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Argentina: More Austerity Measures

by Barbara Khol

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In an Aug. 28 report, EFE cited unidentified government sources as saying that 80,000 public sector employees will receive layoff notices next week. The layoffs and other austerity measures will be announced by Economy Minister Antonio Erman Gonzalez. The sources said the plan anticipates early or voluntary retirement of 200,000 employees of state-run companies and public administration by year-end. Beginning in September, the Central Bank will demand payment of \$150 million in short-term loans from private and public financial institutions. In November, the Bank is to begin receiving payments on an estimated \$2 billion from these institutions. The latter are required to liquidate their debts with the Central Bank with a maximum of four payments. Monetary authorities plan to raise banks' reserve ratio requirements. Banks failing to meet the requirements for only two days will be closed. Next, the money supply is to be tightened to raise interest rates. Higher interest rates are believed necessary to avoid sudden increases in the free market price of the dollar. The federal government will seek refinancing of its debts with suppliers and contractors through bond issues, among other methods. The central government's domestic debt totals about \$15 billion. More rigorous controls on public spending will prevent administrative offices and state-run companies from paying over-time to employees, and implementing new projects lacking outside funding. Public subsidies for manufactures exports will also be reduced by a yet to be determined amount. Last week, President Carlos Menem signed a decree abolishing 93 government offices, bringing the total to 184, and eliminating 15,000 vacant civil service jobs. Officials said the number of government offices and jobs will be reduced to levels prevailing in 1965. In the past 10 days, Menem requested resignations from administrators of five state-run companies which had not met targets contained in previous economic adjustment decrees. Consumer price inflation in the first seven months of the year totaled 802.4%, and the 12-month rate has been running at nearly 2,000%. (Basic data from EFE, 08/28/90)

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