

# IMF gets the 'no' vote in election defeat for Argentina's Alfonsín

by Cynthia Rush

There are few international bankers who are not sweating profusely as they examine the results of Argentina's Sept. 6 mid-term elections. President Raúl Alfonsín and his ruling Radical Civic Union (UCR) suffered a humiliating and unexpected defeat, handing important gubernatorial, municipal, and congressional posts over to the opposition *Partido Justicialista*, or Peronist party.

Argentina's creditors had hoped that Alfonsín could keep the country under control, as he applied the same monetarist policies as his military predecessors, and called it "democracy." But the voters indicated otherwise. The electoral outcome, which restored to the Peronists the voting base they lost in the 1983 presidential elections, represents the citizens' flat rejection of the International Monetary Fund's economic policy, which Alfonsín has imposed under the Austral Plan. This "anti-inflationary" program produced a monthly inflation rate of 13.8% for August, and monthly interest rates of 18%, while gutting real wages and hiking public utility and gasoline prices continuously.

In response to what analysts are describing as a "political earthquake," Alfonsín is expected to make major cabinet changes, and to alter his political agenda. As soon as vote totals became known, all cabinet ministers offered their resignations, which Alfonsín rejected. Finance Minister Juan V. Sourrouille, considered to be the mastermind of the government's current disastrous economic policy, is expected to be ousted.

What bankers most fear, however, is that the Peronist victory will force the government to take a tougher stance on payment of its \$54 billion foreign debt, possibly in coordination with other Ibero-American debtors. The official Peronist program, formulated in mid-July, calls for "an entire reformulation of the [country's] relationship with foreign creditors and the IMF, placing the debt in a position subordinate to growth, with social justice."

Sourrouille just signed a major refinancing package with creditors, boasting that he had achieved "a kind of moratorium," but without the nasty confrontation with the banks, that Brazil had sought. The *Washington Post* editorialized in its Sept. 8 edition that "Brazil is trying to evade the necessity for economic reforms, and if Argentina is immobilized, the pressure on it to join a moratorium will rise."

The electoral results stunned all observers. Polls issued a few days before the elections had indicated a likely win by the Peronists in the Buenos Aires gubernatorial race. It was

predicted that Peronist candidate Antonio Cafiero might win by a few percentage points over UCR candidate Manuel Casella, but that the UCR would maintain its hold on the rest of the country.

The UCR lost its majority in the lower house of Congress, dropping from 130 to 117 seats, while the Peronists gained 5 seats, giving them a total of 108. The Peronists also won six governorships, giving them control of 17 out of 22 provinces. Three other provinces remain in the hands of regional or provincial parties, while the UCR now only controls the provinces of Córdoba and Río Negro. Antonio Cafiero took the governorship of Buenos Aires, a post traditionally considered a springboard to the presidency. The Peronists also gained control of 15 out of 19 municipal districts in Buenos Aires province, the most populous and politically important in the nation.

## 'The natives are restless'

The international media, especially the U.S.'s East Coast liberal media, responded to the election results with howls of rage, like oligarchs upset that the "colonials" weren't behaving properly.

"Argentine politics throughout this century has repeatedly been seized by a perverse and self-destructive impulse that has done the country immense harm. One of the bearers of that tradition is the Peronist movement, and unfortunately, the Peronists are the chief winners in Sunday's elections," shrieked the *Washington Post* on Sept. 8. Argentina is moving toward the "darker and more adventurous alternatives that have always meant trouble for Argentina," it continued. On the same day, the *Wall Street Journal* wrote, "The country has rejected Alfonsín's appeals for consistency and for understanding of his dogged attempts to reverse a long decline. . . . Argentines have gambled instead on the unknown. That is what Peronism is."

Peronism is hardly an unknown. Today the political movement founded in 1948 by Gen. Juan D. Perón is deeply divided, lacking a unified leadership, or program. The reform, or *renovador* faction, which did well in the elections, has allied itself to the Socialist International and the Christian Democracy, and has its own longstanding ties to the international banking community. It has made several opportunistic deals with the Alfonsín government, against the more "orthodox" Peronist groupings which call for strict adherence to Peronism's founding program.

It is this latter outlook which the financial community fears. Juan Perón challenged the banking oligarchy, and put Argentina on the road to industrial and scientific development through establishment of a dirigist credit system. He placed national sovereignty and the needs of the population above those of the banks and grain cartels.

The followers of Adam Smith have never forgiven him for challenging their right to loot Argentina's economy. Today, as the Ibero-American debt crisis reemerges, and with an explosive social environment existing in virtually every country, creditors are terrified that the "darker" side of Peronism—what the *Wall St. Journal* calls "trenchant nationalism"—might reassert itself. They are also aware that the debt reorganization proposals of U.S. presidential candidate Lyndon LaRouche, elaborated in the 1982 work, *Operation Juárez*, have circulated widely in Argentina, and have been carefully studied by nationalist circles.

Add to this the fact that the Brazilian situation is not under control, and that Mexico is in the midst of a political brawl over the presidential succession, in which the issues of debt and economic policy are high on the agenda. The election-day message delivered by a nation that was supposed to be the star of the IMF's "democracy" movement, couldn't have come at a worse time, from the bankers' standpoint.

As of this writing, Alfonsín has not yet defined any major changes. He has assigned Finance Minister Sourrouille and Foreign Minister Dante Caputo the responsibility of formulating an economic and political plan to present to the Peronists, but nothing is known at this time of its content. Analysts in Buenos Aires say they expect the Peronist-led General Confederation of Labor (CGT) to now take a much tougher stance on economic policy; they also predict that nationalist military circles, which have been relatively quiet since last April's Easter uprising, will now emerge more aggressively to defend their interests.

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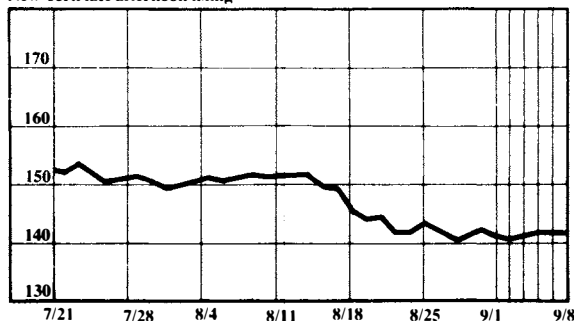
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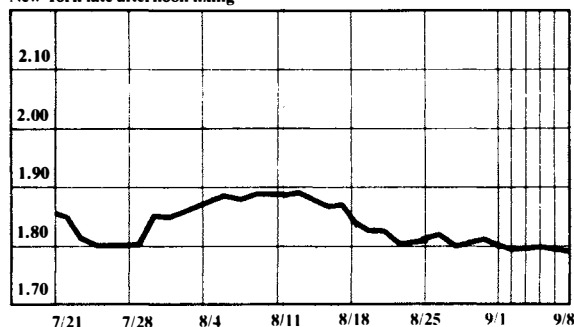
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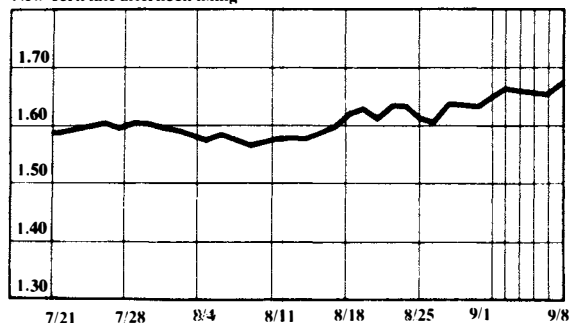
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