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3.5. THE MACROECONOMIC LIMITS OF INCOME'S POLICY IN A DEPENDENT COUNTRY

THE NEED AND POSSIBILITIES FOR RADICAL REFORMS IN SOCIAL POLICIES IN ARGENTINA AFTER THE CRISIS (2001-2008)

INTRODUCTION

This article analyzes incomes policies in Argentina. In particular, we study the role of social and wages policies during the years 2001-2008. In this regard we'll comment on the effectiveness of policies towards the reduction of poverty and show how they are strongly conditioned by macroeconomic policy objectives and by Argentina's mode of capitalist participation in the world's economy.

Our argument is that the peripheral position of Argentina's economy and the correlative policy of undervalued real exchange rate and public sector's fiscal surplus, limit the government's ability to allow for a clearly pro-poor income's policy (including social and wages policies). The need for "competitiveness" and foreign debt payments puts immediate pressure on wages, incomes and labour conditions for the working people.

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From this framework we propose that Argentina's government faces two radically different alternatives. On the one hand, accepting long-term poverty while it attempts to structurally improve the economy's competitive stand on a low wages, low labour rights, low productivity development path. This implies accepting not only the current unequal distributive structure but also systemic and general social unrest linked to the unjust distribution of income and the correlative pervasiveness of income poverty. As an alternative, the government could transform its social security system in a generalized income distributive program of the Basic Income type. Such a system may not only put an end to long-term income poverty, also increasing economic democracy and political participation, but may also reduce social conflict to allow for sufficient levels of investment and socio-technical innovation.

First we present an analysis of social and wages policies in Argentina since the crisis of 2001/2002. Then we discuss how the international insertion of Argentina's economy limits the ability these policies to reach their objectives. Afterwards we present an alternative to today's social and wages policies: the basic income. We discuss its main characteristics in relationship with Argentina's current situation. Finally we present some conclusions and the bibliographical references.

SOCIAL AND WAGES POLICIES IN ARGENTINA SINCE THE CRISIS OF 2001-2002¹

After the crisis of the Convertibility Program in 2001/2 social and wages policies have changed greatly in Argentina. In the nineties, policy interventions regarding extreme poverty were reduced to few and limited programs. In particular, the so-called "*plan Trabajar*" in its different versions was a program of subsidies for unemployed workers in exchange for community work. This program included about 300,000 beneficiaries by the end of the decade and was accompanied by several other marginal social programs. Regarding the policies for employed workers most of the government's intervention pointed towards the flexibilisation of modalities of work and work-contracts. Wage policy was restricted to establishing a rule that affectively fixed real wages for the members of the manufacturing industries. In other branches, nominal (and real) wages actually fell during the latter part of the decade in particular since the crisis began in 1998.

1 In this article we refer to social policies as public programs and actions that operate a redistribution of income to the poorest sectors of the labour class. In principle, their financing through taxes indirectly affects the mass of profits. Wage policies attempt to affect the incomes of the different sections of the working class through a direct redistribution of income at the point of production. In this case the negative impact on profits is transparent.

As a general rule in Argentina during the Convertibility social policy followed the residual and individualized pattern favoured by the World Bank while labour policies provided an efficient and effective limit to wage increases and promoted the precarisation of work (Féliz, 2005)².

The hecatomb caused by the end of the Convertibility plan produced the preconditions for a different type of policy intervention. On the one hand, the explosion of social conflict during the crisis created a real menace to political stability (Bonnet, 2002). Mobilizations by unemployed workers and protests of small bank-deposit holders were generalized. The final days of the Convertibility were accompanied by the resignation and appointment of three different presidents in a matter of days. Within this context the national government took several measures that would change altogether the development strategy. The abandonment of the Convertibility plan implied the devaluation of the currency, the conversion of all dollar-denominated credits and deposits to the national currency (*peso argentino*) and the establishment of a tax on exports, amongst other changes.

The government to promote political and social stability created the program “*Jefes y Jefas de Hogar Desocupados*” (JJHD) for unemployed heads of households. This program extended the benefits of the previous *Trabajar* programs to several hundred thousands beneficiaries within few months. While the program included the obligation of community work in exchange for the subsidy this duty was merely nominal. Since the main objective was to calm down the political unrest (Golbert, 2004) the government did little to control the actual performance of the counterpart activities formally required (Neffa *et al.*, 2008).

The magnitude of the program put on the agenda the possibility of its extension and transformation into a wider income-support program. Pérez *et al.* (2006) have analyzed this possibility and proposed to picture it as the embryo of a Basic Income Program. This was certainly a possibility since the decree that created it (presidential Decree 565/2002) stated “all unemployed men and women heads of households will benefit from the Family Right to Social Inclusion”. However, the government elected in 2003 (president Nestor Kirchner) decided to progressively discontinue the program turning it into several

2 The Convertibility plan was an all encompassing neoliberal program (based on the Washington Consensus but even more radical) that instated a currency board fixing the domestic currency (peso) to the United States’ dollar at a 1 to 1 parity, forbidding price and wage indexation, completing a reduction on trade tariffs and pushing through a generalized process of privatizations and labour market flexibilization.

programs oriented towards family support (program “*plan Familias por la Inclusión Social*”; Families for Social Inclusion or *plan Familias* –for short–) and professional education for the unemployed (program “*Seguro de Capacitación y Empleo*”, SCE; Insurance for Professional Training and Employment), amongst other minor programs.

The main social program would be the *plan Familias* that was meant to replace the program JJHD as an income-support scheme. While the recipients of the program JJHD would remain receiving \$150 a month (about US\$50 in 2003) in exchange for community work, the *plan Familias* was oriented towards mothers with many children and would receive up to \$305 a month (US\$101 in 2003) for sending them to school and guaranteeing their vaccination. All other beneficiaries of the JJHD should either find work (salaried or in self-employment) or opt for one of the other programs all of which actually required them to participate in a work-project or actively search for employment. Between May 2003 and June 2008 the JJHD lost 1.36 million beneficiaries (Secretaría de Empleo, 2008) 599,802 of which found employment. In 2008 the government expected to have 700,000 beneficiaries in the *plan Familias* two-thirds of which would be ex-beneficiaries of the program JJHD (Subsecretaría de Presupuesto, 2008).

The principal limitations of the new programs were two. First, the combination of the *plan Familias* and the Program SCE resulted in the reinstatement of a conditioned World Bank-type income support policy. While the program JJHD was an universalistic program (in theory, and somewhat in practice) that gave unconditioned income support (cash transfers) to families in need, the *plan Familias* and the Program SCE –together– put families in the obligation of meeting a participation criterion that forces women back into their homes to take care of their children and men to look for work of any kind (precarious at best) to remain beneficiaries. Second, in contrast with the pervasiveness of poverty and unemployment, the new social programs were still greatly insufficient. While the JJHD paid \$150 to beneficiaries (equivalent to 73% of the individual –not the family’s– poverty line in 2002 and only 47% in 2008), the *plan Familias* gave families just 97% of the individual poverty line. The Program SCE paid \$225 a month to each beneficiary (US\$71 in 2008), equivalent to about 71% of the individual poverty line³.

3 In these estimations we consider the poverty line for an “adult-equivalent” (adult, male, between 35 and 55 years of age), while in most cases the actual beneficiaries of social program are extended families with many children. This line represented about US\$100 in 2008.

It is true that public expenditure has grown significantly in the last five years. Public outlays on social assistance expenditures, employment programs and unemployment benefits have grown 50% in real terms between 2002 and 2006. In relationship with the incidence of poverty the increase has been somewhat larger: real expenditures (on such items) *per* poor person have grown 155%. However, they remain completely insufficient since social assistance expenditure represents just about \$103 (US\$32) a month *per* person in poverty and employment programs plus unemployment benefits equal \$259 (US\$82) a month for each unemployed worker. In any case, total expenditure in these programs topped just 1% of GDP.

Parallel to these social policies the government has implemented –since 2002– a new wages and employment policy. After the great shock of the Convertibility's bust that greatly reduced real wages and levels of employment, government's policy in this regard allowed for a persistent recuperation. The improvement on labour's working conditions was allowed by the rapid increase in production, investment and consumption that begun during the second quarter of 2002. This process of accelerated valorisation of capital –that lasted until 2008– created the objective conditions for the change in the dynamics of wages.

The new policy regarding labour included the increase in the minimum wage, the renegotiation of collective agreements and, in the beginning, an active State intervention by decreeing nominal wage increases. The minimum wage was increased from \$200 in early 2003, accumulating a 158% rise by 2007⁴. According to the Ministry of Labour the number of collective agreements negotiated jumped from an average of 200 a year before 2002 to more than 1,000 in 2007. During the years 2002-2005 the government decided several wage increases for salaried workers of the private sector with formal (registered) employment. These unilateral wage increases pushed up real wages significantly for these employees. However, for State employees and for private sector workers with precarious (un-registered) employment the government policy was much less benevolent. The disparity in wage distribution widened significantly. In 2007 real wages for the formal workers were 6.7% over its level of 2001 while for precarious workers real wages were still 22.4% lower and State employees were 28.4% below its 2001 level.

This type of intervention was not simply the result of the new political ideology of the government or the improvement in economic conditions but also the response to growing uneasiness within the la-

4 Significantly, while the private sector's minimum wage increased by 1.5 times in real terms in the period, the benefit of the program JJHD remained fixed at \$150.

bour movement (Féliz and Pérez, 2007). Within the working class there was rising turmoil due to mounting grassroots organization. The reduction in unemployment and economic expansion was giving place for stronger workers' organization within the working places outside the direct control of union directions (Prensa de Frente, 2005). The government interpreted the situation as troublesome since worker's demands for more rapid increases in incomes were, according to business representatives, putting pressure on economic competitiveness (e.g., profitability). This conflict manifested in an increasing inflation: capital's attempt to maintain its profit rate and keep wages down resulted in the political need for anti-inflationary policy and control over wages and labour conflict (Féliz, 2007b: 73-74).

In this context the somewhat pro-labour policy lasted only a couple of years, since by mid-2005 the government had taken the decision to reduce its pro-labour interventions. The response by the government in 2006 was to establish tight wage limits. This limits where to be guaranteed in the agreements between the two labour's national unions (*Confederación General del Trabajo*, CGT, and *Central de los Trabajadores Argentinos*, CTA) and employers (private and public).⁵ The government proposed a limit to wage increases equal to 19% for that year and 16.5% for 2007. While the official inflation rate was 9.8% in 2006 (down from the 12.3% of 2005) many observers (including workers within the official institute of statistics INDEC) claimed actual inflation to be at least twice as much (ATE/INDEC, 2008). In 2007, the rapid improvement in labour's incomes reached its limit (Féliz, 2008b). The combination of successful repression of non-institutionalized conflicts, tight control (at times violent) by union leaders of grass-root movements and the difficulties for the creating political alternatives constricted the ability of workers to claim a larger share of value added. In 2008 labour's participation in value added stagnated. While it had increased steadily since 2003, it still remained below its 2001 level (Lozano, 2009).

ARGENTINA AFTER 2002: DEPENDENT CAPITALISM AND MACROECONOMIC LIMITATIONS TO PRO-LABOUR SOCIAL AND INCOME POLICIES

As we stated in the introduction we understand that the effectiveness of poverty reduction policies is strongly conditioned by macroecono-

5 The CGT is the main labour organization representing most workers, particularly within the private sector. Its leadership lies today in the Trucker's Union (*Camioneros*), lead by Hugo Moyano. The CTA, born in the early nineties, is composed mainly by state employees, professors and teachers. Its current leader, Hugo Yasky, comes from CTERA (the main Teacher's Union).

mic policy objectives and by Argentina's participation in the world's economy. In fact, the aforementioned restrictions and limitations posed by Argentina's government on social and income policies since 2002 are closely tied to the characteristics of Argentina's economy after neoliberal restructuring and its effects on economic policy.

Within the peripheral position of Argentina's economy the particular strategy adopted by governments to confront those limits –and the economic policy associated to them– can alter its ability to allow for a pro-poor, pro-labour income's policy. Governments are never total constrained by structural restrictions since they may take policy choices that solve some of the immediate social and economic problems while they help create the conditions to progressively displace those restrictions.

An orthodox (neoliberal) strategy –that adapts to structural limitations instead of trying to change them– may restrict the government's ability to move towards growing equality in the distribution of life chances, income and wealth. On the contrary, a policy choice that confronts existing structural restrictions might be able to move those limits, making room for more progressive income distribution and inclusive policies. Since 2002, the macroeconomic policy choice of Argentina's government (devalued currency, public sector's fiscal surplus, the decision to obtain competitiveness by reducing labour costs and the strategy of payment of the foreign debt) has put immediate pressure on wages and incomes for the working people also limiting the policy alternatives and their efficacy.

Argentinean economy is deeply integrated in the cycle of capital on a global scale. The biggest capitalist firms are strongly transnationalized in every branch of production (Féliz, 2007b). This is manifested, in part, in the fact that 80% of exports and a third of all imports are generated directly by these firms⁶. Besides, the strong insertion of the local cycle of capital in the world's cycle of capital is expressed in that real exports of goods and services represented 12.8% of GDP in 2008 (in comparison with only 6.9% in 1993); real imports grew from 9.3% of GDP to 10.5% in the same time span. The jump in international prices allowed for a greater increase in international trade's participation on GDP: exports represented 23.3% and imports 20.7% of nominal GDP in 2008 (6.9% and 9.3%, respectively, in 1993).

This intense integration is profoundly asymmetric. In spite of the strong advance in labour productivity during the nineties –the period of deep regressive restructuring– Argentina's economy is well behind

6 The 500 largest firms by sales. Source: Encuesta Nacional a Grandes Empresas (ENGE) of the Instituto Nacional de Estadísticas y Censos (INDEC).

the technological frontier in most branches of production. The international trade of the country shows this. On the one hand, exports are concentrated in primary products and its manufactures: they represented 56.8% of total exports in 2007, without great changes from the 58.1% in 1998. On the other hand, imports are mostly concentrated in inputs and capital goods (76.2% of total imports in 2007 in comparison with 76.5% in 1998).

Secondly, from the point of view of the circulation of value, the distributive structure presents a division of final demand with notable changes in comparison with the nineties (Table 1). These changes are the result of the structural transformations that Argentina has gone through. They have consolidated a pattern of valorisation of capital based on the super-exploitation of labour and an extroverted accumulation (or export-led growth) centred in the exploitation of natural goods⁷.

Table 1
Structure of final demand. Percentage of nominal GDP. Argentina (1993-2007)

Year	Workers consumption (a)	Capitalist consumption (b)	Investment (c)	Net exports (d)	Public sector's deficit (e)
1993	27.7	41.5	19.1	-2.4	-2.4
1998	22.7	46.4	19.9	-2.5	-0.9
2002	19.3	42.6	12.0	15.0	-0.7
2003	18.8	44.4	15.1	11.2	-2.3
2005	22.5	38.8	21.5	5.9	-3.7
2007	22.9	35.7	24.2	4.3	-3.2

Source: Estimation based on data from the INDEC. (a) We take as workers' consumption the participation of wages on income, deducing the part accrued to the richest 10%. (b) Non-workers consumption is calculated as the difference between total consumption and workers consumption. This "non-workers" include those whose income is –as an approximation due to the lack of more precise data– strongly derived from surplusvalue (c) Gross fixed investment. (d) Trade of goods and services. (e) Total result of the non-financial national public sector (NFNPS).

First, we should highlight the fact that the other face of the super-exploitation of labour is the reduced weight of popular consumption (workers) in total consumption and thus in total demand. As we can see, less than a quarter of total final demand is sustained by the value needed for the reproduction of the labour force. After 10 years from the previous production peak (in 1998) workers have not recovered

⁷ We prefer to use the concept of natural goods instead of natural resources. In fact, natural resources are natural goods (use-values) turned into capital (values) and thus subject to the rules of capitalist valorization.

the level of consumption expenses (in proportion to total value-added) of the year 1993⁸.

The super-exploitation of labour represents the reduction of the price of the labour force (wages) under its value (cost of reproduction). Marini explains that this is a typical mechanism in peripheral capitalist nations (Marini, 1973). International competition in a situation of wide inequalities in the access and use of technology compels capitals in peripheral countries to look for alternative means to warrant its own valorisation. In this situation the economy creates a permanent downward pressure on wages while at the same time it tends to increase the value of the labour-power in the peripheral country. This occurs because to compete, these capitals increase the speed-up of labour (raising the intensity of use). In consequence, the cost of reproduction of labour increases, while wages tend to not.

The low level of global expenditure in the reproduction of the labour force is explained mainly by the advancement in the super-exploitation of labour. Growing internationalisation of Argentina's capital increases the pressures for improving competitiveness. Since technological innovation takes time, effort (high investment) and socio-political stability (something strange to Argentina's recent history) local capitals opt for the path of lowest resistance: widespread precarisation of labour and super-exploitation. This alternative manifests in levels of incomes that, for most of the working families, do not cover the standard family consumption basket (SFCB) or even the basic consumption basket⁹. Nowadays (early 2009) with –official– open unemployment rates under 8% of total economically active population, over a third of all families remain under the poverty line, and about 80% have incomes below the SFCB (about \$3,500 a month in 2008)¹⁰. To complete the picture, take into account that the average wages amounted to \$1,617 in 2008 (about half the SFCB) and the official minimum wage (that applies only to formal workers) reached \$1,350.

The historical change in the pattern of appropriation of income between classes (from workers to non-workers) has also translated –in

8 Besides, we must highlight that not only does the working class as a whole appropriate a smaller part of value-added for its own reproduction. This reduced appropriation is produced in a context where families turn a growing part of their potential labour-power into active labor force for capitalists. The sustained and systematic increase in the rate of participation in the labour market –especially by young people and women– is a clear manifestation of this.

9 In 2008, the poverty line equalled to about \$1,400 (US\$ 440) a month for a representative family (2 adults and 2 children).

10 Representing about US\$1,100. Source: Our own estimations based on official data.

recent years— into a modification in the way of utilization of surplus value. In the nineties, the biggest part of the surplus value was destined to unproductive expenses: the consumption of dominant classes represented almost half of the value-added and approximately 2/3 of total surplus value (Table 1). That is, the realization of surplus value was oriented towards branches that produced sumptuary means of consumption. By contrast, in the present stage we've witnessed a re-orientation in the use of surplus value towards productive accumulation. While the consumption of dominant classes continues to represent the most part of non-necessary value, this proportion has been reduced in favour of productive investment.

Increased accumulation rate is mainly the result of the greater profitability of capital created through devaluation of the currency¹¹. The rate of profit for concentrated capital (500 largest firms by sales) was 10% on average between 1993 and 1998. In the period 1999-2001 it dropped to 7%, jumping to 13% (on average in 2002-2004) after the crisis of the Convertibility (Table 2)¹². On the other hand, the relationship between profits and wages (or rate of exploitation) jumped from an average 54% (1999-2001) to 166% (2002-2004); during the previous peak (1996-1998) it had reached 80%¹³.

In terms of the realization of profits, following the kaleckian equation, these equal the sum of capitalist (luxury) consumption, investment, net exports, and public sector's deficit (Kalecki, 1977). As we can see in Table 1 in this new stage investment has gained weight as a motor of profit realization (increasing from 33% to 41% of total surplus). Another expansive factor has been net exports that turned into surplus, representing (in 2007) 7.3% of the mass of profits. On the contrary, luxury consumption lost participation (from 73% to 57%).

In conclusion, the present stage of capitalist development in Argentina reproduces low levels of wages (super-exploitation of labour) within a process of valorisation of capital based on an export-led strategy built on extraordinary profits (and rents) from the intensive exploitation of natural-goods¹⁴.

11 Increasing international prices for Argentina's main export commodities also helps explain recent growth. However, this affects only a small part of the economy while devaluation has "helped" capital across all productive branches.

12 Capital has been estimated as the value of brute production minus net profits. This represents a fair approximation of circulating capital. The profit rate has been estimated as the ratio between net profits and circulating capital. Source: ENGE/INDEC.

13 This is the ratio between net profits of the biggest 500 firms to the mass of wages in those firms. Source: ENGE/INDEC.

14 Wages in Argentina are especially low in relationship to the historical standards of reproduction of the labour force (standard family consumption basket) in the

This type of non-central participation in the cycle of international capital requires that the valorisation of capital in Argentina to be sustained by a pattern of international competitiveness based on a high real exchange rate (rer). This is the economic policy side of the tendency for the super-exploitation of labour.

Table 2
Rate of exploitation and profit rate. Percentage. Big firms. Argentina (1993-2004)

Year	Rate of exploitation	Profit rate
1993	55	8.6
1994	72	10.7
1995	69	9.9
1996	80	10.7
1997	87	11.2
1998	74	9.5
1999	51	6.8
2000	63	7.9
2001	46	5.9
2002	172	14.0
2003	141	10.4
2004	185	13.6

Source: Encuesta Nacional a Grandes Empresas (ENGE/INDEC).

The real exchange rate depends on the contradictory interaction of the ratio of labour productivity and real wages between different national spaces of value production (Félic, 2008a; Shaikh, 1991). If productivity does not increase fast enough in a country, the competitiveness of its capitals will tend to fall in relation to other countries unless its real wages suffer from relative stagnation. In other terms, if workers do not pay for greater competitiveness though higher labour intensity and/or exploitation, capital demands that they “finance” it by giving up a share of their incomes (Félic and Chena, 2006).

Labour’s super-exploitation manifests in the political need to keep private sector’s wages growing at no more than productivity’s growth while simultaneously keeping an important share of working families with incomes under the basic consumption basket. In Argentina, after 5 years (2003-2008) of a GDP that has grown more than 50% in real

country, not in absolute US dollar terms or in relationship to other countries in the region.

terms more than a quarter of the population (29.8%) was still poor in 2008 (Lozano, 2009)¹⁵.

Real unit labour costs should fall relatively to the rest of the world if the government's high exchange rate policy is to succeed. If real wages in the private sector increase more than labour productivity, the profits of capital will fall. And with it the competitiveness of tradable sectors will fall, especially in manufacturing. If the ratio of wages to productivity increases more in Argentina than in the rest of the world, competitiveness tends to fall.

Argentina's recent experience shows that after the jump in competitiveness due to the nominal devaluation –that successfully turned into a real devaluation and reduced real wages– the real exchange rate has tended to appreciate (Figure 1). This has been the result of growing relative unit real labour costs since 2003. While real wages in Argentina are far lower than in 2001, the increase in industrial productivity has been well below the productivity growth in the reference country (United States).

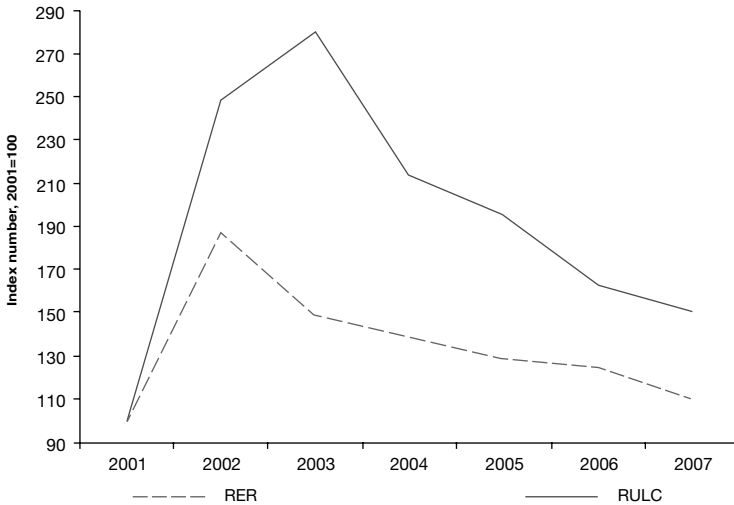
The fall in competitiveness –due the revaluation of the domestic currency– has impacted in net exports. In spite of higher prices for local exports the current account surplus has systematically fallen since 2003. This has been partially compensated by the increase in internal relative prices of goods over services, in particular public services with high incidence in industrial costs (Féiz, 2008a; Shaikh, 1991). The index of implicit prices between goods and services increased until 2007 by 48.8% in comparison with the year 2001; however, this index has fallen 13.5% since its maximum level in 2003.

This tendency towards the appreciation of the real exchange rate brings forward another limitation. Dominant fractions of capital will try to displace and contain the sustained increase in the different components of aggregate demand that might conspire against the realization of an external surplus. On the one hand, they will try to limit growing wages that increase domestic demand for foods and fuels, something that may reduce net exports substantially. On the other hand, and more importantly quantitatively and qualitatively, the internationalization of local capital turns it into a strong source of demand for imported inputs and capital goods. The relative deterioration of net exports is consistent with this evaluation. Thus, accumulation Argentina's economy confronts another structural limit to the sustained growth on real wages and improvement in labour conditions. Income policies (in particular, regarding wages) soon face the structural

15 In 1998 –with lower real GDP and lower productivity in manufacturing production– poverty incidence was only 18% on average.

restrictions posed by exchange rate (competitiveness) policy within the periphery.

Figure 1
Tendencial (rulc) and measured (rer) real exchange rate. Argentina (2001-2008)



Source: Féliz (2008b). Note: the rer is estimated as the actual nominal exchange rate divided by the producer price index for industry. The tendencial rer (rulc) expresses the evolution of relative real unit labour costs between Argentina's manufacturing industry and the United State's manufacturing industry both corrected by the evolution of the relative prices of goods and services in both countries.

A further restriction of the dependent capitalist reproduction on social and incomes policies comes from the need to obtain a public sector surplus big enough to make room for public debt obligations and the Central Bank's strategy of accumulation of international reserves. This signals the continuity between the new so-called neo-developmental model (2002-2009) and the old neoliberal one (1991-2001). The primary fiscal surplus is the reflection of the remaining weight of financial capital, which still acts as the general representation of capital's interests (Féliz, 2007b).

Far from "lip service" by the government to the growing autonomy of the economy *vis-à-vis* its creditors, the payment in advance to the IMF and the Paris Club (in 2005) have only created the illusion of autonomy. In fact, together with restructuring most of the foreign debt (in 2005) the reconfiguration of the relationship with foreign creditors just created the necessary conditions for a different division of surplus-value between productive and financial capital.

After the crisis of the Convertibility the continuity of capital's valorisation required the devaluation of all capital, including fictitious capital (*e.g.* financial debt) created during the nineties and the transition period (2002-2003). Before the 2005, public debt (mostly foreign, in international currency) reached 137% of GDP on average (between 2002 and 2004). From 2005 onwards, it fell steadily to reach 55% of GDP in 2007, a level equivalent to that of 2001. The devaluation of fictitious capital of about 33% is approximately the same suffered in the international value (in US dollars) of domestically produced commodities (nominal GDP) in the period immediate after to the fall of the Convertibility (Félic, 2008a, 2007a)¹⁶. The appropriation by international financial capital of more than 10% of GDP in concept of interest payments was clearly socially non-viable –in capitalist terms– since it represented close to half the surplus-value available for accumulation in 2001-2002.

If the capital flight in the late nineties was no more than the response of capital to growing difficulties for continual valorisation, the positive inflow that begun in 2005 ascertained that the restructuration of debt was necessary for financial capital to contribute again to re-create the fundamentals of its own valorisation. This does not mean, however, that this form of capital has lost against other forms of (productive) capital. In fact, the policy of fiscal surplus registers adequately the actuality of the power of financial capital.

The origin of such surplus, destined to the accumulation of international reserves and interest payments, shows its class-fundament. It is usually stated that taxes on exports are a key element in today's public sector's surplus. In fact, in 2007 these rights on exports accounted for 79.5% of the Non-financial National Public Sector's primary surplus. However, this surplus is mostly the result of the absolute and relative reduction real wages of State's employees. They have fallen, in comparison with 2001, in absolute terms (at least 15%) and relative terms (in relationship to real GDP growth).

In the short run the existence of a boom in international prices, coupled to the real devaluation of the currency, allowed the government to partially contain the contradiction between surplus (financial capital's interests) and public employee's wages. High commodity prices let the government obtain extraordinary finance that comes from abroad. The existence of extraordinary rents in the branches of intensive exploitation of natural goods has reduced the pressure

¹⁶ The dollar price of nominal GDP fell by 41% between 2001 and 2004 (Félic, 2008a).

that the growing employee's demands put on the primary surplus.¹⁷ When these rents fall because of falling international prices (and it's already happening) and demand and/or growing domestic costs, the possibility of a renewed adjustment in the public sector will increase considerably.

This section shows that Argentina's mode of participation on the cycle of global capital affects the level of wages and the conditions of labour's reproduction while at the same time severely restricting the room for social and income policies. The main conclusions so far are:

1. Argentina's current economic regime creates a pattern of circulation of value that globally limits the participation of workers in total income. Within this restriction, the current high-profits/rents export led model favours investment over sumptuary consumption.
2. Surrounded by this global restriction, in Argentina peripheral capitalist competition pushes the reproduction of labour to the edge of the precarisation of living conditions. This appears under the form of super-exploitation of labour: wages do not keep up with the social cost of reproduction of labour, thus the increasing relative poverty and stagnating absolute poverty levels.
3. Argentina's peripheral insertion on the cycle of global capital tends to enhance the contradiction between increasing wage standards and preserving capital's competitiveness. This creates inflationary pressures and a tendency for the appreciation of the real exchange rate.
4. Dependence on global financial capital creates a pressure on Argentina's government to maintain a significant primary public budget surplus. This contradicts the demands of public employees for higher wages and the increasing claims for social expenditures (in particular, in the form of income-support or cash-transfer programs).

ALTERNATIVES IN SOCIAL POLICIES: FROM THE NEO-LIBERAL AGENDA TO A PRO-LABOUR RADICAL PROPOSAL

Within this context we propose that Argentina's government faces two main alternatives. On the one hand, the current situation of accepting long-term relative (and absolute) poverty while it attempts to structu-

¹⁷ It is important to highlight that rents from natural resources are not caused by external forces such as high international prices. These generate additional pressures to redistribute the already existing rents, which are caused by the monopoly power over certain resources.

rally improve its competitive stand on a low wages, poor labour rights, low productivity development path. This implies accepting not only the current structure of income distribution but also a systemic and general social unrest. The short-run alternative is to transform its social security system into a generalized income redistribution program of the type of a Basic Income. Such a system may not only put an end to long-term income poverty but may also –as we will discuss– reduce social conflict to allow for greater levels of investment and socio-technical innovation. Moreover, in our opinion the latter choice could create the basic conditions for the further, deeper transformation in socio-economic and political structures that bind Argentina to the aforementioned peripheral, dependent capitalist development path.

This alternative proposal is not just a theoretical option but also the demand of many social and political organizations in Argentina. Since the mid-nineties social movements born from the agitation and opposition to neoliberal policies have favoured and fought for changes in income policies. Their opposition to the World Bank's choice (focalized income support or cash transfers for the deserving poor) has led them progressively to engage in a political battle to impose on the State the alternative of non-conditional, universal income grants (cash transfers). Amongst these organizations and their proposals we may refer to the Frente Nacional Contra la Pobreza (FRENAPO, National Front against Poverty), the Central de los Trabajadores Argentinos (CTA, Argentina's second largest national trade union confederation) and the Frente Popular Darío Santillán (FPDS, Popular Front Darío Santillán)¹⁸. In early December 2001 –a few days before the so-called “Battle of Buenos Aires” (Dinerstein, 2002) that ousted president De la Rúa and ended Convertibility– the FRENAPO carried out a Popular Consult to promote a universal income benefit (cash transfer) for each children under 18 years of age; about 2 million people voted in favour of this proposal in the consult (Página/12, 2001). The CTA –a founding member of the FRENAPO– has carried on with the proposal onto the present (CTA, 2005). Finally, the FPDS has been proposing for several years now the implementation a basic income (unconditional cash transfer) for all families –including those in unemployment– and more recently a universal income equal to the basic consumption basket (FPDS, 2009). In 2009 there are several parliamentary proposals to implement a particular form of these programs, which have recei-

18 The FPDS is a social organization of new type comprising movements of unemployed workers, university students, salaried-workers, peasants and social, cultural and political activist and collectives. Born in 2005, the FPDS has more than 2,500 members in several provinces of Argentina.

ved support –or at least lip service– by most candidates in Argentina’s most recent national elections.

Argentina’s Social Security (SS) has been since its origin tied to the dynamics of the labour market. The financing of Social Security came mainly from the contributions from labour, paid by workers and capitalists in different proportions. By the mid-eighties this contributions amounted to more than 35% of the payroll. However, by that time it became clear that the system was impossible to finance on its original bases. The growing pauperization (first relative, then absolute) of the working class since the late fifties threw the system into financial collapse. The first impulse had been to patch the system with additional funding from other sources (income taxes, import duties) without altering its essence. In the nineties the domination of the neo-liberal agenda proposed a twist: to privatize the system altogether as a way to salvage it. However, the results were horrendous and gave place to its re-estatisation in 2008 (CENDA, 2008). The new reforms have not backed off –however– from the main structural transformations of the old system: increased years of working life and postponement of retirement age.

In general, the debate regarding recent changes did not include the criticism to the theoretical background of social security reform. Privatization as well as re-estatisation had both been justified on a particular way of understanding the production and circulation of value in a capitalist economy. The basic idea is that value is something that can be accumulated and transferred in time. For that reason, it is understood that social security is some sort of indirect-wage payment, and labour and capital’s taxes for social security simply set aside funds to finance future SS payments. According to the standard vision, social security contributions have a certain value that –transferred in time (as if on a time machine)– will finance future benefits for today’s contributors.

The standard view is inspired in a pre-marxian comprehension of value that sees it as a thing or material substance (Friot, 1999). On the contrary Marx proposed –and we concur–value is not something that can be stored and transferred in time (Félic, 2008c). Value is produced and reproduced by today’s labour applied to capitalist production for it is, above all, a social relation. This means that *all* taxes destined to finance social security are merely a deduction from current surplus value (for current consumption) and not a means for transferring value to the future. This understanding is the basis for the proposal of basic income (BI) as an alternative to current social and income policies.

The creation of an unconditional income allowance (cash transfer) or BI has been widely analyzed (for example, Lo Vuolo, 1996; Raventós, 1999; Pérez *et al.*, 2006; Elgarte, 2008). The idea is to guaran-

tee a minimum income to every member of the population regardless of their condition of employment, age or gender.

The BI is not just an income support program for the poor. The idea is not to locate a particular group of people in need (“the poor”) above of the poverty line. The BI implies a radical program of redistribution of income to guarantee a minimum level of access to goods and services through unconditional income or cash transfers for each and every person in the country.

To us its most important justification is the growing socialization of labour and production. Since social production is –increasingly– the result of socialized labour, it is evident the need to disengage income (and thus survival) from direct participation in production processes (abstract –value producing– labour) and concrete working activities. As society has become really subsumed in capital, even unemployment and reproduction activities are really part of social labour (Negri, 2001). For that reason, today all labour is part of the production of value¹⁹. Thus maintaining the direct tie of wages and salaried labour (as if this were the only necessary labour) contradicts the real process of abstraction of labour in modern capitalism²⁰. Greater socialization of production with the private appropriation of income and use-values entails a growing irrationality (since it lacks arguments to support it) and contradiction (since it accentuates the opposition between the possibilities and the reality of capitalist society)²¹.

A BI program implies and requires a massive deduction of resources from current surplus value. In general, the concrete alternatives propose to begin with a BI for every child under 18 years of age and the elderly over 70 years of age. Our own estimations for Argentina put the gross redistribution at roughly 9.8% of GDP –in 2004– for an unrestricted, population-wide BI (Pérez *et al.*, 2006). In this case, the income for consumption of the wealthiest would have to be reduced in about 23%²². The poorest 20% of the population would see its availa-

19 Of course, not all labour directly produces surplus value. However, all social labour is necessary for its direct or indirect production and circulation.

20 This process of real abstraction implies that all labour tends to become necessary labour. In fact, not only “manufacturing labour” creates value but all labour actually becomes really subordinated under capital and thus needed for capital’s reproduction. For that reason wages can no longer be the only means of paying for surplus-value producing labour, which now pervades society as a whole.

21 As pointed out by Álvarez Leguizamón (2005), Hayek also proposes a similar system but on a very different argument. Hayek’s idea has more in common with Friedman’s negative income tax proposal than with the BI proposal.

22 The estimation is a gross estimation of the amount needed to provide for a BI equal to the indigence line for all Argentinean inhabitants. It does not take into ac-

ble income increase 3.4 times²³. In the case of Argentina such redistribution would not imply –in principle– the reduction in the rate of accumulation. As we’ve seen, dominant classes use a substantial portion of surplus value for their luxury, non-necessary consumption. In fact this is the other side of sustained income inequality in the country: the income of the upper 10% of the population is 28.7 times greater than that of the bottom 10% in 2008 (increasing from 22.8 times in 1998) (Lozano, 2009). This program could be financed completely from redirecting luxury consumption without directly affecting the profit rate.

The BI proposal would significantly reduce inequality by increasing the bottom half of the distributional pyramid. Since unequal distribution of income is one of the main sources of socio-political conflict (Figueroa, 1998; Rodrik, 1998), socio-political instability would be reduced, favouring investment, innovation and thus accumulation. Of course, the BI will not eliminate capitalism’s inherent social class conflict but improved general living conditions will facilitate social changes and innovations that could then be discussed in a framework not restricted by the fear of hunger or income poverty. In a way, social freedom will be enhanced (Van der Veen and Van Parijs, 1986; Offe, 1995).

Furthermore, the reduced compulsion to work for a living will makes room for lower direct demands for higher wages. Since BI would displace immediate needs from debate, workers would be able to put on the bargaining table of collective negotiations –with better leverage– the duration of labour time and working conditions. Direct wage costs would then be contained –in the short run– thus allowing for greater competitiveness, paid for not by work precariousness but by redistribution of socialized production²⁴.

count the fact that a significant number of them would return this amount in paying higher personal income taxes. On the other hand, if the BI were equal to the poverty line our estimate put the gross redistribution at roughly 21.5% of GDP in 2004 (Pérez *et al.*, 2006). This estimation does not take into account the higher personal income taxes paid and the fact that it would cancel itself out with some currently existing benefits for employed, salaried people (such as the benefit for child support).

23 Argentina’s government has recently (late 2010) extended the benefit for child support to the children of the unemployed and a portion of the self-employed. While this has provided income support for more than 3 million children under 18 years of age, the implementation of the program implied the elimination of several other benefits for poor families (such as the *plan Familias*), it is not generalized to the whole population and it is not unconditional. See Barrera (2009).

24 The implementation of a BI proposal may require some reforms in Argentina’s health and educational system. Since after neoliberal reforms both systems have been heavily privatised, the proposed redistribution may put pressure on prices in both services. The government would have to push forward reforms to decommodify their

The BI proposal will produce other important, although contradictory, effect. By greatly increasing income security the BI will reduce compulsion to work. In capitalism the cost of unemployment is the main reason of the employers' power, the BI will enter in conflict with the main means of coercion of the system. Reduced fear of unemployment (actually, of its costs to workers) will improve labour's bargaining conditions and thus radically change the dynamics of capitalist enterprises, reducing the ability of capital to create and appropriate surplus-labour (value). Thus, even though it might create the conditions for greater economic democracy (by enhancing labour's ability to achieve its political organization) the BI will face the generalized resistance of the dominant classes. This is a very important point in the discussion. The BI will create objective conditions for more economic democracy meaning that it will give workers (the majority of the people) greater possibilities to decide –with less compulsion– on matters of the social organization of production, working conditions, etc. Society will be able to move a step forward from the “autocracy of capital” in the work place and in society, letting people have more freedom to participate on the political organization of social production. However, since vertical –non democratic– organization of the production process –at the level of the individual enterprise as well as at the level of society as a whole– is the basis of capitalist political organization, even the faintest possibility of a BI will face significant opposition from dominant classes.

In any case, this proposal implies a very different conception of social security and will not pass without political dispute. The social and political organizations that have proposed it will have to struggle against common sense and the ideological and material hegemony of the capitalist class.

CONCLUSIONS

We analyzed the structural restrictions that social and income policies in Argentina face due to its peripheral position in global capital. These restrictions pose serious limitations to the possibilities of traditional wage and income policies for they contradict the imperative of capital's need for valorisation. While this necessity applies to every capitalist economy, in the case of peripheral nations –such as Argentina– it creates an insurmountable obstacle unless profound, progressive and pro-labour changes in economic policies are put forth.

provision. This would imply further contradictory political pressure on the upper (dominant) classes. I wish to thank an anonymous referee for stressing the need to acknowledge this fact.

However, even within the peripheral international insertion a different kind of social policy intervention can be used with greater success: a basic income policy. Even though such a policy does not lack restrictions and it is not unproblematic –particularly in political terms– it could not only attack (and even put an end to) income poverty, it would also provide with improved conditions for democratic social transformations. Since the BI proposal could be financed at no direct or immediate cost to accumulation, it could clearly provide with a road allowing for higher accumulation, lower political instability, greater economic democracy and no income-based social exclusion. This –of course– will enter in direct contradiction with the current organization of society and create a different sort of political commotion.

By actually eliminating income poverty, this allowance will allow working families to dispose of more time for free self-development by demanding lower working time. The expansion of disposable time would open the path to more ample radical/revolutionary (“pro-poor”, “pro-labour”) social changes, as organized active political participation will also have greater room for action. This alone –in our humble opinion– is sufficient motive to struggle for it.

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