In the background of Argentina’s actual dramatic economic downfall a meeting held in the Faculty of Economic Sciences of the University of Buenos Aires, placed in the center of attention the need to work on alternative proposals to deal with the crisis.

The following document aims just to open the debate, pointing out initiatives that are based on the principle that the extraordinary weight of the disaster has to be burdened on those who bankrupted the country and not on workers, unemployed, professionals and small producers, traders and investors.

This crisis surpasses earlier ones in Argentina in 1975, 1981 and 1989 due to the spiraling growth of poverty, the industrial dismantling and the regional breakdown. Argentina’s depression has not been caused exclusively by the “convertibility” (the now collapsed currency board in force since 1991 with the peso quotation to the US dollar in fixed 1 to 1 rate), the “model” or “trade opening” if not synthesized the combined effect of periodic convulsions of capitalism, the country’s peripheral assortment and last decade neo-liberal policies.

Our initiative echoes the popular revolt that tumbled a retrograde government and continues claiming through quotidian protests and banging pots and pans (known as “cacerolazos”). We actively participate in the popular movement and reject the actual political regime that is based on the government by Executive Order, the legislative delegation of powers to enable harder adjustments and the continuity of a Supreme Court that warrant impunity to the national treasury robbers. We support public gatherings at the door of banks and privatized public services firms and encourage the actual debate in popular assemblies in cities and neighbors in all the country searching for solutions to overcome the actual social catastrophe. Our starting point is the total opposition to the measures that is introducing an illegitimate government surged through a shady collusion in the Legislative Assembly.

The following characterizations outline our proposals orientation and must be considered just a contribution towards a program we aim to promote. We are conscious that these goals may only be put into practice through a robust strengthening of the popular movement developed since last December. We believe that protests must change the trend of expropriations of popular pockets as capitalists must bear the cost of their own disaster. This prospect has to orientate the struggle for salaries increase, unemployment subsidies and savings devolutions to investors that now are aimed to be confiscated. At any case we affirm that the solution to the society’s aims only will be reached in the context of a socialist transformation.

1. The peso devaluation was introduced to make possible a new regressive incomes transfer in favor of dominant sectors, and its effect will translate in food products,
medicines and basic consumption prices increase. If the free dollar quotation keeps mounting, an inflationary intensification will cause major sufferings to the population. The panorama is terrifying: more than 14 million persons are part of families whose monthly family incomes are less than 460 pesos (NOTE: nowadays the free market exchange rate is 1 USD = 1 peso, meaning then <USD 242) and 4.5 million indigents are not able to buy the most elemental food not to fall victims of famine needed to be covered with at least 70 pesos (USD 37). It is now estimated that if prices rise reaches 10% poverty will extend to 1.3 million persons and if the growth stretches to 30% the new pauperization will affect 3.7 million people.

Such a fall to the hellhole of misery can’t be attenuated by a devaluationist Government that has precipitated a new wave of popular sufferings. Control prices will be totally ineffective to counter-balance industrial and farming products prices growth and the immediately observed lack of supply of essential products and materials. Currencies speculation has openly and strongly resurfaced and it is financed by the same Central Bank that is subsidizing sales to private foreign exchange houses. Provisions to limit unemployment through major severance payments are unsubstantial in the background of actual hyper-unemployment and the wage freezing, approved by majority parties in Parliament.

The unemployment subsidy for “employment and training” of 150 pesos (USD 80) that the Government is now promising for 1,000,000 family chiefs is a mockery to a recent massive petition.

In our opinion, the immediate eradication of poverty is possible if really feasible but depends on the planned reorganization of production and a drastic incomes redistribution and not on the expectancy of a future uncertain business reinvestment cycle. Same workers and not the dominant sectors will be craftsmen of the “virtuous cycle” of growth to favor the nation.

Our proposal to tackle actual dramatic situation is very simple and weighty: to establish immediately a 500 pesos (USD 265) unemployment insurance, while labor week is reduced, existing work hours are distributed and new employees are recruited. This measure, along with a minimum $ 600 salary (USD 315) could allow to start the purchase power repairing, in the prospect to reach in a short period to reach the family basic integral needs coverage income today estimated in $ 1,030 (USD 540). Also, minimum pensions have to be increased to 450 pesos and these amount should extend to all old people that don’t access to social security.

Obviously this plan places the problem of how can these measures be financed. We put forward three collection alternatives to fund this proposal: the total suspension of foreign debt payment, an immediate introduction of levies on big fortunes and social security incomes reinstatement. On last national budgets 9 billion pesos were designed for debt payment and this amount surpasses $ 5 billion the proposal elaborated for the year 2002.

Related to the tax system, it can be established an emergency obligation of a 10% payment on assets of the 100 firms with major sales, and of 5% for those companies with incomes surpassing 5 million pesos and an special tribute on rents profits. On special cases, and as a mean to prevent elusions, the assets tax may be substituted by an extraordinary overate over corporate profits or sales. These levies
could make possible the collection of 20 billion pesos. Meanwhile it should be established a 30% rate over capitals placed abroad not registered as direct investments, affecting goods registered in Argentina in case obligations are not fulfilled.

The third proposal is the immediate elimination of the private pension funds scheme, called AFJP, the unification of all pensions in a unique solidarity system, the restoration of previously eliminated employers’ funding that could facilitate the annual recovery of at least $4 billion pesos. In the same way, all tax exemptions, postponements and subsidies favoring big economic groups and privatized firms should be eliminated.

The combination of the three collection sources along with the other proposed measures will finance the initial funds to cope the social emergency.

2. Banks deposits freeze (popularly called the “corralito”, playpen) was introduced by the deposed Government Minister of Economy Domingo Cavallo as a mean to relieve bankers at the cost of small depositors and has been transformed in a unmistakable instrument of middle classes expropriation. As to protect banks, at first all financial activity was suspended and all withdrawals increasingly limited. President Duhalde openly lied when he promised in his first inaugural public speech that all deposits were going “to be restored in the original currency”. From the banks not a single dollar can be now be recovered and a compulsory “pesification” is under way, meaning in fact an explicit confiscation. As the peso devaluation deepens the fraud to small investors grows. Depositors would receive from banks – most of them hypothetically serious “international institutions”, devalued pesos or depreciated certificates to compensate their assets. A first conservative estimation indicates that the expropriation could initially mean a 50% value of actual global deposits in the local financial system, around USD 23 billion.

The same financial institutions that channeled along 2001 over USD 20 billion capital flights, must be compelled to restore deposits through the anticipated collection of big firms credits (big companies banking debts could easily cover the value of small and medium deposits) and capitalization by their own Head offices. Just the foreign banks net equity has been declared to total over 6.200 million pesos. It is affirmed that if any exigency is required foreign banks could leave the country and national ones could bankrupt. If they opt this way all local assets related to these institutions should be confiscated. Those who go away should leave their assets including direct, associated and hidden ones.

We assert that in no case the society should assume the cost of banks’ failure through the cheating resource of liabilities’ “liquefaction” through inflation or a ruinous nationalization. This last solution is so damaging as the total transfer to foreign interests (known as “off shorization”) promoted by other financial groups, as its cost could be gigantic for all the country. Banks assistance meant a total charge equivalent to a quarter of Mexico’s GDP in 1994, 16% for Korea and 40% for Indonesia after the 1997-98 Asian crisis. Argentina suffered a recent experience after the “Tequila effect”, but with actual dismay conditions of public finances the results would be without doubt a catastrophe.
3. The other face of the “corralito” includes the mass of people indebted to pay any good. Nonetheless, as above indicated, most part of credits are owed by big firms that indicate that are not able to restore their obligations due to a four year lasting recession. The Government states that an anticipated collection of credits to make possible deposits free access could carry extended bankruptcies of private firms. But if companies break who must bear the cost of their problems? Its owners or all the community? Who is responsible for the fall of proprietors and employees? Is it possible to consider in the same way big capitalist firms than small companies?.

As indicated for the banks, the Government is preparing the way to make the people also pay this burden. Officials are working to generalize liabilities “liquefaction” initiated through the same devaluation. Beneficiaries of a called by the same Mr. Duhalde “new productive alliance” are big local economic groups such as Macri, Soldati, Eurnekian, Techint, Bridas, Pérez Companc and all those who made big fortunes also cleaning their liabilities along 1980’s through hyperinflation. Most of these capitalists sold their firms on last decade, invested overseas and are preparing to lead the way to big profits buying devaluated assets.

All these groups are secretly negotiating in the highest level their debts “pesification” waiting the suitable moment to impulse convenient laws sanctions. While this rescue is prepared, the Government is leaving aside small debtors who owe credits to pay their homes, consumption or working elements. In this way small debtors could expect the same confiscation aimed to be made to small investors. All are part of the same sectors hit by a Government whose central aim is just to relieve big capitalist firms.

To tackle this situation we support the same equal treatment proposed for bankers, meaning that firms should be claimed responsibility for their financial debts with their assets, their investments abroad and their personal and front men fortunes. If firms menace shutting down or dismissals they must be nationalized and incorporated to a new public sector of collective ownership and democratic administration under the control of workers and the people with clear investment, saving and consumption priorities, democratically debated and approved by the population.

4. Argentina’s default confirms the total futility of vast sacrifices made by the population along many years to make possible public debt payment. The crisis has made palpable the impossibility to cope with interest payments that treble the public administration administrative costs, that are six times bigger than social assistance funds and channel 23 times more resources than employment plans. At any case, the public debt can’t be refinanced again as along 1990’s through privatizations, as public assets have been ignobly auctioned.

Many serious investigations have demonstrated that most part of the debt has been in its origin fraudulent and lacked the counterpart of real investments, as it was the result of speculative maneuvers that made possible the enrichment of creditors and local associates. That is why we reiterate the basic claim also shared by most part of the population: immediate suspension of debt payments, most obligations are placed in titles that are now in the hands of the same denounced groups. Debt payments suspension must be complemented with the total withdrawal of
negotiations with the IMF, the definitive rejection of all fraudulent liabilities, the renegotiation of credit lines related to priority commercial operations and to establish future payment schedule to small tenants of national obligations. All alternatives intended to prevent this way out have carried the country to the actual calamity. The Brady Plan and different interest reductions and principal payments postponements only contributed to increase liabilities and condition all economic activities to creditors’ exigencies.

The same flaw way is carried nowadays by Mr. Duhalde’s Government, as in the same moment of default precipitation it started prompt negotiations with the IMF to fix a new rescheduling. It wants to return to the way carried up by former Minister Cavallo acknowledging new bonds delivered to AFJP funds and local banks. As to confirm his pledge for continuity, Mr Duhalde has placed a direct representative of the IMF to head the Central Bank, Mr. Mario Blejer.

At this moment we must recognize that difficulties that could cause the debt denial would be much less than those caused by payments’ continuity. Which scenario worst than the actual one could cause the default? Major cuts of international credits that have been interrupted on the last year? Major absence of non-existent new foreign investments? Major rise of the country risk? Seizure of irrelevant public assets abroad? All phantoms agitated on the consequences of default have happened. The moment has come to initiate a new way: an emancipation from external debt creditors -including those resident in Argentina- that surely will receive the solidarity of people in the world suffering the same chains. The popular upheaval in our country has provoked a big international conmition and a big fear of a “political contagion of the Argentine example” among creditors. These conditions favor the implementation of sovereign decisions.

5. Public debt payments denial could make possible the whole restructuring of the year 2002 budget, to be debated by the population and without the participation of IMF’s technocrats. The official project now placed in debate leaves aside the “zero deficit” aim but not the principle to condition salaries, pensions and provincial governments transfers to tax collection levels. Nonetheless it defines the priority of 5.3 billion payments to multilateral institutions and local bonds tenants (most of them the same banks). This is the reason why the Government ratifies for the period the 13% cut on salaries introduced by De la Rua/Cavallo fired Administration. In Education, it doesn’t consider teachers’ incentives payments and perpetuates the lack of resources of old people major health care organization, PAMI: and public hospitals. But as devaluation has initiated an inflationary process and tax collection will keep falling due to actual record economic depression, public budget cuts along 2002 could be much superior than expected.

We affirm that any fiscal plan has to be conditioned to the objectives previously defined of: salaries increase and unemployment insurance financed by debt payments default and taxes levied on big capitals.

6. In the background of the economic bleeding suffered by the country, privatize firms keep enjoying big benefits gained through the appropriation of strategic resources of the productive process. An announced tax on petrol companies to aid
banks is kept undefined and the renegotiation of public services tariffs has been opened by a recent decision of the Parliament. Companies and diplomatic representatives (from ambassadors up to presidents) place a shameless pressure to eliminate taxes over petrol exports, demand exchange rate insurance privileges and tariffs compensations. But the colonial mentality and the acceptance of a servile manners is so usual among our officials, that no one repudiates the open meddling the country’s economic decision.

Private companies have not abandoned their project of “dollarization” as to keep their remittance of profits overseas. Simply they stake for the reintroduction of a fix rate with a new quotation after a hyperinflationary chaos as in Ecuador. Meanwhile as they prepare this new version of the “convertibility” the companies are working immediately requiring tariffs indexation.

The ill-fated consequences of privatizations are evident. The firms attained inconceivable of profits against the rest of the society. They bought the firms with ridiculous payments, introduced minimum investments in some sectors and emptied other companies. They appropriated the petroleum business rent, destroyed railways, bankrupted airlines, swindled road carriers through toll payments, made much more expensive the prices of telephones, water and energy. As they have enjoyed the abusive usufruct of fraudulent contracts, the time has come to end this depredation and to initiate the country’s economic reconstruction.

An emergency program representing the interest of the population should propitiate the restoration to the public domain of privatized services firms without any compensation as to make possible to reorganize them to work for the country’s service, diminishing tariffs (today not payable and observing an objective generalized moratorium from the major part of customers), assuring investments and recycling profits and rents within the productive system. The recovery is essential, because these firms are specialized in cheating all kind of controls and regulations and because it is impossible to develop an economic plan without the State control of strategic companies. As to prevent the experience of formerly observed burocratization, corruption and enrichment of associated private groups to public firms we propose the introduction of new democratic management and administration forms based on the direct participation of workers and users.

7. Among other complementary measures, an emergency program should assure the centralized running of foreign trade and exchange controls. Also it is pressing the reorganization of regional economies suffering a productive decadence, destitution, and a generalized situation of indebtedness asphyxia of small producers.

We also believe that an immediate reduction of VAT rate should be reduced (today a 21% indirect tax paid on all transactions) At last, we affirm that all proposed direct taxes proposed on capitals and profits should be a part of a total tax reform that should include, among other priorities, the the shocking evasion estimated to mean annually USD 20 billion.

8. All the proposals included in this document must be considered just a departing point motorized by a group of economists. We hope this document will encourage contributions, debates and concrete plans on specific topics.
Along the last years of prevailing, neo-liberalism, the economist profession was identified with the activity of financial gurus, technicians and businessmen usually interviewed by the media to justify outrages against the population. We aim to change completely this image, demonstrating that critical economists to capitalism are present working in open opposition to “think tanks” funded by dominant elites. We are placed in the same field of workers’ claims, unemployed “piqueteros” demands, the youth mobilization and middle class petitions, that have converged in an extraordinary process that will change Argentina’s future.