

# The »Argentine Anomaly«: From Wealth through Collapse to Neo-Developmentalism

JULIO GODIO

**T**owards the end of 1998, Argentina went into a deep economic recession. In 2001, this recession led, first to depression and then to default on a portion of its cumbersome foreign debt. In this scenario of economic crisis, marked by a rapid increase in mass unemployment and poverty, a »pueblada« (popular socio-political uprising) broke out on December 19 and 20, centered in the Autonomous City of Buenos Aires, but also occurring in other major cities. The Alliance administration collapsed and President Fernando de la Rúa was ousted. These events unleashed a period of political instability during which an emergency government took over – on January 2, 2002 – headed by Peronist leader Eduardo Duhalde as caretaker president. In this way the Peronist Justicialist Party (PJ – »Partido Justicialista«), with a majority in both the Chamber of Representatives and the Senate (National Congress), returned to power. A parliament-based »emergency government« was constituted which succeeded in preserving democracy.

The new administration instigated a major turnaround in economic policy, shifting from conservative neo-liberalism to a »neo-developmental« economic program. Political tensions eased, but society mobilized: the unemployed (»piqueteros«, in allusion to the pickets they stage, including street demonstrations and road blockades); the middle classes; wage earners who had lost their dollar or peso savings in the financial collapse as a consequence of »pesification«; the urban social movements which gathered in »asambleas barriales« (community assemblies) to protest and spontaneously organize themselves to secure their basic needs (food, clothing, health care, and so on).

Duhalde's emergency caretaker government was successful. The economy started to recover and social conflicts were brought under control. In this context, the PJ, now represented by Néstor Kirchner, once again won the presidential elections (in April 2003). Kirchner embodies a new generation of Justicialist leaders now in their fifties. He set out to continue the neo-developmental model and strengthen political coopera-

tion with the Brazilian »Partido de los Trabajadores« or PT (Labor Party) headed by José Inacio Lula da Silva, and with Mercosur. Kirchner's neo-developmentalism is one answer compatible with democracy, for a democratic society in need of profound transformation.

Argentine society recognized it was experiencing the »end of an era«. The popular illusion that Argentina was a rich country with a great future vanished. The decades-old feeling of national frustration increased. Political parties were blamed for this »global (economic, political, and cultural) crisis«. Gradually, the threat of civil war dissipated, but did not vanish completely because of the country's evident decadence and the risk of national disintegration.

As anyone could have predicted during the socio-economic debacle of early November 2001, society's spontaneous reaction, fostered by political factions (as well as populist-oriented business and trade-union groups) singled out the Menem (1989–99) and De la Rúa administrations (1999–2001) as solely responsible for the critical situation. It is true that these administrations had applied neoliberal economic policies (indiscriminate deregulation; lack of transparency in the privatization of public utility companies, heavy industry, and public health and social security systems; abolition of workers' protection systems; introduction of extreme labor flexibility, and so on). Under those administrations, the government applied two inappropriate tools of economic policy: peso-dollar convertibility and financing the public sector with foreign debt. Menemist modernization shattered the production network, liquidating a significant part of domestic industry, subordinated the state to the market, and widened the gap between the rich (10 percent) and the poor, who now accounted for 50 percent of the population.

However, any attempt to overcome the global crisis effectively must be predicated on an understanding that the dismemberment of the socio-economic structure had started three decades before Menemism came to power. Argentina's political and economic decline began as long ago as the mid-1950s. The causes are two political »maladies«, a consequence of political decisions.

## **The Argentine Anomaly**

The history of Argentina from 1900 to the present day could be summarized as the struggle between two political cultures cohabiting in a geo-

graphically extended, maritime country, a »settlement colony«, well endowed with a naturally scarce good, the Pampa. The two political cultures in question are (i) rentier culture and (ii) productive culture. The rentier culture was hegemonic, governing the behavior of the political and business elites. Rentier economic practices and policies form the hard core of the Argentine anomaly and constituted the heart of the three economic paradigms which Argentina experimented with between 1900 and 2002.

Between 1900 and 1930, Argentina displayed an economic energy that put it, despite the economic crisis, on a par with Canada, Australia, and even the United States. Like Australia and Canada, Argentina was an »anomaly«, that is, an economically underdeveloped country caught up in the first wave of economic globalization as a large-scale manufacturer of commodities for the markets of industrialized European countries, particularly the United Kingdom. Argentina benefited from the extended reach of the world economy (1880–1930).

However, in the period following the 1930 crisis – and particularly after the Second World War – the country began its descent into an economic stagnation that in 2001 precipitated the present crisis. During the same period, Canada and Australia managed, first, to launch sustained economic development and second, by the early twenty-first century, to position themselves among the most developed and prosperous capitalist countries.<sup>1</sup> A comparative analysis of the historical paths followed by each of these countries between the late nineteenth century and the 1930s could determine the economic, political, and socio-cultural characteristics which account for the failure of Argentina's specific »anomaly«.

The first large wave of economic globalization took place during the second half of the nineteenth century led by Great Britain, although its supremacy was already being challenged by other industrialized countries, such as Germany, France, and the United States.<sup>2</sup> During this period Argentina, Canada, and Australia initiated a full and dynamic integration into the world market within the economic orbit of the British Empire.

Between 1870 and 1914, Great Britain invested 3.5 billion pounds in Australia, Argentina, New Zealand, South Africa, and Uruguay. Between 1870 and 1913 the growth of Argentina's Gross Domestic Product (GDP) reached 2.5 percent (annual average), ahead of Australia (2.2 percent),

---

1. Daniel Muchnik, *Tres países, tres destinos. Argentina frente a Australia y Canadá* (Buenos Aires: Grupo Editorial Norma, 2003).

2. Eric Hobsbawm, *Industria e Imperio* (Barcelona: Ariel, 1988).

Canada (2.2 percent), the USA (1.8 percent), and Mexico (1.7 percent). Argentina had the fastest growing economy in the world. Indeed, a common expression in Europe at the time was »as rich as an Argentine«, alluding to wealthy Argentine tourists. During 1880–1914, over three million immigrants entered Argentina, mostly from southern Europe (Spain and Italy). Argentina, a politically independent country since 1816, had become a prosperous »semi-colony« of the British Empire.<sup>3</sup>

---

In the period following the 1930 crisis – and particularly after the Second World War – the country began its descent into an economic stagnation that in 2001 precipitated the present crisis.

---

Soon, however, differences began to emerge between the reactions of the three states and their influential business figures in relation to this sudden prosperity. In Canada and Australia, governments implemented financial and fiscal policies favoring the development of agriculture (with long-term loans to farmers for the purchase of seed, fertilizer, and machinery, and high taxes on large agricultural estates in order to favor land redistribution) and industry (organizing industrial parks specializing in railroad supplies and in the manufacture of agricultural machinery). The consolidated nation-states of Canada and Australia guaranteed the legal certainty of foreign investments.

While Canada and Australia combined the opening-up of trade with self-supply of manufactured goods, the Argentine aristocratic landowning elite (of feudal Hispanic origin and traditions), with its stranglehold on political power, chose to squander the gold it received for its exports on the consumption of imported goods. This was possible because the lands of the Pampa were owned by a handful of large estate owners. While in Australia and Canada new agro-industrial societies were being established, between 1880 and 1914 Argentina was run by a society of »estancieros« (ranchers);<sup>4</sup> and in a ranching society the source of wealth is land, not work.

The agricultural regime operated on the basis of large agricultural enterprises engaged in extensive production. Agricultural immigrants were

---

3. Javier Villanueva, »La economía argentina en la época dorada«, *Boletín de Lecturas Sociales y Económicas*, No. 35 (1985), Buenos Aires: Universidad Católica Argentina.

4. Muchnik, op. cit.

prohibited from owning land and restricted to pre-capitalist leasing. The tenant farmer rented land for three-year periods on condition that it would be returned, upon termination of the contract, sowed with alfalfa: in this way landowners ensured pastureland for their livestock. This system of land management – a poor imitation of the Prussian agricultural development system – has persisted through Argentine history.

Semi-natural stockbreeding dominated: according to the 1914 Agricultural Census, properties of over 1,000 hectares accounted for 85 percent of the Pampa's agricultural development, and 93 percent of this land was engaged in cattle raising. The economics of ranching society is based on large agricultural estates, that is, the appropriation by »patrician« landowners of the differential income on land (generated by the high productivity of the Pampa), as well as absolute rent (obtained automatically from the ownership of leased land). In this way the rentier economy of ranching society was consolidated.

Rentier culture became state policy. From 1880, an aristocratic »liberal and conservative« elite, formed of big landowners and politicians who also held leading positions within the armed forces, established the »Partido Autonomista Nacional« or PAN (National Autonomist Party), with the National Army as its mainstay. A close financial alliance was created between the Argentine ranchers and British investors, bringing together those who owned the resources – land – and those with ready cash. In this way Argentina lost its opportunity to capitalize on productive foreign investments and technical know-how from the industrialized European countries. While Canada and Australia were diversifying their production structure, and consequently the variety of their exports (for example, between 1900 and 1914 wheat comprised only 30 percent of Canada's exports, the rest being mining and timber products), Argentina exported only beef and grain. Products from incipient semi-craft regional industries (textiles, footwear, wine, wood, and so on) were relegated to domestic consumption. Both Canada and Australia, like Argentina, were open economies, but strong industrial cultures emerged in the first two, while Argentina continued to consolidate its »agrarian-rent-seeking« culture.<sup>5</sup>

---

5. John P. Fogarty and Tim Duncan, *Australia and Argentina on Parallel Paths* (Melbourne: Melbourne University Press, 1984); Carl Solberg, »Argentina y Canadá, una perspectiva comparada sobre su desarrollo económico 1919–39«, *Desarrollo Económico*, No. 82 (1985), Buenos Aires.

During 1880–1915 the PAN (renamed in the early twentieth century the »Partido Conservador« or Conservative Party) ruled the country, following an »exclusionary-liberal« political and institutional model. Argentine »aristocratic liberalism« promoted the nationalization of immigrants, but without granting them universal suffrage. Mass secular education was established to eradicate illiteracy and form »Argentine« citizens: in 1914, 60 percent of the population was non-native. Effective political citizenship did not expand, however, because political representation was restricted to a single political party. The new popular political movements (the »Unión Cívica Radical« [UCR] or Radical Civic Union, the »Partido Socialista« or Socialist Party, and other minor parties) were hindered by a combination of voting qualifications limited to landowners, electoral fraud, and, ultimately, repression. The trade union movement organized by anarchists, revolutionary trade unionists, and socialists in a culturally favorable environment (European immigration) was considered by the PAN to be a »force capable of dissolving nationalism«.

The landowning elite failed to establish an enduring political hegemony within Argentina's young and weak civil society. They abjured political liberalism and drew closer to militarism, but were unable to prevent the UCR from winning the elections in 1916. Between 1916 and 1930 the Partido Socialista became the leading party in the Federal Capital. But during the 1920s, new political movements – which favored the strengthening of civil society and supported liberal democracy – caused the conservative parties to turn to an anti-democratic and authoritarian solution to retain power: civilian-military dictatorship. In September 1930, a military coup established a conservative, authoritarian regime (1930–43). Meanwhile, in Australia and Canada – by then autonomous countries within the British Commonwealth – the socio-political foundations of a democratic state were expanding through the creation of parties or coalitions representing the interests of business or workers within the liberal or labor paradigms. The Australian Labor Party took office in the early twentieth century, without upsetting the thriving capitalist economy. Negotiations between businessmen and organized workers were encouraged in order to enhance social welfare and economic performance, while in Argentina the trade unions were being persecuted by the police.

## Onset of the First Malady

Between 1914 and 1930, the vigor of Argentine »ranching society« was maintained: GDP growth was higher in Argentina than in Canada and Australia (2.5, 1.1, and 0.3 percent, respectively). The automatic protection of local markets generated by the First World War had led to the first wave of »simple« substitutive industrialization. However, this industrializing thrust came to a standstill in 1920 due to the absence of foreign markets, the lack of an ore mining industry, and the absence of state and private initiatives to further expand industrialization. Oil was the only mineral resource exploited by the state. Wealth was concentrated in the Pampa, while most provinces were sunk in poverty and procrastination. The Argentine federal constitutional regime was swamped by the centralism of the Federal Capital and the Province of Buenos Aires.

The absence of a political will to undertake comprehensive industrialization rendered Argentina extremely vulnerable to downturns in the international beef and grain markets. This was precisely what happened during the world economic crisis of the 1930s, when Argentine agricultural prices plunged and imports were restricted. The country then had its first experience of mass unemployment and impoverishment.

Argentina had experienced fifty years of vertiginous growth and modernization, however, and in 1930 it had the financial resources to protect its economy. The state's response was multifaceted: foreign exchange controls were established, a Central Bank was created, the currency was devalued, and import taxes were increased. Thus, the conditions were created to give a spontaneous boost to industrialization. Paradoxically, it was at precisely this point that the viruses that would cause the first structural, economic, political and cultural malady settled in.

The social-democratic and the socialist parties had no programs capable of encouraging sustainable »self-reform«, in the context of a new political economy founded on planned industrialization and agricultural production, completed by the development of mining, fishing, and the transportation system (created with British investment). The country needed to promote economic development capable of matching the industrial paradigms of Australia and Canada and gradually to recover its position in world markets as an exporter of primary, manufactured, and semi-manufactured products.

None of the major political forces represented such an economic paradigm. The UCR hoped to broaden middle-class participation in politics

and in the distribution of wealth without challenging the socio-economic model based on large estate ownership. The PS was far from understanding the role of the state as a promoter of development and insisted on an anachronistic free trade model. The new Communist Party aimed at emulating the Soviet Union and proposed a supposedly middle-class democratic revolution and »worker and peasant soviets« (in Argentina, except for the north-western provinces with their Inca traditions, farmers do not respond to the appellation »peasant«, but consider themselves »chacareños«, a type of »proto-farmer«). The conservative right-wing – with rare exceptions – considered protectionism to be a temporary policy to overcome the crisis after which there would be a return to the old »ranching society«.

As a result of this ideological confusion, civil society divided and political disorder set in. This led to the aforementioned establishment of a right-wing civilian-military dictatorship in 1930 and the appearance within the Army of trends similar to European fascism. The process was fostered by the »fundamentalist« Catholic Church. In the economy large-scale import-substituting industrialization took place between 1935 and 1950. This process was not complemented by a solid capital goods industry, but coexisted with an even greater concentration of land ownership. Substitutive industrialization brought a new class of businessmen into being (mostly of Italian origin), thus creating a »national middle class« and broadening the industrial working class. A »wage-earning society« developed between 1935 and 1943. In 1945, Peronism established itself as a new »national-popular« hegemonic power.

In the process of building up a »national capitalism« the armed forces nurtured a foreign policy opposed to the main investing power (Great Britain) and the principal external hegemonic power in South America (USA). The military government born of the 1943 Revolution adopted a policy of neutrality during the Second World War, though with strong affinities for the Axis powers. Predictably, after the war was over, the Allied countries regarded Argentina as a »remnant« of fascism and consequently sentenced it to economic and political retribution.

As already pointed out, Peronism or »Justicialism« rose in 1945 as a national-populist movement that merged a »revolution from above« (the state which resulted from the 1943 Revolution) with increasing mobilization of workers organized in trade unions and some middle-class sectors. Peronism established a new »national-popular« hegemony and prevented social conflicts from leading to civil war during the postwar period. Be-



tween 1946 and 1952, under Peronist rule, industrialism grew, based on the expansion of domestic markets. Workers increased their purchasing power and full employment was achieved. A solid state capitalism developed in both the industrial and the foreign trade sectors, but concentrated in the Federal Capital and the provinces of Buenos Aires, Córdoba, and Santa Fe.

---

Between 1955 and 1973 the first malady took hold: the failure of the Peronist autarchic industrial model, which survived as a popular myth of a fully-employed, wage-based, welfare society.

---

In a context of international conflict with the USA, the *first economic malady* soon became evident: »economic autarchy« had resulted all too soon – by 1950 – in the sustained deterioration of commodity exports, and Argentina lacked the means to maintain industrialization in the absence of heavy industry, an energy industry, port infrastructure, and communications. Concentration of land ownership deepened, alongside modernization of production. A new economic and social figure emerged, the »contractor« (small farmer owning agricultural machinery), who was hired for one or two years to develop extensive farmlands.

President Perón supported the United States during the Korean War, speculating that food exports to UN troops would pave the way for Argentina's reinsertion in the global economy then under reconstruction. Perón's »third-way« strategy vis-à-vis capitalism and communism began to deteriorate. The country failed to enter the International Monetary Fund (IMF). With the Central Bank controlled by the state, nationalization of bank deposits and the state monopoly of grain exports, the Peronist government believed it could sustain monetary regulation and credit expansion.

Argentina's inability to recover its position as a large exporter of commodities negatively affected the balance of trade and the balance of payments. Tax revenues fell and so did the funding of the domestic budget. There was less to distribute which generated a political situation dangerous for Peronism: the Peronist trade-union rank and file began to demand wage rises. The Peronist political opposition, ranging from conservatives to communists, fed on the social decline and started to recover. Monopolization of power by »Justicialism« had eliminated the demo-

cratic, pluralist representation system provided by the National Constitution, widening the gap between the two antagonistic socio-political blocs, Peronism and anti-Peronism. For three decades this antinomy undermined any possibility of democracy based on consensus. Between 1952 and 1983 political instability ruled. Amidst political disorder only the armed forces were in a position to maintain the centralization of national and state power in the form of »civilian-military« dictatorships (1955–58, 1962–63, 1966–73) and entirely military ones (1976–83).

The Peronist regime fell in September 1955. The anti-Peronist forces accounted – politically – for 50 percent of the population (upper middle class, and urban and rural middle classes). Strong support for Peronism became confined to wage earners. Argentine society was politically and culturally fractured. Two factors led to the fall of Peronism: (i) the unfeasibility of an autarchic, national-industrialist project, and (ii) the cultural division of society into nationalist-populists and a diverse body of liberal, conservative, and populist (UCR) forces. The left-wing (PS and PC) had been practically absent from the political scene since 1945 and was absorbed by the Peronist trade unions as its »backbone«.

Between 1955 and 1973 the first malady took hold: the failure of the Peronist autarchic industrial model, which survived as a popular myth of a fully-employed, wage-based, welfare society. That is why the inertia of state intervention and the production network generated by incomplete industrialization would live on until 1989 (when Menemism took over), as a heritage untouchable even by anti-Peronist governments.

## **The Second Malady Makes its Appearance**

Against this backdrop, the old national-industrialist model survived during the 1960s, 1970s, and 1980s, but it was in its death throes. In the mid-1960s, European markets ceased to import Argentine commodities, accelerating the death agony. Argentine society was frustrated and demoralized as it watched its hopes of social mobility collapse. »Ranching society« had disappeared long ago, but the Argentina of state capitalism and intervention had also crumbled and with it industrial wage-earning society (1935–70). The accumulation of so many frustrations helped people to become conscious of the historic futility of the Peronist-anti-Peronist antagonism, but society was unable to find a political and cultural solution.

There was no modernizing political bloc with a wide, popular base. There was full employment, but jobs were increasingly more low-productivity jobs. The middle classes saw social mobility come to a standstill in a country with a high proportion of university students and professionals. The military-conservative rentier elite still retained control of the state. In this context of national weakness, the country was suddenly swamped by the second wave of economic globalization and the birth of the information society, two processes that commenced on a global scale in the late 1970s.

The »Argentine response« to this new situation »could not have been worse. Not only the conservative right-wing, but also Peronism and the UCR yielded to the neoliberal wave and equally engaged in rent-seeking. Political parties lurched further in the direction of clientism, and moral and material corruption became more prominent. From 1976, the second malady overlapped with the first. The worst elements of the former rentier culture (ranching society, populism, destruction of working culture, the clientistic Peronist state, and so on) imbued the new neoliberal model of 1976 and survived within the paradigm of political democracy established in 1983.

---

Instead of a true market economy, a »market society« was built, with the temporary support of most of the population which had bought into the idea that Argentina had entered the »First World«.

---

The main features of this model were an increase in the national debt, dependence on the USA, redistribution of wealth to the disadvantage of wage earners, extreme deregulation of the financial system, opening up of trade and finance, and an anti-inflationary policy based on currency overvaluation. This scheme effectively completed the dissolution of the post-war growth model, but did not establish a new one: this accounts for its rent-seeking nature and for the fact that it could survive only by means of foreign debt.<sup>6</sup>

Argentina had competitive cost advantages that would have allowed it to share in the incipient global economy, but reform was needed in order

---

6. Alfredo Calcagno and Eric Alfredo Calcagno, »Argentina: derrumbe neoliberal y proyecto nacional«, *Le Monde Diplomatique* (2002), Buenos Aires.

to enter, as an open market economy, a world system that had evidently shifted to capitalism, accelerating the end of the USSR and the Warsaw Pact. China, too, had embarked on the reconstruction of the »socialist market economy«. In the 1980s Argentine civil society was culturally open-minded enough to support reforms that would favor the formation of an integrated market economy.

However, the model conceived by the Argentine economic and military elites during the 1970s and crystallized in the early 1990s by Menemism was not a production-based model, but a rent-seeking one. Once the brutal repression (1976–82) was brought to an end and the bonds that tied society to hyperinflation were cut (in 1989 and 1991), the financial establishment could move forward within political democracy, on a devastated socio-political terrain. Military coups were no longer necessary. Political democracy was sufficiently »porous« and impotent – because of the ideological backwardness of both political parties and anachronous populism – in the prevention of financial transfers, bribes, and neo-liberal propaganda. Whenever the new model felt in jeopardy, »market coups« would suffice. In this way, between 1991 and 2002 the state was broken up, state enterprises (many of which could have been preserved as semi-public companies) were privatized so as to be able to service foreign loans, and corruption became systematic. Instead of a true market economy, a »market society« was built, with the temporary support of most of the population which had bought into the idea that Argentina had entered the »First World«.

In 2002 per capita GDP (at constant prices) was 12 percent lower than in 1976; unemployment, 4.5 percent of the economically active population (EAP) in 1976, reached 23 percent in 2002 (it leveled off during the first half of 2003, if the number of unemployed not receiving unemployment benefit is added to the 2,100,000 recipients of a monthly 150 pesos, approximately equivalent to 30 dollars). In 1976 the industrial sector accounted for 31.7 percent of GDP, but by 2000 this had fallen to 16.1 percent. In December 2002, in a once prosperous country, 19.7 million people were in poverty (57.5 percent of the population), of which 9.4 million were »indigent« (unable to meet their basic nutritional needs). In 2002, during Duhalde's »emergency government«, consumer prices rose by 41 percent, while wage rises were minimal. The situation of almost half of employed wage earners was precarious (over 8,700,000 private and public wage earners), and of those half were unable to purchase a »canasta básica« (basic food basket). GDP per capita barely grew during the period

1976–2000 (an annual rate of only 0.24 percent), while in 2002 it fell precipitously, by 14.9 percent (29.2 percent since 1999).<sup>7</sup>

## **Kirchnerism, a Revolution »From Above«**

At what point does a political group decide to attempt a revolution »from above«? Two major variants are familiar, but they require effective control, not only by the government but also by the state as a whole. The first occurs when state control is so absolute and government so homogeneous that the first phase does not require societal involvement. The classical case of a revolution from above was the fascist seizure of power in Italy in 1922–23 and the structural reforms that followed, with no mass mobilization. The second variant occurs when a political group already controls the state and the party it is allied with. Such a group can free itself from opposition in a relatively peaceful fashion and completely change the direction of the state. One example of this was the Chinese Communist Party's change of direction in 1979, headed by Deng Tsiao Ping's military-political core group, which put an end to Maoism and inaugurated a new era in which economy and society would be built according to the principles and values of a »socialist market economy«. Modern history offers many more examples of revolutions from above, but always preceded by the maturing of society, economy, political culture, and, especially, of the core institutions of the state, particularly the armed forces.

A revolution from above is now going on in Argentina as it reaches the end of an era. President Kirchner has made this clear in both word and deed since taking office in May 2003. The ruling ideas are summarized in the neo-Keynesian economic and social projects that he has started to carry out (analyzed below). This is taking place in a context of stability and slight economic recovery, which started under the present Economy Minister, Roberto Lavagna, during Duhalde's presidency.

A particular political group can assume control of a government and propose a revolution from above under exceptional political circumstances. For Kirchner, these exceptional circumstances undoubtedly occurred in mid-2002.

---

7. Angus Amaddinson, *L'économie mondiale 1820–1992. Analyse et statistique* (Paris: OCDE, 1995); Comisión Económica Para las Américas (CEPAL) – Naciones Unidas (ONU), *Anuario Estadístico 2000* (Santiago, 2001).

Five factors enabled Kirchner to attain power amidst a »global crisis«.

First (resulting from the global crisis), from December 19–20, 2001, Argentina experienced the »end of an era« during which society actively challenged the economic, political, and cultural neo-conservative/liberal model that had collapsed with the economic depression and the default.

Second, on January 2, 2002 a parliament-based government took office, headed by Eduardo Duhalde, who managed to attenuate the global crisis, initiate a »neo-developmental« economic policy (continued today by Kirchner) and established a roadmap for presidential elections and, by way of a new government, elections for the partial renewal of the National Congress and provincial governments and congresses. Duhalde's caretaker government was unable to preserve the hegemony of Duhaldism in the state, but at least guaranteed the continuity of political democracy. In this sense, the present government is the heir of the Duhaldist transition.

Third, the armed forces, although tense because of the atmosphere of political instability, remained loyal to the political order established by the National Constitution. Thus, even when the military leadership openly admitted its ideological preference for López Murphy (Recrear Movement) or for Menemism towards the end of the transition period, they followed the roadmap laid out by Duhaldism.

Fourth, Kirchner was helped by the PJ's inability to solve its internal crisis (that included not only the Duhaldism-Menemism antagonism, but also the party's institutional dismemberment). Another advantage was that the new right wing headed by López Murphy was unable to develop sufficiently into a mass party, largely attracting supporters of Menem and De la Rúa, as well as right-wing sectors within the Church, NGOs, and so on. Besides, the crisis affecting the political parties was so profound that business and trade unions, even while maintaining their preferences, chose to protect themselves given the political uncertainty.

Fifth, Kirchner was patient and tenacious. He led a political-ideological group – the »Calafate Group« – for five years, which in 2002 realized that circumstances had swung in its favor, particularly the PJ's inability to unite politically. Time was on their side. Kirchner and his Group saw how the various potential candidates fell by the wayside, demanding in vain that the party unite before proclaiming them its candidate (Reutemann and De la Sota), or that they be appointed sole candidate, with policies that Argentine society had already repudiated (Menem). This left a nar-

row path along which, although beset with hostile or neutral forces, Kirchnerism progressed to power.

In this context, particularly the PJ's failure to solve its conflicts, Kirchner was eventually positioned as the only candidate capable of maintaining continuity with Duhalde's successful transition, while simultaneously representing the general inclination of Argentine society, which was to preserve democracy, not to return to Menemism, and also to pursue the »neo-developmental« course set by Duhalde and Lavagna.

However, from May 23, the exceptional circumstances that had facilitated Kirchner's access to power became serious problems to be dealt with amidst a global crisis. Argentine society is characterized by a cultural and political nausea, notwithstanding the massive turnouts in elections to reinforce democracy and restore presidential power. The »neo-developmental« program has generated hope and expectations.

The problems of the new government are obviously related to the difficult task of solving two economic situations concurrently: (i) to overcome the current crisis and establish a »productive« economy, and (ii) to construct a network of stable economic ties between the national and the »globalized« world economy via the protective concentric circle of Mercosur. I will deal with these economic issues, as well as a number of labor issues, once I have described in more detail the political nature of the revolution from above attempted by Kirchnerism and the obstacles it faced. My aim here is to underline the impossibility of guaranteeing »sustained and sustainable economic development« in the absence of one essential precondition: the political power required to launch a »new era« in Argentina. Kirchner's challenge is to understand thoroughly the implications of embarking on a revolution from above, and to design an appropriate roadmap. However, Kirchner's support derives from a party in crisis: the PJ. The PJ is a divided party but nonetheless very much alive and kicking and perhaps in a position to undergo the self-transformation required to support a revolution from above. Center-right-wing opposition is weak and disorganized; on the left, Kirchner has no serious adversaries.

President Kirchner has set Argentina the goal of »doubling our wealth every 15 years«. This means that GDP would have to grow by 5 percent each year. This goal may be reached, but there is no precedent for the Argentine economy maintaining growth for extended periods: for example, between 1994 and 2003, there were five years of growth at 5.7 percent, and five of recession at -4.5 percent. As a result, economic activity in 2003 was just 4.4 percent higher than in 1993. This represents an annual average

growth over the last ten years of a modest 0.45 percent.<sup>8</sup> In fact, the logic of Argentina's economic cycle is to accelerate and then fall back. The country could achieve 4–5 percent growth in 2004 because of idle capacity, but beginning in 2005 will probably start gradually receding, due to the ageing of its industry.

From 2005 without heightened reorganization of the state and improved organization of the economy, focusing on transforming businesses and quality of management, labor, and productivity, sustained growth will not be possible. Argentina will require significant investment, which means the reduction of tax evasion (the »rentier culture«) and cutting VAT. These fiscal reforms will not be achieved if society fails to emulate the new government's optimism. In a context of foreign credit restrictions, investment in capital goods and infrastructure must be encouraged.

---

The revolution from above proposed by President Kirchner is attractive, but requires a material foundation, namely the economy.

---

For 5–6.5 percent annual growth over the next few years to be feasible, the investment rate would have to be in the region of 27–30 percent of GDP. If Argentine debt repayments do not exceed 5 percent of GDP, strong investment would be required over the next 15 years from the public and domestic private sectors, with foreign investment likely to play a secondary role in financial terms (although a decisive one both technologically and in the expansion of international markets). For this to happen, the domestic savings rate should be 20 percent and the fiscal surplus 5 percent. If any of these conditions fail or are not sustained, growth will not be possible.

Objectively, economics determines the continuity between the developmentalist program established by Duhalde-Lavagna and the developmentalist program set out by Kirchner-Lavagna. The priorities seem clear:

- ▶ exports and import substitution with high exchange rates remain important, but the domestic market must be boosted in order to serve as the driving force of the economy, encouraged by investment in public works;

---

8. Carlos Leyba, »Los objetivos económicos de Kirchner«, *Debate*, No. 11 (2003), Buenos Aires.



- ▶ »legal certainty« must be guaranteed and privatized enterprises must be able to raise prices, although any decision on such increases will be subject to the companies' fulfillment of the relevant investment requirements;
- ▶ the public banking system must be strengthened, controlling the pressure for the private sector to open up its capital;
- ▶ the 90-day extension on the foreclosure of mortgages must be maintained and the goal of a fiscal surplus remain unchanged, but allied to the purpose of using the surplus resulting from record nominal tax revenues to address the needs of provincial budgets.

In terms of international commitments, Argentina has moved from a stage at which a short-term agreement with the IMF was urgent to one at which the country is pursuing a »steady« long-term agreement.

The goals set for growth cannot be achieved without bringing into employment and boosting the consumption of the approximately 20 million impoverished and two and a half million unemployed Argentines. President Kirchner, in line with Keynesian notions of the welfare state, has declared that »social policy« and job creation will be considered important elements of economic growth, which is here considered the correct position. It is clear that, as demonstrated »empirically« during the Menemist decade and the brief years of the Alianza, social issues cannot be solved by unstable growth which risks generating massive unemployment.

However, social and labor policies will stimulate economic growth only if they serve to create employment. Work, of course, is a broad concept; wage labor is only one of its components. It is unlikely that Argentina will return to a »wage-earning society« (1945–74), so it needs to build a »working society«. Benefit programs subsidizing the return to work of unemployed heads of household (the »Jefas y Jefes de Hogar« program) must converge with banking and financial policies to promote a multiplicity of work forms (as already mentioned in reference to domestic development). There is no doubt that unemployment benefits may create wage earning jobs when businessmen are willing to take on unemployed workers, in compliance with salary standards and working conditions established by the labor law and the collective agreements.

Public works are also important in creating jobs. However, the creation of a working society implies a true »production revolution« and the strengthening of economic complementarities with Brazil within Mercosur.

The revolution from above proposed by President Kirchner is attractive, but requires a material foundation, namely the economy. The economic policies necessary to achieve this goal must be capable of instituting a new economic logic. Economic science must develop the goals and tools of economic policy to enable this new economic logic to unfold in Argentina.

## Ways Out of the Global Crisis

Limitations of scope prevent me from expanding on the initial comparison between Argentina, Australia, and Canada beyond 1930. Towards the end of the story, however, the grounds of the comparison are evident: between 1935 and 2002, growth in Canada and Australia was modest but constant. Canada is a member of the G-7. Meanwhile, Argentina's real economy has gone backwards and is weakened by foreign debt and shallow insertion in international trade. The two historically overlapping maladies are responsible for Argentina's global crisis.

As a peripheral and »anomalous« country, Argentina has experienced, over the last 120 years, three – albeit overlapping – models of development.

1. The first was based on the export of raw materials and agricultural products in exchange for manufactured goods and technical know-how from the most advanced regions of the world, but based on the economic logic of »ranching society«.
2. The economic logic of this period was »economic autarchy«: National industrialization with a strong state influence, with import substitution and the expansion of protected domestic markets.
3. The third period commenced with the strategy of opening up and development, trying to use the old comparative cost advantages and resorting to foreign debt, with the aim of winning a share of the global economy.

This last model has developed over the last two decades as part of a common process throughout Latin America, divided into the »lost decade« (the 1980s) and the decade of neoliberal structural readjustment (the 1990s). Argentina unsuccessfully attempted to copy the speedy industrial development of Asian countries following the rules of the orthodox neoliberal economic paradigm, which eventually – anarchically – dismembered both the old industrial structure and the state, without deriv-

ing any benefit from what Castells has called the »world information economy«. <sup>9</sup>

The »Argentine anomaly« could have favored sustained development, but the political and cultural hegemony of the rentier elite and populism's impotence prevented the construction of an open, industrialized country. Several factors played a role, contributing over the years to Argentina's life-threatening crisis: the political failure to base industrialization on agro-industrial foundations; economic autarchy followed by indiscriminate deregulation; a weak civil society determined by the poor assimilation of immigrants into a country dominated by rentier landowners; the absence of a democratic, inclusive political regime and the inability of left-wing political forces to understand the need to construct a market economy similar to those of Canada or Australia.

Today, Argentina is indeed in a state of »global crisis«. This accounts for the current legitimacy of the »neo-developmental« program proposed by the new Peronist government of Néstor Kirchner. However, one must exercise caution, given the Argentine political habits of »double discourse«, facile solutions, and corruption. The alternatives facing Argentina are clear and antagonistic: it must either march under the hegemony of a reindustrialization program built on deep structural reforms (political, economic, social, and labor), strengthening Mercosur and practicing open multi-bilateralism, or enter a sort of »stable decadence« under US hegemony, expressed in the Free Trade Area of the Americas (FTAA) designed by the US government. However, the current global crisis that has turned into a great social tragedy paradoxically offers an opportunity for Argentine society to reflect upon why Argentina is the »Australia that was never meant to be«, and to become aware of the two maladies that have been analyzed as the concurrent causes of decline. This is the basis on which Argentina may enter the second wave of globalization – supported by sustainable development policies – and benefit from its positive aspects.

---

9. Manuel Castells, *La era de la información* (Madrid: Alianza Editorial, 1998).