

IMF Rule Shatters In Argentina; Now For The General Welfare?

by Cynthia R. Rush

It is assured that as of Dec. 20, governments of Ibero-America, not to mention London, Wall Street, and the International Monetary Fund, are in a state of panic. The government of Argentina, that erstwhile pillar of neo-liberalism, with a real foreign debt of over \$220 billion, has crumbled before their eyes, just as 2004 Democratic Presidential pre-candidate Lyndon LaRouche and this magazine said it would, if IMF policy were continued.

In the 24 hours between Dec. 19 and 20, first the hated Finance Minister Domingo Cavallo was ousted, by a mass outpouring of citizens who would tolerate no more of the free-market savagery he learned at Harvard; then, the equally despised President Fernando de la Rúa and his cabinet were forced to resign after opposition Peronists refused the President's offer to form a "national unity" government, based on the same neo-liberal model.

The composition of the new government is as yet undetermined. After he resigned, de la Rúa flew off into the night in a helicopter, and the Senate President, Peronist Ramón Puerta, was named as the country's provisional President, as next in the line of succession. Following procedures outlined in the Constitution, a special Legislative Assembly will meet on Dec. 21 to elect de la Rúa's permanent successor, or call new elections. The Peronists, who control both houses of Congress, and run 14 provinces, will be the dominant political force in any new government.

Banker Chrystian Colombo, who served as de la Ruá's chief of cabinet, is now the acting Finance Minister. Cavallo, who reportedly transferred his U.S. bank accounts to London in preparation for fleeing the country, has now been prohibited from leaving by three federal judges, pending investigation into illegal arms trafficking which occurred in the early 1990s, when he served then-President Carlos Menem as Finance Minister.

The General Welfare

Despite hysterical media blather about there being "no Argentine contagion," more lucid minds know that this country's breakdown mirrors that of the international financial system, and that the extensive Argentine exposure of U.S. and European banks and companies—Spain is now in dire straits because of its sizable holdings in Argentina—could bring down the whole shebang. Brazil's currency has begun to collapse, and there are fears that this economic giant, together with Mexico, and perhaps equally vulnerable nations like Poland and the Czech Republic, could follow Argentina into the abyss.

These dramatic events place on the table for immediate consideration Lyndon LaRouche's New Bretton Woods and Eurasian Land-Bridge proposals, as well as the necessity of freeing from jail the one Argentine patriot capable of rallying his countrymen to save the nation: former Army Colonel and Malvinas War hero, Mohamed Alí Seineldín. Decimated by years of budget cuts, the Army itself is incapable of acting. But Seineldín is admired both inside Argentina, and in Ibero-America for his unflinching defense of national sovereignty. Seineldín has also publicly endorsed Lyndon LaRouche's call for a New Bretton Woods financial reorganization of the bankrupt world system, as the necessary policy for Argentina.

In remarks made Dec. 20 on the Argentine developments, LaRouche emphasized that, now that the IMF's genocidal model is dead, "the only legitimate function of government is the general welfare of the people and their posterity." That must be Argentina's number-one priority. LaRouche had earlier proposed that Seineldín be named as Argentina's debt negotiator, as the only leader capable of defending the national interest against the IMF and related vultures.

What these tumultuous events mean for the payment of Argentina's \$220 billion foreign debt, is unknown. What is



The crucial question for Argentina now is whether imprisoned Malvinas war hero, Col. Mohamed Ali Seineldín, will be freed to take national leadership of the destroyed country.

clear is that there will be a brawl to determine the nature of the next government. A currency devaluation, abandoning the dollar-peso peg of the last decade, is a foregone conclusion, probably followed by an official default, and perhaps dollarization.

Several Peronist leaders have publicly addressed the need to scrap the IMF model, and return Argentina to a path of industrial development. Some have specifically said that debt payment must be subordinate to investing in development and caring for the population. But whether they will dare to make a clean break with the IMF, remains a question mark. Nor is there any doubt that the international financial establishment will do everything possible to ensure that Argentina not break from the genocidal policies which brought it to this crisis point. Anglo-American media are warning of the dangers of returning to “protectionism.” In a Dec. 20 press conference, IMF spokesman Thomas Dawson denied that IMF policies had anything to do with causing the Argentine upheaval. “As we’ve made clear, we were not requesting any specific policy measures,” he lied. The same day, White House press spokesman Ari Fleisher underscored that President Bush “would like to see Argentina working with the IMF to be able to

work through this situation in ways that lead to sustainable economic growth.”

The IMF Model Is Dead

The astonishing rapidity with which Argentina’s government crumbled, demonstrates the fragility of the IMF’s model. Dec. 19 began with mob violence, as starving citizens, beaten down by Cavallo’s fanatical imposition of ever deeper austerity, and egged on by provocateurs and pro-terrorist leftists, raided supermarkets and other shops in seven provinces, carrying away food and other goods, while damning both Cavallo and de la Rúa. When the violence threatened to spill over into the federal capital, Buenos Aires, de la Rúa declared a state of siege, and went on national television that evening to ask for “patience” and charge that “enemies of the Republic” were behind the violence.

By that time, the protest began to take on a different character altogether. As the pathetic President spoke, middle class residents of the capital began to drown out his words with a “pots and pans” protest, and took to the streets demanding that both Cavallo and de la Rúa leave. Men, women, and children filled the city’s plazas, 10,000 in front of the Congress, some thousands in front of Cavallo’s house, and 20,000 or more at the historic Plaza de Mayo, in front of the Presidential palace, the Casa Rosada. There were no banners—only the Argentine flag, symbolic of a *national* upsurge. *EIR*’s correspondent Gerardo Terán characterizes the patriotic outpouring as similar to the one which occurred on April 2, 1982 after Argentina retook the Malvinas Islands from Great Britain.

When word of Cavallo’s resignation spread among those in the Plaza de Mayo, they began to sing the national anthem.

Under these conditions, any attempt to continue with the IMF’s model could mean handing the country over to the narco-terrorist coalition, the São Paulo Forum, whose affiliates have found fertile ground for organizing jacobin violence in Argentina, because of the enormous popular rage over Cavallo’s destruction of living standards and jobs, in order to pay the foreign debt. The violence of Dec. 19 and 20 was just a foretaste of what could be expected, were the next government to attempt to continue Cavallo’s program. The riots and looting have already claimed 25 lives, with hundreds more hurt and over 2,000 arrested. On Dec. 21, hard-core terrorist figures are continuing to lead violent actions, claiming to speak for “the people.”

Nor is the issue just Argentina. As the world monetary system disintegrates at accelerating speed, institutional chaos is spreading across Ibero-America. The deterioration is such, that former U.S. President George H.W. Bush’s network of sleazy ex-Presidents is being dredged up as future “saviors” of their respective countries. Carlos Andrés Pérez is presenting himself as the alternative to the São Paulo Forum’s crazed Venezuelan President, Hugo Chávez; Alan García is in the wings as recently installed Peruvian President Alejandro Toledo totters in incompetency; and Carlos Menem in Argentina

LaRouche: What Argentina Must Do Now

Calling the collapse of Cavallo, De la Rúa, and the whole IMF showcase policy in Argentina “a Christmas present for all decent people internationally,” Lyndon LaRouche outlined six steps Argentina now should take:

1. Argentina must immediately decouple the peso from the U.S. dollar. There can be neither dollarization nor devaluation. Each would be horribly destructive.

2. This action of decoupling should be combined with the immediate implementation of currency and capital controls, of the 1950s style of measures that were the proven effective methods for protecting national currencies.

3. Argentina must also immediately adopt the proven, dirigist measures to expand productive investment in industry and farming, with emphasis on medium-sized industrialized firms, as LaRouche has proposed many times, and was earlier the core of the proposals of FDR and Lautenbach, in dealing with similar crises.

4. There must be an immediate freeze on all foreign-

debt obligations.

5. The new Argentine government must initiate criminal proceedings against ex-Presidents Menem and De la Rúa, and Cavallo, for having systematically lied to the Argentine people in hiding the de facto bankruptcy of the country, for the past ten years, and who, in lying to their own people, in criminal fashion, further increased Argentina’s foreign debt and systematically and corruptly sold out Argentina’s most productive and vital national assets. These criminal proceedings must also include the corrupt foreign accomplices, who abetted in driving up the debt and selling off the national assets—no matter where they are, in the private banking sector, in government, or in international lending agencies.

6. In dealing with foreign creditors and foreign powers, Argentina must recognize that its weakness is its strength. Argentina is merely a symptom of the current state of the global financial system. Therefore, whoever is pushing Argentina should realize that Argentina has the means to set in motion a process which will accelerate the true state of the bankruptcy of its foreign creditors—Spain, Italy, Germany, France, the United States, and Japan. Argentina can reveal what is the true financial conditions of those countries and the global system.

is trying to stage a political comeback. The way things are going in Mexico, former President Carlos Salinas de Gortari might be expected to show his face there soon.

Free Seineldín

Argentina can’t tolerate another Carlos Menem. IMF policy has reigned here since 1990. Cavallo’s mad determination, since taking office last March, to service an unpayable foreign debt by imposing ever deeper austerity, turned the country into a killing field. His insane “zero deficit” plan, which subordinated all economic activity to debt payment, gouged wages and pensions, cut funding to provincial governments and vital public services. Month after month, as tax revenues plummeted, Cavallo announced deeper budget cuts, culminating in the 2002 budget, slashed by almost 20%, as ordered by the IMF.

The only way he was able to come up with money to make even a partial debt payment, such as the one on Dec. 14, was by stealing from the population, first restricting cash withdrawals from banks and imposing partial exchange controls on Dec. 1, and then, seizing private pension funds, ordering them to liquidate their term deposits in banks, and hand the cash over to the government. Even with this theft, Cavallo could only cough up \$700 million of \$980 million owed by Dec. 14; only half of that was in cash; he told the IMF it would have to wait until later for the other \$180 million.

Meanwhile, the country has seen its once excellent health-care system disintegrate, as funding for public hospitals is cut to shreds, and the state agency in charge of retirees’ health care, PAMI, is no longer able to fund nursing homes and clinics falling under its purview. Elderly who relied on PAMI are being thrown into the streets. Unemployment hovers close to 20%—one in five workers are out of a job—and Argentines, who could at least always be assured of a good meal, are now starving.

Now, more than ever, it is imperative that former Colonel Seineldín be released from prison. Pressure for this is building. In mid-November, Army Chief of Staff Gen. Ricardo Brinzoni took the unprecedented step of visiting Seineldín in jail, where he has been for 11 years on charges stemming from the Dec. 3, 1990 uprising against the Army high command. The significance of this act wasn’t lost on the government. Seineldín has already requested he be released, and on Dec. 14, three thousand citizens marched from the Obelisk in downtown Buenos Aires, to the Casa Rosada, to demand the war hero’s freedom. The march was led by Mrs. Marta Labeau de Seineldín, who, upon reaching the Presidential palace, delivered a letter to President de la Rúa, requesting her husband’s release from prison. One of the officers who had participated in the 1990 uprising, told *EIR* that the march was the beginning of the movement that would lead to Seineldín’s release.