Argentina is guinea pig for IMF 'shock'

by Cynthia Rush

The International Monetary Fund, the U.S. Treasury, and assorted Swiss and West German allies of these institutions have decided to use Argentina as the guinea pig for an economic "shock" policy which could be extended to the entire Ibero-American continent.

On the evening of June 14, President Raul Alfonsín went on national television to announce a new financial reform, and an end to the "gradualist" policies which had been applied over the past 18 months. The package includes wage and price controls, imposition of new taxes and tariffs, a forced savings program, elimination of credit, and creation of a new currency, the *austral,* fixed to a value of $1.25. Monthly regulated interest rates are set at 4%, although a "non-regulated" market will also exist.

Alfonsín and finance minister Juan Sourrouille explained that the program will dramatically reduce the current annual inflation rate of 1010%, and the national budget deficit, financed until now by the printing of money. Sourrouille warned that the *austral* would be printed only if backed up by foreign exchange reserves, and would under no circumstances be used to finance budget deficits or expand credit through rediscounting. As columnist J.M. Vera pointed out in the June 16 edition of the daily *Clarín,* with these characteristics, the *austral* will be "as stable as the dollar, and although it doesn't carry its name, it is clearly a local version of it."

Alfonsín's monetary reform is a classic deflationary program which will reduce real wages by 30% within a 15-day period, decapitalize production by restricting credit, and use the illusion of a "stable currency" to once again turn Argentina into an international center for hot money speculation, as occurred under the 1976-81 regime of José Martínez de Hoz. Despite statements by Sourrouille to the contrary, there is no mechanism in the new system to allow wages to recover from the 30% inflation produced earlier in the month as a result of 20 to 40% increases in fuel and public utility prices.

Surprise?

International banking and financial circles professed great surprise at the severity of the program. David Mulford, Assistant Secretary of the Treasury for International Affairs, praised the program, but added that the measures "are above and beyond what they agreed to with the IMF."

Just two days earlier, on June 12, the Alfonsín government had released the content of its memorandum of understanding with the IMF, which while promising to reduce inflation to 150% by the end of the first quarter of 1986, curtail wages, cut public employment, and raise prices of public services and fuel, made no mention of wage and price controls or of currency reform. In fact, some observers noted, wage and price controls violate the IMF's "free market" ideology.

But the "surprise" expressed here is a hoax. Reliable sources in Buenos Aires report that the IMF has a *secret* agreement with the Argentine government which includes both the currency reform and wage and price freeze. Moreover, some of the IMF's staunchest Malthusian allies collaborated in providing Alfonsín with his "monetary reform." These include:

- West Germany's Kiel Insitute of Economics, linked to the Free Democratic Party of Foreign Minister Hans Dietrich Genscher, one of Henry Kissinger's closest collaborators;

- pro-IMF Brazilian economists, Persio Arida and Andre Lara-Resende, professors at Rio de Janeiro's Jesuit-run Catholic University;

- the U.S. Treasury, which has had two of its officers sitting at Argentina's Central Bank since the beginning of June "analyzing" the situation to see how the new program would work.

Some observers have pointed out that Germany guaranteed its 1923 *rentenmark* with confiscated Church lands, while its 1948 currency had the backing of the Marshall Plan's $3 billion. In Argentina, where further U.S. Treasury backing for the new currency is improbable, and where liquid reserves are no more than $160 million, it is more likely that the Kiel Institute's proposal for backing up the *austral* with the country's oil reserves or other natural resources, will be considered.

The Alfonsín government has launched an enormous propaganda effort to portray the monetary reform as the "last chance" to save the nation. Citizens have been urged to perform their "civic duty" by ratting on those businesses which violate price controls. And public opinion polls report that 99% of the population is behind Alfonsín's program.

But Saul Ubaldini, secretary general of the Peronist-run General Confederation of Labor (CGT) charged on June 17, from a conference of the International Labor Organization in Geneva, that the government had opted to maintain "the political and social legislation of the [military] dictatorship," and to accept "the most humiliating conditionalities of the International Monetary Fund." Ubaldini vowed that Argentine workers would not tolerate conditions of hunger brought about by such policies.