IMF shock threatens democracy

Argentina is set to explode, but in Brazil, the new government is drawing the line against the Fund's austerity.

ARGENTINE PRESIDENT Raul Alfonsín has delivered what could well prove the final blow to his country's tenuous democracy. In response to threats from the international financial community to declare the nation "substandard" and withhold all future credit, Alfonsín on June 14 unveiled an economic "reform" which, when leaked to the press, caused a run on the banking system, a soaring rate for the black market peso, and media talk about "a violent economic shock," "an earthquake," and a "drastic turn." Alfonsín was forced to order a shutdown of all the banks for at least two days to prevent their collapse.

The austerity package includes an 18% devaluation of the peso, a freeze on prices, wages, fuel and public service costs, a drastic reduction in interest rates, lifting restrictions on all payments abroad, creation of a new currency, and cancellation of a cost-of-living clause in workers' contracts.

The labor movement has already responded to the measures with a call to "all productive sectors" of Argentina to unite to defeat President Alfonsín's "International Monetary Fund program."

IN BRAZIL, the tables appear to have been turned. A top-level "technical mission" from the International Monetary Fund, headed by Western Hemisphere director Eduardo Wiesner, departed that country with its nose out of joint, after the new government of Jose Sarney reportedly demanded point-blank an end to the Fund's surveillance of the Brazilian economy. Reports have it that Brazil is demanding from the Fund, among other things, lower interest payments, at least $4 to $5 billion in new money this year, and a change in venue from the New York courts to the World Court at The Hague. The bankers have reacted very strongly, calling Brazil's position "a nationalist fantasy."

Particularly irritating to the banks must be President Sarney's pledge to uphold the nation's strong science and technology orientation, given that since the IMF began managing the Brazilian economy, research budgets have been virtually eliminated. Speaking June 10 to a meeting of scientists, Sarney declared that, "Brazil, as a developing country, cannot do without science and technology. . . . Our people must be subjects, and not mere objects of history." He noted that French President Charles de Gaulle was right to have put such emphasis on science and technology in order to prevent being "marginalized."

POPE JOHN PAUL II joined visiting Peruvian President-elect Alan García June 9 in denouncing usury. During a private audience in Rome granted to the new Peruvian head of state, the Pope declared that "the children of God should not be sacrificed" to pay the foreign debt. García in turn pledged that under his mandate, Peru would be "a Christian nation" and that "the debt that the Latin American governments owe their people comes before the foreign debt."

THE WORLD BANK has told the Colombian government that its hydroelectric projects were too ambitious and costly, and would have to go if the country expected to get any more credit from that worthy institution. In particular, the pet project of President Belisario Betancur—to construct a vast electric energy grid from Colombia to Mexico that would benefit their infrastructure-poor Central American neighbors—was targeted by the Bank as "nice, but impractical."

An "advisory mission" to Colombia, headed by former World Bank Vice-President Hollis Chenery, reportedly claimed that Colombia's unemployment problem stems from too much dependence on technology.

Colombia's four labor federations came together June 12 to demonstrate their shared opposition to the austerity conditionalities the IMF has imposed in that country. The UTC, CTC, CGT, and CSTC trade-union memberships marched through the center of Bogota to demand that the Betancur government break with the Fund; they also organized a two-hour voluntary blackout in Bogota to protest a recent hike in public service rates, courtesy of IMF dictates.

The Colombian daily *La República* reports that 15 of the most important regional hospitals in the country were within weeks of shutting their doors if their operating expenses were not met by the government. Most of them are already operating on minimal capacity, accepting patients on a "life-and-death only" basis. The country's health budget was one of the first to be slashed to the bone when the IMF demanded surveillance over the economy, before Colombia would be permitted back into the credit market after a two-year hiatus.