention paid to the basic needs of the most vulnerable sectors of the population."

Every sector of the economy suffered. In December, use of public services dropped 12.9%, compared to December 2000; and for all of 2001, the decline was 1%—the first time that public services consumption has dropped since 1993. Despite the fact that it is Summer, electricity demand dropped 10.5% in December. Where there was once a thriving middle class, 47% of the population is now classified as "poor and indigent" by the national statistical agency, Indec. Impoverished citizens are resorting more and more to stealing food and animals from farms, a crime practically unheard-of in this food-producing country. As hunger spreads, people have become increasingly bold about stealing, and it is not uncommon to see caravans of people on bicycles who raid farms in broad daylight.

A Killing Spree

Nowhere is the trampling on the general welfare more visible than in the way the elderly have suffered under the *corralito*. The inability to obtain cash, meant that people couldn't purchase medications, a problem aggravated by the fact that most drugstores weren't set up to accept payments by credit or debit card. In the week following imposition of the deposit freeze, 22% of residents in Greater Buenos Aires and the federal district stopped buying medicines because they had no cash; 30% greatly reduced purchase of heart medications, and many people resorted to buying one pill at a time, because that was all they could afford.

That crisis was exacerbated after the Jan. 11 devaluation, which made the imported components of many medications more expensive, translating into higher prices. Shortages are acute. On Jan. 24, the Argentine Chamber of Generic Medicine Producers (CAPGEN) warned that there would shortly either be shortages, or no supply whatsoever, of 80% of some medicines, including anesthetics and antibiotics, used in public hospitals. This is because letters of credit

used to purchase supplies from abroad, "are locked in the *corralito*."

On Feb. 8, some 120,000 drugstores nationwide shut down for six hours to protest price increases, shortages of such vital medicines as insulin, and non-payment of funds owed them by PAMI, the bankrupt state-run agency in charge of providing health insurance to retirees. Many retirees were forced to pay for their own drugs and medical care, or go without.

Public hospitals, once the pride of the Argentine health-care system, are on the verge of collapse. Suppliers who haven't been paid, or can't get the higher prices they say they need, have stopped deliveries, causing shortages of medicines, food, and other supplies. PAMI's inability to pay hospitals has led CAPGEN to suspend supplies to 80% of public provincial hospitals, because of unresolved payment disputes. Surgery is being cancelled in many cases, as are kidney dialysis services, because of a shortage of supplies.

In early February, the Health Secretary of the city of Buenos Aires warned that if the situation isn't resolved shortly, "we will be at the stage of maximum alert." Jorge Jacobsky, president of the Inter-Hospital Suburban Commission in Buenos Aires province, has reported cases of several people who have died only because they had been denied vital medical services.

Who is to blame for ripping apart the nation? Argentines point to politicians, who are now so discredited that they cannot appear in public for fear of being assaulted, or made the object of *cacerolazos*. Sen. Eduardo Menem, brother of the former President, recently punched a fellow passenger on a plane, after the latter insulted him; and Foreign Minister Carlos Ruckauf had to get off a plane in Madrid, during a trip to Spain, after Argentine passengers started booing, shouting, and insulting him. National and provincial legislators of all political stripes, are daily hounded out of restaurants, theaters, and beaches by irate citizens.

In this desperate situation, imprisoned Argentine Malvinas War hero Col. Mohamed Alí Seineldín, who could provide leadership by virtue of his proven national commitment and support of Lyndon LaRouche's economic policy, has been targetted by slanderous rumors of a "military coup." These have not been limited to the Argentine press; most significant was the warning against Seineldín in the Feb. 27 *London Financial Times*, mouthpiece of bankers who have ruined Argentina. Seineldín countered in *La Nación* March 3, that the only coup threatened is an "international" one.

Absent any conception of a programmatic solution to the crisis, one that looks at Argentina's crisis from the standpoint of the bankruptcy of the global financial system, this display of rage, especially manipulated by leftists and terrorist provocateurs, can quickly become anarchy or even civil war. As one legislator, whose house was burned down by protesters at the end of January, put it, "What is happening to Argentines? Why this madness? Not all politicians are thieves."