

ARGENTINA: HOPE OUT OF DISPAIR

Over the last few months we have had such an intense time in Argentina that neither mind nor hand could be distracted for a moment from the primary concerns of collective survival. Although not in a state of war, civil or otherwise, we are going through a prolonged and unprecedented political, economic and social crisis. The "crash" of 1930 in the US must have been similar. In this article I will take time out to share with you my perceptions of what is happening, and what alternatives there may be brewing in the midst of such an upheaval.

The Crisis

The most evident sign of collapse came last December when banks stopped paying out cash, except in limited sums, for the simple reason they didn't have sufficient reserves left. Incredible as it may seem, banking, that key activity in modern society, was found to be no longer sustainable in Argentina. Most people had to stop paying bills and everything slowly grounded to a halt. Needless-to-say, 2001 became a leap year for Christmas and New Year festivities. Unemployment spiraled out of all control as we began to attempt survival in a most precarious economy. Since then, food consumption has become less than minimal. Recent figures now indicate that some twenty million Argentines – over 50 % of the population – are living in extreme poverty on the equivalent of less than 50 US\$ a month. And there are stories of children dying from malnutrition in Tucuman, people eating dog-meat in the Greater Buenos Aires region and every evening crowds of garbage scavengers with their handcarts invade the cities.

The daily experience of having literally gone through the floor of modern society into a free fall and branded as a useless country, must be akin to what Africans have experienced over the last decade or so. The *Africanisation* of Latin America is fast underway in Argentina. Since his appointment, US Treasury Secretary O'Neill has indeed threatened us with a process of *Haitisation*. And that is precisely what is happening. The consequences in human suffering are tremendous more so because we are living in the "granary" of the world where among other good harvests, there has just been bumper crops of soybeans. Incredible contrasts we must say!

Political turmoil

Like bowling pins Argentinean Presidents fell under the weight of public anger. First it was Fernando de la Rúa with his powerful economic minister Domingo Cavallo and then it was the smiling Rodríguez Saa who celebrated everything including default on the foreign debt as if it were a triumph in the World Cup. He was quickly replaced by the former governor of Buenos Aires Province Eduardo Duhalde who began in January promising a major economic comeback after four years of recession by following traditional Peronist policies. Now after months of wear and tear and repeatedly threatening resignation, his only stated purpose is to obtain an agreement with the IMF. Once that goal is obtained, elections for a fully constitutional president are planned but Duhalde himself will not be a candidate. So he says. .

World reaction and the IMF

The first reaction of world leaders to the Argentine debacle has been to stand aside and watch the boat go under. According to leading spokespeople of the IMF, the Bush administration and the European Union, blame for the situation lies squarely at the door of

Argentine ineptitude and corruption with excessive public spending as the central cause for the crisis. They sternly warn that no external assistance will be made available to Argentina unless drastic cutbacks are implemented and tax revenue increased. This time there will be no bail-outs as in Brazil, Mexico or Turkey. We must pull ourselves up by our own shoe strings!

Only a few years previously those same people were hailing the Argentinean "miracle" as the populist style Carlos Menem government implemented neo-liberal economic policies under strict IMF supervision. In April the IMF leading negotiator for the crisis, Indian economist Anoop Singh drew up a shopping list of 14 items which Argentina must deliver before talks on external assistance can even begin. Prominent on the list was the requirement that all legislation penalizing bankers for their ill-deeds be nullified. At present some bankers are in prison for having illegally assisted the siphoning of twenty billion dollars out of Argentina during the final months of 2001. Congress duly complied last week in a session fraught with scandal. True to form the IMF said the decision fell short of its expectations and the merry-go-round continues with a now even longer list. The Argentina miracle has truly ended in disaster!

Default and the Foreign Debt.

The central problem is the colossal foreign debt the country has accrued over the years - a hundred and forty billion dollars. Each person living in Argentina owes 4,000 US\$ to international financial institutions. The IMF is adamant about paying even though it be in installments. The money must keep rolling in. The De la Rúa government couldn't pay last year and so new loans were contracted at exorbitant interest rates. The inevitable happened in December. Argentina could not longer pay. The state of "default" was reached. Argentina is the now the only country of the world community to be in that veritable purgatory. And it must be punished if such bad example is not to be followed by other debtors. If an agreement is reached - meaning a new loan and renegotiations for funds needed to get the wheel turning again, then the debt will get up to about 185 billion dollars. And we will be facing an even worse crash in the near future. We will become even worse off, so really there is no enticement to coming to any kind of agreement. That is the drama of Argentina a no-win situation. The only truly alternative policy would be to dissect that foreign debt itself separately that which is legitimate from that which is spurious. But Duhalde is not prepared to do that and the IMF would be shocked to hear such a suggestion even voiced.

The only real policy of the IMF towards Argentina therefore is punishment, humiliation and ostracisation. The country must be made to return to the fold of those who pay their debts. Duhalde is now convinced that if we do not come to an agreement Argentina will begin to disintegrate as a nation. The Bishops Conference thinks likewise which makes them all curious bed-fellows. We must start to pay again to get back onto the global bandwagon no matter if the cost be widespread child malnutrition or a dramatic fall in living standards as we are experiencing. And if we don't, there is a sure chasm of destruction waiting for Argentina.

The Military Track

And if in fact we don't pay? Then a more sinister track may well be activated. Rumors abound of military surveillance and similar movements. Already during the December demonstrations many protesters were shot and eight were killed in central Buenos Aires and scores wounded. Police said they ran out of rubber bullets and tear gas and had to use live

ammunition from 12 mm shot guns. There are reports that a special high ranking group within the Federal Police went on a murder rampage for several hours. Some 50 police shots were fired from within a bank and one of the dead protesters was killed there. A Federal Judge has intervened and prosecuted high level officers. But police violence against social disturbances has continued.

As the crisis deepens some virulent commentaries by Wall Street *gurus* have been published saying that the Argentine devaluation was nothing less than a confiscation of private property much of it owned by Americans. These innuendoes are signaling a new scenario whereby a US sponsored military intervention might be on the cards. Already under the aegis of joint military operations US military personnel, together with troops from neighboring countries, have carried out exercises in Salta, Paraná and Córdoba and the US have established some small bases in strategic parts of this vast country. If things really get out of hand intervention with these troops under the flag of the UN as peace keepers could be a possibility according to Stella Carloni, an investigator who has written extensively on *Plan Condor* (1974-82) and *Plan Colombia*. Even though such a scenario would be a veritable minefield and was quickly dismantled by public statements from all concerned, it is a worrying backdrop to our troubles. It would be a tremendous tragedy for Argentina if democracy were to be rolled back once again!

Meeting the Challenge

Solidarity

But all is not sadness nor foreboding! There is an upside to every story and Argentina is no exception. No normal person can be resigned to indifferently witness extreme want in people close at hand. First hand contact and dialogue open the mind and the heart. And attitudes change. Solidarity becomes a more vibrant reality. Before, when approached by someone in need, one probably gave some coins and that was the end of it! Now even such a gesture may not be possible. One has to give something other than money, and that can only be understanding, sympathy and above all, a shared response and solidarity to address the crisis. We have all changed! Indeed together with the breakdown of an individualist, consumer orientated mentality, has come the insurgence of a more collective humane society which is the cause of hope.

Cacerolazos (pot banging)

There is the direct spill-over of this new mentality into Argentine politics through the much publicized "pot banging" demonstrations. *Noise-making* is a closer description of what that public mode of expression is all about. Rather than mad deafening sound, "pot-banging" makes a penetrating, non rhythmic, symphonic kind of noise so persistent as to produce a paralyzing effect on politicians, bankers and state bureaucrats. It simply cannot be turned off or ignored. It most certainly is not music nor is it just simple noise. I believe the Israelites in the Old Testament used it to good effect in sieges such as Jerico and others. Several Argentine presidents have been ousted by this form of civil protest and the sacrosanct members of the Supreme Court are also on the point of dismissal because of a weekly *cacerolazo* in front of the judiciary building.

Since December, no day goes by without noisy demonstrations taking place all over the country and foreign banks are the favorite targets for having ghosted most of the dollar

reserves out of the country, and not returning money to the public. A collective sense of outrage is very noticeable and it has focused also on government, parliament, the judiciary and all state bureaucrats. Political parties with the banks receive the brunt of public anger. The slogan is: "All must go". People feel cheated and abused and want a total and radical change of politicians. At the moment no political candidate for the Presidency gets more than a 15 % approval rating in opinion polls. The dominant mood is negative abstention.

Grass roots Organizing : neighborhood Assemblies.

Alongside the public catharsis, there is a much less publicized concomitant movement of people organizing themselves into popular assemblies. For example in our neighborhood in central Buenos Aires there is an assembly which meets in a plaza every Friday. We are about fifty who gather there to talk about the many problems we see around us such as unemployment, lack of food in the soup kitchens, public works and social problems. Then every Sunday, representatives of the assemblies from all over Buenos Aires meet in a park to share conclusions and reflections.

This grassroots movement really tries to tackle common problems. And when there is an attentive response from the authorities positive things can happen. It is an intriguing moment for local organizing and is having far reaching consequences for local politics. Some weeks ago I attended an assembly meeting where the director and staff of a major public hospital were present to listen to the complaints and suggestions of the community. It proved to be a most encouraging debate. However the majority of public officials are terrified of engaging in that kind of dialogue at least in Buenos Aires city.

Alternative Economics: Bartering

As the economic crisis deepens, bartering clubs or markets have mushroomed all over. There are now several chains using a common money called *credits*. I was at one recently which had displayed the different *credits* in circulation so that people could clearly distinguish them. It has become an alternative economy and, although almost 50% of products exchanged are clothes, foodstuffs, which are so desperately on demand, are increasingly present. That could be the beachhead for a lot of other products such as health supplies. A group of pharmacists are organizing to produce medicines in some hospitals as imported drugs are running out. The bartering network is having a strong social impact as people organize to produce something sellable and the chronically unemployed find an opportunity to make some money. They also provide an occasion for vital social exchange which works as an alternative communication network.

On the recreational front also young people are being innovative and creative. Cultural centers are growing all the time. They dedicate themselves to traditional Argentine folk music. Popular street activities such as *Carnival* style dancing have continued long after Carnival and Lent. One feels that there is a reservoir in Argentina's youth that is now being finally tapped. People did not go on holidays last Summer so the city became really a very lively place.

Perspectives

"Dollarisation"

The IMF seems intent on the dollarisation of the Argentine economy but to do so, it must provoke a hyperinflation scenario. And that has not yet happened. Devaluation has been dramatic, over 300 %, but inflation is still around 50 % per annum which, although very high, is not a hyperinflationary figure. The *Establishment's* argument is Ecuador. Hyperinflation and chaos precluded the dollarisation of the Ecuadorean economy two years ago. However they should know that Argentina has already been through that experience. The convertibility policy of Menem and Cavallo practically dollarised the economy after the traumatic hyperinflationary experience of 1989 by pegging the peso one-to-one with the dollar. After 12 years that is precisely the system which went down with such a crash. Many now lament that at the onset of the crisis full dollarization was not implemented. My belief is that financial experts knew that the country had to be reduced to a total disaster before dollarization could ever be implemented at all. So they did not insist. They know that beyond making the dollar accessible for the very few, the remedy will be disastrous for the country as a whole as it will totally lose its monetary independence and its market competitiveness. Argentina has to be put on its knees so that its people will accept that policy. The country will then become the paradise it was for foreign investors up to just an year ago.

The Argentine and international establishment seem to have pinned their political flag on former president Carlos Menem, a golfing companion of the Bush family. Dollarization policies are constantly mooted by him as the solution but he is widely considered to be one of the most corrupt political figures in the country even though *Financial Times* correspondent Tomas Catan recently called him a "vintage figure" and dedicated a full page portrait to praising his achievements. Their other candidate is an orthodox economist, friend of the military, Ricardo Lopez Murphy. It is a rude awakening to discover that such noble Irish surnames as Murphy and O'Neill are now synonymous of reactionary politics in Argentina.

So you may ask: if dollarisation does not happen, what does the future hold?

Argentina has now become the cheapest country in the world. For 5 dollars you can feast on the best beef and wine in a first class Buenos Aires restaurant. People are getting used to using money with no dollar backing. For example all Provincial governments print alternative money to pay state employees which is widely circulating. The country is fast becoming an attractive country to invest in as it has so many resources. And in terms of its traditional food produce it has now become most competitive. And people say if Russia picked up after a similar kind of crisis, why not Argentina?

At first the IMF and Bush Administration triumphantly pronounced: "Argentina is entirely on its own!" They promised there would be no negative effect in the region. However what was at first a ripple in Uruguay has now become a veritable tidal wave engulfing the neighboring country's banking system as frightened rich Argentines take their money elsewhere. Almost 20% of Uruguay's reserves have gone over the last few weeks and President Jorge Battle became so nervous about the situation that in a recent outburst he branded all Argentines to be corrupt. The following day he had to come to Buenos Aires to apologize. Other neighbors such as Chile, Paraguay, Bolivia and Brazil are also showing signs of stress as they see the Argentine market evaporate while their countries are flooded with cheap Argentinean imports. If Lula wins, as expected, the upcoming Presidential elections in Brazil, the time may be ripe for dramatic new economic policies in this part of the world. In fact if he does not undertake a major overhaul Brazil may well find itself in the same boat as Argentina.

The immediate perspective then is of further decline and chaos in the region but with some kind of economic revival in Argentina in the near future. The come-back will be interesting and on the longer term will permit economic and political alternatives to be pushed through in conjunction with Brazil and the Mercosur countries. Most significantly in Argentina as we have seen, there is afoot a movement from the bottom up to build an authentic social, economic and political alternative which was unthinkable only a few months ago. It is true that there is a sorry dearth of leadership - political, intellectual or cultural - to face the new challenges but younger generations are coming up, as Nobel Peace Laureate Adolfo Perez Esquivel recently predicted in a public meeting with young activists, who will have to **rethink** the country and Latin America. The crisis is a challenge to the imagination and the creativity of a people. We are witnessing the end of an era and the beginning of something new in this region of the world. It is an exciting and promising time despite the immense suffering many people are going through. All is not lost but the problems are so big that a new beginning is necessary. Amending the slogan of the Porto Alegre World Social Forum: *Another World is Possible* in Argentina we have to say now that *Another World is the only solution* to the ills of globalisation.

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