



The Basic Income Debate in the Context of a Systemic Crisis: The Case of Argentina

Rubén M. Lo Vuolo*

**DRAFT, SEPTEMBER 2002. NOT TO BE QUOTED
WITHOUT PERMISSION OF THE AUTHOR(S).**

*The views expressed in this paper are those of the author(s),
and do not necessarily represent the views of BIEN or BIEN-Suisse.*

* Principal researcher at Ciepp. Email: ciepp@arnet.com.ar

Contents

1.	Introduction.....	1
2.	From the dismantling of the social security system to the crisis of the convertibility regime	3
3.	The beginning of the debate at the academic sphere	7
4.	The political parties' reaction: the project of a citizen income for children.....	10
5.	The trade-unions reaction: citizen income and minimum insertion wage for the unemployed.	12
6.	The official reaction: how the concept of a citizen income became distorted.....	15
7.	The BI in comparison to other proposals for social assistance in the country.....	18
8.	Conclusions and perspectives	21
	Bibliographical references.....	25

1. Introduction

In the debates about “citizen income” or basic income (BI), developed countries are taken as references.¹ For this reason, and besides the general criticism gathered by this proposal, it is often suggested that in Latin America the necessary conditions to sustain that line of reasoning are not even verified; specifically

- § the “economic affluence” which would justify the potential of income redistribution attributed to the proposal; and
- § the wide net of institutions for social protection registered at the mature regimes of Welfare States (WS) in the central countries that would mainly imply changes in the assignment given to such funds.

Nevertheless, these evident proofs are not enough to invalidate the relevance of the BI debate in Latin America, but are useful to warn us on the need to ground it properly. While recognizing its limitations, holding such discussions in the region can be justified because:

- § wealth distribution is more regressive than in the central countries;
- § the reaction against an incipient social citizenship and the dismantling of the incomplete nets of socio-economic security is much more powerful and;
- § the problems due to social exclusion are more evident and massive.

During the last two decades, a paradigm related to economic and social matters is prevailing throughout Latin America, which claims to be universal and it is often being identified with the main postulates of the so-called Washington Consensus. The reforms inspired by such postulates have influenced the changes, which had been applied in other regions. For example, social security reforms

¹ Van Parijs (2000) gives a synthesis of the terms of such debate.

applied in Latin America have inspired those carried out in Eastern Europe (Muller, 1888) and also the recent discussion held in the United States.

It is impossible, of course, to speak of a homogeneous condition all over the region. Chile and Argentina are at the outermost place of a deep and hastened change under the dictate of such a paradigm, whereas Costa Rica and Uruguay have resisted this option. Brazil, with its peculiarities, could be placed in an intermediate situation (Huber, 1996). It should be borne in mind that, in many cases, these are countries with medium income and important social indicator records. Argentina, Chile and Uruguay are included within the group of countries with a high Human Development Index (HDI); Costa Rica and Mexico are among the firsts within the group, which comprehends medium Human Development, and Brazil is ranked 74. (UNDP: 2001). Although their *per capita* income is much lower than that of the more developed countries, it is also true that it loosely exceeds that of the more underdeveloped countries of the world. One of most distinctive features in the region, when compared to the more developed countries, is its regressive income and wealth distribution.²

In the region, the BI discussion should thus be framed in this context. Argentina represents a particularly illustrative case. In the first place, because this is one of the countries whose social security system had reached a high level of maturity. In the second place, because it represents the most accelerated and deep example of how such an institutional span can be dismantled. In the third place, because this is one of the first countries where the BI proposal began to be spread out. In the fourth place, because after a decade of being set forth as a symbol of the advantages from following the dictates of the Washington Consensus, this country is now plunged in one of the most deep crises of its history and of the compared experience.

² According to UNDP (2001) 48 per cent of the income is carried off by the 20 per cent of the wealthiest population in Uruguay, 61 per cent in Chile and by almost 65 per cent in Brazil. The estimations for the year 2001 in Argentina indicate that for the Capital Federal and the Suburban Area of Buenos Aires that percent reaches up to 48 per cent.

2. From the dismantling of the social security system to the crisis of the convertibility regime

Argentina is a pioneering case regarding the development of WS typical institutions in the region although certain peculiarities can be noticed in comparison to the European models, which were its source of inspiration. These are, specifically:

- § lack of competitive political parties during most part of its development;
- § a hybrid outline, because it combined in a rather inarticulate way elements of the different “regimes”;³
- § lack of an unemployment security scheme, which only appears at the beginning of the 1990s, during the phase of crisis and retrenchment of the system.

In the public policies tradition of Argentina, the right to work and labour ethics had always been the prevailing values. Poverty was seen as a temporary problem resulting from the lack of employment and there were neither policy for income transfer capable to assist the working poor, nor programs for employment assistance or unemployment security. Fixing universal minimum wage and basic wage indexes agreed on with the trade unions supported the population’s income level. The scarce assistance policies distributed goods and services, but no money.

Social security has always been the most important institutional arrangement. Its prevalence is mainly due to two factors:

- § the strong relationship between the trade unions and the State from Juan Perón’s ruling period (1945-55) onwards, which set the foundations of this system;

³ In the sense of welfare regimes classification by Esping–Andersen, G. (1990).

§ the high levels (in Latin American terms) of formal and paid-employment during the system institutional maturing stage.

Social protection institutions were strengthened based on a wide net of “labour security”: full employment of the labour force, employment stability, fixation of minimum wage, severance pay or accident compensation, voice and representation of the workers’ interests. Formal employment and membership to a particular trade union constituted the natural way to have access to public insurance coverage for social hazards (Barbeito and Lo Vuolo, 1998).

The supporting foundations of this system became more and more eroded during the seventies and particularly during the 1976-93 military dictatorship, that was able to keep up its economic model by making deep wage-adjustments and by an exchange rate overvaluing, within a context of commercial and financial opening which led way to an explosive increase of the external debt. The democratically retrieval under Raúl Alfonsín’s government (*Unión Cívica Radical*, 1983-89) was strongly determined by the crisis provoked by the debt and its correlation of stagnation, inflationary acceleration, fall of the real wages and income concentration. During that period, the negative impacts on the labour market did not become so much evident on the open unemployment rate as it was on labour precariousness (self-employed with low skills and income, feminine employment in domestic services and non-registered wage-paid workers within an increasing informal sector). The eighties finished with a traumatic hyperinflationary process and Carlos Menem was elected president of the Republic (*Partido Justicialista*, 1989-1999).

Under Menem’s regime, and during the nineties, the economic system was turned into a laboratory suitable to test every kind of structural adjustment policies as they were recommended and financed by the multilateral organisms of technical and crediting assistance: greater labour flexibility, expanded commercial and financial opening, privatization of the whole of the State-owned companies, as well as of every social area. All this was possible within a monetary and exchange scheme of currency board. Such an economic regime had an expanded phase during the first four years of the decade, which suffered a setback in 1995

together with the “Tequila” effect of the Mexican financing crisis. After beginning to grow again for a short period of time, in 1998 the country falls into a deep economic slump where it is still immersed, and which already accumulates a fall of nearly 15 per cent of the GDP.

The impact on the labour market was extremely negative. By the year 2000 half of the labour force was estimated to be in a situation of “labour vulnerability” and poverty had remarkably grown (Rodríguez Enríquez, 2000). To alleviate the effects of these impacts, from the beginning of the nineties, several employment assistance programmes had been launched and an unemployment security system was set up, but the joint expense of such policies never went beyond 0.2 per cent of the GDP. Considering the restrictive conditions to have access to this benefit and taking into account that the period to have right to receive such benefit lasts from three to twelve months, the unemployment insurance coverage fluctuated between 6 per cent and 10 per cent of the total of the unemployed urban individuals. Besides, the replacement rate was being progressively reduced until it reached up to values lower than 27 per cent of the average wages paid by the private sector. On the other hand, employment assistance programmes were temporary, inadequate, extremely selective and responded mainly to objectives of political clientele.

In this scene, the backward trend of the population income distribution became more acute. Between the years 1994-2000, the participation of the family income lowest quintile was reduced from 7 per cent to 6.2 per cent and the gap between the average income of the richest decile compared to the poorest one grew from 21 to 30 times. Between 1992 and 2000 the proportion of households under the poverty line (PL) grew more than 50 per cent. During the last year, income received by 20 per cent of the households and by more than 30 per cent of the individuals living at the Gran Buenos Aires (the most populated urban area of the country) could not even reach the PL. The evolution of the Gini’s Coefficient for household *per capita* income mirrors the evolution of the country during the last years: 0.382 for 1980; 0.447 for 1997 and 0.475 for 1997 (last data at the last

stage of economic growing registered by the country).⁴ Today, such indexes are probably even more negative.

Within such a context, reforms in every one of the public policies were faced up. At the beginning, all State-owned corporations were privatised, neglecting the worldwide most accepted recommendations on the matter, without having adequate control institutions and in an atmosphere of strong suspicion of corruption (Aspiazu, 1995). The current pension system was changed to a “mixed” one but, under the management of financial holdings, the component of private accounts for capitalisation began to gradually erode the public component (Lo Vuolo, 2002). Together with the deregulation of the labour market and a widening decrease of the contributions made to the social security systems, its financial fall was correlated to the reduction of their coverage. Deep reforms in education and health areas were also applied whose objectives were to segment the service and open up the possibilities to privatise the most profitable areas.

Thus, Argentina turns out to be an extreme case of “retrenchment” and “dismantling” of those institutions characteristic of the WS built-up in the post-war period.⁵ The economic and social costs of this process can be clearly seen with the still-lasting economic depression and particularly with the breakdown of the convertibility regime at the end of the year 2001.

The acceleration of the financial crisis and the struggle among different sectors of several interest groups led way to the bank deposits blockade and afterwards to President Fernando de la Rúa’s resignation (*Unión Cívica Radical*, 1999-2001), who was harassed by an expanded wave of protests and social riots. The new government elected by the Legislative Assembly and presided by Eduardo Duhalde (*Partido Justicialista*) enacted a maxi currency devaluation in a context of State debt *default* and an inconsistent economic programme.

⁴ Altimir and Beccaria (2001).

⁵ In the sense of Pierson (1994). For more details about the Argentinean case, see Lo Vuolo (1998).

The economic, political and financial crisis feeds itself within a systemic spiral, and nobody seems capable of stopping it. In such a way, Argentina ceased to be an “example worthwhile of imitation” and turned to be an instance rejected by everybody and whose responsibility no one acknowledges. The BI discussion is slowly included in this completely new context.

3. The beginning of the debate at the academic sphere

As in most of the countries, the first IB discussions took place at the academic and social research environment.⁶ Research work made at *the Centro Interdisciplinario para el Estudio de Políticas Públicas* (CIEPP) [Interdisciplinary Centre for the Study of Public Policies (ICSPP)] pioneered the discussion of this subject.⁷ Their approach aimed to place the matter in straight relationship with the increasing social issue related to social exclusion and poverty.⁸ The goals of universalism, inconditionality and fiscal integration, characteristic of the BI, are set forth in comparison to the hegemonic ideology which rejects income redistribution by means of universal policies and favours the restriction and reduction of the social expenditure.

From mid 1990s onwards, the core concepts of the BI proposal are for the first time disseminated at the academic surroundings and different research work began to be set forth at training courses on social policies. After having agreed that it is impossible to set up a full BI throughout the country, the debate centres itself in the best way of applying a partial variant with immediate impact on the more vulnerable groups. In consequence, a proposal suggesting a twofold strategy is put forward: on the one hand, to begin granting a universal income for children and, on the second hand, to bind this proposal to a reform of the income tax,

⁶ This specifically comes up from the second part of Van der Veen and Groot’s research work (2000).

⁷ Background information can be looked up in www.ciepp.com.ar In Argentina the expression “citizen income” is more spread out.

⁸ Lo Vuolo (ed) (1995) and Lo Vuolo et al. (1999).

viewing that tax collection indexes reported by the country are among the lower ones when compared internationally.⁹

The above-mentioned option is also supported by the analysis of compared experiences. In the first place, to begin with the children and the elderly avoids to hold complex discussions about benefit requirements for adults in their working age. In the second place, it has been noticed that those countries where the BI discussion has more chances of being accepted have already put into practice universal income systems for these groups.¹⁰ In the third place, when the BI discussion is bind to poverty, like in the case of Argentina, it is much more fruitful whenever it takes into account the more affected groups.

In Latin America, poverty is mostly characterised by the larger size of households and the higher proportion of people economically dependent (younger and elder persons) who live in them. Such family burden increases the pressure on the economically active members' income and also explains the early joining of the youngest to the labour market, with the subsequent causes of school dropout or low school yielding. Besides, as early labour joining takes place to carry out informal and extremely precarious tasks (when not directly linked to criminal activities), this problem cannot be regarded as an occasional one but, on the contrary, as a source of irretrievable structural shortcomings.

Granting a BI to the young can also be justified because poverty is higher in those households, which are headed by a woman while, at the same time, women's insertion in the labour market is more precarious. In this case, labour insertion of women from the lower income groups does not respond to reasons of "autonomy" or "professional achievement" but to the need of rounding-off a low

⁹ The problems which the application of this tax in Argentina are discussed in Lo Vuolo et al. (1999: 323-334). Total tax collection indexes reached maximum peaks of 2.7 per cent of GDP during the nineties, which are not only lower than equivalent values from developed countries but also lower than those corresponding to Brazil, Chile and Mexico. Most tax collection comes from the companies and not from the individuals' contribution.

¹⁰ For instance, such is the case of the Netherlands as it was analysed by Van der Veen and Groot (2002).

and unsteady family income. A BI for the young, managed by their mothers, could be a good policy to face up this problem.

At the instrumental level, this strategy is self-supported upon the inefficiency and poor coverage of the current programmes whose existence in Argentina is justified because their objective is to protect the children. Among these, the principal is the social security programme for “family allowances”, with a coverage extended only to registered wage earners’ families; in Argentina, like in most Latin American countries, many households do not receive any kind of assistance for their younger members and the excluded ones are precisely those who have a lower income and a greater number of children.¹¹ The different existing programmes to give assistance to specific children’s needs (food, school attendance, etc.) provide small sums of money and have but a limited coverage.

On the fiscal side and with regard to individual income taxes, the so-called “deductions for dependent relatives” come about. They are indirect income transfers, whose amounts are not related to family allowances, thus provoking deep distortions of the fiscal actions. Moreover, those who can take profit of such a fiscal credit are individuals with high-income levels, the only ones who can fully deduct it. The proposal, then, should be to integrate these two clear weak points of the fiscal transfer system in Argentina, granting an unconditional BI for every young and, at the same time, changing the income tax so that it may function in an integrated way.

Similar lines of reasoning are used to justify the need to granting a BI for the elderly. Such persons quality of life is decreasing dramatically, particularly since 1994, when the pension system was reformed, thus leading way to a systematic reduction of the coverage granted not only to people during their retirement age but also to actively working individuals: today, only one out of three people obliged to contribute to the social security scheme indeed does it so. Besides, and

¹¹ The family allowance programme has been always organized as a typical social insurance financed through wage taxes, and paid different benefits related with the family status (spouse, children, school, birth, etc.) During the last years it has been distorted due to financial cut downs and reduction of the number and amount of benefits, which have been “focused” on wage earners with lowest income.

as a result of having transferred contributory resources to private agencies to manage the pension funds, current retirement and pension schemes are being paid with 70 per cent of the resources drawn out from general revenues. In the meantime, old age individuals' increase the labour supply (in precarious conditions), seeing how their living status becomes gradually deteriorated and developing several survival strategies.¹²

4. The political parties' reaction: the project of a citizen income for children

These working papers aroused the interest of certain political sectors, and they began to include them in their speeches. The idea of applying a citizen income for children, integrated to a tax reform, was shaped in a bill set forth in April 1997 by the former members of Parliament Elisa Carca and Elisa Carrió (at that time, both of them were representatives of the *Unión Cívica Radical*, UCR.).

The above-mentioned project fosters the establishment of the so-called "Citizen Income for Children"(CIC) [*Fondo para el Ingreso Ciudadano de la Niñez - FINCINI*]. The CIC consists of an straight income to be cashed by the mothers on behalf of their children, since the fourth month of pregnancy and until their children reach the age of eighteen years. In practical terms, this allowance means to extend the benefit paid by the programme of family allowances to all the children throughout the country, regardless their parents employment status and income. The project seeks to create a Fund to finance such a Citizen Income for Children (CICF) and its resources would come from four principal sources:

- § those resources financing the current programme of family allowances;
- § the reform applied to income tax, which foresees to remove certain fiscal exemptions granted to certain income (specifically to include as

¹² On this subject, see Lloyd-Sherlock (1997).

tax contributor the financial revenues and dividends given out by stock companies);

§ removal of deductions made to the income tax for dependent relatives;

§ joint financing of the provinces, taking into account that the families' demands for assistance would decrease as a consequence of the CIC application.

Thus, the project goes forward towards the unification of fiscal income transfers based on several organisation principles peculiar to the BI proposal:

§ to establish a unique "family" transfer which will have children as its source of right;

§ to integrate allowances to tax exemptions;

§ the notion of a universal and unconditional status, at least within a relevant group of age;

§ the adoption of a simpler and more transparent administrative system with reduced management costs and beyond the practices of political subordination customary to social assistance programmes.

The introduction of the project was also supported by members of the Parliament representatives of other political parties and aroused the interest of several national newspapers.¹³ In his speech, the former president of the UCR bloc, Federico Storani, expressed that "the project implies an important change, since it modifies the current social assistance regime" and, at the same time, he stated that the final goal would be to set up a universal income extensive to all the inhabitants of Argentina", so that this strategy had to begin by the children. This introduction had also the explicit support of important social organisations for the defence of human rights (such as Madres and Abuelas de Plaza de Mayo).

¹³ Specifically, please see Horacio Verbitsky's articles in *Página 12*: "Cambiar la lógica" (20/03/1997) and "Un proyecto para los chicos que convierte la ayuda en derecho" (2/4/1997).

Both members of Parliament disseminated their initiative at different government surroundings, as well as among the different political parties, professional associations, religious authorities and non-government organisations. The positive response to their proposal from hierarchical members of the Catholic Church has been particularly remarkable, especially from those working in areas with extremely negative social indicators.

In spite of their support, the passage of time has shown that the political parties did not encourage this project and that some of their expressions of support were merely symbolic. The discussion of the proposal was not even promoted by the UCR bloc itself. For instance, the above-mentioned Federico Storani and Graciela Fernández Meijide (at that time member of the Parliament as representative of the FREPASO), who had endorsed the bill at the opportunity of its introduction, finally reached to the position of ministers of Interior and Social Development, respectively, during the incomplete ruling period of former president De la Rúa. Nevertheless, they did not show any interest in launching the proposal to the public debate.

After having elapsed two years without even attaining to discuss the project within the Commissions at the Parliament, it lost its parliamentary status and was filed. Elisa Carrió, re-elected as legislator, reintroduced the proposal for a second time but still it has not yet been discussed. An interesting fact is that for the time being Carrió is ranked at the top of the surveys showing the electors' vote preference for candidates to the Executive Government of the Republic, as leader of a new political party (*Argentinos por una República de Iguales*, ARI). The CIC project is one of the battering rams of her political proposal.

5. The trade-unions reaction: citizen income and minimum insertion wage for the unemployed.

The BI discussion has been gradually spread within the trade unions surroundings. During the nineties, the strategy carried out by the government with the trade unions –structures traditionally linked to the peronista movement in the government– was to divide and negotiate, tinged with selective sanction practices.

The support given to the dismantling of social protection policies by part of the cupole encrusted in some trade unions of massive affiliation was in many cases get by rent seeking procedures as, for example, making them participate in new business arisen from the privatisation of the State-owned companies and the social security regime (Etchemendy, 2001).

Most workers who were promoting other representative associations rejected such behaviour. This culminated in the division of the traditionally unified trade unions representation. Thus, in 1992, trade unions opponent to the government formed the Central de los Trabajadores Argentinos (CTA) which began to function in parallel to the Confederación General del Trabajo (CGT)¹⁴. The CTA foundation statutes show its aspiration of setting up a different dynamics from that of the traditional trade unions model which historically prevailed in the country: direct election of their authorities, election of representatives for the unemployed and retired individuals, autonomy from the State, political parties and economic corporations.

At the beginning of 2000, the *Instituto de Estudios y Formación* de la CTA (CTA Institute for Studies and Training) drafted a document with reform proposals related, among other subjects, to the financing of the State, investment recoup at productive areas and the recomposition of the external sector. The document sets forth several measures to succeed in getting a distributive shock capable of reversing the economic slump, poverty increase and income concentration, which are regarded as the main causes of the economic and social difficulties nowadays encountered by the country.

One of the articulating axes of the proposal is the need to guaranteeing the right to have a “basic citizen income”. Such a guarantee could be established by means of three central programmes:

- § setting up a universal allowance for children between 0 and 18 years of age;

¹⁴ Only in 1997 the CTA was legally recognized as a trade union federation.

-
- § a non-contributive allowance for every individual older than 65 years of age and incapable of meeting the requirements to obtain a retirement benefit;
 - § employment insurance and training for unemployed men/women who are households heads.

The necessary resources to finance this scheme would come from fiscal revenue resulting from:

- § savings by operative elimination or reduction of other assistance programmes;
- § tax collection increase as a result of having eliminated the exemptions foreseen in the income tax regulations;
- § increase of the employers contributions to the social security system for service companies;
- § increase of the tax burden on several non-essential consumption goods.

The CTA started several dissemination and mobilisation activities aiming to legitimate and generate consensus on the proposal. By the end of the 2000 it called to the “Great Labour March” that started as a walk from different cities throughout the country. After several days of walking, the different columns met in Buenos Aires and held a massive act to support the project. During the walk, the caravans collected signatures from people adhering to a claim addressed to the Executive Power requesting it to summon to a “Popular Consultation”, an institutional mechanism by which citizens can ask that certain laws be enacted, and which had been entitled by the 1994 Constitution reform. Although the number of signatures collected was higher than the legally required one, the governmental authorities did not actually take any measure to support the initiative. Then, the CTA agreed to call a wide scope of social organisations to meet in an Assembly for Popular Consultation. In July 2001, the Assembly decided to create the *Frente Nacional contra la Pobreza* (FreNaPo) (National

Front against Poverty) whose National Promoting Board was integrated by representatives from different social and political organizations.

With the motto “Not a single poor household in Argentina”, the FreNaPo still carries out an intense programme of mobilisation activities about the proposal to get an employment insurance and training for unemployed men and women who are heads of their households and a universal allowance for children and old age individuals. Among other activities, a new “popular consultation” was made, but in this case it was not an official one. More than three million citizens voted in the affirmative the proposal to set up an employment insurance and training, as well as granting a universal allowance for children and old age individuals.

6. The official reaction: how the concept of a citizen income became distorted

Although the different governments which during the last years followed one another in the country never had a favourable response to the BI discussion, neither in their official statements nor in the evolution of their assistance policies, it is possible to identify many elements specific to such a proposal and which do not belong to the public policies tradition in the country. Also, it can be seen a clear intention to use the BI concept in order to design several policies alien to the BI grounds.

For example, halfway through Fernando de la Rúa’s ruling term, several officials from the social sector began to voice their aspiration to set up a “citizenship wage” or an “insertion wage” in the country. With that purpose, different “pilot experiences” were developed, at a petty scale, with the aim to identify vulnerable groups to grant them a temporary monetary income. The few preliminary steps taken at the local level consisted in a monetary income cashed by unemployed women who were household heads, and with children as their dependants. The benefit was granted for a limited period of time and was conditioned to several obligatory activities for “social insertion” (such as attending to educative and technical training courses or courses about children’s health care).

When by the end of 2001, and faced to the breakdown of the convertibility regime, the government put on the move a new package of measures for fiscal adjustment, reprogramming of the public debt maturity terms and reconversion of the companies liabilities within the banking system, it also announced, as a sort of “compensation”, that from January, 2002 onwards, a “guarantee of basic family income” would be in operation, which was called “*Sistema Integrado de Protección a la Familia*” (SIPROF) (“Integrated Family Protection System”, IFPS). According to this announcement, this proposal implied the application of an allowance for every dependent child, to be paid monthly to the families, regardless of the employment status of the parents.¹⁵ In order to finance this reform and among other measures, the government intended to remove the family allowances programme.

Although the official advertisements launched to promote the proposal largely appealed to principles of universality and unconditionality, this project was, in fact, only a different type of one of the government’s focused assistance programmes, of which failure the country already has a wide experience. It is enough for us to consider the requirements to have access to it:

- § individuals younger than 14 years old (current family allowances are extended up to 18 years of age);
- § family means and assets test;
- § attendance to the obligatory education cycle (10 years of school attendance);
- § exclusion of some kind of workers. As a matter of fact, the objective of such proposal was to make adjustments in social expenses. The very official estimations considered that it would imply a reduction of the public expenditure.

¹⁵ This project also included a basic benefit for the elderly but its scope was extremely limited. During a five-year period it would only cover individuals older than 75 years of age who do not have any additional income from another source, who are not owners of their dwelling-places and whose husband/wife does not have any kind of income.

It becomes evident that those who promoted the SIPROF had the intention to appropriate some of the BI concepts and demands to mix them up with the INCINI and FreNaPo's proposals. Among other differences, it becomes clear that the SIPROF:

- § was not universal but it was focused both per age and household income as well as per kind of work performed;
- § it regarded the young as the main goal of the social policy but at the same time it was discriminatory because it allocated different values among them;
- § it did not link the benefit to a tax reform.

As a reflection of the improvisation and inconsistency of the proposal, the government itself abolished the Act for the establishment of the SIPROF before it was in force.

Once De la Rúa's government fell, in January 2002, the authorities elected by the Legislative Assembly decreed a sudden and high devaluation of the peso, together with the conversion into local currency of every credit and existing debts in dollars. After a short time of dual and controlled exchange rates, and under the IMF's pressure, the government enacted the dollar flotation with the intervention of the Central Bank (at a time where the volume of dollar reserves was extremely low). Such measures provoked strong inflationary pressures, after years of price-deflation, and this situation implies a sustained fall of the actual wages and tax collection and an even more acute recession.

In March 2002, within this context of crisis acceleration, the authorities announced a programme for income transfer deemed as "family right to social inclusion" which actually consists of "an allowance to unemployed household heads with children younger than 18 years of age". This is a temporary benefit to be granted during three months, although it can be renewed and families must ensure their children's school attendance and also comply with certain health care activities (vaccination, periodical pregnancy check-ups, children's weight and

height check-up, etc.) and at the same time engage themselves to carry out certain communal works in return. Although the financing source has not yet been clearly stated, resources would come from the removal of another assistance programmes, collection of deductions applied to exports after devaluation and an extremely uncertain contribution from several multilateral crediting agencies.¹⁶ In spite of the above-mentioned characteristics, in this case the official advertisement also appeals to the notion of a citizen income.

In spite of these tentative to distort concepts, it is clear that the strategy for social matters is gradually accepting several characteristic issues of the BI. In the first place, the advantage of replacing goods and services distribution by monetary transfers. In the second place, the need to extend the coverage reduces the requirements to have access to such benefit.

7. The BI in comparison to other proposals for social assistance in the country¹⁷

In our experience, the programmes outlined to granting employment and wage benefits are usually completely inefficient to take care of critical “social matters” in Argentina, and particularly viewing the economic and political crisis where the country has been plunged in. In this context, “mandatory-employment” programmes of the workfare type only increase social breaking-up and make worse massive labour precariousness. For that reason, “targeted” social care strategies record “scale” limitations and end by discriminating against some of the persons who need to be assisted, while at the same time are functional to every sort of clientele.

The well-known limitations of this kind of policies (Standing, 1999, pp. 298-310), increase when they are carried out in an environment recording high

¹⁶ In the beginning, the programme specifies a stipend of 150 monthly pesos (today a lower value than the poverty line for an adult) and it is estimated to cover nearly 1.5 million of unemployed individuals. The allowance consists of a lump sum regardless how many people make up the family group.

¹⁷ The contents of this item are discussed with more details in Lo Vuolo (2001).

unemployment and underemployment indexes, massive labour precariousness, non-registered employment, high poverty levels and a weak bureaucracy with inadequate resources. When half of the active population has employment difficulties, the unemployment rate is of 20 per cent and poverty per income reaches up to more than 30 per cent of the households, that sort of policies are not suitable to create genuine employment because they only replace non-subsidised with subsidised employment. Such substitution has a double effect:

- § the contractual relationship changes, tending to create even more precarious employment; and
- § this substitution is made in exchange for even lower salaries (in spite of the allowances given).

Besides, these policies are discriminatory between corporations and between workers who may and may not have access to the benefits. They are also selective among groups of individuals in need and they outpace already-hired people. This is more critical since the labour demand shows low wage elasticity, what can be noticed by the lack of incentives for increasing labour demand after the reduction of employer's contributions during the nineties.

It is also difficult to successfully carry on fiscal credit systems such as the U.S. Earned Income Tax Credit (EITC) throughout the country. To the above-mentioned difficulties of massive employment precariousness and the practical impossibility to successfully focus on all individuals in need, we must add a tax collection system extremely regressive and inefficient to control evasion. This is even more serious regarding the personal income tax. Moreover, the efficiency of these policies decreases whenever income are extremely changeable and people from the lowest sectors have access to employment, particularly at the informal and non-registered economic sector.

In comparison to these strategies, the BI seems to be a better option because this is the only way of guaranteeing that every one imperative needing some kind of income receives it. Besides, it would put a stop to resource squandering through politically controlled inefficient bureaucratic systems, opening the

possibility to start with a more progressive and efficient tax reform, which should not only be suitable to include more contributors but also to improve income control at the higher and middle levels sectors. Finally, if the BI were carried out well and complemented with another measures, it would constitute a wage referential index for the labour market.

The BI could also be a good complement to another policies, which, if applied isolated, would not have any positive effect for the country. For instance, reduction of the working hours. Such kind of policies is much less effective when most of the labour force works in informal and non-registered activities (Lautier, 1996). In such scene, those hired on a full-time basis at the formal sector, whose salaries are not usually very high, have more probabilities to be encouraged to accept additional jobs. Besides, we can suppose that being these workers better qualified and able to make more social relationships than the others, the reduction of working hours at regular positions may lead to increase an uneven employment distribution.

To the above-mentioned difficulties, the reduction of the working hours has certain restrictions when faced to the heterogeneous character of the productive system in Argentina, where a concentrated group of relatively autonomous companies coexist with a large number of smaller corporations with an obsolete technology, which are those that absorb most of the employment offer. In these companies, productivity profits are smaller and their possibilities of having a positive impact as a consequence of an extended working hours reduction are extremely low. In any case, the BI appears as a suitable measure to complement those policies favouring working hour's reduction in the country.

The BI can be also useful to foster another activities, such as services that are characteristics of personal relations [*servicios relacionales*] (Jáuregui et al., 1998, pp. 313-320). These activities employ intensive manpower and cannot be easily substituted by new technologies, because their main features are

§ deep personal relationship;

§ long working hours;

-
- § development and adequation at a local level;
 - § slight exposure to international competition.

These are services with a high use of time and low productivity if measured in such a way; in these services personal time is not “saved” but “squandered”. The BI can help to disseminate and encourage employment in this kind of services by paying for activities, which could not be performed otherwise.

This is not the occasion to discuss other strategies, which, in the debate about the social issue in the country, are set forth as adequate alternatives, such as: individual or collective financing for the marginal sectors (including the “banks for the poor”), promotion of “social organizations”, nets for self-production and non-monetary interchange. Nevertheless, we can state that in all of these cases such strategies have severe limitations at the moment of building up legitimate orders capable of going beyond the limits of their application at the local scope. Our purpose is not to lay them aside, but to point out that they do not seem to have the necessary strength to be regarded as massive solutions for the current problems of this region but, in any case, they would be perfectly compatible with the application of a BI.

Certainly, these effects would be more powerful with the application of a full BI given to every adult worker and not one granting partial benefit such as those that could be applied today in Argentina. Nevertheless, viewing the impact that a BI for children and the elderly would have on the family group, it is possible to await lower-scale positive impacts on those matters related to the labour market and the social issue in the country.

8. Conclusions and perspectives

The notion of a BI does not take part of the public policies tradition in Argentina. This explains the ambivalence, which can be noticed today in the country. While this notion is not openly comprehended by those groups with higher political power, several practices can be noticed which intend to seize the concept and to reduce it to a mere money delivery to small selected groups. This

implies to recognize in part the potential that this proposal has and an obvious intention to putting it aside as an alternative to transform the current public policies system.

It is clear that certain speeches and public policies procedures throughout the country have included several statements characteristic of the BI. The itinerary followed by such process bears some resemblance with the experience carried on in other countries: the discussion starts and is rounded out preferably at academic sphere, then it comes out and is prompted at the public sphere, both at political and social organisations. However, in the country the characteristics of this process are very peculiar.

An interesting point is to elucidate whether a crisis like such suffered today by the country originates more favourable or unfavourable scenes for proposals of the BI sort. Among the pros, we can recall some experiences like such of the Netherlands, where the proposal was prompted while unemployment was at the same time growing, and deflated when alternative strategies to reduce it were found¹⁸. In Argentina, the failure of policies inspired in the Washington Consensus, the crack of the full-employment myth, the increase of labour precariousness, income uncertainty, and growing poverty can foster critical approaches to the prevailing viewpoints and the discussion of novel proposals.

For example, research work carried out in the main cities of Argentina shows that 83 per cent of the individuals surveyed are decidedly in favour of imposing regulations on personal income, whether by fixing maximum or minimum values. Most of them (76 per cent) think that the State must guarantee a minimum income to the poor. In this last case, the prevailing opinion states that some kind of conditions should be set up, such as to be well-disposed to occupy some post or to perform some communal work, in the case of adults, or to attend regularly to school in the case of children.¹⁹

¹⁸ As it becomes clear from the report submitted by Van der Veen and Groot (2001).

¹⁹ Barbeito, A. and Lo Vuolo, R (2002).

The dramatic situation of Argentina has put the whole system of public policies in discussion but, at the same time, has greatly reduced the available resources for social policies. In any case, the central point of the debate is the financing issue. Even the adoption of a progressive strategy beginning with partial BI schemes (as per coverage and/or benefit level) necessarily implies increasing an average tax pressure. The future of the BI in the country is bound to the possibilities of setting out a deep tax reform, which certainly the experts have recommended years ago.

Unlike the European countries, in Argentina the BI proposal does not need to make an effort to justify changing the current practice. Rather, its challenge is to become a suitable alternative to fill an empty space, in a country still bearing a crisis whose magnitude threatens the very social integration.

Bibliographical references

- AZPIAZU, D. (1995): “El programa de privatizaciones. Desequilibrios macroeconómicos y concentración del poder económico”, in Minsburg, N. y Valle, H. (comps.); *Argentina hoy: crisis del modelo*. Buenos Aires: Ediciones Letra Buena.
- ALTIMIR, O y BECCARIA L. (2001): “El persistente deterioro de la distribución del ingreso en la Argentina”, in *Revista Desarrollo Económico* N°160, vol. 40, enero-marzo.
- BARBEITO, A. y LO VUOLO, R. (1998) “Las políticas sociales en la Argentina contemporánea”, in *La nueva oscuridad en la política social. Del estado populista al neoconservador*. Buenos Aires: Ciepp/Miño y Dávila.
- BARBEITO, A. y LO VUOLO, R (2002): “Income (in)security: An observation of the Argentinean case”, Technical Seminar on People’s Security Survey; ILO Geneva, 28-30 November 2001.
- ESPING-ANDERSEN, G. (1990) *The Three Worlds of Welfare Capitalism*. Princeton University Press. Princeton, USA.
- ETCHEMENDY, S. (2001) “Construir coaliciones reformistas: La política de las compensaciones en el camino argentino hacia la liberalización económica”. *Desarrollo Económico* 40 (160). Buenos Aires.
- HUBER, E. (1996) ‘Options for social policy in Latin America: Neoliberal versus Social Democratic Models’, in Esping-Andersen, Gosta (ed.), *Welfare States in Transition. National Adaptations in Global Economies*. London: Sage/Unrisd.
- JÁUREGUI, R., EGEA, F. y DE LA PUERTA, J. (1998): *El tiempo que vivimos y el reparto del trabajo*. Barcelona: Paidós.
- LAUTIER, B. (1996): “Le tiers monde face à la question du partage”, in Helena Hirata et Danièle Senotier (comp.), *Femmes et partage du travail*. Paris: Syros.
- LLOYD-SHERLOCK, P. (1997): *Old Age and Urban Poverty in the Developing World. The Shanty Towns of Buenos Aires*. Great Britain: MacMillan Press Ltd.
- LO VUOLO, R. (2002): “Ideology and the New Social Security in the Argentine”, in Christopher Abel and Colin M. Lewis (eds.), *Exclusion and Engagement: Social Policy in Latin America*, London: ILAS Series, forthcoming.

-
- LO VUOLO, R. (2001): “América Latina y la Renta Básica a la luz del caso argentino”, in Daniel Raventós (coord..) La Renta Básica, Ariel, España.
- LO VUOLO, R. (1998) ‘Crisis de integración social y retracción del Estado de Bienestar en Argentina’, in La Nueva oscuridad de la política social (Buenos Aires: Ciepp/Miño y Dávila), pp.
- LO VUOLO, R. editor (1995): Contra la Exclusión. La propuesta del ingresos ciudadano, Buenos Aires: Ciepp-Miño y Dávila Editores.
- LO VUOLO, R., BARBEITO A., PAUTASSI, L. y RODRIGUEZ, C. (1999): La pobreza ... de la política contra la pobreza. Madrid, Buenos Aires: Ciepp/Miño y Dávila.
- MÜLLER, Katharina (1999): The Political Economy of Pension Reform in Central-Eastern Europe (London: Edward Elgar).
- PIERSON, P. (1994) Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment (Cambridge: Cambridge University Press).
- PNUD (2001): Informe sobre Desarrollo Humano 2000. Madrid: PNUD.
- RODRÍGUEZ ENRÍQUEZ, C. (2000) "Indicadores de precariedad laboral como estimación de la zona de vulnerabilidad social", Documentos de Trabajo Ciepp N° 27, Agosto.
- Standing, G. (1999) Global Labour Flexibility. Seeking Distributive Justice. London: Mc. Millan Press.
- VAN DER VEEN, R. y GROOT, L. (2000): Basic Income on the Agenda. Policy Objectives and Political Chances. Amsterdam: Amsterdam University Press.
- VAN PARIJS, Philippe (2000): Basic Income: Guaranteed Minimum Income for the 21st Century?, trabajo publicado como Papers de la Fundació, N° 121, Barcelona, Fundació Rafael Campalans.