

INTERNAL BULLETIN NO. 14: AUGUST 1982

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\* These reprints have been submitted to the I.B. to give comrades easy access to background factual material relevant to the Falklands/Malvinas debate.

The following items were scheduled for this I.B. but we were not able to get them ready in time. They will be circulated shortly:

- E.C. document on police accountability
- WSL EC statement on the Falklands/Malvinas debate at the summer school, and letter to TILC groups on same.



To quote from Cunliffe and Kinnell's document, the debate today is about how best to fight imperialism, and how best to fight the Argentine military regime, not whether to fight them.

We all agree that British imperialism is reactionary. We all agree that the British ruling class seized on the war with Argentina and the reconquest of the Falklands/Malvinas as their greatest propaganda coup since the Tories came to power. Night after night on the TV, endless recounting of the war served to blot out from the public eye the vicious attacks being made on the working class. Clearly we have no truck with the rabid nationalist, racist and sexist propaganda that has been dragged out from the sewers to promote the image of a revitalised British imperialism.

But the reactionary nature of British imperialism does not therefore automatically mean that the non-imperialist country in conflict with it is progressive. We do not take our stance from the position of the bourgeoisie. In a war the approach of Marxists is to view the conflict in the interests of the working class. We must be concerned always with developing an independent working class strategy.

It is only possible to argue a progressive side to supporting Argentina if you ignore the facts and see the war in abstract as simply between a non-imperialist country and an imperialist country, arguing that a defeat for the imperialist country is a good thing, therefore we support the alleged anti-imperialists.

But that isn't our method. We measure our support for an allegedly anti-imperialist stance on whether or not it advances the class struggle.

We can be sure that if the Argentine junta had won the war, it would not have defeated imperialism in Argentina - because they are the agents of imperialism.

The re-orientation of the working class onto the reconquest of the Falklands/Malvinas defocused the class struggle, as Galtieri intended, creating a false objective for the working class which could only serve the bourgeoisie.

That is precisely the same point as we argued about the seizure of the American hostages in Iran. The seizure of the American hostages in Iran was presented as a big blow for the prestige of US imperialism. But in reality the biggest blow to US imperialism was the toppling of its agent, the Shah of Iran. Imperialism would actually have been defeated if instead of being side-tracked into the so-called anti-imperialist struggle around the American hostages, the working class had gone on to develop their factory committees, to seize control of the factories, etc. The tragic results of the side-tracking can be witnessed today.

The only way for revolutionaries in Argentina to develop an independent working class position was to take a defeatist stance and to argue that the only way to fight imperialism was to wrest control of the means of production out of the hands of the imperialists and their agents.

In Argentina imperialism controls through the national bourgeoisie. It does not control through the Malvinas/Falkland islands.

From the point of view of the Argentine working class, their main enemy is their own national bourgeoisie - the best way for the Argentine working class to fight imperialism is to fight their own bourgeoisie.

The war between Britain and Argentina was for the Argentine working class a war between their immediate oppressors, the Argentine national bourgeoisie, and their general enemy, British imperialism. In such a situation socialists must be against the war and for the defeat of their own ruling class.

Our assessment of the war would have been different if it had had progressive aims. But the aim of the war was the reconquest of the Malvinas by Argentina, so that they would once again belong to them. In other words it was a war about

property rights.

Let us for a moment imagine that the war had never taken place. Would we have argued that the working class should campaign for the return of the islands to Argentina? What could there possibly have been progressive in such a campaign, if in fact the islands are not the means by which the Argentinian people are oppressed by imperialism?

No, we wouldn't. We would have argued against it. We would have said that to place the issue of property rights above the rights of people - in this case above the wishes of the islanders - is to conform to bourgeois ideology. Socialist ideology is about breaking down barriers between countries, not re-dividing them by seizing back land. We would have argued that the issue was a diversion.

So, if the islanders are not the agents of imperialism, and the dispute is over property rights, then what possibly could the Argentine working class have to gain by siding with their own immediate oppressors?

Abstract speculation about the possible outcomes of the war and their benefits for the working class should be avoided. A defeatist position, coupled with the demands for the continuation of the class struggle, for the defeat of imperialism, and the revolutionary overthrow of the junta, best prepared the working class for the outcome of the war, whatever it was.

A defeatist position meant that when the war was lost, revolutionaries were best placed to point out the futility of the war in the first place, and its reactionary nature. If the war had been won by Argentina, we would then say that it had not changed anything - the bourgeoisie is still our enemy.

Arguing support for the war meant, in the event of losing the war, that the working class was still focused on the seizure of the islands, thus the working class was disorientated and demoralised by the defeat. In the event of winning the war - the working class would have achieved nothing in terms of their fight against the junta, but the junta would have been given credit by its victory in a war which revolutionaries had supported.

The only possible position for revolutionaries in carving out an independent working class strategy was to argue against the war and to put forward demands for the continuation of the revolutionary struggle.

# ARGENTINA: THE ECONOMY

WHAT country in the last few years experienced erratic and generally falling production, balance of payments problems despite near self-sufficiency in oil, out-of-control government deficits and money supply and unacceptably high inflation.

What country has experienced a government whose doctrinaire monetarist creed has led it to try to cut the money supply and government services, keep interest rates high, sell off the public sector, create mass unemployment and lower real wages, policies which have squeezed industrial and commercial companies into bankruptcy but created a bonanza for the banks?

Ironically the two countries which arguably best fit that description are on the point of trying to sink each other's navies in the South Atlantic.

But for all the uncanny similarities between Thatcher's Britain and Argentina under the military dictators Videla, Viola and now Galtieri, the economies they are trying to control are far from identical.

## Mature

Argentina is not a mature industrial country like Britain. Yet on the other hand it is a long way from the more backward underdeveloped countries of Latin America, let alone Africa and Asia.

In the nineteenth century it became an enormously prosperous supplier of agricultural staples (wheat and then beef) to the rich markets of Europe and North America. At the end of the century its economic development stood on a par with Australia and New Zealand and was greater than much of Europe.

Since then Argentina's economy has been left far behind by its former equals. Despite surges of industrialisation in the 20th century the economy has been ravaged by paralysing bouts of economic, financial and political crisis which mean that today the country can only be regarded as a semi-industrialised one even though qualitatively more developed than most underdeveloped countries.

Unlike most countries, Argentina has never had a very sizeable subsistence, peasant agriculture. Its farming almost from the start grew up on modern capitalist lines. That is why today only 13% of its labour force work in agriculture (less than Poland or the USSR or Spain, and about level with Japan), and 82% of the population live in cities (nearly as many as in Western Europe and the USA).

28% of workers work in a wide range of industrial jobs. Argentina has sizeable heavy industries like steel, petrochemicals and armaments (especially the army-owned corporation Fabricaciones Militares).

It has the only commercial nuclear power plant in Latin America and, helped by its moderate reserves of uranium (enough discovered to supply present total electrical energy needs for 30 years), it has a major programme of nuclear development - including, by the government's own admission, the development of a nuclear bomb.

## Exploration

Argentina has produced oil and petroleum products for many years and the government now has a plan of exploration to develop new supplies and export 300,000 barrels a day by the mid-1980s.

This plan is behind schedule partly because the major US oil companies have not been keen on the government's terms and partly because new discoveries have not been made as rapidly as was hoped (though expert world oil opinion is divided about the prospects around the Falklands/Malvinas over which the UK and Argentina already clashed in 1981 about prospecting rights).

Despite past development and ambitious future plans, the standard of living of Argentinians remains well below that of Britons.

Average income in 1980 was \$2230, compared with Britain's \$6320. That makes the average income of Argentina slightly ahead of Portugal, Mexico and Turkey and slightly below Yugoslavia, Greece and Venezuela.

And the distribution of income is even more unequal than in Britain. In Argentina the poorest 20% of the population get 4.4% of national income (in Britain the figure is 7.4%). And the top 10% get 35% (compared with 23% in Britain).

Argentina has more doctors per head of population than Britain (one for every 530 inhabitants).

But since nearly all medicine is private the services of doctors are extremely unequally spread.

Argentines are in general better educated than Britons. Nearly one in three school leavers get some kind of college education compared with less than one in five in Britain. Much education, like medicine, is private, so workers and the poor certainly don't get their share.

And, since the military seized power in April 1976 (after the 3-year interlude of Peronist rule), their share of

everything has been declining.

Over the last six years of bloody dictatorship it is not the structure and long term development of the economy which has mostly concerned the makers of economic policy but its short term crisis.

## Catastrophic

When Videla took power he installed Jose Martinez de Hoz as his economics minister, which he remained for five catastrophic years.

Martinez de Hoz is a kind of Geoffrey Howe of the South Atlantic (he even went to the same school - Eton!). A doctrinaire monetarist, he has tried to deal with Argentina's severe economic problems with a series of policies which look like prototypes of those of Thatcher and Howe.

Argentina's inflation rate when Martinez de Hoz was installed by his military friends was a staggering 600%, the result of the intense class struggle and collapse of financial discipline of the Peron era.

## Monetarist

Martinez de Hoz proposed to deal with the inflation by the now familiar monetarist remedies of an intense squeeze on the money supply, savage cuts in government welfare spending to reduce the budget deficit (which had been nearly 15% of the GNP in the last year of the Peron government) increasing taxes and maintaining an artificially overvalued exchange rate to hold down the price of imports.

The result of the overvalued exchange rate has been a growing balance of trade deficit which was offset by inflows of short-term funds attracted by enormously high interest rates.

And these interest rates in turn have increased government spending on financing the national debt and have produced a catastrophic worsening of the financial position of industry and commerce (nationalised and private).

Last year this resulted in several major bankruptcies - of Celulosa Argentina, the largest pulp and paper firm; of Saestru, the biggest agro-industrial complex with interests in grain, flour milling, wine, fisheries and banking; of Credibono, a large finance company along with other finance companies. Bankruptcies are now running at \$150 million a month.

The danger of more bankruptcies forced Martinez de Hoz and his successors to channel government funds into failing companies, further undermining

plans to cut public spending.

One contradiction of Thatcherism not shared by Videlanomics was that the Argentinian government has not had to pay money to those they have forced into penury and unemployment by their policies.

## Burden

The result is that massive inflation, the control of wages and unemployment (which is still officially below the British level) has imposed an almost incredible burden on the Argentinian working class.

Real wages are now around 50% of what they were in 1976. Although official unemployment is only about 5% in Buenos Aires the real figure (including underemployment in ultra-low paid jobs) has been estimated at over 40%.

The hoped-for results of Martinez de Hoz economics was (as with Thatcherism and Reaganomics) that after a short sharp shock the policies would produce a new upsurge of healthy capitalist growth.

In fact it led to no overall growth at all but to extreme fluctuations from year to year.

At length in 1981, after Martinez de Hoz had left office along with his patron Videla, the contradiction of his policies suddenly exploded.

## Devalued

During 1981 the Argentinian peso was devalued from 2,000 to the US dollar to 10,000 to the US dollar providing the potentiality for a tremendous new boost to inflation, which in 1981 rose to 138% and now threatens to go up further.

Alongside the devaluation went a tremendous slump. The GNP in 1981 fell by 8.6% and industrial production by a staggering 14%. Car sales fell by 64% and excess capacity in industry was estimated at 42%.

It was this series of economic disasters which helped lead to the collapse of the Viola regime in December 1981.

General Galtieri who then seized power represented a bunch even further to the right both politically and economically. He declared that "the period of words and promises is over; now is the time for firmness and action."

## Budget

And he has installed as Economics Minister, Roberto Alemann.

He plans a budget which cuts spending further and raises taxes so that the budget deficit falls to 2% of the GNP (from 3% last year).

But this included a 10% cut in military spending which has already been abandoned.

Within 60 days he intends to present a plan for selling off large amounts of Argentina's large public sector to private capitalism.

This will include the state-owned banks (which hold 47% of deposits) and even army-owned enterprises like Fabricaciones Militares.

He has raised VAT from 10 to 12%, imposed a complete freeze on wages and state pensions and failed to raise income tax allowances in line with inflation.

The effects of these policies once again will be more slump and unemployment, lower real wages and higher interest rates in the short term even if it were to "work" in the long run.

For that reason it provoked, as soon as it was announced, a wave of militant resistance.

The decision to indulge in an international adventure arises very clearly from the effects of this combination of the need to intensify the economic attack on the working class and growing evidence that the working class will step up its resistance to such an attack.

## Cynical

The Falklands adventure reflects the cynical decision to whip up chauvinistic sentiment in order to hold down class resistance.

But now a new problem has arisen - the economic effects of reactions to the invasion. The EEC boycott would cut off 28% of Argentina's exports; it is not likely that the USSR would fill the gap since Moscow has been complaining about the fact that Argentina does not import enough Soviet goods (last year it had a deficit of \$1 billion with Argentina).

Besides Galtieri came to power with promises to reduce links with the Soviet Union and strengthen those with the West. He was regarded as Reagan's man in the Junta.

Britain's war threat may have produced mass demonstrations in the streets but it also produced financial panic. There has been a run on the banks, huge capital flight and the regime has had to impose emergency measures. The peso was exchanging last week at 14,500 to the US dollar when its official rate is 11,500.

This means the war will create even more inflation while wages are frozen. Patriotic demonstrations could well turn into something else.