

## In the hands of the oligopoly of foreign capital



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### Institutional crisis and foreign-controlled economy

During 2002, the situation of human rights in Argentina returns repeatedly to the events of December 2001. The unprecedented economic, political and social crisis that the country was undergoing at that time gave rise to a social outbreak leading to the end of the consensus over the neo-liberal policies implemented during the 1990s. Over a period of fifteen days, five presidents succeeded each other, leaving the country in a state of institutional instability, the worst since the return to democracy in 1983.

During the 1990s, economic policies in Argentina were characterised by a strengthening of the neo-liberal model, promoted by multilateral credit institutions. Throughout this period, the Argentine State guaranteed maintenance over time of an extremely high rate of foreign exchange, largely financed by the high level of indebtedness and with no relation whatsoever to the country's productive structure.<sup>1</sup>

Thus the public and financial services obtained high profitability and, following a process of privatisations, were monopolised by an oligarchy of private companies with foreign capital. This process included the privatisation of most of the essential public services, such as electric energy, gas, telephones and oil. The massive transfer of public companies to private hands coincided with an increasingly-foreign-controlled economy, which, combined with the complete liberalisation of the capital account, allowed for currency to be sent abroad without restriction. In turn, this has caused an amount of Argentine capital equal to the country's foreign debt to be located abroad.<sup>2</sup> The situation became increasingly unsustainable and by the end of the year 2001, resulted in a devaluation of almost 75% of the peso vis-à-vis the US dollar.<sup>3</sup>

Argentina's devaluation was caused in large part by the «Convertibility Law», which pegged the peso to the US dollar. Initially launched to reduce high inflation, the inflexible exchange rate was supported until the bitter end by the IMF and the «financial community» as a key to stability. Yet the peso's value rose along with the dollar's, making imports artificially cheap and increasing deficits in the balance of payments that investors eventually concluded were unsustainable. The massive capital flight during 2001 sealed Argentina's fate.

The demands for change so dramatically expressed by society have remained unaltered in the framework of the transitional government headed

by Eduardo Duhalde, who has limited himself to managing the crisis, without implementing alternative solutions to the erosion of the social rights of increasingly wider sectors of the population.

The social variables became totally out of control as a logical consequence of a process characterised by concentration of wealth and an unprecedented increase in poverty. As a result, the strengthening of the neo-liberal, socio-economic model launched by the military dictatorship installed in 1976, with the support and promotion of multilateral credit institutions, has caused Argentina to experience currently the worst crisis in its history as a nation.

In turn, the maintenance of social protests within peaceful terms, perhaps the only achievement that the transitional government could show, was totally demolished on 26 June 2002. During a demonstration of the most impoverished sectors in the south of Greater Buenos Aires, security forces launched a brutal repression, qualified by the president himself as a virtual «hunt». Its most tragic result was the murder of two demonstrators by members of the repressive groups.

For its part, the transitional agenda has limited itself to discussions about the perpetuation of the present political-economic model of organisation, without social issues occupying any leading place. Civil society is distant from the fora where the dominant groups struggle against each other to avoid taking on responsibility for the costs of the crisis, leading to a clear degradation in the quality of the democratic system.

Along these same lines, another manifestation of the institutional crisis is reflected in the impeachment proceedings launched against the Supreme Court of Justice of the Nation. At the beginning, promotion of the proceedings was in the hands of the Executive Power; however, following a series of sentences contrary to its interests (qualified as extortionate by the President of the Nation), impeachment proceedings became diluted, and finally, in October 2002, they were rejected. This dispute among the State powers reached levels beyond the bounds that a constitutional process of such institutional importance can take and only diminished the State power's already weakened credibility, perhaps to a point of no return.

### Alarming indicators: poverty and extreme poverty

The development of social variables during 2002 showed that the economic policies implemented over the past years have only raised poverty and extreme poverty indexes to levels that are incompatible with a democratic system. In May 2002, approximately 18.5 million people (53% of the total population) were under the poverty line,<sup>4</sup> while 8.7 millions (24.8% of the total) were

1 In 1991, the Argentine public sector's foreign debt was USD 58,588 million. Ten years later, this debt amounted to over USD 144 billion.

2 In this respect, a commission of the Nation's Chamber of Deputies, pointed out that in December 2001, money abroad (financial and non-financial assets) belonging to Argentine residents, amounted to some USD 127,074 million, placed in deposits, shares, goods, currency, etc. This is not a new phenomenon, as according to the deputies the variation in assets abroad between 1992 and 2001, was USD 73,332 million. Julio Gambina, *Seis meses en picada: datos de la crisis económica*, FJA Centre for Studies, Training and Information, June, 2002.

3 Following the December 2001 crisis, the Argentine peso devalued vis-à-vis the US dollar, going from a parity of ARS 1= USD 1, to ARS 3.60 = USD 1 in October 2002.

4 According to the methodology used by the National Institute for Statistics and Census (INDEC), in the Permanent Survey on Households (EPH), poverty is measured with the «poverty line» method, consisting of establishing, on the basis of household income, if there is the capacity to satisfy – by means of the purchase of goods and services – a set of food and non-food requirements, considered as essential.

considered to be in extreme poverty.<sup>5</sup> The latter variable underwent a 135% increase over the period between October 2000 and May 2002.<sup>6</sup>

The situation is different in the various regions of the country, as in many urban areas in the country the number of poor people has reached even more scandalous figures, with a peak of 78.3% in the province of Formosa. The situation is even more dramatic taking into account that out of the total number of poor people, 8.32 million are children and young people; this means that 70% of the children and young people under 18 years of age live in poor homes. In turn, 4.14 million live in extreme poverty.

Again, the most serious situation is to be found up country, especially in the Northern provinces, where the proportion of poor children reaches 80% and 87.7% in Formosa. There are another eleven urban centres where poverty in children under 14 years of age is greater than 70%.<sup>7</sup> Furthermore, in Formosa, Corrientes, Posadas and Concordia, in May 2002 over 50% of the population of children under 14 years of age was extremely poor.<sup>8</sup>

It is incomprehensible to observe that in a country where food production could cover the needs of 330 million people, about one quarter of the population (almost 9 million people) go hungry.<sup>9</sup> With regard to the mortality rate of children under one year of age, according to figures of the Argentine Paediatrics Society, 11,000 deaths take place per year: one baby every 48 minutes.<sup>10</sup> Out of this total, 60% of the deaths are due to preventable causes.

In this context of poverty and extreme poverty, the significance of the increase in the population with employment problems must also be addressed. Presently, according to recent data from the National Institute of Statistics and Census (INDEC) corresponding to the survey made in May 2002, the unemployment rate reached a historic record. In fact, presently in Argentina there are 3.04 million unemployed recorded, 21.5% of the EAP. Under-employment reached 18.6%, that is to say, 2.63 million people. The highest levels of unemployment are to be found in Greater Catamarca (25.5%), Greater Cordoba (25.3%), Greater Rosario (24.3%) and Greater Buenos Aires (22%). In one year, there were 755,000 more unemployed people, according to the Permanent Household Survey undertaken in May 2002 in 28 urban centres of the country.

Considering the exceptional levels of poverty and extreme poverty, being employed does not imply access to a decent life. INDEC data indicate that the income of 25.7% of those employed is not enough to cover the basic food and service basket required by an adult to be above the poverty line. Furthermore, while the great majority of Argentines becomes poorer, a small fraction becomes increasingly wealthy, continuing the process of concentration of wealth and radically transforming the social structure existing in the country.

Consequently, on comparing the income of the poorest 10% and the richest, the latter is today 33.6 times greater than the former. That is, while the poorest 10% in Argentina collects 1.1% of income, the richest 10% keeps 37.6%.<sup>11</sup> This gap is probably the widest in the history of Argentina and largely explains the social disintegration our country is presently facing.

## The crisis in the health system

During the last months of 2001, a health care crisis was triggered that had no precedent in our country, becoming more serious during 2002. This tragically complemented the situation of malnutrition mainly affecting children and old people.

The lack of social security and access to medication and the shortage of basic material in the public hospitals were perhaps the most important and notorious elements showing up in the socio-economic crisis Argentina is facing. To them should be added the reappearance of poverty-related diseases that had been eradicated years ago.

The first symptom of this deep crisis became visible when a great number of citizens were unable to obtain medication essential to treat their illnesses. On the one hand, the impossibility of the most important social services to repay debts to their lenders caused the suspension of care to their members by the pharmacies. On the other, the devaluation of the peso vis-à-vis the dollar and uncertainty about its value generated speculation on the part of the laboratories, drug companies and pharmacies, causing an exorbitant increase in the price of drugs.

In addition, the already deteriorated health care system in the public hospitals – which over the past years has had to face an increase in demand due to the higher levels of poverty and extreme poverty – collapsed, due to the shortage in their reserves of antibiotics, corticoids and essential drugs for the treatment of patients with transplants, cancer and those suffering from HIV/AIDS, etc. The reserves of all kinds of basic material, from rubber gloves and sterilisation materials to oxygen refills, were also exhausted. The situation is so serious that many hospitals have implemented a system of exchange of materials to ensure their operation. Additionally, legal action has been taken by many people, aimed at returning to a normal provision of drugs and continuity of treatment.

## The government's relief assistance as response

In response to this most serious social situation, the government has implemented a series of social programmes repeating the assistance-type approach guiding public policies over the past decade. How to fight poverty is not discussed, only how to contain the poor; therefore, redistribution of income and strict respect for social rights are issues missing from official discourse.

Under these terms, and in order to guarantee the «right to family inclusion» (sic), during April 2002 a Programme for Heads of Households was launched, with coverage consisting of payment of ARS 150 (approximately USD 40) under certain conditions.

It should be noted that this programme established a deadline for the registration of candidates, which prevented many individuals from having access to its benefits. Furthermore, the term of this programme only extends to 31 December 2002, generating great uncertainty over its continuity.

The social plan designed by the National Government does not cover even half the basic food needs of a typical family. According to official surveys, the value of the basic food basket corresponding to two adults and two children, in September 2002, amounted to ARS 324.06 (USD 86).

It may therefore be concluded that the programme implemented on a national level is not aimed at fighting poverty by means of a strategy that seriously aims at an equitable distribution of income, but one that can only be considered as palliative assistance, aimed at lessening the magnitude of the social conflict.

Finally, the intervention of the National Government to palliate the deficit in the health care system has been, to all intents and purposes, insufficient. The health care crisis is another sample of the weakness and incapacity of Argentine institutions to face violation of basic human rights, such as life and health.

Drugs have been stripped of their social nature and have become simple commodities, subject to the laws of supply and demand, while those politically responsible for guaranteeing health to the whole population have only succeeded in taking isolated measures that usually become – at the most and so far – a decalogue of good intentions.

Summing up, the Argentine government omits the definition of lasting and responsible economic policies giving priority to substantial equality and the full accomplishment of social rights, the only way of reconstructing a true democracy. Under these terms, 2002 has witnessed an advance of the social disintegration process, placing at serious risk the viability of Argentina as a nation, both at present and in the future. ■

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5 The concept of the «extreme poverty line» used by INDEC endeavours to establish whether the households have sufficient income to cover a food basket, able to satisfy a minimum threshold of protein and energy requirements. In this way, households going beyond this threshold or line are considered to be in extreme poverty.

6 Source: SIEMPRO, based on EPH and CNPV 2001 data.

7 We are dealing with San Luis – El Chorrillo, San Juan, Jujuy – Palpalá, La Rioja, Salta, Santiago del Estero, Tucumán, Córdoba, Paraná, Rosario and Santa Fe.

8 EPH, INDEC, May, 2002.

9 According to data from the Secretariat of Agriculture and the Agronomy Faculty of the UBA, published by the Cash Supplement of the *Página 12* newspaper on 31 March 2002, in the year 2002, 99 million tons of food will be produced, enough to feed 330 million people.

10 «Muere un bebé cada 48 minutos», *La Nación*, 27 July 2001.

11 As a point of comparison, in 1974 the gap between the first and the tenth income decil was 12.3 times, while in 1989 with hyperinflation in full swing, this reached 23.1 times. Equis, based on the INDEC EPH index, May, 2002.