

# IMF wants Argentina to sacrifice more

by Cynthia Rush

When Argentine Finance Minister Domingo Cavallo was driven to tears June 5 during a confrontation with a leader of the national retirees movement, one might have thought he was showing signs of remorse or at least some sensibility over the fact that retiree pensions aren't enough to live on, and that the government has no intention of changing that situation. Hardly. The Harvard-trained minister has agreed to add on an emergency allocation of \$30 a month, to the average pension of \$100 a month, but has told the pensioners that "there is no money" to give them anything more—at least not until he can meet the International Monetary Fund's (IMF) demands for tax revenues large enough to reduce the fiscal deficit.

The pension issue is a hot one, and threatens to become even hotter in the period leading up to mid-term elections scheduled for October. For over two months, retirees have camped out in the downtown Plaza Lavalle, and set up a soup kitchen to protest their shabby treatment by the government. By law, retirees are supposed to receive 70-82% of their former salaries, but are receiving about half that now. A retired couple, each receiving the minimum benefit, earns less than half what is considered the poverty-line in the capital city of Buenos Aires. President Carlos Menem finally ordered police to physically dislodge the protesters in the early morning of June 8, just two days after retiree activists literally invaded the Congress and confronted the finance minister in front of national television cameras. The protesters have threatened to return to the Plaza and begin a hunger strike.

"Mr. Minister, don't pay the foreign debt," retiree leader Norma Plá told Cavallo. "Pay the retirees. First pay attention to your own house, and after that, look outside. If you get pressured from abroad, go out onto the balcony, and tell the people, and they'll support you." It was apparently too much for the technocratic minister when "Doña Norma" reminded him how her husband had faithfully contributed to his pension fund for 48 years, reminding Cavallo of his own retired father and bringing him to tears as he tried to justify his policy. Cavallo admitted that the retirees were right, but stuck to his line that there were no funds.

There are, of course, funds to make a \$60 million payment on foreign debt each month, and Menem hopes to increase that to \$100 million later this year. Although this is a

drop in the bucket compared to the \$7 billion in interest arrears the government owes, it makes clear what its priorities are.

## Unrest increasing

Menem and Cavallo's problem is that they are trying to balance pre-electoral promises of stabilizing the economy and bringing about an economic recovery, with the IMF's demands for ever greater austerity, as a precondition for obtaining a new standby agreement worth \$1.2 billion. Cavallo hasn't had any problems with throwing people out of work or slashing wages, even while inflation increases and food prices rise. He is, however, resisting the IMF's demands to raise taxes, as well as fuel and utility rates, claiming that he will meet fiscal goals by increasing tax revenues. The IMF is so skeptical of Cavallo's success that the team negotiating the standby agreement in Washington came close to shutting down talks altogether on June 15; negotiators only agreed to resume discussions after the Argentines promised that the government would impose the Fund's conditionalities if tax revenues come in below their target goal.

To deal with growing social unrest, Menem warned that he won't tolerate "disorders of any kind," and threatened to impose a state of siege. In a flimsy attempt to dismiss the retiree protest, Menem charged that "professional agitators" and individuals linked to the nationalist faction of the Army, known as *carapintadas*, had "infiltrated" the movement and were trying to provoke violence. The elderly retirees are being "used," the President claimed, and don't realize it. The President told the retirees they were much better off than pensioners in other Ibero-American countries, and that they should be less greedy.

Retiree leaders didn't take kindly to Menem's characterization of them. It's clear to most observers, moreover, that a state of siege would be imposed only to serve the government's electoral purposes, and to try to distract attention away from the effects of its economic policy. Such transparent moves aren't likely to work however. As the June 16 daily *La Prensa* noted, growing popular unrest is complicating the government's electoral strategy; price increases, especially meat prices, are threatening economic stability, as is "trade union resistance to economic adjustment," the paper reported. Peronist trade union leaders Saul Ubaldini, Lorenzo Miguel, and Luis Barrionuevo united to organize a public march on June 19 to protest government economic policy, and trade union and other political leaders are actively backing the retiree mobilization.

Reflecting the environment, in early June, the Senate refused to back Cavallo's proposal to pay the traditional twice-yearly worker bonus in six installments, a plan that has enraged workers. Although Peronist hack José Luis Manzano had assured Cavallo there would be little resistance to the plan, several senators stated that they refused to pass the law without deliberation.