
Documentation

The alternative economic program

The bankers' line, both inside and outside Peru, is that nothing less than an orthodox IMF shock treatment will "solve" its problems. An alternative to that scenario was offered by the Workers' Confederation of the Peruvian Revolution. The CTRP gave its "Bases for an Economic Program" to President Alan García and Prime Minister Armando Villanueva days before that orthodox shock program was announced.

The CTRP plan contains a lengthy analysis of the causes of Peru's crisis, which it links to speculative activity based on the narcotics trade, and concludes, "The central problem of the economy is not inflation, nor lack of dollars, or anything else. It is the lives of the families of the workers and of all Peruvians. As the Vatican has well documented, economy should be at the service of man and not vice versa." The following are the CTRP's programmatic conclusions:

1) Total war on the narco-economy: ● immediate and permanent shutdown of Ocoña Street [dollar black market] ● close all exchange houses ● immediate revocation of all laws facilitating the laundering of dollars from drug trafficking. . . . ● a Latin American military alliance to directly combat narcotics traffic.

2) Immediate exchange controls: Foreign reserves must be used exclusively for priority imports. Dollars are inevitably important for this, but the dollar is in the midst of an international financial crisis which makes it fluctuate and decline. For this reason and to eliminate speculation in exchange rates, the inti should be revalued according to purchasing power and not as a function of speculative ups and downs.

3) Reform the central reserve bank to guarantee that new credit, which should be issued for productive projects, goes only for that. The reform will begin by changing the "profitability" criteria imposed by the World Bank . . . for criteria giving priority to new productive capacity and employment opportunities. . . .

4) Production and employment: There should be a Ministry for Productive Projects, starting with agriculture, fishing, and mining. The economic wealth of a nation lies not in how much money it has, but in its production capacity, ex-

pressed in every citizen's living standards. Therefore, instead of focusing on the financial aspects of a project, attention should be centered on the *physical mobilization of resources* (technology, inputs, labor force) needed to do the project. . . .

Given that large parts of the Peruvian highlands and jungle are stricken with terrorism, the great crusade to implement productive agricultural and mining projects should, wherever necessary, incorporate military engineering corps to collaborate in production and in the security and defense of the works. . . .

5) War on inflation: Inflation is the result of a speculative spiral created mainly by the existence of a narco-dollar market and an informal sector. Their foreign currency demands, beyond what is needed for legal investment and necessary imports, makes the dollar price soar on Ocoña. . . . which sets all other prices in the national economy. If you want to defeat inflation at its root, you must finish off these speculative sectors and the dollarization of the economy. Also end narcotics traffic, which has a big inflationary impact and is also a window for capital flight out of the country. You must also employ absolute exchange controls . . . so that the dollars obtained by our exports are used only to import food, medicine, and capital goods.

Adopt price controls on basic products and the inputs to make them, to protect the lowest income sectors. Ample tax and credit incentives should be given to priority sectors producing for the basic market basket so that their rapid capitalization permits a dramatic improvement in productivity, the key to controlling inflation. . . .

6) Increase wages, with the cost of the basic food market basket as the reference point. . . . Wage indexation to compensate for the current hyperinflationary process should be considered.

7) Foreign exchange and Latin American integration: Imports for production should be made, as far as possible, with "letters of barter credit" with Latin American countries. That would avoid spending foreign exchange and would lay the foundation for real economic integration. The Camisea gas deposit should be exploited through a covenant between Mexico, Brazil, and Peru. . . .

8) No to the IMF: Retain the Peruvian thesis on debt payment. And seek to achieve a joint Latin American position against any looting mechanism. Harmonization of governments *can* be carried out. In addition, workers, businessmen, and national and nationalist institutions could make major continent-wide integration agreements right now.

9) Government administrative reforms are needed to optimize the use of the state's resources without duplication of functions and expenses. . . .

10) A program of cultural optimism, science, and technology: Re-orient education toward technical and scientific specialties. Create polytechnic institutes to bring advanced technology into the productive process. . . .