

IMF and Insane U.S. Utopians Drive Argentina into the Abyss

by Cynthia R. Rush

The nation of Argentina, in late April, was disintegrating under the blows of International Monetary Fund (IMF) policies, while international bank losses on Argentina's unpayable debt rose. The government of President Eduardo Duhalde was paralyzed, its survival much in doubt. The Finance Ministry was vacant—Jorge Remes Lenicov was forced to resign on April 23—and it was expected to remain so until at least April 29. Increasingly violent demonstrations around the country reflected popular outrage, as did an “every man for himself” mentality, amidst unprecedented levels of poverty, unemployment, hunger, and despair.

A bomb was left at a bank in Córdoba, and protesters are arming themselves for upcoming demonstrations at other locations. The chaos and disarray are epitomized in repeated scenes of locksmiths accompanied by police opening up bank doors, or using blowtorches to open bank vaults to allow depositors to reclaim their savings, even though the bank deposit freeze imposed last December—former Finance Minister Domingo Cavallo's despised “*corralito*”—is still in effect, and an indefinite bank holiday began on April 22, denying citizens access to wages, savings, and pensions.

U.S. Treasury Secretary Paul O'Neill, Horst Köhler and Anne Krueger at the International Monetary Fund, the *Wall Street Journal*, and any number of other London and Wall Street analysts and “experts,” have endlessly repeated the lie that the Argentines created this crisis themselves—deserving what they got, because they are too corrupt, undisciplined, enamored of “profligate spending,” with delusions of becoming a great nation. Moreover, as Paul O'Neill told the *London Economist* in July 2001, “they like it this way.” Horst Köhler has repeatedly said that Argentina's crisis is “its own fault,” and that it will have to resolve it, through deeper austerity and “fiscal discipline”—what the IMF insanely calls a “sustain-

able economic program.”

In reality, Argentina's disintegration is the lawful, predictable result of the utter failure of U.S. policy, dominated by mad utopians whose Clash of Civilizations frenzy is driving the Middle East into genocidal war. The same incompetence produced the recent fiasco in Venezuela (see *EIR*, April 26, 2002) and the economic and political disaster unfolding in Mexico. The Bush Administration is in shambles, for which O'Neill, Krueger, and Federal Reserve Chairman Alan Greenspan share the blame—while Bush himself remains blissfully divorced from reality.

Thanks to these utopian fantasies, the Argentine debacle could be the detonator of a world financial meltdown, especially as it coincides with the deepening Japanese crisis. Central and South America will be obliterated. Given their sizeable losses in Argentina, Spanish banks—Banco Bilbao Vizcaya and Banco Santander Central Hispano—could bring down not only Spain's financial system, but Europe's as well.

Argentina Was Always a Target

These nations have been pushed beyond the point where a solution within the existing system is possible. The IMF knew that Argentina had no ability to fire up to 500,000 state workers, and to further cut provincial budgets in order to qualify for additional funding; in any case, the Fund had no intention of disbursing it. As President Duhalde asked in an op-ed published in the April 22 *Washington Post*, “What economic decisions are politically viable in a country with almost 30% unemployment?”

The IMF and U.S. Treasury policy for Argentina was never intended just to bring it to heel, but rather, to dismantle it as a nation-state, as 2004 Democratic Presidential pre-candidate Lyndon LaRouche has repeatedly warned: Were

U.S., British, and Spanish banks to continue trying to collect Argentina's unpayable foreign debt through further austerity, "Argentina will die, physically die," LaRouche said back on Oct. 22, 2001. And, in a Jan. 24, 2002 webcast in Washington, D.C., he charged that the Anglo-American oligarchy made Argentina a special target for destruction, because "Argentina was, in the last century, at various points, third- and fourth-ranking in the world in standard of living, productivity, and so forth. Despite all the smears, it was a great economy. And, therefore, that is an insult to those in North America, who think that South Americans have to be stupid and incapable."

Michael Matera, an official at the U.S. embassy in Buenos Aires, demonstrated LaRouche's point precisely in private remarks to a meeting of international bankers in Fortaleza, Brazil, on March 14. "The Argentines have an immutable point of view about the strategic, economic importance of their country," he arrogantly said. "They are convinced that the world should come to help them. This is one of the reasons why Argentina never really did its adjustment."

The worst thing the international community could do now, he warned, "would be to give this [Duhalde] government more money, in an extraordinary crisis, with politicians who oscillate between autism and psychotic arrogance—a society which doesn't see the problems, and which blames the IMF and the United States for them; an immature and paranoid community incapable of changing."

'No Banks, No Plan, No Minister'

This banner headline, which appeared on the front page of the April 25 issue of *Buenos Aires Económico*, tells it all. On April 23, Finance Minister Remes Lenicov and his economics team resigned, after Congress refused to debate his scheme to convert frozen bank certificates of deposit into peso- and dollar-denominated government bonds, redeemable in five years in pesos, and in ten years in dollars. The bond plan, dubbed "Bonex II," was a desperate attempt to stem the hemorrhaging of bank deposits, which saw \$111 million per day leave the banking system during the week of April 15-19, even though the deposit freeze was still in effect. Court orders and injunctions against the *corralito* granted to individual citizens, allowed them to withdraw funds in such quantities, that the already precarious banking system would have collapsed, had the outflow continued.

But popular outrage and a divided Congress, ensured that the legislation wouldn't even be discussed. Enraged citizens stood outside the Congress on April 22, screaming "No bonds! No bonds!" and with good reason. The scheme would have converted the \$45 billion which banks owe depositors, into bonds of a government that had already defaulted on its debt. In exchange for having this very significant political and economic liability lifted, the banks would give the government an equivalent amount of worthless government bonds they still hold, from the \$30 billion "mega-swap" of June 2001, and transfer a portion of their loan portfolios (to compa-

nies and individuals), on which chances of repayment are next to nothing.

It would have been a sweet deal for the banks, many of which spent recent years engaging in all manner of illegal capital flight and money laundering, for which some are now being prosecuted, under the very "economic subversion law" that the IMF demands be eliminated. The government would have ended up cleaning up the banks' books with the money of depositors, who would then assume the default risk of the Argentine state.

Duhalde was so desperate, that he tried to blackmail the Congress into passing the Bonex plan early on April 23, threatening that if it weren't approved, he would open the banks and "let God do as He will" with Argentina. Were it not to pass, he added, then the Legislative Assembly should convene and "elect someone else" as President.

To no avail: Congress recessed, and after Remes resigned, Duhalde held marathon sessions with provincial governors, legislators, labor leaders, and others in the evening and early morning hours of April 23-24, and then most of the day April 24, to designate a new Finance Minister and formulate a plan of government. But at the end of these meetings, the only thing Duhalde was able to announce concretely, was a 14-point agreement with provincial governors, to adhere to a "fiscal responsibility" regime and "honor agreements with multilateral lenders"—i.e., to keep working with the IMF. Pathetically, Duhalde said Argentina was "in great difficulty," but "we have no alternative plan—only a plan with problems." A Finance Minister will reportedly be named on April 29.

Lyndon LaRouche has commented that the big problem in the Argentine crisis, is that no leader, except for former President Adolfo Rodríguez Saá—who declared a debt moratorium and proposed an inconvertible currency during his week-long Presidency at the end of December—has had the guts to say publicly that Argentina must break with the IMF, and create both a national banking system and a sovereign, inconvertible currency. The behavior of Peronist governors is pathetic: They are jockeying for power, and playing stupid games, arguing that Argentina shouldn't break with the IMF, but warning at the same time that they won't impose IMF austerity in their provinces.

The only name that stands out as an exception to this suicidal behavior, LaRouche said, is that of Mohamed Alí Seineldín, the Malvinas War hero and political prisoner whom Duhalde has refused to release from prison, so as not to annoy his Anglo-American tormentors. In August 2001, LaRouche proposed that Seineldín be named Argentina's debt negotiator, because his understanding of the global nature of the financial crisis, and his endorsement of LaRouche's New Bretton Woods system, uniquely qualifies him to represent Argentina's sovereign interests before the international financial community. The only difference between that proposal and today, LaRouche now adds, is that Seineldín is an excellent candidate to be named Finance Minister as well.