

Thatcherism won't save Argentina's Menem

by Cynthia R. Rush

Argentine President Carlos Menem has resorted to invoking the name of Britain's Margaret Thatcher, in a desperate attempt to salvage his crumbling economic program—and his credibility. Remarkably, in a country where the British prime minister's name is perhaps more hated than that of any other international political figure, Menem stated on Feb. 7, "Mrs. Thatcher took the same measures we have, and people had to wait three or four years and just be patient with her." If these statements were intended to inspire confidence in the government, they will have the opposite effect.

The Argentine people are in no mood to keep a "stiff upper lip" and patiently witness the country's and their own demise. The International Monetary Fund (IMF) is playing hardball with the Menem government, refusing to disburse the second tranche of last fall's \$1.4 billion standby agreement, and demanding even more stringent austerity measures as a condition for any future loans. Moreover, the drastic monetarist economic package introduced on Jan. 1, which was supposed to stabilize the national currency, the austral, and reactivate the moribund economy, has gone the way of all previous such schemes. From Feb. 5 to Feb. 8, the austral plummeted 30% against the dollar, falling to 3,000 to the dollar at the end of the market day on Feb. 7. At the same time that Menem proclaimed that "hyperinflation is over," the cost-of-living increase for January reached almost 80%.

The deflationary package, unfortunately labeled with the misnomer "Lazarus," restricted the money supply by permitting bank depositors to withdraw only 1 million australs (\$600) in cash from short-term savings accounts, paying them the balance in dollar-denominated bonds called Bonex. In recent days, however, Bonex have lost approximately 70% of their value, causing a dramatic loss in savings for depositors holding them.

The recessionary effects of the program have been deeply felt. It has dried up credit sources, in many cases provoking the collapse of both small and medium-sized industries and banks. Gilberto Montagna, president of the Argentine Industrial Union, told reporters on Jan. 25 that "we are on the verge of the collapse of industrial production." Sales figures for the month of January were 50% below those for January 1989, and smaller industries in the provinces are resorting to massive layoffs. Textile production for January 1990 was 70% below January 1989; capital goods production was

down by 85%, and civil construction was down by 80% for the same period.

Menem in fantasyland

Peronist Carlos Menem came into power last July talking about a "productive revolution," appealing to the nationalist sentiment which characterizes the mass-based Peronist movement. Instead, portending the trend now developing in South America's Southern Cone, Menem has embraced one neo-liberal scheme after another in an attempt to reverse the wreckage created by the two previous governments, one of them the military junta which ruled from 1976-83.

Menem's popularity has also plummeted. At the end of January, the President's popularity level stood at 34%, down from a high of 80% last September. In last May's presidential elections, the Peronist leader was elected with 49% of the vote.

"I have not lost credibility. I might have lost popularity . . . [but] credibility is something more profound. What interests me is that the people believe in our latest economic proposal," Menem told *Gente* magazine. His own confidence was apparently waning, however, when he was forced to admit on Feb. 4 that the country was headed toward a recession.

Argentina's fragile social stability can't last much longer under these conditions. The working population, dominated by the Peronist-controlled General Confederation of Labor, is fed up with economic chaos. Following the Feb. 1 announcement of 50% increases in public utility rates and 80% increases in gasoline prices, both factions of the divided CGT formally demanded a resumption of collective bargaining talks to discuss wage increases, and the implementation of policies to reactivate the nation's productive apparatus, and resolve the problem of unemployment.

According to the think tank FIEL, real wages declined by 36% between January 1989 and January 1990; it predicts a 49% drop in purchasing power for the month of February. A survey done by the New Majority Studies Center, representing more traditional political forces of the Argentine inland provinces, revealed that in January alone there were 75 major strikes, more than any January in the decade of the 1980s. The sectors hit hardest were metalworking, health, and highway transit.

Saul Ubaldini, leader of one CGT faction, recently told the President that the latter's desired goal of creating a social pact to control wages and prices would only be possible if it were based on a program of economic reactivation, development of national wealth, and guaranteeing social justice. Ubaldini made these statements following a meeting with the papal nuncio in Buenos Aires, Ubaldo Calabresi. The Argentine Church is deeply concerned with the plight of the poorest layers of the population, and is playing a major role in setting up emergency food distribution and other assistance for those who would otherwise starve.