Economic perspectives of the workers: Development Project and National Budget, public debt and basic income

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The effects of the worst global economic recession since 1929, aggravated by the recessive effects of the COVID epidemic on the Mexican economy are disastrous. In 2020, Gross Domestic Product fell by 9.3%; about one million small and medium-sized businesses closed temporarily or permanently; the Mexican Social Security Institute recorded a loss of 676,400 jobs; the National Council for the Evaluation of Social Development Policy (CONEVAL) determined that there were 10 million new poor people.

To get a better picture of the depth of the crisis, we will analyze its effects on some key productive sectors.

In 2019 the automotive industry already recorded a decline in automobile production (3,772,861) of 3.46% compared to the previous year (3,908,139). But this was nothing compared to the first half of 2020, when 1,172,698 new vehicles were produced, a drop of 40.82% compared to the same period last year (1,981,487 units). In August 2020, the automakers manufactured 293,463 units, 13.15% less compared to the same month in 2019. In recent months, car production has recovered, but very slowly, a total of 312,184 vehicles were manufactured in November, 1.44% more than the 307,756 vehicles manufactured in November 2019.

Despite megaprojects such as the new airport or the new Dos Bocas refinery, the construction industry also fell, compared to 2019, the value of the construction sector registered a contraction of -24%; the total personnel employed of -19.7% and the hours worked decreased 19.6%. This shows that pre-pandemic levels are still far from being reached.

In the important tourist sector the drop is even more dramatic, in November 2020 the number of foreign visitors was 3,916,709 which, compared to 8,576,973 the previous year, meant a drop of -54.3%. In foreign currency, this dive represented a 54.8% drop from $1,897 million to $856 million.

In addition to a sharp drop in oil prices at the beginning of the pandemic, a barrel of crude oil was quoted at $10, and production was also reduced. In July our country extracted 1.60 million barrels a day, its lowest level since April, when it extracted 1.72 million units, when the covid-19 pandemic began. This oil platform represents a sinking of 4.2% in its annual comparison, and a marginal decline of 0.7% compared to June this year.

The anti-cyclical policy of the Lopez Obrador government

So far, the terrible effects of the recession and the huge expenses caused by the pandemic have not translated into new taxes for the working class or excessive increases in basic needs, suspension of mega-projects, cuts in social programs or acquisition of new public debt. There are several reasons for the government’s relative ability to deal with the unexpected spending caused by the pandemic and the recession.

The López Obrador administration emphasizes that the economy from fighting corruption, forcing the oligarchy to pay taxes that in the past had avoided and reducing the high salaries of public employees, has stabilized the economic situation. While this argument is of great importance in a country suffocated by high levels of corruption and tax evasion, it is important to take into account other factors that helped prevent the collapse of the economy, but which are of limited scope and it is necessary to think of more radical strategies to prevent workers from once again paying the price of a crisis caused by the greed of employers.

1. The government's wage policy of the 4Q (Fourth Transformation) allowed for a recovery of 60% of the minimum wage (which benefits more than 4 million workers) and a slight recovery in contractual wages. Although these modest increases are far from recovering the 70% loss in purchasing power of wages over the past 40 years, for those fortunate enough to keep their jobs, they represent a cushion against the impact of the recession.

2. In the last two years, the Tax Administration Service (SAT) has collected $736,000 million pesos in tax credits, or the debts taxpayers have with the Treasury. 43% comes from the so-called big taxpayers. This amount, similar to the annual payment of public debt, is the big lung that makes public finances breathe. The bad news is that this financing option is reaching its limit. (See)

3. During 2020 the country received about 40 billion dollars (800 billion pesos), 10% more than in 2019, in remittances from Mexicans who work in the United States. In addition to strengthening public finances, this gigantic amount of money has strengthened the purchasing power of millions of Mexican families. There are three reasons for this increase: with Donald Trump's anti-immigrant policy, millions of Mexicans feel threatened with deportation; the desire for a greater return due to the devaluation of half the year; and the fact that hundreds of thousands of Mexicans already have better jobs in the United States.

Economic storm clouds in sight

Despite these temporary achievements, economic stability is quite fragile and the chances of a rapid economic recovery are very far away.

Among the first symptoms of this fragility is the news that both Petroleos Mexicanos (PEMEX) (Mexican's Petroleum Company) and the Federal Electricity Commission (CFE), the state's main productive companies, have seen a brutal increase in their debt.

Pemex's net financial debt increased 26.9% during the first nine months of 2020. The energy giant reported liabilities of $106.191 billion ($2.43 billion pesos), according to its September 30 financial results report.

The $516.7 billion peso increase is due to the amounts used in its credit lines, as well as the weakness of the peso against the dollar. On a disaggregated basis, Pemex's short-term debt increased 68% to $17,938 billion, while long-term debt increased 18.7% to $89,853 billion.

The total CFE stock market debt is $406.913 billion pesos as of June 30 and its maturities for 2020 total $34.629 billion pesos. While for 2021, $42.689 billion Pesos must be settled. The CFE recently placed bonds for $10 billion pesos, thus reaching its collection target.

The increase in Pemex's and CFE's debt means that, contrary to the discourse, there are liquidity problems and it is resorting to new public debts. It may not be with the World Bank or the International Monetary Fund that impose humiliating conditions for its payment, but in any case it is debt.

In addition to the above, political instability in the United States; increased protectionism; the trade war between the U.S. and China; the growing concentration of wealth in a few hands, at the expense of the impoverishment of 99% of the population, are factors that point to the deepening of the recession or the emergence of new crises in the stock market.

Public Debt

The serious economic crisis we are suffering, accentuated by the pandemic, is causing public debt to grow out of control, making payments for its service more expensive for our country every day, and valuable resources that would serve to reactivate the productive plant, generate jobs and increase social spending in order to at least alleviate growing poverty are being diverted to this end.

The total net public debt, measured by the so-called Historical Balance of Public Sector Financial Requirements (SHRFSP), which includes all internal and external public debt, plus the IPAB (Institute for Bank Savings Protection that replaces Fobaproa), road rescue and PIDIREGAS (Infrastructure Investment Projects with Deferred Registration of Public Spending), will increase by 10. 5 trillion pesos (millions) in December 2018, to 12.6 trillion pesos in December 2020 (according to SHCP data), which is equivalent to a 20 percent increase. If we add the proposed loans as a cap in the Draft Budget for 2021, the total public debt will increase to 13.4 trillion pesos, an increase of 27 percent from 2018.

The 9.3 percent drop in national output led to public debt of more than 50 percent of GDP. In the first half of 2020, public debt increased by 7.3 points of GDP, from 44.8% in December 2019 to 52.1% in June 2020. But according to the SHCP estimates in the Economic Criteria for 2021, by December 2020 the total public debt to GDP was 53.5%, an increase of almost 10 points of GDP in one year, a figure not seen in the last three sexes.

This year our country must disburse 724 billion pesos to cover debt and interest, an amount that could be used to strengthen the public health system or finance a Universal Basic Income.

In Mexico, and in many other parts of the world, there are the political and social conditions that justify the suspension of public debt payment, its auditing, and its renegotiation. It is completely inhuman and immoral that in the midst of this sanitary and economic contingency, bankers continue to accumulate enormous fortunes at the expense of the blood and sacrifice of the rest of the world. That is why in Mexico the National Prosecutor for the Suspension of Public Debt, of which the NCT is a part, has been formed, and in whose cause we must become deeply involved.

A radical change in economic policy is urgently needed

Although there are aspects of the 4T government's economic policy in which it distances itself from neoliberal policies, such as promoting Basic Income for the elderly or requiring the oligarchy to meet its fiscal obligations, it still does not dare to promote more radical measures, such as reducing the enormous social inequality, suspending payment of public debt, or extending the Basic Income benefit to the entire population over 18 years of age.

It is completely unfair and immoral, even irrational, for Mexico to pay the lowest wages in the world when we have some of the richest families in the world. Only five of Mexico's richest families have a combined wealth of about $120 billion: Carlos Slim has a fortune of $57.6 billion; the Larrea, Sara Mota, and Germán family, with a combined wealth of $26.14 billion; Ricardo Salinas, with 13.2 billion; Alberto Bailleres, with 10.6 billion; and Juan Beckmann, with $8.47 billion.

Mexico is among the countries that least tax its business class, only 7.1% of GDP, while in Nordic countries such as Denmark, the tax on the highest income groups equals 27.9% of GDP, while the tax on goods and services – all activities of all citizens – means half, 14.7%.

A progressive tax reform, better salaries and the suspension of the payment of public debt are indispensable actions to end this unfair distribution of income and to finance strategic projects for sustainable development, the improvement of the environment or to guarantee a Universal Basic Income. There is money or resources, the only thing missing is the political will to do so.

Below we list a program that summarizes our proposals for promoting urgent and radical change to break with neoliberalism and build a better world. These measures cannot be adopted in a partial way, otherwise they will be nonviable; they must be applied as a closely related whole.

Proposals for sustainable human development:

1. Declaring the immediate suspension of payment of public debt due to a fundamental change of circumstances and force majeure. Audit the public debt and disregard the odious debt. Renegotiate legitimate debt or buy it back on secondary markets.

2. Extraordinary tax of 3% on large fortunes to solve the health problems arising from COVID and strengthen the public health system.

3. Progressive tax reform for large companies up to the level of the Nordic countries, i.e. nearly 30% of Gross Domestic Product.

4. Reduce interest rates for individual debtors, including small and medium enterprises, to international minimums and negotiate debt cancellation or purchases from creditors.

5. Recover state sovereignty over the Bank of Mexico.

6. Exchange control.

7. The state’s monopoly on foreign trade.

8. Recovery of the purchasing power of minimum and contractual

wages up to the 1976 level.

9. Abolishing the private pension fund administration system, returning to the solidarity system.

10. Promote an aggressive program of public investment for communications, energy, water and sewage, health, education, reforestation, cleaning of rivers and beaches, treatment of garbage and waste and other works that enable the creation of decent jobs free of outsourcing.

11. Ensure a Universal Basic Income, or Basic Income, for the entire population over 18 years of age, that guarantees a dignified life for those who receive it and replaces individual social programs.