

Argentine Mass Strike To Force a Political Debt Moratorium

By Dave Goldman

July 30 (IPS)—For all the public chatter about “chaos” and “national ruin” in Argentina, the New York City of Latin America, recent developments in that country demonstrate for the benefit of an attentive world precisely what it is involved in a political debt moratorium. What is more, Argentina’s immediate prospects for economic recovery, once appropriate three-way trade deals involving the Soviet economic group and the advanced sector can be concluded, show what a simple job it is to turn the depression around on the basis of debt moratoria.

Argentina’s foreign debt obligations payable this year exceed \$3.5 billion, equal to its total exports for 1974, and significantly more than the country’s expected export earnings this year, due to the depression in the markets for grain and beef, its principle export-products. Foreign exchange reserves available to meet debt payments are now roughly \$100 million. “We have enough to last two weeks,” the country’s chief financial spokesman said this week. “After that, God will provide.”

Stopping the Downward Spiral

This level of pressure has ripped the guts out of Argentina’s internal credit system. As an outcome of bankers’ orders to the Lopez Rega-Isabela Peron government, the Finance Ministry strangled the domestic economy through tight credit and perpetual devaluations of the Argentine peso. At present the peso is trading on international markets at a fraction of its value three months ago, raising the dollar-based price of key imported goods by a proportional amount. After the most recent devaluation, prices for essential food staples tripled overnight.

The bankruptcy of the Argentine treasury has destroyed an inestimable portion of this spring’s grain harvest; conservatively, the wheat and corn crops are projected to fall 20 per cent and 30 per cent respectively from their previous year’s levels. Not only is there no credit available in rural areas: up to 70 per cent of government payments due to farmers have been put off indefinitely.

But the mass strike wave throughout Argentina which forced Mrs. Peron into “working vacation” status and blew away the government’s efforts to roll back wage increases won by the Argentine trade unions has also funda-

mentally reversed economic policy. In response to the strike wave, the Finance Ministry imposed a temporary price freeze—guaranteeing for the first time the value of wage increases in a period of hyperinflation. To enable hard-pressed Argentine firms to pay these wage increases, the Central Bank, in turn, made large amounts of credit available to the domestic banking system.

Taken for strictly political reasons, these moves provided the first input of productive credit to Argentine economy in a number of months, on the account of working-class consumption. The country is now in a de facto moratorium on its external debts; the trade unions and certain sections of the capitalist class are “demanding” what is already an accomplished fact.

What is key is not the mere fact of debt default, but the enforced responses of the authorities to the default. The moratorium is on the terms of the working class. It is only necessary to compare the present emergency policy of wage increases and credit extension in Buenos Aires to the absolute cutoff of the new credit imposed by the Chilean junta three months ago, on the advice of Schachtian economist Milton Friedman. The Chilean policy, conditioned by that country’s debt default at the beginning of this year, provoked a virtual cessation of economic activity.

All the more astonishing in the Argentine case is the “method” employed by monetary authorities to take such decisions, in each case a last-minute response to immovable worker opposition to austerity. But these measures are stalling actions. At present there is neither a functioning government in Buenos Aires nor a political party in Argentina with a program that aspires to economic competence. Any permanent solution to the gutting of the Argentine economy must be a political solution along the lines of the International Development Bank.

A Way Out

The situation in Argentina is, in essential features, the pattern for major American cities under the bankers’ gun. As long as working-class and allied political forces carry a veto on day-to-day budgeting decisions of city government, each allocation of city funds under condition of debt moratoria will tend to penalize parasitical financiers’ income.

But mere inflection of policy of this sort, which has favored the insurgent Argentine workers, will fail quickly unless the working class and its political institutions follow through the implications of their current actions. In Argentina’s case, all that is necessary is the conclusion of tri-partite trade agreements with the Soviet Union, as a provider of transfer ruble credits, food-producing Argentina, and an advanced-sector exporter of tractors and fertilizer. Either Britain—with the unused capacity of a British Leyland or Imperial Chemicals Industries—or Italy—with an identical situation in FIAT and the Montedison chemicals giant — are good candidates for participation in such an arrangement.

As the chart above indicates, Argentina is overwhelmingly dependent on exports of grain and meat, items which the working class elsewhere requires, and imports of petroleum, fertilizer, and agricultural machinery, items which the advanced sector is prepared to supply out of inventory. Pending Argentina’s political application for transfer-ruble credits, oil purchases from under-producing Mideast or other oil fields could be financed through the Comecon’s International Bank for Economic Cooperation.

Once the Argentine working class states its need in this form through its political representatives, there are no barriers to immediate conclusion of such arrangements from the Soviet side — and few from the side of Western corporations, certain of whom are already financing trade through the Comecon’s transfer ruble, according to reliable reports.

Argentina’s potential as one of the world’s richest agricultural regions — given minimal inputs of capital goods — demonstrates how decisively the world depression can be turned around through debt moratoria and the use of International Development Bank-type trade arrangements. Immediately, the course of action we propose would not only demonstrate to the Third World as a whole what tomorrow’s list of tasks is; the reconstruction of Argentina in the short-term creates the possibility to establish productive, disease-free regions in Southern Brazil. With Argentina as an economic base, humanity can proceed to clean up the worst of the Rockefeller faction’s crimes of international looting.