

Argentina's dance of death

Argentina, once one of the world's richest nations, is broke. The treasury is empty, inflation is raging at over 7,000% per annum and unemployment has reached 25%. A violent explosion of public anger and protest is likely to come at any time.

The collapse of Argentina's economy is a tragedy that should interest us all, particularly since Argentina is sometimes termed the Canada of South America. More important, Canada's failing economy is now headed in the same disastrous direction as Argentina's — and for the same reasons.

Argentina is self-sufficient in oil and one of the world's leading exporters of meat, grain and produce. Its 30 million people are well educated and almost entirely of European stock. How could this storehouse of natural wealth go bankrupt?

Back in 1945, Argentina was still rich from exporting food to a warring world. Then it went on what many Argentines thought would be a 45-year free lunch. An army general named Juan Peron seized power with the backing of the nation's labor unions. Peron's strategy was simple. Promise workers ever-increasing salaries, subsidized food and housing, health care and all sorts of other benefits. The government would employ anyone needing a job.

It was, of course, demagoguery at its worst and most irresponsible. While adoring crowds saluted Juan and Evita, the government ran out of money. The economy went into a tailspin and inflation soared as Peron ordered more funny money printed to finance his schemes.

In 1955, the army finally sent Peron into a well-deserved exile. Peronism, however, stayed on.



Eric ARGOLIS in Buenos Aires

No subsequent government dared face popular anger by seriously cutting the welfare state schemes created by Peron. The powerful CGT labor federation became as important as the government. Attempts to cut ruinous government spending were met by violent resistance from militant unions. The armed forces, a state within the state, also helped bleed the treasury dry.

This month, the free lunch finally ended and the bill came in. Foreign banks told Argentina's new president, Carlos Saul Menem, there would be no more loans. He would have to fire hundreds of thousands of government drones and slash spending. A new currency system would have to be created and foreign confidence restored.

But no one here thinks Menem can tear down Peron's monster welfare state under current political conditions. Menem is a renegade Peronist who is accused by his party's left wing of being a rightist traitor.

Argentina's shaky democratic system is deadlocked on what to do about the grave economic crisis. Angry Argentines are calling for either an economic dictator, like Chile's Gen. Augusto Pinochet, or violent revolution. There's a good chance Menem may be forced to declare a state of siege, dissolve parliament, and rule with the backing of the armed forces.

Few people want to see the army return to power, but there seems no other way to deal with the nation's anguish. Fingers are being crossed that Menem will prove as able an economic imperator as Pinochet.

What has all this to do with Canada? The answer, disturbingly, is that Canada is today half-way to being a second Argentina. In a sense, Pierre Trudeau was Canada's Juan Peron. Like Peron, he used massive deficit spending to earn popularity and buy support, schemes that PCs have not dared dismantle.

Many Canadians, like Argentines, believe government is a bottomless well of free goodies. Affordable housing, job creation, national daycare, are some of the happy slogans that pave the road to economic disaster. In Argentina, government provided all these things which so many Canadians demand from their governments. The result, as we have seen, is bankruptcy.

Canada is showing many of the symptoms of Argentina's economic disaster: Uncontrollable deficits; rising inflation, taxes and interest rates; an ever-growing bureaucracy; and declining investment. Our politicians, like those in so many other nations, simply don't have the guts to turn down demands from the public. This is a problem that extends from Buenos Aires to Budapest.

Watching such a beautiful country as Argentina collapse is a dreadful experience. But Argentines have only themselves to blame for believing their free lunch would go on forever.

Too many Canadians have been raised in the same false religion of left-wing welfarism that wrecked Argentina and the Marxist systems of East Europe. Let's hope Canada doesn't follow poor Argentina in a long, slow tango to the poorhouse.