Argentine government moves to seize wages

by Gretchen Small

Will the Argentine government seize wages to prop up bankrupt capital markets and meet foreign debt payments? According to Argentina's daily *Ambito Financiero,* this is exactly what was discussed in an Oct. 23 cabinet meeting. Finance Minister Roque Fernández, the University of Chicago-trained protégé of the Mont Pelerin Society's Gary Becker, proposed that the government require that state and private workers' salaries be deposited directly into "savings accounts" held in local banks, instead of being issued to the wage-earner. By this means, tax evasion and the hiring of "informal" workers (paid off-the-books) could be eliminated, he argued.

Evidently, the government seeks to forcibly deduct taxes from paychecks, before anyone receives them.

Others at the meeting argued that not only could the government thus secure revenue with which to meet debt payments (the only expenditure it cares about these days), but the plan could generate another pool of liquidity for the financial system. Julio Caceres, the coordination secretary for the economic cabinet, commented at the end of the meeting that the savings account payment scheme could give the banks greater access to wages.

So much for the Mont Pelerin Society's cries for "democracy" and an end to "big government." The proposal typifies the trend in several Mont Pelerin Society-advised governments in Ibero-America, in which these local Gingrichites are all for reducing the power of government, except when it comes to bailing out their banker buddies. Then, they demand that government be handed authoritarian powers not seen since the 1930s in Europe.

The policy criterion dominating the region was stated by one of Fernández's advisers, Guillermo Calvo, in August: "When there is a fiscal deficit, we have to extract whatever is necessary out of people to finance it"—not an iota different from the priority of Hitler's ecconomics minister, banker Hjalmar Schacht. As Schacht told a Nazi party meeting before Hitler seized power, the Nazi program "rests on a few fundamental ideas . . . namely, to extract from our native soil whatever can be extracted."

From debtors to children

The Argentine government has not yet adopted the forced savings program, but other programs to extract wealth proliferate. Carlos Silvani, the former International Monetary Fund official named in September to run the country's tax collection agency, the DGI, announced on Oct. 23 that the DGI will privatize tax collection for amounts under $50,000, a practice known during the Babylonian Empire as tax farming. For larger debtors, the DGI ordered summary trials, of not more than 45 days, with a goal of rapidly collecting $7 billion in unpaid taxes. The government will "act with maximum speed to collect large, medium-sized, and small debts," said Silvani.

The tyrannical methods employed by the tax collectors are already blamed for several suicides, sparking the formation of emergency committees in several towns and cities, by groups of citizens who have announced they intend to protect business and labor from government threats and seizure of property. They blame government policy for the collapse of the national economy, and thus taxpayers' incomes.

But more than tax debtors are targetted. The Central Bank is preparing to set up a centralized intelligence unit, whose task will be to identify every debtor who is behind in their payments by $50 or more, the daily *Clarín* reported Oct. 29. Its data bank is to be made available to anyone interested.

Other governments are only one step behind the Argentines. In Brazil, a bill has been drafted, to permit transferring workers' employment security funds over to a "mutual privatization fund," to be run by the private banks. Planning Minister Antonio Kandir said that the bill should be considered "with urgency." The urgency, is that a drop in foreign capital flowing into Brazil threatens the "stability" of the government's monetary policy, and a new source of funds is needed for "the markets." The plan is to transfer up to 50% of the government's Guarantee Fund for Time of Employment—until now, a highly protected fund into which employers place a percentage of a worker's salary, available to the worker either as severance pay, should he be fired, or as a pension—to a fund which is to invest in shares in privatized state companies.

Kandir claimed that if the law is passed, "the worker wins, and the capital markets win." But, as one paper pointed out, "this could be a much nicer business for the banks than for wage-earners."

Children are now being included in the "extraction" drive. In October, the Peruvian and Argentine governments ripped up labor rights, putting through "labor flexibility" laws drafted by the World Bank. Because they eliminated job security provisions, the laws turned millions of workers, with the stroke of a pen, into temporary workers. The laws also eliminated the eight-hour work day (workers can now be forced to work longer days, without overtime pay), and reduced (Peru) or eliminated (Argentina) severance pay requirements.

The Peruvian decrees not only permit companies to contract up to 90% of their workforce as temporary workers, but specify that 40% of their workforce can be *child labor.* Will the Nazis' forced relocation of "redundant labor" be next?