

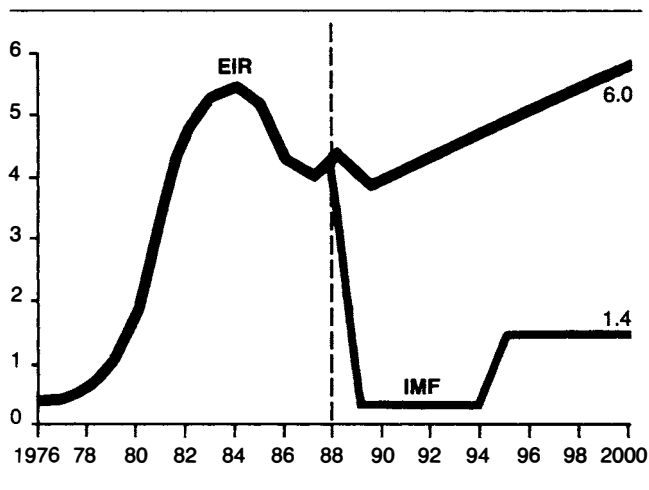
Venezuela and Argentina, making long-term projections problematic. We have disregarded this factor in our extrapolations, in order to show the inherent tendency of the IMF option if it could be somehow sustained.

A similar choice of policy options on the debt front is presented in **Figure 14**. We briefly elaborate why the "EIR" curve for projected interest payments has the shape it does.

We have shown above that Argentina doesn't legitimately owe anybody anything. Argentina has already paid off its debt to the banks—debts that should never have been contracted in the first place—virtually in interest payments alone, half of which were nothing but usury. And Argentina paid again, in the form of massive capital flight, which ended up in the same creditor banks in the form of deposits in secret bank accounts. If the banks really want to collect a third time, let them seize the numbered accounts in their own banks, and appropriate the nearly \$30 billion which Argentina's looters have placed there. But neither the Argentina government nor the Argentine people are obligated to pay those debts yet again, at their current amounts and terms, and at the cost of further destroying the Argentine economy and people.

Argentina should pay its legitimate debts on its own terms, which means: 1) Declare a five-year full moratorium on all debt service payments, except trade credits, estimated at about \$200 million a year; 2) at that point, issue long-term, low-interest government bonds at 2% interest, which would replace the existing \$60 billion in foreign debt, and whose servicing would therefore cost \$1.2 billion a year; 3) conduct an in-depth audit of the foreign debt, to determine what part of it is legitimate, and what isn't, and to prosecute those responsible for the latter.

FIGURE 14
**Interest payments, projections:
two alternatives 1976-2000**
(billions of dollars)



B&B Plan: a wolf in sheep's clothing

by Dennis Small

Argentine President-elect Carlos Saúl Menem has named Miguel Roig to the crucial post of finance minister in his incoming cabinet. Roig is a prominent businessman who formerly worked as executive vice-president of Bunge and Born, the giant international grain cartel and agro-exporter with extensive holdings in Argentina. Ten years ago, Bunge moved its headquarters to São Paulo, Brazil, where Roig also resided. He remains closely associated with Bunge and Born, so much so that the economic plan which he has proposed to Menem, and which the latter has reportedly approved in outline form for his administration, is known as the Bunge and Born Plan, or, for short, the B&B Plan. It was reportedly developed with the aid of the econometric modeling approach of Nobel Laureate Lawrence Klein of the Wharton School of Economics at the University of Pennsylvania, and it indeed reflects the incompetent, standard neo-Keynesian approach for which Klein is known.

The most generous interpretation of the B&B Plan is that it is a well-meaning attempt to reestablish growth in the devastated Argentine economy, which will in short order fail miserably to achieve these results, and will leave the economy once again in a shambles.

Another view has it, however, that the B&B Plan is nothing but a wolf in sheep's clothing, just as Keynesianism more generally presents itself as a less draconian alternative to Friedmanite monetarism, only in order to be accepted and then be able to apply essentially the same policies.

In point of fact, few concrete details of the Bunge and Born Plan have been made public. It is said that it will last 18 months, and that its goals are to achieve by that time annual GNP growth rates of 7½%, average wage increases of 9½% per year, and to lower inflation to about 12½% per annum. These are laudable goals, if somewhat low: EIR's program would increase GNP by about 10% per year, wages by 20% in each of the first two years, and slash inflation to next to nothing. But the question is, are these objectives

possible to implement with the B&B Plan? The answer is, emphatically, no.

Keynesianism doesn't work

The B&B Plan proposes to achieve growth by putting existing underutilized capacity (in both labor and capital) back to work, and to use the standard Keynesian mechanism to do this: Increase the money supply. This would purportedly not be inflationary, because the government would insist that businesses not raise prices (and would presumably also put a cap on wages) and would induce them to do this (i.e., subsidize them), with low-interest government loans. The other steps that would slow inflation are a sharp cut in the government deficit and a major "structured reform" of the state sector—two measures that sound an awful lot like the standard demands the International Monetary Fund has been trying to impose on Argentina for a decade or two.

Where will the money come from to finance all of this? Roig's B&B Plan is promising that it has lined up a \$3.5 billion cash infusion into the economy for this purpose, and to cover imminently maturing government debt, from the advanced sale of next year's grain harvest and oil exports. In other words, the B&B Plan would mortgage the country's resources—exactly as the IMF and the creditor banks have been demanding of Argentina for years.

It is clear that Menem has a soft spot in his heart for proposals that promise a quick-fix cash infusion into the Argentine economy. Besides the tantalizing B&B Plan offer, Menem has in the past encouraged the idea of establishing Hong Kong-style free ports and financial centers in Argentina, allegedly in order to attract speculative international flight capital back to Argentina. Such open doors to promised international capital flows, however, always result in a net *outflow* of funds, rather than an inflow. So, too, with the B&B Plan offer.

Debt looting won't stop

There are two crucial flaws in the entire B&B strategem.

First, nowhere does the plan propose doing anything to stop the foreign debt looting of Argentina—i.e., to stop the bloodletting of \$5 billion per year in combined debt service and flight capital which is the *principal cause* of Argentina's economic and monetary crisis of the last decade and more.

Menem himself has called for a five-year debt moratorium for exactly this reason—an absolutely necessary, included step. But even if we assume Roig and Co. will accept this Menem policy (and it is by no means clear that they will), the B&B Plan does not call for exchange controls, without which there can be no effective end to the looting, nor any way of stabilizing the Argentine currency. It will continue to be whipsawed by international speculative capital, which is the *main* cause of inflation in Argentina today (through debt service looting, and forced devaluations and high internal interest rates), not the "cost-push" Keynesian nonsense ped-

dled by Klein, et al.

On the contrary, the B&B Plan proposes a drastic devaluation of the currency, followed by free convertibility to the dollar—both steps which the IMF and the creditor banks advocate.

In this context, the B&B Plan's call for a new currency, replacing the austral with the "federal," will fail miserably to cure inflation or solve any other monetary problems. It is true that Argentina needs such a new currency, but unless it is then protected with exchange controls and a solid domestic investment strategy, it will be destroyed by the international speculative capital usurers, as were the austral and the peso before it. The B&B Plan's approach is like giving a patient a much-needed blood transfusion, but then allowing the conditions to continue which infected the blood in the first place.

No investment strategy

This brings us to the second major flaw of the B&B Plan, which relates to the domestic side of policy: It presents *no investment strategy* to ensure the development of the productive powers of labor and the industrialization of the economy. All is left to a simple increase in consumer demand, à la Keynes, instead of taking a dirigistic approach of the sort used in every successful historical case of industrial development, such as Japan and the early United States.

In fact, the B&B Plan would continue the strategy of former finance ministers José Martínez de Hoz and Juan Vitale Sourrouille, of dropping import tariffs, which would only lead to the further collapse of domestic manufacturing in particular, rather than the selective dirigistic protectionism of the sort which would foster Argentine industrial development.

There is one final, strategic criticism to be made of the B&B Plan: It presents its entire battle plan as though it were possible to achieve growth while simultaneously maintaining good terms with the international financial institutions and creditors, based on naming what Roig et al. call "a credible economic team." This is, at best, a disingenuous misreading of the current international economic environment, which is in reality one of an emerging global depression and all-out economic warfare against Third World nations, especially those who dare try to grow. Argentina, in particular, faces a kind of "financial Malvinas" from the IMF and its creditors. In order not to be "Africanized" and subjected to famine and genocide, Argentina will have to swim against the prevailing world current (preferably in alliance with its Ibero-American sister nations), and not "go with the flow," as the B&B Plan implies is possible.

In this case, the B&B Plan is the equivalent in economics of Neville Chamberlain's appeasement policy toward Hitler. It does the incoming Menem administration and the Argentine nation a grave disservice by claiming that anything other than the moral equivalent of a war economy can save Argentina today.