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Argentina

Them or Us

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At the time writing, the political crisis in Argentina has intensified and no one knows how much time remains in the life of the present government. President Eduardo Duhalde is unable to arrive at a decisive course of action, and with the fall of Economics Minister, Jorge Lenicov Remes, a debate has opened up that embraces the full spectrum of economists who support the ruling class over what will take the place of present administration, in face of the melting away of its political authority.

[<https://internationalviewpoint.org/IMG/jpg/15arg.jpg>]

The recent governmental chaos has its origins in the deepening of the economic debacle, which entered a new phase with the so-called banking "holiday", the immediate closing down of companies and the expropriation of people's small saving accounts. If four years of depression has provoked the collapse of wages, the creation of masses of unemployed, currency devaluation and a re-appearance of inflation, now begins the stage of the final failures that will see business assets distributed among the various factions of capitalists at the cost of more suffering and increasing misery to the population. How should we characterize the possible economic scenarios and the alternatives the "establishment" is working on in an effort to develop an acceptable plan to get itself out of this crisis? The discussion of these options is now a priority.

Solving the Problem of the 'Corralito' [1]

The government which promised to refund the deposits to their owners, "in its original money", tried to force the small savers to invest in government bonds which would have closed off definitively any possibility they would ever get their money back. The depositors received the same bonds which they had earlier rejected during their judicial appeal of the government's action. Like the 'bonex', [2] which Economics Minister Remes promoted, their values were discounted so much they were only of use as wallpaper. Issued for terms of five to ten years by a bankrupt state, the owners of the bonds could only sell them on the market at a ridiculous price. The bond issue seemed to achieve a solution of the 'corralito' problem demanded by the bankers because freezing the deposits was not sufficient to protect the banks from the depletion of their funds that the courts' judicial decisions and daily withdrawals, had provoked. During the last four months, the government has continued financing, with funds from the Central Bank (re-discounted) the loss of deposits and has backed up the refusal by the financial entities to reconcile these withdrawals with their own funds, through the recuperation of dollars from the central banking houses or with the recovery of credits. Through this subsidy, over the last year, twenty billion dollars have faded away, and during the last four months, the loss is greater than another 1.8 billion dollars.

The handing over of this money to the banks will be remembered as one of the greatest swindles of the decade, because from the beginning of the year the government took care of the sales of businesses (Banko Galicia), bankruptcies (Scotia Bank), money laundering (General Business Bank) and Creditanstadlt which was practically devoid of savers.

These subsidies were cut when the IMF demanded that the government protect the reserves, betting these funds would instead be used in a resumption of paying the international debt. With the introduction of the 'bonex' the state became guarantors for the bankers, taking over their commitments to the savers. It was as if the depositors had placed their funds in public entities. The initial subsidization of the difference between the peso deposits at 1.4 and the credits maintained at a parity of 1:1, was converted into a unlimited rescue of the private financial institutions. In exchange for the new bonds, the state held on to assets which were impossible to recover, repeating for the

umpteenth time the nationalization of a treasury loss. In similar rescues in Mexico and Ecuador, those state recovered nearly ten per cent of the credits received from the banks. The financiers not only cleaned off their balance sheets the obligations that they had to the savers but they also got rid of the devalued public bonds which were returned to the state as compensation for the new rescue.

Frightened by the extent of public reaction, the legislators did not dare approve the implementation of the 'bonex', but now they are discussing the equivalent project of a 'stop gap law', that will prevent the savers recovering their money until such times as the savers obtain a judicial ruling signed in their favour. This measure will serve to freeze the deposits and strengthens the 'corralito', affording the banks the time they need to patch together new mechanisms for confiscating savers' deposits.

Another aspect of this same process is the expropriation of the wealth of millions of small debtors, who from the beginning of August will have their taxes indexed according to the CER. [3] Until now they have not received any replies to their demands for a revocation or modification of this index to go along with the downward changes in the salary levels. At the same time as companies such as Repsol [4] or the telephone company, Telefonica, are quickly liquidating their liabilities with the dollars brought from abroad, on the horizon is a massive auction of peoples' possessions, such as houses, cars and small businesses, which will be a repeat what happened in the 1980s. With a level of inflation of 3% a month, if the present CER is not annulled a tax of 500 pesos will be expanded into 30,000 pesos by the year 2008.

To begin to help the small savers and debtors who have been swindled by the banks, it is necessary to nationalize these financial institutions, which should also include the properties of their directors and associated businesses, without indemnification. This nationalization must explicitly include the wealth of the bankers and not simply be limited to readjusting credit. The country's financial system has ceased to exist and there are only two remaining alternatives for its reconstruction: to subsidize or expropriate the financiers.

The fall of Scotia Bank began the widespread escalation of bank closings, which was crowned by the loss of customers' deposits and the lack of recovery of credits. It is estimated that in only six months, between 30% to 50% of the 4,580 branch offices, which existed at the end of 2001, have disappeared, along with the dismissal of between 20,000 to 40,000 of the country's 100,000 banking employees. The 'Galicia' solution, of not carrying out closures, will be the exception, because the financiers know they are confronting a shrinking of the banking system, proportional to the general collapse of the economy. One section of the foreign banks is packing its suitcases and the other sector is staying, to take over, with their mutual co-operation or officially, the remaining banks (eventually fusing them by their privatisation into the Federal Bank). But meanwhile, they will demand the restoration of a system which is for them comparable to a financial paradise, that is to say, a system free of all government control.

In these conditions of financial collapse, the only alternative solution that would be favourable to the small savers and debtors, goes in the direction of expropriating the banks. The position of "believing in a new system based on a public and co-operative banking system with strict controls over foreign banks", such as under the proposed Plan Fenix, [5] does not explain, for example, how bank closings will be avoided. This Plan promotes the "regulation of credit... control of the use of the funds", such as better management, "of the levels of interest, policies for the financial reserves". But Plan Fenix does not explain who will pay for the construction of this new regime.

The time of grandiose promises has run out. There are now only two alternatives before us: the nationalization of the banks to rescue the bankers at the expense of the bulk of the population or the confiscation of the assets of the financiers in order to defend jobs. Only the second alternative will make good the losses of the small savers, prevent the seizure of the belongings of the small debtors and reconstruct a credit system to facilitate the renewal of economic growth.

A True "Redistribution Shock"

If the government's present economic course persists, an additional 5.5 million Argentines will be forced to descend into the hell of poverty before the end of the year, raising to 20 million the total number who cannot meet their elementary needs of subsistence. The present level of misery in Argentina now surpasses the peak registered during the hyperinflation period of 1989. It especially effects youth and children. Half the new students in the secondary schools are abandoning the idea of college; in Tucuman, children in the classrooms faint from hunger and in La Matanza one of every four babies is born undernourished. Evidence now exists of a deterioration of the intelligence level of indigenous children because of a lack of nutrition. And in the public hospitals, many patients are losing weight because of a lack of food.

Still, after a devaluation - which saw the Gross Domestic Product (GDP) crash on a per person basis from 8,950 dollars to 2,493 dollars (lower than Peru or Panama) - in Argentina "not everyone is poor". Today, the gap between the rich and poor has reached the dizzying proportion of 30 times compared to the 12 times which existed in 1974. The rich potential of the country has not gotten less. Social injustice has become a scandal. While five million Argentines' basic food needs are not being met, the production of food products will reach a record 99 million tons, that is to say, a volume of food sufficient to meet the nutritional needs of the total population of the country, multiplied by a factor of ten, sufficient to feed 370 million people.

The increase of misery is a direct consequence of the reappearance of the inflation which followed the devaluation. During the first four months of this year, retail prices climbed 18%, an increase that surpasses the initial estimates of the percentage increase for the whole year.

High prices first effected imported goods, then export products and now services. In February and March the escalation of prices has been concentrated on the food items which make up 50% of the typical basket of goods consumed by the poor. In March and April, price increases were extended to clothing, equipment and the articles of consumption of the middle class. And as the cost of medicines increase in step with the rise in the price of the dollar, hospitals are doing without vaccines and antibiotics.

The increase in prices has transformed the systematic erosion of salaries into a virulent collapse. Devaluation of the peso has effectively decreased by 15% the level of working people's salaries, which at the end of 2001 was approximately 10% behind that of the preceding year and 25% below the level for the 1980s. Half of those on wages earn less than 400 pesos, at a time when the cost of the basic basket of goods is over 1,100 pesos.

Faced with this disaster, it is necessary to strengthen people's purchasing power with the help of an increase in wages. The government cynically states that such an increase "would increase inflation", when it is evident that the escalation of prices has erupted during a general fall in salaries as a consequence exclusively of the currency devaluation. It is perfectly practical to fix the minimum and universal salary level at 600 pesos and to raise pensions to a level of 450 pesos per person, because the business people and bankers who are making fortunes can absorb these increases. These improvements could be financially complemented with taxes on the great fortunes of the wealthy and the restoration of their contributions to funding social services.

A special charge must be placed on those who are the beneficiaries of the devaluation, through increases in the deductions they pay to the state, and through the taxation of businesses whose debts were liquidated. Moreover, the re-nationalization of the system of pension capital would bring in additional resources and would be able to bring an end to the business of excessive commissions going to the management, thereby avoiding the further dramatic demolishing of future assets which crashed along with the paper of the AFJP. [6]

Recovery of resources for wage increases must not come from new "lines of credit and discounting by the Central Bank", as some advisors of Duhalde, for example Mr. D. Carbonetto, proposes. This kind of financing has led to enrichment of the large groups of capitalists at the cost of a financial collapse without precedent in the country. This time, businesses must be forced to contribute, instead of receiving from the government the funds they require to raise salaries. Nevertheless, we should not have any illusions. A government which impoverishes its own workers will not, in general, improve people's income. Achieving such a conquest will lead to the redoubling of the struggle against the capitalists who until now have been accustomed to feathering their own nests with the reductions in labour costs and the flexible application of the labour laws.

The beginning of a 'redistribution shock' relies on this social battle and not on specific economic conditions, such as the extent of the unused capacity in the economy or the restriction of sales. And the protection of an improved wage in the face of inflation requires the popular control of prices and supplies. To gamble otherwise, on measures for example, which will be based on the expectation that big business will somehow 'recreate consumption' will only lead to new frustrations, because the capitalists are more worried about their immediate profits than the eventual improvement of purchasing power. Improving the standard of living of the majority of the population demands effective action and not the propping up of profits.

As important as the granting of general wage increases, is the immediate implementation of 450 pesos monthly payment under a system of unemployment insurance, for each of the three million who are unemployed. The government ridicules this need by announcing a subsidy which would only begin to be applied after two months of being unemployed. The government's proposed subsidy is projected to cover only half of the unemployed, giving each of them an absurdly low amount of 150 pesos, which will be made even smaller by inflation. Before the end of the year, if the present rate of price increases continues, four times the number of poor will be created than those presently covered by such a subsidy. The programme favoured by the government, moreover, leads to a lowering of salaries and the reduction of the base wage, because under it, businesses are allowed to contract with employees to only pay them the social contribution or the differences with the levels of the contractual wage agreements. The objective of the government's proposed subsidy is to increase exploitation and to this end, Chiche Duhalde has declared that with an insurance payment of 450 pesos "we would be creating slackers because today low salaries govern the wage market". The possibility of changing this amount to a base wage does not even occur to this lady.

It is an affront to working people who have been struggling on this issue over recent years to rely upon such an insurance scheme, finding in it 'positive aspects' or favouring the participation of government organs to manipulate its distribution. Also inadmissible is the proposal of fixing it at between 180 and 225 pesos, which the nationalist advisor to the President, Mr D Carbonetto, is now applauding.

Moreover, the government's insurance scheme is a only a promise, because its financing remains a mystery. No large corporation have indicated a willingness to contribute to the creation of a 'social fund' to support the scheme, nor will there be international loans available, and the money collected through an increase in the governments income, now has another destiny.

The Rupture with the International Monetary Fund (IMF)

To satisfy the demands of the IMF, whose spokespeople declare that "Argentina must suffer" and "confront the reality of an indispensable adjustment", all the economic policies of Duhalde are under the direct control of Economics Minister, Remes. Virey Singh writes the libretto, the functionaries of the financial institutions repeat it, the legislators vote for it and the government implements. And so much of this obsequiousness serves to only underline how hard they work for the sole purpose of avoiding 'a default of the institutions'. At no time has receiving fresh funds been

discussed by the government. Simply, a loan is negotiated that the IMF makes to itself so that it can continue its work of auditing the government's finances.

The men of the IMF demand that 350,000 public employees be fired and order major budgetary adjustments by the provinces, that already in the last five years have ratified five financial packages renouncing their own funds and are applying another cut of 60% to their annual expenditures. The creditors also demand the elimination of the provincial bonds, which now represent half of the mass of money circulating in the country. The annulling of this paper signifies that the provincial governments has now stopped payment of their workers' salaries and decrees the definitive paralysis of Argentina's internal economy.

The IMF is also demanding an increasing of the national government's current fiscal surplus, ignoring the fact that the overall deficit of the public accounts has remained constant over the last decade at a level of 32% of the GDP, similar to that prevailing in the majority of the developed countries. The IMF does not takes not notice of the fact that the source of the recent financial crash lies not in increased expenditures by the government, but in the damage caused by the reduction of its income. This fall oscillates between 20% to 40% and is a direct consequence of the impact of the recession on tax collection. The effect of the financial adjustment on the economy has been extreme and has sharpened the depression and increased the rate of fall of taxes from incomes.

The new fiscal adjustment has been a condition for beginning a new round of negotiations between the government and its creditors. Even though the government's debt bond is now quoted at 20% of its nominal value, the bond holders are unwilling to accept, without a price, the government's abandonment of its liabilities to them. They are prepared to begin proceedings in New York to obtain court judgements for the recovery of their money. Their demands will be unlimited, because the total government debt for the past year is equivalent to half the GDP, and after the currency devaluation the debt has now been converted into a liability that surpasses this amount.

The only way to break these shackles is to immediately break off all negotiations with the IMF and repudiate all the fraudulent liabilities. Even economists who until now always postulated the impossibility or inconvenience of suspending these negotiations, now recognize the uselessness of the sacrifices needed to meet the needs of these creditors. Now some economists say that it does not make sense "to ask for loans on bended knee... in a strategy of submission to the IMF" and they propose to negotiate with the creditors "only after setting in motion a plan for Argentina's independent economic recovery" (Plan Fenix). But they only arrived at this conclusion when the economic collapse has become total, and not even in these circumstances are they proposing a definite break with the bankers who are demanding a strategy of economic construction. Rather, they imagine a kind of transitory cooling off period in these discussions with the creditors, which at some point in the future, from a more advantageous position, they expect the government will resume negotiations. Thus, they are thinking, "they must not break with the IMF" (M del Pont), nor "must they celebrate the default" (Lo Vuolo).

But this course of action has a history of failure. It was attempted at the beginning of the Alfonsin government in Argentina, in Peru with Alan Garcia, and in Brazil at the beginning of the 1990s. Invariably, after entreaties to the creditors asking for forgiveness, this process concludes with a return to the negotiating table. The belief that this same social class which governs the country "will this time refuse to compromise with the creditors" has little basis in fact, such as expecting a more tolerant attitude now from the IMF than it had in the past.

The international bankers are demanding a heavy punishment, and the Argentinean ruling class, as always, will bow their heads in submission, especially if the mutiny in the population grows. The ruling class is not disposed to take advantage of the improving international conditions to confront the creditors, who have caused the fall of neo-liberalism in Argentina. And least of all will the ruling class appeal for a social mobilization or international solidarity to confront the IMF.

The proposal of 'facing up to a policy of economic reactivity', forgetting 'the marginal external savings' and the 'unnecessary IMF' (C Lozano), poses meanwhile the question of how to use the funds which would be recycled internally, while the negotiations are supposedly suspended. The commercial surplus of 12 billion dollars that is expected this year is, for example, sufficient to finance the index-linked insurance scheme of payments of 450 pesos for each of the unemployed. But those who now promote the government's distancing from the IMF, have never accepted the need to pay for the 'shock of redistribution' with the commercial surplus that would arise from not paying the debt. And now they do not clearly explain if this possibly available money is destined for the unemployed, or will go to financing the large business groups.

No To Renegotiation Or the Rescuing the Privatisers

In the period immediately after the currency devaluation, those businesses which emerged out of the privatisation process, maintained a low profile, searching for ways to overcome their economic difficulties by increasing the prices of their products, and/or allowing a deterioration of services. The degradation caused by this is obvious to everyone today. Throughout the country, there are frequent power failures, telephone connections are very poor and there are delays in services to the public, along with a cancellation of capital investment. In particular, a lack of maintenance has led to a tripling of fatal accidents on the railway system. As these privatised companies negotiate with the government to obtain security for their currency exchange activities, restrictions to prevent the liberalization of competition and rate subsidies and tax reductions, they are beginning a generalized escalation of the 'seasonal layoffs'. To help impose this policy, they have created a 'foreign businesses committee' to shamelessly pressure the government on their behalf.

After a decade of impressive profits, the economic crisis has also arrived at the door of these privatised businesses. During the 'period of Menem', they enjoyed profits that were five to six times greater than those for many other businesses throughout the country and by taking advantage of the currency convertibility policy they turned their gains into dollars which were sent abroad. It never occurs to these privatised companies to deal with their present difficulties by repatriating those profits.

These previously public companies are in crisis because of the slowness of their impoverished customers in making payments. For example, 40% of Aguas Argentina's customers are in arrears. In the last months, 800,000 telephones have been disconnected, 20,000 cell phones were returned and thousands of payments for cable TV had to be annulled. In pesos, these tariffs are impossibly high for Argentineans and although they are a bargain in terms of dollars, the tariffs are not providing sufficient income to keep these companies profitable. In the past, they took on heavy foreign exchange debt loads at the same time they distributed massive dividends to their shareholders.

The privileges granted by the government to the privatised companies are a hindrance to any economic rejuvenation that would be favourable to the peoples' interest. Only the re-nationalization of these companies, without any kind of indemnification, will permit the re-structuring of these enterprises in terms of national economic priorities, lowering of tariffs and the securing of investment, an initiative which differs from another two alternatives, much debated at the present time, the 'nationalization' of the financial losses and the re-negotiation of their contracts with the authorities.

The first alternative is now in place with the return of the Azurix water company to the province of Buenos Aires. Its dealerships transferred their business to the provincial government when the business stopped being profitable. The same thing could happen to Aerolineas (which the Marsans group took over during the privatisation process, and failed to rehabilitate), to the postal services (which Francisco Macri holds onto without paying royalties for the concessions he was given) and to the railways (that Techint wants to return to the public sector).

Few voices, on the other hand, are heard favouring the re-nationalization of YPF-Repsol, which profits from a flourishing business of plundering previously discovered natural resource deposits. At the present rate of exploitation of this natural resource, a future generalized shortage is ensured of these combustibles. Some economists talk of re-nationalizing the YPF-Repsol, but they think that the compensation required to pay these appropriators would aggravate the government's severe fiscal losses; thus they happily proclaim: "Are we going to indebt ourselves to recover YPF?" (D Carbonetto).

The second alternative of re-negotiating the contracts, is defended by those who think that "now is not the time for re-nationalization" because the 'political context' is unfavourable (D Aspiazu). The massive repudiation by the population of Argentina's privatisation frauds does not seem to register with the people who propose re-negotiations, nor do they these people take into account that the delay of implementing re-nationalization deepens the obsolescence of these companies and accelerates the stripping of their assets (such as, for example, what happened in Argentina during the nationalizations in the middle of the twentieth century).

The irregularities committed by the privatised companies, and their super profits, alone justifies their re-nationalization without indemnification, because these businesses have broken everyone of their contracts and have carried out proven frauds. But such a juridical rational lacks usefulness in any re-negotiation with them, because the privatised companies do not take responsibility for their past sins, nor are they disposed to relinquishing their captive markets.

Control or a Monopoly of Foreign Trade?

The spectacular speculative currency exchange of the last four months illustrates the negative consequence of a devaluation process that is not accompanied by government imposed exchange controls and the imposing of a monopoly over foreign trade. The dollar shot from 1.4 to 3.0 pesos because the exporters extracted three billion dollars from the financial system through currency speculation and the liquidating their foreign exchange holdings, at the best price. The management of this activity is controlled by no more than twenty businesses who also resort to the smuggling of goods and trickery through their invoice systems. With the obvious complicity of government functionaries, Cargill, Dreyfus, Bunge, Repsol, Gregorios Perez Companc and Techint participated in currency speculation, simply by disregarding the legal dates that were set by the government for the liquidation of these companies' foreign exchange holdings.

Some economists, who were enthusiastic promoters of the government's devaluation policy and who at the time were members of Duhalde's cabinet, and who demanded the liquidation of the country's large debts, now think that a better management of the government's resources achieved through increase in its income will be sufficient to cause the government's financial resources to increase counteracting the exchange manoeuvres and avoiding the inflationary impact of a climbing dollar (M. del Pont). It would have been nice of them, however, to have shown the feasibility of such measures during their time in government, instead of now proposing them as an idea for the future.

But, meanwhile, they forget there exists a more elementary method to counteract currency exchange manipulation, that is, to first of all carry out sanctions against those businesses who are speculating and then proceed with their expropriation if they persist in their illegal practises. The surplus achieved through increases in income might moderate the inflationary effect of the devaluation, but will not solve the problem of the scarcity of export products that accompanied the devaluation of the peso. To achieve this, direct, democratic control of prices and control of the channels of distribution is needed, along with the opening of the companies' books to allow all of society to know the truth about the their costs, their prices and profits.

[<https://internationalviewpoint.org/IMG/jpg/19arg.jpg>]

Many economists who welcomed the peso devaluation as a promissory or inevitable event, now also state that government's "management of the devaluation was irresponsible", because a 'complementary plan' was not included. But this is only hypothetical talk: "if such a such happens...then something else will happen". In the reality of what took place, the currency devaluation produced what they were all looking for: a confiscation of people's incomes to benefit the capitalists.

Basing themselves on the same experience of the last months, the supporters of the idea of "jump-starting the economy first and negotiating with the IMF afterwards" propose "to discipline the exporters...and do something to prevent the flight" of foreign exchange (M. del Pont). But this control will never be effective without the state monopoly of foreign commerce, because the exporting companies' currency traders are expert manipulators of the behaviour of the dollar. Only state management under the direct supervision of the people's organizations will ensure that the foreign exchange generated by the workers will be utilized to reactivate production.

The current financial crisis is also inducing a shut down of the economy as a consequence of the collapse of imports, which fell 60% in the first four months of this year. External purchases by the country probably will come in at a third of the average of recent years, converting into a post-devaluation reality, the slogan "to live with what is ours". This restriction justifies additionally the state management of foreign commerce because it assures the rational acquisition of imports, avoiding the lavish squandering of money.

Architects of Re-industrialization

The current industrial breakdown propels the country towards an endless ruination. The latest estimations indicate that in 2002, after four years of depression, the gross domestic product will fall between 10% and 15%. The slump of the first three months has propelled us to a 1970's level of production. The most optimistic forecast anticipates it will take two years to recover and reach the same volume of production which existed in 1998.

That is why we must begin with a plan for re-industrialization based on a programme of public works, construction of dwellings, hospitals and schools, along with the broadening of accessible lines of credit for the small producers of Argentina's interior. Those who benefit from this plan must be the unemployed, the workers, the small commercial enterprises and co-operative farmers, but never the big businesses. For decades, those capitalists received state sinecures to set up inefficient businesses to exploit the workers and enrich themselves through financial fraud such as in the erecting of car assembly plants under the government's policy of 'promoting industry'.

The incapacity or lack of interest of the national businesses in developing the productive profile of the country is an unquestionable fact. During the dollar convertibility period they sold off their businesses and transferred their net worth outside the country. From the beginning of the depression they have accelerated the process of dismantling industry, leaving millions without work. The national bourgeoisie knows much better its way around the government office in charge of liquidating debts than in taking any activity to generating new undertakings. That is why a plan of re-industrialization under their leadership, or with their participation, will not take us anywhere. Even the customs protection measure for local industry, that are indispensable to defend small businesses, cannot be used to shore up those groups who provoked the de-industrialization of the last three decades.

The workers are the only ones who can craft a viable plan of economic construction. Because of their struggle to prevent firings, their struggle to re-open businesses and to reorganize their hours of work, they have had important experiences which lead them towards direct management. The examples of the Brukman textile plant and Zanon Ceramics are the best known of a broad list of businesses abandoned by their owners and taken over by the workers. In general, when workers have show they can manage the plants quite normally, the big business people

wake up and begin to instigate judicial orders to oust them. These experiences also illustrate how an industrial rationalization in the direction of producing essential goods could be implemented, if the municipalities, provinces and the national state, established economic priorities whereby they would focus the purchases of their supplies on the businesses which are managed by workers.

Workers' management is the best reply to questions about the immediate growth again of business activity. It would protect jobs and it gives us a view of a future industrial plan for the economy. This state segment could be the high point of the re-industrialization process, especially if it succeeds in developing forms of popular participation and direct control of management by part or the whole of the work force.

Scenarios, Alternatives and Gambles

Until now, the devaluation has impoverished the workers without unleashing a spiral of hyperinflation. There were a limited increase in prices before the devaluation of the peso, that exceeded all the recent precedents of the financial breakdowns in Russia, Mexico, Brazil and South East Asia. In Argentina, the relationship that will finally prevail between the devaluation of the currency and inflation, will show which sectors of the ruling class benefit or suffer harm as a result of this change. Duhalde has attempted to balance off against each other, all the various groups who make up Argentina's 'establishment', but this conciliation has now come to an end. The demands of the sector that until now has been the most privileged - the creditors and the IMF - will prevent any special deal taking place.

The adjustments that the IMF is demanding are so ferocious that it raises to centre stage not only the fate of the workers and the unemployed but also the fate of the great factions of local capitalists. Through the daily supervision of reports to the public, through dictating orders to government functionaries and establishing the week's agenda in press conferences, Virey Singh has played all his cards in favour of the banks and foreign companies and against the interests of the local business groups. He demanded a halt to exports and a halt to taxes on the currency exchange, together with the elimination of levels of competition and changes to the laws regarding bankruptcy and economic subversion.

With some difficulty, the redistribution of the ownership of many enterprises is underway, but only because of the economic slump. Also, a phase has begun in the crises that could see the economy bypass hyperinflation and which include a period of special kinds of fixed currency exchange ratios.

The gravity of the crisis also has also led to unthinkable proposals for a way out of the debacle, such as by implementing the 'colonizing' proposal of R.Dornbursch, of putting a team from the IMF in control of the Economics Ministry. This alternative is not a whim but forms part of a strategic project of the Free Trade Agreement of the Americas and is aimed at securing the American appropriation of Argentinean or European, especially Spanish, assets.

This threat explains the growing echo among ruling circles for proposals to suspend negotiations with the IMF to try out some way to independently revive the economy and at the same time limit a new wave of foreign control. But this defensive programme - synthesized in the 'Plan Fenix' - does not outline any method to surmount the three causes of the crisis in Argentina: the failure of the neo-liberal model, the peripheral nature of the national economy in relationship to that of the developed countries, and the specific character of its national capitalist class.

The only way to act positively and simultaneously on these three fronts is through a system of planning, based on democratic management and the collective ownership of the principal levers of the economy. These measures would permit the removal of the tyranny of profits, blind competition, market irrationality and allow the rational management

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of the key sectors of the productive process. Socialism is the reply to a degradation that is without precedent and is now endured by Argentineans. The hour has arrived to make a choice: either the bankers or the people, either the large corporations or the workers, either misery or well-being. And this alternative is boiled down to a simple choice: them or us.

[1] "The Corralito": Argentinean expression for the government-imposed freeze on bank account withdrawals.

[2] Bonex: Argentinean external US dollar denominated government bonds which yield interest twice a year.

[3] CER: the Coefficient of Stabilization of Index, a system of updating the value of contracts and prices based the rise of prices.

[4] Repsol - YPF: Argentina's largest energy company.

[5] Plan Fenix: programme of reforms proposed by a group of prominent academics at the University of Buenos Aires.

[6] AJFP: the Argentina Pension and Retiree Fund Administration.