

Argentina: What lessons for South Africa?

But what is so different about South Africa? The similarities between South Africa and Argentina, the latest centre of emerging market crisis, are considerable. Both countries have roughly the same population, fall in the category of middle income, have a considerable amount of industry, an extensive middle class, and a well-developed trade union movement. Both also have highly unequal distributions of income. Objectively, the similarities between South Africa and Argentina far outweigh the differences.

Yet, our economists and politicians persist with this notion of 'South African exceptionalism'. The lynchpin of this view is that we are the only emerging market which has got its economic 'fundamentals' right. This is the biggest deception of all. Nearly every emerging market in the last decade has attempted to get their 'fundamentals' right.

Distorted perspective

In this regard, Argentina is a perfect example. Conventional economists would have us believe that the Argentines did nothing but mindlessly run up debt to the point where they could no longer afford to repay the international financial institutions. This is a distorted perspective. For the last decade, Argentinean economic policy makers followed the market to the letter. They drew the highest praise from their ideological gurus in Washington and Brussels. They did most of the things the

Mainstream economic analysts and government officials like to think of South Africa as an emerging market of a 'special type'. It is supposed to be different from Thailand, South Korea or Argentina. John Pape examines whether South Africa is the 'exception', not the rule.

South African government advanced in Gear.

They engaged in fiscal discipline and implemented perhaps the most extensive privatisation programme in Latin America.

The Argentine Finance Ministry followed the advice of the International Monetary Fund (IMF) and pegged their currency to the US dollar. This pegging was not an act of irrationality. It was done to ensure that banks and foreign investors would not lose out if the value of the Argentinean peso were to fall. Like Gear, the economic plans of the Argentinean government had horrific effects on the workers and rural dwellers. Unemployment skyrocketed to nearly 20% and the gap between the rich and the poor continued to rise.

But make no mistake about it, the Argentines had got their fundamentals right. So confident were their economic policy makers that as recently as early December

2001, Minister of Finance Domingo Cavallo told the press: 'There is no need to worry. I realise people are worried but there is no need to be alarmed.' Within a month the situation which was not supposed to cause any 'alarm' brought millions of Argentines to the brink of starvation and led to the resignation of Cavallo and the entire Argentinean Cabinet including President Fernando de la Rúa.

Not a level playing field

If Argentina had gotten its fundamentals right, what went wrong? The real problem is that the global economy is not a level playing field. The Domingo Cavallos and the Trevor Manuels of the world can do everything in their power to ensure that their ducks are lined up in the free market row. They can spend time in meetings with the IMF and the World Bank extracting assurances that things are on course. Yet at the end of the day, the economic model they implement is a direct attack on the living conditions of the majority of their populations. Economic fundamentals are a set of policies constructed to give top priority to the interests of global investors and international financial institutions. Despite growing global inequality and poverty, the supporters of sound economic fundamentals insist that the only way forward is further liberalisation.

Not surprisingly, in Argentina, it was not the bankers and the political leaders who questioned the market model, it was those who had felt the razor edge of the market's effects. The unemployed, whose numbers had swelled enormously as Argentina pressed on to get its fundamentals right, come together with blue-collar workers and the middle classes to say no to austerity and force Cavallo and President Fernando de la Rúa into the ranks of the unemployed. These popular economic actors did not need

experts or workshops to realise that budget cutbacks, privatisation, and the wealthy taking billions of dollars offshore were gradually grinding them into the dirt.

Coherent response

Our business press would have us believe that the mass movements which brought down the Argentinean government are forces of economic irrationality. Those who blocked highways in Buenos Aires, rattled pots outside ministers' houses, and looted the stores of US-based retail giant Walmart, are part of a growing cohort of people around the world who are looking for an alternative to the dictatorship of the market.

For the majority of South Africans, the lessons to be learned from Argentina are not about how to manage debt or currency depreciation (nor to invent more ways in which South Africa is the exception). Instead, Argentina's experience further fuels the argument that the countries of the South and the majority of their population are under attack. The problem is not one of appropriate economic policies, it is a problem of the unsustainable structure of the global economy. The economic crisis in Argentina is not the first (nor likely the last) amongst South America's emerging markets.

Ultimately, South Africa's turn will also come. The alternative is to join with ordinary people around the world to contest the dominance of the market. As more and more face unemployment, disruption of services and escalating prices, maybe the economic policy-makers need to stop focusing on inflation targets and investment incentives and consider such an alternative. Otherwise, their strategic plans may have to include how to respond to millions of South Africans blocking highways and rattling pots outside their front doors.

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