
Argentina

Usury won't solve the debt problem

by Cynthia R. Rush

Since mid-June, Argentine President Carlos Menem and Finance Minister Domingo Cavallo have been frantically trying to quash the debate over the country's economic crisis triggered by Father Osvaldo Musto's call for a one- to two-year moratorium on payment of the country's foreign debt. Musto, a member of the Labor Commission of the Argentine national bishops council, told a radio interviewer on June 19 that if his proposal were implemented, the funds normally allocated to interest payments could be invested instead in job creation and production to alleviate some of the misery and unemployment caused by the government's draconian free-market austerity program.

The President and his finance minister have reason to be frantic. Argentina's economic stability is precarious, and the International Monetary Fund (IMF) is demanding intensified looting of the country's human and natural resources to ensure foreign debt payment. Menem's own labor minister, Armando Caro Figueroa, said on Radio Mitre on July 11 that part of Argentina's high unemployment—now at 14% and expected to reach 18% in the next few months—has been caused by Cavallo's convertibility program set up in 1991. (This pegs the peso to the dollar in a one-to-one relationship.) "The most serious development of the past year," he said, "is that there are many workers who had jobs and lost them; that means that in the last two semesters, the Argentine economy began to destroy employment."

As a result, social protest is on the rise, especially in the poorer provinces. The CGT labor federation is demanding that the government form a national labor council, and pass a law to prevent further layoffs for one year. The unemployment crisis is such that Msgr. Rafael Rey, president of the Catholic Church's *Caritas* relief agency, reported that many unemployed have told him that "they have no desire to go on living due to the situation in which they find themselves."

Morality and economics

Thus, Father Musto's raising the issue of *the necessary relationship between morality and economics*, as also repeatedly addressed by Pope John Paul II, did not come at an

opportune moment for Menem and Cavallo, who have a lot riding on their ability to maintain the creditors' policy of usury and speculation.

Just how raw a nerve the worker-priest struck with his proposal was revealed by Horacio Liendo, the government's former debt negotiator and now an official in Cavallo's Finance Ministry, in the July 10 *La Nación*. Under the headline "An Ethical Consideration of the Public Debt," Liendo was careful not to openly attack Father Musto, but suggested condescendingly that perhaps the priest is unaware of the fact that what he is proposing "has already been done in Argentina," through such programs as the Brady debt-reduction plan and renegotiation of the foreign debt.

If Argentina were to follow "the easy path of blaming others for our problems," Liendo wrote, it would lose "investor confidence" and cause greater suffering and misery among the poor. "Familiar with Father Musto's background, I know that this is very far from what he intended," he concluded.

Menem's public response to the church's intervention in this economic debate was more crude. Speaking to an audience in Buenos Aires on July 12, he spouted that "Christ made the dumb speak, the blind see, and the crippled walk. But he didn't try to fix the economy." He apparently forgot that Jesus did throw the moneychangers out of the temple.

The government has gone to great lengths to convince Argentines that the country is recovering from the crisis that shook it after the Mexican peso devaluation last December, and that it has again earned the trust of foreign investors. "We've got money pouring out of our ears," a euphoric Cavallo said following a late-June meeting with creditors in New York. He bragged that creditor banks had guaranteed financing for the country up through July 1996. The July 10 *Wall Street Journal* said the return of \$3 billion of the \$8 billion which fled the banking system this year, was an optimistic sign.

Nicholas Brady, treasury secretary in the Bush administration, arrived in Argentina on June 26, and announced that "internationally, everyone thinks that Domingo Cavallo has done an extraordinary job. . . . The minister is very important in order for Argentina to be successful in the international markets: He generates confidence abroad." Central Bank President Roque Fernández announced on July 17 that "we have overcome the financial crisis."

But in an interview in the July 17 London *Financial Times*, Cavallo admitted that the government had failed to meet IMF-dictated financial targets for the first half of 1995. He added, "But we are confident of meeting our targets for the second half." The only way that the minister met the second quarter's target was by delaying wages to 300,000 public sector workers. He told the *Times* that despite all the demands from unions as well as the Catholic Church for relief from unemployment, he has no intention of changing policy. In fact, he said, "the way ahead is rather to deepen reform."