

IMF STABILIZATION PACKAGES AND DEVELOPMENT: ARGENTINA IN
THE 1990'S

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BETÜL KENCEBAY

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Prof. Dr. Sencer Ayata
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Arts.

Prof. Dr. Meliha Benli Altunışık
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts.

Assoc. Prof. M. Fatih Tayfur
Supervisor

Examining Committee Members

Assoc. Prof. M. Fatih Tayfur	(METU/IR)	_____
Prof. Dr. Mustafa Türkes	(METU/IR)	_____
Assoc. Prof. A. Haşim Köse	(A.U./ECON)	_____

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Name, Last name: Betül Kencebay

Signature :

ABSTRACT

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Kencebay, Betül

M.A., Department of International Relations

Supervisor : Assoc. Prof. M. Fatih Tayfur

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This thesis analyzes the IMF stabilization packages and how those packages may affect the development. In order to explain the applications of the Packages, Argentine case is discussed for the period of 1990's. By analyzing the theories behind the IMF Stabilization packages, it is aimed to explain the conditionalities, actions and results, as could be observed in Argentine case.

Keywords: IMF, Development, Argentina, Stabilization Packages,
International Political Economy

ÖZ

İMF'İNİN İSTİKRAR PROGRAMLARI VE KALKIMA: 1990'LARDA ARJANTİN

Kencebay, Betül

Yüksek Lisans, Uluslararası İlişkiler Bölümü

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Bu çalışma İMF'nin İstikrar Programlarını ve bu programların kalkınma üzerine etkisini incelemektedir. Söz konusu Programları anlatabilmek için, Arjantin'in 1990'lı yıllardaki durumu örnek olarak incelenmektedir. IMF'nin İstikrar Programlarının dayandığı teorileri analiz ederek, programların öne sürdüğü şartlar, alınan aksiyonlar ve sonuçları, Arjantin örneğinden yola çıkarak anlatılmaya çalışılmıştır.

Anahtar Kelimeler: İMF, Kalkınma, Arjantin, İstikrar Programları,
Uluslararası Siyasi Ekonomi

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1- INTRODUCTION

International relation is a multidisciplinary concept. The “development” is a good example of this multi disciplinary conceptualization. Development is a volatile concept, a process, a multidisciplinary study, which may vary according to special economic, political, social and international aspects of a country. That is what an international relations study is and that is why international relations study should also inhale the study of development into its discipline. With a firm belief in development as a concept in International Relations, IMF stabilization packages and their impact on the development of Argentina is studied in this thesis.

This thesis aims to discuss the impact of IMF stabilization packages on development with reference to the development of Argentina in 1990’s. The thesis depends on the understanding that IMF stabilization packages (SAP) pursue liberal development rules and have defects in interpreting the problems of the countries and in implementation of the packages; Argentina is a classical case for IMF development exercise. IMF SAP do not have a permanent positive effect on development and the development of Argentina because of high volatility in Argentine local politics and fragile economy, because of the prescriptions IMF proposed, which undermined the Argentine fragile economic, social and political strata and because of loose reaction of IMF to poor implementation of SAP by government and to policy errors of the governments.

In order to comprehend IMF’s development, the Chapter 2 will be analysing perspectives on development. Particularly, the focus will be on Liberal development understanding because IMF programs follow liberal development policies. In order to analyse the liberal development, Marxist and International Political Economic theories will be mentioned

briefly and their contributions to development debate. Thereby, the insufficiencies of Liberal development idea will be discussed.

After the analysis of theoretical perspectives, IMF prescriptions will be dealt with in detail in Chapter 3. How IMF became an actor in development arena, how Stabilization packages emerged and what are the conditionalities that play role in development process will be clear in that chapter. SAP will be explicit as a term, as a process and as a theory. Furthermore, the loopholes of the stabilization packages will be mentioned, which would solidify the argument to be raised in Chapter 4 that SAP could not alleviate Argentine development.

In Chapter 4, IMF, Stabilization packages and Argentina will be discussed together. Beginning with a brief historical background on Argentine politics and economics, it will be pointed out that despite the years of IMF funding and SAP conditionalities Argentina is not developed yet. Later, IMF's own perception of its relations with Argentina throughout the stabilization packages will be mentioned. Then, What SAP presumed and what was achieved will be clarified. Finally why SAP failed will be designated.

In order to understand concepts, analysing the spirit behind it, is mandatory. Since a concept is the idea generalised from particular instances, in order to analyse it, the analysis should comprise both the theory and the practice behind it. Change regarding the past and present of the relevant phenomena arise as significant, since the concepts may vary in definition as the conditions that initiate the meanings may also change. Therefore, understanding development as a concept requires studying it both in theory and practice, and at the same time keeping in mind all the ideas and conditions that give meaning to it and which can change. Hence, in order to understand IMF policies, *raison d'être* of the structural adjustment packages will be analysed through theoretical perspective and than through practice.

Understanding the concept of development as a concept of 20th century requires a study of interpretations, strategies and environment where development has taken place. Initially, it is vital to clarify the development through the interpretation of different school of thoughts, and determine the development strategies, prescriptions and policies, which are suggested and carried out in practice, for development procedures. The next step would be the country base analysis examining the practice of development in detail.

The role of the IMF becomes more imminent when examining the development procedures in the developing countries. In most instances, the IMF and its prescriptions have caused the major structures in Argentina in such a way that even the political configuration has been altered significantly. However, the question is whether the IMF has been successful in helping the countries to catch up with the developed nations or whether the interpretation of development by the Fund is appropriate for the countries, which have benefited from the IMF funds and packages.

The interpretation, which best clarifies development, is the struggle to create goals and means for self-liberation from the misery and dependency; a process that people choose. Therefore, the development study is not equal to the developed country study because development is not a constant and linear concept. "Other societies in the world may develop and change under different laws of motion". (Martinussen, 1997: 4). The most appropriate way to deal with this subject would be to search each country with its own international, political and economic situation and specific character. It will be clear in the following chapters that, liberal theories mostly deal with the economic side of the story and perceive economic growth as an indicator of development.

The programs, which are introduced to promote the recovery of the less developed countries, such as Structural Adjustment Programs,

are the best examples for the interpretation of liberal development in the IMF and demonstration of how the IMF weigh economic measures valuable as compared to political measures. The economic indicators are given a priori position in the IMF programs.

The IMF has offered a path devoid of a deep analysis of politics and culture; the IMF policies did not concentrate much on the existing power relations. This meant that, as a consequence the programs had to fail mainly due to the reason that less attention was paid whether the governments concerned had even the administrative capacity or 'political will' to implement the suggested strategies. (Martinussen, 1997:6).

The IMF has introduced Structural Adjustment Programs (SAP) to deal with the development problems of the countries. The SAP of the IMF emphasise the structural measures "to promote domestic resource mobilization, alleviate price distortions, ensure increased access to imports, and reorder investment priorities in countries looking for loans." (Jilberto and Mommen, 1996:5). The SAP brings about economic conditions for the countries to receive economic support.

The conditions mentioned in SAP and the receptive countries' a priori position seems to mismatch in many instances. As the following chapters analyse Argentine development in detail, the receipts including privatisation, result in a change in the structure of imports and exports, cause shifts in waging systems, opening to foreign investment and the decrease in the government expenditure foresee a drastic change in the administrative and even constitutional structure of those countries. The drastic changes in the economic and political structures of the countries in the process of implementing the conditions of SAP make the countries more vulnerable in terms of stability, either on economic or on political terms.

Argentina has applied the IMF SAP since it was introduced in the 1980s. Today it still has the balance of payment difficulty, Buenos Aires

has become one of the most expensive cities in the world and it is at the edge of declaring a moratorium after years of applying SAP.

It is easy to discern that Argentina is a classical disappointment case for the implementation of the SAP for the developing countries. It is not an aim in itself to label different theorists and their work. However, this is done in order to reveal more fundamental lines of conflict in the international development debate.

Development is a multi-dimensional subject. The issue should be dealt with care in order to understand the roots of the concept of development and in order to find a path for development, not only for Argentina but, on their behalf, for the entire developing world.

2- PERSPECTIVES ON DEVELOPMENT

Liberal development understanding, which was IMF's ideological pillar in its development programs and which will be discussed in this chapter, is an important source of criticism diverted towards IMF. IMF defines development in liberal development terms. Therefore, the prescriptions and programs, which IMF has foreseen, have liberal development characteristics. Furthermore, the reactions to the changes in international arena are taken on as standard preset liberal steps. Thus, focusing on liberal development perspective will highlight the fundamentals of the IMF prescriptions on development and their basic loopholes in maintaining development to Argentina.

In order to explain how liberal approach defines development, initial focus will be on simple basis of liberal development understanding, and then how this development thought is perceived by the world at the time of its emergence will be dealt briefly. After summarizing the liberal development thought and the world that the liberal development has been borne in, a rudimentary comparison will be made with Marxist and International Political Economic perspectives on development, because these perspectives have important contributions to the development debate. The comparison will focus on basic differences so as to show how liberal theory differs from other perspectives on development and which will also point out what the liberal development idea does not have but should also inherit.

At the end of the chapter, it will be pointed out that liberal definition of development has serious defects as an interpretation of development and therefore any policy depending on liberal development theory would not be stable, consistent and permanent.

2.1 Understanding Liberal Development Perspectives

Liberal understanding adopts the definition of development as the increase in the per capita income or product. The goal of development is the creation of societies 'that replicate the political-economic system of the US': Liberal economy and democratic political culture (Willber and Jameson, 1984:7)

According to this approach, increasing wealth by enlarging the productive capacities must be the initial aim of the governments in the developing countries. This first step would be reflected to the increasing wealth of the society as a whole, which would take place in a long time. Development, in that sense was a historical process. There existed a gradual movement for the developing countries towards the attainment of greater availability of goods and services for their citizens. In this definition, development naturally becomes the growth in the output and services. (Willber and Jameson, 1984:7-9)

This narrow definition of development as merely a growth in output and services are founded in basic liberal interpretation of development as in Developmentalism (or Modernization perspective) and other similar understandings like in Laissez faire, Planning and Growth with Equity approaches to development. (Willber and Jameson, 1984:7). Tiptoeing in those understandings would highlight what the liberal thought of development inherits.

2.1.1. Developmentalism

Developmentalism is an economic model based on certain theories, embracing a series of values, and advocating a set of policies. Industrialisation was a necessary part of this orthodox view but specifically vertical industrialisation¹, establishment of basic or heavy industry. (Sikkink, 1991:32). Economic development was the means not

only for the greater well being of the population but also for democracy, freedom, security and national autonomy. However, developmentalism was not a distributive model, because like all other liberal approaches to development, it argued that in the undeveloped economy, the primary problem was production and growth rather than redistribution of income. (Sikkink, 1991:34). Instead of income distribution, developmentalism focused on capital accumulation and vertical industrialisation, which they argued, would eventually expand the share for the entire population.

Walt Rostow's analysis of Third World development is the prominent example of developmentalist school (or modernisation theory). According to him, in history, there existed stages of growth from traditional to mass consumption².

The traditional stage of development, as explained by Rostow, has the characteristics of agricultural economy and hierarchical social structure. Thus, it is difficult to expand production in this stage (Rostow, 1960). The next stage of development is the pre-conditions for take off. Here, external impulses are important to trigger a certain level of increase in the production and change in the production pattern. Economic and the technological changes were the examples of those impulses for the Western Europe. The emergence of a group in the society, willing to increase its own wealth and consumption, is significant.

Under the conditions brought by the first and the second stage, the third and the most important stage came in to being: Take off. The most important changes in terms of development came about in this stage. The first change is the willingness for investment as a part of income, which led to increase in the per capita output. The other change is the reshaping of political and social institutions in order to facilitate the pursuit of growth³.

The fourth stage is the drive to maturity. As its name points out, in this stage the country is no longer underdeveloped. The modern

technology and science took part in the economy. While the political reforms continued, international competition became possible for the newly developed state (Haynes, 1996:8). The drive to maturity is followed by the last stage as the economy reaches mass consumption. The accumulated wealth reaches to a point where it could be consolidated in building up the form of state and the society⁴.

The historical development through certain stages of growth (as can be followed in Rostow) brings the questions as to how this development will come about. The stage-based analysis may trap in many situations, when its preconditions, e.g. a rational behaviour of individuals to make the choice to follow stages, are no more there. The developmentalist understanding as a modernization theory tends to ignore the impact of colonisation and decolonisation and alternative models for development forged by examples of revolutionary tendencies in Russia, Cuba and China. (Landman, 1999:609).

To overcome the deficiencies, there emerge other approaches, which also try to validate the developmentalism and how it may come about. Laissez-faire, planning and the growth-with-equity are the best examples of the approaches to those approaches of liberal development. (Willber and Jameson, 1984:6-9). Studying briefly the approaches to development by the orthodox view would highlight how liberal view interprets development.

2.1.2. Laissez-Faire, Planning and Growth-with-Equity

Laissez-faire approach aims to remove obstacles to the automatic process of development. In terms of obstacles, the irrational behaviour, and the role of the government and the planning of the economy are the ones that they deal with.

The rational behaviour of man is maximising benefits and interests. Therefore, monopolies and the market failures are the point, which stand against this rational behaviour of man. Minimal economic cost is a way to remove the obstacles in economic development. The success of the laissez-faire understanding is possible with the realisation of a goal as such.

Government intervention is an example of deviations from laissez-faire approach. Government, setting the prices and controlling certain sectors, are not welcomed because such interventions could disturb the functioning of the market. Nevertheless, after disturbances in the economy, which are political in origin, government intervention may become necessary⁵ to remove the disturbances. This is a conflict to be solved for laissez-faire.

Planning is another liberal approach, which permits government playing a role in regulating the economy. In case of an irrational behaviour, government can play the role to modernise its citizens. Furthermore, the rules, which are necessary to transform the market, can be imposed on the actors in the economy through the government.

Growth-with-equity is distinct from other two approaches of the orthodox development understanding. If we consider laissez-faire and the planning approaches designed to point out the success of post-WWII development strategies, growth-with-equity tries to overcome the deficiencies in those post-war strategies.

The emergence of LDC and the increasing disparities between the developed countries and LDC raised the question of inequality of income. The arguments were on the point that market-oriented economists tend to discount the problems of distribution (Bates, 1987:239). However, growth-with-equity approach emphasises the need for inequality of income to provide incentives for investment. The benefits will eventually trickle down the less-benefited part of the society. The growth is the

primary objective where the trickle down is the latest point of development. However such a view has been criticised because of the fact that distribution after the growth is not possible for the countries due to the real structural disparities in the economy. The process of that type of growth has an uneven nature of the integration process. Benefits of growth, like increasing wealth and income, are unevenly distributed. This uneven distribution undermines the redistribution capacity of the nation states. The currency crises in 1990's (1997 Asian, 1998 Russian and 1999 Brazilian crisis) are remarkable in blowing out the optimism about the benefits of growth. (Onis and Aysan, 2000: 120). Growth did not bring equity and development in those instances. Since the emergence of the liberal development idea, the world was going through certain changes, which can not be explained solely by growth. That is why the following section will be dealing with how this liberal thought is perceived by the countries, which are considered as underdeveloped.

2.1.3. Liberal Development Understanding and Developing Countries

The post-World War II period has witnessed the rise of the development debate. When the orthodox explanations have been exhausted to explain the backwardness, new perspectives on development were created to explain the lack of necessary factors for development. Those factors were modernisation for some, dependency for others. The different interpretations to explain backwardness and the lack of development are mobilised into institutions such as Economic Commission for Latin America (ECLA) group and UNCTAD (United Nations Conference on Trade and Development) than to the strategies of loans of the IMF and the World Bank.

The development that liberal understanding wants to attain is one without a social reaction because they perceive social mobilisation and

revolution as something undesirable for the LDC. An important source of developmentalist ideas within the UN system was the Economic Commission for Latin America (ECLA). ECLA was established against the will of both US and USSR in 1948 reflected the realisation of Latin America and other third world delegations that the UN needed to address the issues of development and industrialisation. (Sikkink, 1991:57).

To give an example about the developmentalists in the LDCs, in Argentina, developmentalism (*desarrollismo*) was rooted on a critique of conservative governments of the 1930's and the Peronist experiment. Developmentalists supported Peron's industrialist vision but criticised government emphasis on light consumer goods and his concern on distributive issues at the expense of creation an integrated industrial sector. (Sikkink, 1991:61-63). The Developmentalists with their orthodox liberal vision turned to the industrialised countries of North as a model of the future progress of their own countries.

With UNCTAD (United Nations Conference on Trade and Development) in 1964, the developing countries had the opportunity to exert their demands to redress the imbalance in the world trade and development. The group of developing countries founded on the UN corp., are called "the Group of 77". The Group 77 declared that they trusted the international co-operation and they adopt the programmes. However, they will be putting solutions to promote their development while respecting the interests of all parties concerned. This was the New International Economic Order accepted in 1974 by the General Assembly of the UN.

Nevertheless, this was the interpretation of the countries, which are in need of technical expertise; the technical expertise is what the so-called developed world has already had. The disparities within the realm of political economic development have been reflected to the understanding of the international order.

On economic evaluation of the liberal understanding and its derivatives, one of the objections comes from the basic determinants of the understanding that a stable-constant rate of growth is foreseen. However, the growth rates were far from being stable in the post-war experiences of the developing countries. (Pio, 1994:280). The fluctuations in the economic realm are in part due to changes in the international environment. In that sense, any analysis using a stable growth as a determinant, should take into consideration the exogenous changes too. Liberal thought did not foresee a setback from exogenous factors, development was perceived as an internal problem.

Liberal understanding interpreted the demands on development totally different than that of the developing countries. Liberal understanding interprets the development as something western, something developmentalist, something, which does not perceive any irrational behaviour, let alone a social reaction. However, alternative to the Liberal view, the Marxist and International Political Economic perspectives brought fruitful arguments on development.

2.2 Marxist and IPE Understandings of Development and their Contributions to the Development Debate

In order to reveal the difference and inadequacy of the liberal development theory, two other important theories of development will be pointed out, which present significant contributions for the development debate. The purpose is not to discuss the validity of those understandings but rather to show their positive contributions.

In parallel with the Liberal thought, the Marxist understanding also interpreted the development dilemma. Then, neo-Marxists began to inherit class, power and socio economic organizations. The new

interpretations of development inherited new comparative political economy. As can be found in Polanyi's "comparative historical works", in Andre Gunther Frank's writings and in Mouzelis's adoption of weberian and neo-marxist concepts and even World System Approach as characterized by I. Wallerstein, socio-organizational structures are also deemed as important agents in development. These comparative works in that sense inherit Dependency and World System Approaches together and identify International Political Economic perspective as keys to open the development lock. (Denemark and Chew, 1996:2-5).

2.2.1 Marx's Understanding in Development

According to Marx, human civilization has manifested itself in a series of organizational structures, each determined by its primary mode of production, particularly the division of labour that dominates in each stage⁶. The stages are primitive communism, slavery, feudal stage and capitalism, where the capitalism is the current stage.

In terms of capitalist mode of production, the problem of the underdeveloped countries was that the rise of a strong middle class and the transformation of the feudal form of agrarian society, did not accompany the economic growth. To the contrary, there appeared a new business class where the agrarian society was more deeply tied to the land.

Furthermore, the governments of these countries are not capable of bringing the necessary changes to the social and economic structure by enforcement. Therefore, the potential social surplus is further reduced by this mismanagement. The dependence is not only in terms of international and internal dynamics. Such interdependence is among internal social, economic and political dynamics as well (Wilber and Jameson, 1984:16-17).

Marxist theory of development has foreseen the abolishment of the capitalist institutions. The replacement of capitalist institutions with a socialist one would be the true path of development. Because, the real cause of development is the 'failure of the middle class to perform its historical mission of creating a dynamic capitalist society' (Wilber and Jameson, 1984:19).

These stage of growth perceived the problem of development as solely class based, which brought certain critics, and let to the new interpretations of Marxism itself. The new interpretations of the Marxist development emerged and comparative historical works and socio-organizational structures came into the agenda.

2.2.2 Dependency Theory and Marxist Reaction to Developmentalism

The *Dependency* theory focuses on the development and the underdevelopment debates, regarding the different paces of development speeds all over the world. However, their perceptions are more related with the external dependence to shape internal economic and social structures, contrary to Marxists' class based framework to explain international differences among nations in terms of development.

Dependency theories emerged in 1960s 'to question developmentalism assumptions about Third World' (Haynes, 1996:9). The initial premise of the dependency school is the denial of development as a blueprint of developed nations. Development is at the expense of underdevelopment of the rest.

The writings of Andre Gunther Frank adapted dependency theory to Marxism⁷. Andre Gunther Frank defines metropolis and satellites as the unit of analysis, as Wallerstein later defined it as core and periphery in the World System Approach. The first point to mention regarding Frank's analysis, is his rejection of static stages of development

for the underdeveloped nations of that day because, even the traditional stage of the Rostow does not exist, due to the assimilation by the global capitalist economy. Therefore, there existed an asymmetric relation between the metropolis and the satellite (Haynes, 1996:10).

Satellites only develop if their ties with the metropolis weaken because self-sufficiency and the domestic-orientation of the development are essential in order to have a prudent and long-lasting development. However, even the satellite tries to loose the ties with the metropolis; the metropolis can mend them back through the Multinational Corporations (MNC) and similar international business corporations (Haynes, 1996:11). The MNC, with their financial assets world wide, "by allocating the factors of production and controlling investment flow", have great impact on the character of economic development. (Holsti, 1995: 62). Therefore, the ties with the metropolis have not been weakening and satellites do not develop.

Inline with Developmentalism, the World System Approach adopted the idea that since the emergence of the capitalism, the world is divided into core and the periphery. The Core states are industrially developed, whereas the periphery relies on production and exports of primary products. On the transition line between the two spheres, lays the semi-periphery, which includes both the characteristics of the core and the periphery⁸.

The economic surplus flows from the periphery to the core. This causes the division of wealthy and poor states. Because of this process, 'an interdependent but unequal' relation emerges among the developed and the underdeveloped nations. (Wallerstein, 1996:232).

When we look at the Developmentalist analysis in general, we can see merely macro-level analysis and the perception of the change coming from outside of the developing countries. Nevertheless, they are successful at pointing out the negative effects of imperialism,

international economic system and ignoring socio-cultural factors and focusing merely on economic development of the countries. Development is not at same level all around the world; it is not a linear process. Here come the dependency theories to explain this uneven development map of the world through their historical explanations on Western capitalism and imperialism.

Different from liberal premises, Marxist understandings of development brought the analysis of the class into the development debate. Development is rejected to be a blueprint of the developed nations and the idea of certain stages of growth and linear development is criticised. Development can not be restricted to stages and even so, it may not be equally distributed.

2.2.3 International Political Economy Perspective of Development

International political economic point of view is one of the key understandings, which interprets development and incorporates to the strategies of governments in their policies, both economic and political. In political economy, man is a social being whose arrangements for the production and distribution of economic goods must be, if society is to be liveable, consistent with the institutions of family, political and cultural life (Wilber, 1984:VII). As Robert Gilpin points out "the parallel existence and the mutual interaction of 'state' and 'market' in the world create political economy." (Gilpin, 1987:8). Political economy does not perceive development as only an economic growth, its success in understanding development lies beneath this point of view as well.

In order to better analyse how development have come about, as pointed out by Polanyi, the knowledge of the society is one of the fundamentals of the consciousness of Western man (Polanyi,

1957:258A). The acceptance of the reality of society enables to remove the injustice (Polanyi, 1957:258B).

Development should be the means for human development, not the end for economic growth. In that sense, scholars like Goulet define development as liberation, not sole economic purposes (Wilber and Jameson, 1984:13). However, the development is not evenly widespread among the nations of the world.

The IPE theories brought other factors than economic growth and developmentalist's stages of growth, like non-economic factors and the relation between the international tendencies, political events and local economic conditions. The IPE theories incorporated economic and political factors and successfully introduced society as an indispensable agent of development.

2.3 Development Theories and how Liberal Understanding Differs

As mentioned in the Introduction, Development is a volatile concept, a process, a multidisciplinary study, which may vary according to the special economic, political, social and international aspects of a country. Any study on development, with a purpose to highlight the deficiencies of developing nations and to form a package on economic measures like IMF programmes, should inhale the over all debates on development. The approach to understand the development debates facilitates the idea to form a deliberate, comprehensive and an applicable programme on development. The theories should be analysed together. As mentioned at the beginning of this chapter, development is a multi-dimensional concept, which can not be limited to liberal motives

The first step is to understand the criticisms. The criticism about developmentalist approach from an International Political Economic point

of view is brought on the fact that developmentalism can not answer how international economic or political factors and power relations among social groups help to shape the strategies (Silva, 1999:48). As Bismarck once said "politics is the art of possible". Development policy is a common example of this art in the third world countries and, as it is expected, it has been quite sensitive to factors which delimit the range of the possible, namely: "the nature and history of economics, social and political institutions, in each country, its cultural milieu, and even the nature and history of its ideological controversies" (Banuri, 1991:1). The factors of development should not be narrowed to the economic factors only.

A number of dogmas from the developmentalism had to be rejected like interpreting development as an economic fact or perceiving development as a linear and continuous process. Little attention has been devoted to the study of structure and of discontinuous processes where different actors and different factors both economic and politically play role and where the development is not a common sense to everyone. Much attention has been given to a variety of fundamentalist economic dogmas such as capital planning fundamentalism (economic plans are set forward for a period of time, without considering the possibility of changing conditions, which created the prospects of the plans) (Yotopoulos, 1976: p.10).

When the analysis of the problem of development by means of existing linear development idea became inadequate, structural and institutional difficulties, which had been expected to disappear with the early developmentalist theories, became imminent. (Blomstrom, 1988: 170). That is why the general tendency had been to abolish one-dimensional conceptions focusing on economic growth and replaces it with the multidimensional notions incorporating non-economic aspects as well. (Blomstrom, 1988: 35). The emergence of neo-marxist and other

international political economic theories is the manifest of the trend to drive away from these single sided economic models to explain development.

The undevelopment among the underdeveloped countries is in a great range of variety that, one might fall into describe them in terms of a single model. (Roxborough, 1994: preface). Theoretical generalisation is possible but, the process is a complex one. It is hard to define development taking one instance as evidence; there are varieties of forms of not being developed. It is necessary not to fall into the mistake to explain every single development question within the same paradigms of an understanding. As Abraham Maslow once said, if the only tool you have is a hammer, everything begins to look like a nail. (Banuri, 1991: 25). Liberal development understanding tried to address the development problem from a single point of view, which is the initial error.

Any programme on development should have this incorporation of different forces at work to bring out a stable and long lasting development strategy. It is the values of people that would bring the real change to the existing structure. If liberal development theory have not been based on the idea of development as a replica of the developed nations, the "stages of growth", and adopted a new development understanding incorporating society as an actor, one of the important factors of failure of the IMF program in Argentina would have been overthrown. IMF Structural Adjustment Programs reflected this linear development of liberal interpretations of development and the following chapter will be studying IMF programs, the conditionalities and in how it interpreted the understanding of development.

3- IMF STABILIZATION PACKAGES AND DEVELOPMENT

This chapter will be indicating IMF prescriptions, which are founded in stabilisation packages, how IMF has become one of the institutions bearing development purposes, how SAP emerged. This study of the IMF will include the hints of the World Bank development perspective as well because, they are the twin institutions of the same foundation, but the way they deal with the development differs from each other. Therefore, it is important to discuss the World Bank development perspective, just for the purpose of revealing this difference compared to discussion of IMF's perception of development. The section 3.1 will be reflecting this purpose. Then, in the following chapter, we will be combining how IMF SAP program was implemented in Argentina.

3.1 IMF as an Actor in Development

The IMF and the World Bank are Bretton Woods's institutions, which are created to regulate the post-Second World War international economic regimes. The IMF was created to deal with the stability of the monetary regime. This initial purpose on the establishment of the IMF, which is the dependence of stability and the order on regular regimes of trade and development, led the IMF to carry its function until today.

The IMF and the World Bank are established for a common purpose, to provide stability and order in the international economic regimes but their programs differentiated from each other on many points. Countries facing imbalances in their external deficit accounts usually sought the IMF's financial support to tide over temporary difficulties of debt payment. If the imbalance persisted, the IMF

prescription is for devaluation, to encourage exports at a cheaper price and to discourage imports at a higher price while the time span is short (Dasgupta, 1998:70).

Different from the IMF package, the World Bank assesses the viability of the projects and the capability of repaying loan on the basis of guarantees by governments. The World Bank has an approach which is supply-side oriented; it urged the governments to get the prices right, to make private sectors the main actors in the economic scene and to reduce the role of the state in the economy to the minimum (Dasgupta, 1998: 70). It is obvious that the IMF has its basic concerns on the macro-economic management and operated on the demand side, while the World Bank focuses on micro issues, especially on project or program based lending.

In order to act in compliance with the needs of the international order and regimes, which will be more clear in this section on issues like the abolishment of the gold standard, oil crisis of 1970's and debt crisis in 1980's, the economic agenda shifts to new parameters and thereby the IMF tries to adopt the new features of this new agenda. After losing its leverage on developed countries, IMF shifted towards the developing countries. (Akyüz, 2005:6). This shift is usually through certain policy changes like the IMF involvement in more long-term economic instabilities. The policy changes are reflected on the specific characteristics of the IMF package like that of policy prescriptions and the duties left to the receiver countries. The changes in the policies also make different perception of the IMF on development more obvious than that of the other Bretton Woods twin, the World Bank.

In terms of dealing with structural changes, the IMF led on exchange rates, balance of payment problems and restrictive trade systems, while the World Bank leads in the development of financial institutions and capital markets. In addition, the former distinctions

between the IMF and the World Bank are still evident, which are macro versus micro, demand versus supply, financial versus real, program versus project loans, and short-term versus long-term. However, since similar conditionalities are proposed, the above distinctions usually become eroded. (Dasgupta, 1998: 75). This also becomes obvious by policy announcements such as the Policy Framework Paper (PFP), which is another manifest of the IMF and the World Bank working together.

The PFP was introduced by 1986 as the IMF began to deal with structural adjustment. That was a policy framework paper, which indicated the country's major issues, the objectives and priorities within a three-year programme, and with the broad thrust of macro-economic and structural policies and made out a case for external financing. (Dasgupta, 1998: 75). The PFP suggested a very high degree of co-operation on the conditionalities in that specific country because; the PFP was a joint product of the country and the two agencies.

Even in 2006's. Still the IMF and the World Bank perform common announcements in terms of development. The Global Monitoring Report (GMR) of 2006 is a very good example of call for a joint action on development. In the GMR 2006, both institutions commonly announce the development goals. In order to achieve global development goals, the principle of mutual accountability of donors, the international financial institutions, and recipient governments for the quality of external support and for improved performance is set out as central to accelerating performance. However, still the IMF and the World Bank acted on their behalf in applying the adjustment programs because as mentioned before, both have different perspectives in dealing with this commonly announced problems of debt and development. The firm study of stabilization package of the IMF will reveal what the IMF has implemented on its behalf. In order to understand the stabilization packages and its conditionalities, it is important first to study the IMF's

changing role from 1970's to 1980's. Because the IMF packages applied in 1990's emerged in 1980's. Therefore, in order to understand the IMF's role, it is important to grasp the developments paving the way to the IMF's role in development and emergence of the SAP.

3.1.1 IMF in 1970's

At the early years of The Bretton Woods institutions' emergence, they did not focus mainly on the Less Developed Countries (LDCs). Both the IMF and the World Bank were to operate in the interest of the developed countries (Dasgupta, 1998:69). The IMF had its main role to guard gold standard, under which the value of a country's currency was defined in terms of ounces of gold (Dasgupta, 1998:70). It is important to remember that the IMF dealt with short-term balance of payment difficulties, while the World Bank assessed long-term financial support for projects. However, the breakthroughs in the economic history eventuated in the certain changes of roles for these institutions. The IMF turned close to the LDCs.

In the 1970s the oil shocks brought challenges to the policies of the IMF and the World Bank. Sharp increase in the oil prices ended with a surplus of money in the hands of oil exporting countries. The surplus revenue from the oil price boom was used to finance the government deficits of the developing countries because the developing countries were supplied with loans of the commercial banks with lower interests than the interest rates of the IMF and the World Bank provided. Rich oil exporters established their own commercial banks as a financial resource (Polak, 1997:478-479). In a way, those two stabiliser institutions have lost their clients.

With the abandonment of the gold standard and the floating of the currencies in 1971, the role of the IMF as supervisor of gold standard was

over. Its effectiveness in the world economy was diminished. Since then, the IMF's activities remained mainly confined to the LDCs.

The dissolution of the gold standard and the emergence of a well-integrated global market diminished the role of the IMF with the developed and industrialised countries; the importance of the twins has grown more than proportionately in the economic policies of the poor recipient countries that have virtually no influence over the decision-making process of twins. (Dasgupta, 1998:73). In the IMF decision-making, voting is linked with the contributions of each country to the initial fund, which is again linked to the size of the country's GDP.

The Fund turned its operations towards developing countries because it was no longer needed by industrial countries as a source of liquidity, therefore it lost leverage over exchange rate and macroeconomic policies of these countries and with the expansion of IMF membership in Africa, the Fund introduced long-term funding and exceptional lending. (Akyüz, 2005:6). On the other hand, this was within the scope of development since overcoming structural payments deficits requires reducing foreign exchange gaps, chronic public sector deficits, which required structural and institutional changes and economic growth, rather than demand management. (Akyüz, 2005:6). Such a policy change to LDCs and development issues also involve action in areas of policy including agriculture, industry, trade, investment, technology, finance, the labour market and the public sector. The fund has begun to deal with a subject different from its reason of existence. (Akyüz, 2005:6).

3.1.2 IMF in 1980's

The policy change of IMF towards LDCs in 1970 and the debt crisis of the 1980s have reversed back the role of the IMF with a task of crisis management. The easy loans of the commercial banks given in 1970s led to the increasing rates of borrowing by the developing countries. The

already existing balance of payment difficulties of the indebted countries is exacerbated with these easy loans. (Polak, 1997:485).

The objective of the IMF to deal with the developing countries, brought the institution back to the agenda because there was a strong belief in the free market (Dasgupta, 1998: 77) and the IMF foreseen the free market operations for the developing countries in alleviating their undevelopment. As a result of the IMF purpose to set up free market operations for the developing countries, the loans given to debtor countries were tied to conditionalities in order to provide a stable base for the free market. Structural reforms were the evidence of the asserted role of growth and development for the achievement of conditions of free market.

The creditor banks and creditor countries continued to be in receipt of a steady stream of interest payments. As a result of those debt service payments, the debtor countries suffered an uninterrupted outflow of resources. Not only the financial crisis of many peripheral countries but also their economic and social crisis were worsening yet further. (Kreye, 1996:117).

During debt crisis, IMF was a useful agent to overcome the short term difficulties of debt payments for the developing countries however as the IMF came back to the agenda, the foreign debt of Latin America, and the most heavily indebted region of the Third World in 1982 in relation to GDP, increased from US\$ 331 billion in 1982 to US\$ 453 billion by 1992. (Kreye, 1996:118). The payment of the interest and the principal of the debts were US\$ 170 billion in 1992, which represented 5% of the Third World countries GDP of that year. (Kreye, 1996:119). However, the indebtedness of the countries did not diminish during the debt crisis fortified with destructive repayments.

The suspension of the debt service payments by Mexico in 1982 marked the beginning of the debt crisis. (Kreye, 1996:116). The debtor

countries declared that they are not able to pay their debts any more, which means moratorium. Mexico was the first to declare moratorium. Nevertheless, Argentina, Brazil, Chile, Philippines and Yugoslavia followed her. (Polak, 1997:488). Finally, the IMF and the World Bank came back to the agenda of the debtor countries in order to alleviate their economic predicament. From 1986 onwards, many countries got use of the development packages, but ironically for some of the countries, the adjustment of the temporary problems lasted more than 17 years.

3.2 What is a Stabilization Package (SAP)?

The IMF inherited its new role to help indebted countries to deal with the problem of debt. For this purpose, the IMF Stabilisation Package was introduced in the early 1980's, with a set of conditionalities for the purpose of adjustment.

The IMF stabilisation package was introduced in order to achieve the aim of providing stability and order on short-term imbalances in the external and internal accounts in large number of countries. Stabilisation is the name given to a set of free-market economic policy reforms introduced as a condition for receipt of loans. The stabilisation involved both finance and a group of conditionalities. (Dasgupta, 1998:15). The conditionalities are introduced in the Stabilisation packages in order to comply with the purpose to improve foreign investment climate by eliminating trade and investment regulations, to boost for exchange earnings by promoting exports and to reduce government deficits through cuts in government spending. "Within the context of the IMF, conditionality refers to policies a member must adopt to secure access to Fund resources." (Buirra, 2003:3).

3.2.1 SAP Conditionalities

The stabilisation packages of the IMF have broad conditionalities. The conditionalities vary from trade liberalisation, tax reform, banking and financial system reforms like elimination of export tax, reduction on import duties to reduction on public subsidy. The IMF became a part of the LDC's economic, political and social life through the above conditionalities. The idea of bringing development through a set of conditions comes from the liberal development idea, which has foreseen a linear development, development by applying what the developed nations do.

When a country agrees to apply the conditions set forth by the IMF, the country also had to comply with the loan requirements as well. The IMF loan is linked to a percentage of the "quota" of a member. The first credit trade, equivalent to 25 per cent of the quota of the country, is made available more easily and with fewer conditions but the next three upper credit levels involve more tough conditions. A reserve level, equivalent to the difference between its quota and the current holding by the IMF of its currency, is offered without conditions and is in fact not treated as a loan. In all cases, the permissible quantity of loan is calculated as a percentage of "quotas". (Dasgupta, 1998:86)

The IMF stabilisation packages emphasise the structural measures "to promote domestic resource mobilisation, alleviate price distortions, ensure increased access to imports, and reorder investment priorities in countries looking for loans." (Jilberto and Mommen, 1996:5). There is a standard requirement for all the debtors without taking into consideration the specific characteristics of those countries, which is also inspired by the liberal development thought. The social reaction and a country's specific characteristics represented a secondary importance against macro economic indicators. The below mentioned are the general conditionalities, which are set forth in the SAP's

Trade liberalization

Trade liberalization and opening up to the international markets are indispensable parts of the package. The financial openness may attract foreign capital. Yet, the supply of capital is not enough to bring development alone, if the inflow of capital does not remain in the country and the capital is not used in the productive sectors of the economy and if the capital is not used to ease the deficiencies in the certain factors of production, like that of technology, infrastructure and certain management skills. (Pio, 1994:283). If a country is not capable to compete in the international market, there occurs a risk of the local market to shrink and diseconomies of scale⁹ may be realised. Therefore, maximum benefits from the increased openness are only attainable if the developing countries are allowed to achieve their economies to reach out the sectors where they have a comparative advantage. However, given the comparative advantage of the high-tech industries and the highly competitive sectors of the developed nations, the developing countries do not seem to benefit from openness without making necessary adjustments and without restoring a strong infrastructure in their international political economy.

In the collateral economic settings of the LDCs, openness in terms of trade and export-import balance may create problems for the LDCs because an external distortion or a shock creates the equivalent of a transfer problem, which is easier to handle in an open trade regime of the developed countries because of the larger size of the tradable goods sector. On the other hand, financial openness can lead to greater fluctuations in capital flows and thus to more frequent shocks. Especially in a model of inflation targeting, similar to Argentina after the hyperinflation, central bank is vulnerable to speculative attack on the currency. (Kumhof, et.al. 2000:2). In the event of a trade shock,

financial openness results in large-scale capital flight; this exacerbates rather than easing the problem of adjustment. The IMF general development procedure conflicted with different economic structures of different developing countries.

Privatization

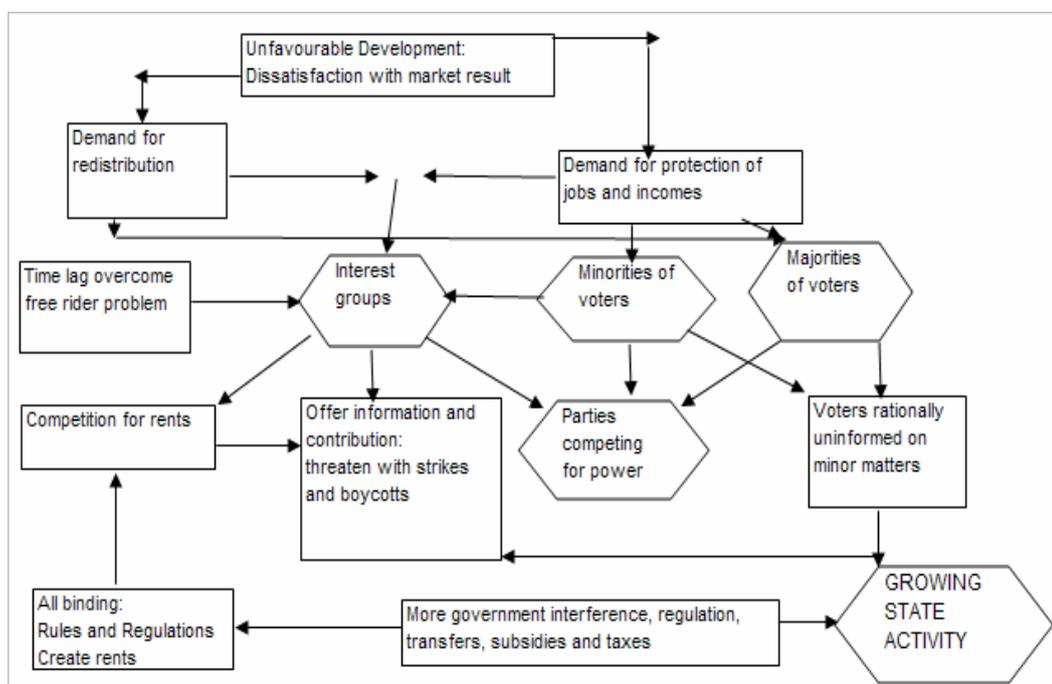
Privatisation is another vital part of the Stabilisation packages. The SAP includes the privatization of the public enterprises to reduce inefficiencies and government protection. The perception relying on privatization to decrease the deficiencies of government institutions like corruption may fail because the sectors, which were not working efficiently under government rule, would still need expertise to provide the necessary infrastructure and to achieve efficiency after privatisation. Rapid and mass privatisation would in the sense, cause to loose control over the important dynamics of the economy.

Government Expenditure and the role of the state

In addition to these, there should be a decrease in *government expenditure*, e.g. abolishing subsidies to agriculture. *Currency adjustments* to improve the balance of payment and remove barriers of free market, such as removing subsidies to interior market, are some other measures in this standard stabilization package. (Jilberto and Mommen, 1996:6).

Through an IMF type of development program, the powers of the state vis-à-vis corporate actors are reduced through intense financial liberalization at a time when effective regulation emerges as vital for the proper functioning of the system. (Öniş and Aysan, 2000:121). The involvement of the state may be useful in many instances, especially in times of crisis situation, in the sense that the state is usually deemed as

the authority to apply the necessary adjustments in the economy, Figure 1 tries to adhere this perspective. On the other hand, over-regulatory mechanism of the state may lead to further instability and dissatisfaction in the market, which is pointed out in Figure 2.



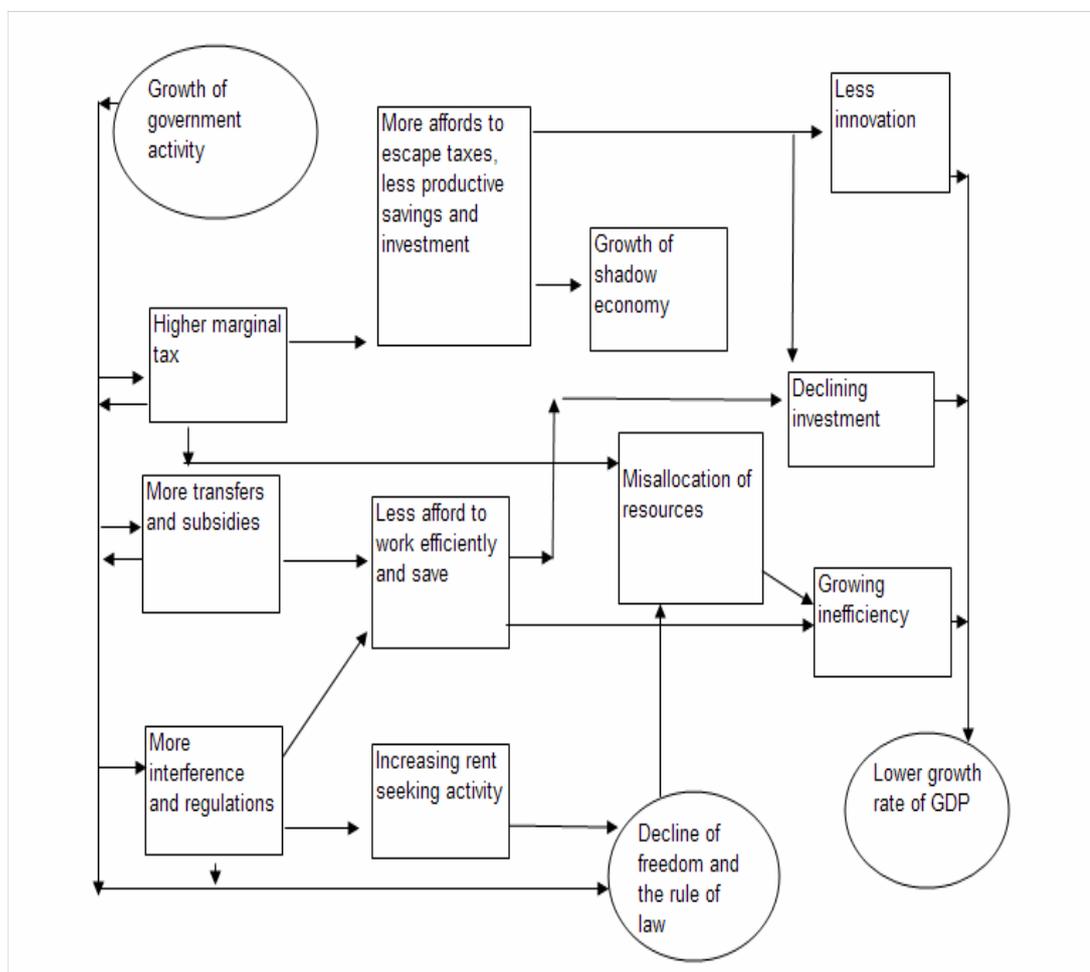
Source: (Bernholz, 2000:3-16).

Figure 1 Increasing role of the government¹⁰

In Figure 1, it becomes obvious that when a problem occurs in the market, when voters and interest groups complain about jobs, income and protection of their privileges, there is need for government action to prevent the market from being in a vicious circle. In that sense, the SAP conditionality of diminishing role of the state could be destructive because without intervention, the society might go into a chaos in times of crisis.

However, as Figure 2 also adheres, government intervention in times of crisis does not mean over-intervention and over regulation. If the government role increases unprecedented with increasing taxes, unneeded subsidies and over regulations, the resources of the country

would not be used efficiently, the investments would decline, inefficiency would increase and eventually the economy would shrink. Therefore, neither diminishing the role of the state, nor increasing it, would be advantageous in terms of development. Checks and balances in the society should be there to keep this balance of power intact. The SAP has foreseen the diminishing role of the state with an auto control of the society, which is the expectation of liberal rational behavior. In that sense, the success of the conditionality of diminishing government's role is dubious.



Source: (Bernholz, 2000:3-16).

Figure 2 The consequences of unprecedented growth of the role of the Government

Growth and Money Creation

Rather than defining specifically government's role in development process, the Stabilization Package of the IMF rests on a monetarist perspective, which reflects a macro economic manifestation of the orthodox liberal view. Monetarists believe that the changes in the stock of money are the primary determinants of total spending. Also, there is a belief that the demand of money is a function of total wealth and the expected future streams of money. Therefore, a policy aiming to influence the real sector of the economy has to find ways of keeping control over changes in the quantity of money, including bank credit.

The orthodox stabilization understanding focuses on money creation and overvaluation of the exchange rate as the source of inflation and balance of payment deficits. In order to achieve economic stabilization, devaluation of the exchange rate and reduction in the rate of growth of domestic credit is required. (Cline quoted in Williamson, 1981:175). As in the model about the relationship between money supply and price level, to reduce inflation, money supply growth is decelerated.¹¹ In inflationary economies, the central bank should draw back currency from the market through monetary policy. The SAP foreseen that, in order to reduce the inflationary tendencies, interest rates should be high and the credits should be lowered.

In the IMF stabilization packages, there argued to be long-run growth benefits that correct distortions between internal and external factors. However, the package may cost some temporary loss. For instance, eliminating the trade barriers may end up in a fall of the output in the sectors favored with the barriers. If economic agents do not consider the government's program credible, it may take time for the benefits of the trade liberalization from the newly favored sectors to reveal. (Krueger quoted in Williamson, 1981:186). However, over a longer period conventional anti-inflationary effects of the monetary

restraint could take hold, and before that time was reached political disruption in response to the short-term inflation could scuttle the package. (Dervis quoted in Williamson, 1981:185). Because in small open economies, the government budget is a source of instability and seigniorage remains an important source of financing. Political disruption may sparkle from any concern related to budget, relying on the fact that small economies may have weak fiscal revenue base, a rudimentary tax collection system, the contingent bail out liabilities attached to weak banking system and overspending at the federal or regional level. (Kumhof, et.al. 2000:3).

According to this IMF approach, society's resources determine the growth of output and employment. The price level is simply the rate at which money can be exchanged for this output. Since the behavior of prices over time is determined by the growth in the money stock relative to the growth in output, total spending in the rate of inflation is uniquely dependent on money supply. What is needed is a long-term monetary policy, which is contrary to the initial purpose of the IMF to help temporary economic problems.

The implication is that, if money supply is held constant, any growth in domestic credit will be offset by a reduction in foreign exchange reserves, with any reduction to balance of payment deficit. An increase (Dasgupta, 1998:90-91) in domestic credit raises the money stock and therefore money income. This leads to a reduction in international reserves and a balance of payment deficit.

3.3 SAP's vision and what IMF has not foreseen

The SAP carries a vision that the market oriented economic reforms will allow the countries to overcome their historical problems of economic backwardness and political instability. The SAP insists on the fact that

markets are the best guarantors of the sustained economic growth. However, such a view does not take into consideration that extremes of socioeconomic inequality may undermine the development of civil society. (Oxhorn and Ducantenzelner, 1999:13).

The IMF development procedure did not envisage an irrational behavior from the society, as it is in the liberal development idea. Any resistance to program was irrational. Rational behavior is to implement the IMF procedures, since the developed nations attaining these measures, any society, should be doing the same way. However, measures like privatization, trade liberalization and decreasing the role of the government affects society as a whole and such a process can not be made without the society itself. Especially for the countries with political disabilities such a task is difficult to attain. Thus, any policy should be guarded with stern will and pushing power of both the applicant and the applier.

In order to establish a genuine development, pure economic measures would not be the solution to the general problem of underdevelopment (Oxhorn and Ducantenzeiler, 1999:14). With such a prescription to tie economic growth to development, the SAP pursues an orthodox line. Therefore, one should remember that combining politics, economics and society is better suited to explain the relation between the development and the civil society. It is important to understand and recognize state's role in society in addition to other factors such as "international variables and the structures of political institutions advance the understanding of the prospects for democracy and the danger of backsliding to authoritarianism." (Silva, 1999:48-49).

Stabilization, although aims to regularize economy, is not only an economic package because, it implies adjusting the political and the economic institutions to the market procedures. The achievement of social well-being is not an integral component of the SAPs but a hoped-

for result of applying free market principles to economy. Moreover, for the SAP regulations' transfer of income, wealth and power into the hands of the economic and the political establishment, the proper working of the system is required due to conditions of free market and openness, as well as privatization. This is a model of development, which does not clearly envisage where among the society it accumulates. Because of this reason, the SAP type of development is vulnerable and conducive to social uprising. (Teubal, 1996:201).

The IMF is usually criticized through its monetarist and liberal development approach. There are major questions asked. First is how to measure money in a LDC situation, where the level of monetarisation is low and a large number of economic transactions are carried out without the exchange of money. The problem is essentially structural. (Dasgupta, 1998:91). Another question in mind is about the economy which is under-capacity. In a situation where the economy is operating below full capacity, increase in money supply would not lead to inflation. (Dasgupta, 1998:91). The foresights of the SAP were not realized in many instances because not each and every country had the same economic and political structure and needed the same conditions for development.

The policy of demand constraints goes so far as to self-defeating. It may lead to a contraction of supply, because of its overpowering deflationary impact, which pushes up the inflationary pressures. There is also the risk of devaluation, by transferring real purchasing power to those with a high propensity to save, resulting in raising of saving above investment, thus leading to contraction of the economy. (Dasgupta, 1998:90)

Measures to reduce fiscal deficit, as the SAP had foreseen, may have negative effect on social services under the conditions of macroeconomic instability, which already existed on the applicants of

SAPs. (Lustig, 1995:190). In Latin America, with inflation and changing relative prices, real tax revenues fell sharply during the first half of the 1980's, which indicated the inability of the tax systems to develop a solid structure despite the tax reforms of the packages. Furthermore, inflation coupled with relative price changes and revenue uncertainty, damaged the application of efficient budgetary programming. The economic uncertainty further strained fiscal resources and contributed to the deterioration in quality of social services. (Lustig, 1995:190).

By the end of 1980's, after years of economic deterioration and stern structural adjustments, local authorities were no longer able to respond to the crisis situation and implemented thoroughly the targeted actions in a multi-sectoral and in a coordinated way, social action programs were introduced as a part of the stabilization packages. These social action programs persevered at protective and promoting measures against negative effects of the development process. Nevertheless, the social action programs are fully administered by local authorities, despite their weak infrastructure, and the program is the wholly part of the country's development machinery. Though, the initial purpose is to alleviate the social conditions of the country, this type of social fund has never been prevalent because the local machinery to deal with this social program is not equipped with the necessary infrastructure. Most branches of the administrations suffered from low efficiency and are unable to develop autonomous new approaches for the delivery of the social services. (Cornia, 2001:11).

Structural funds, as a part of the stabilization measures, focused on the long-term poverty alleviation and tried to fill the gaps like human capital in health and education. However, the adjustments were not effective and timely enough to overcome the negative effects of long lasting economic decline. (Cornia, 2001:18). The measures were taken after the crisis, not as a preventive control before the SAPs; structural

funds were late and not efficient. The IMF packages tend to affect inequality in the sense that the over-deflation as a target to offset hyper or over inflation and recession tend to depress the wage share in total income and even a recovery is achieved when the income distribution is further deteriorated because the structural programs promoted wage flexibility, reduced government hand on regulations, eroded the minimum-wage rate, reduced unionization and reduced tax progressively and privatization. (Cornia, 2001:19).

Social funds, as a corporate body of more recent economic stabilization programs, are addressed to communities, which clearly request to take part in. (Cornia, 2001:22-28). However, in social programs relying on the explicit demand of the countries, poor administrations, which do not have the organizational capacity to articulate their demands, would be neglected. In addition, the application of the funds in the recipient countries would not be immune from political interference because in times of economic and political crisis the funds would be manipulated through i.e. giving preference to the supporters of the existing regime or to those who advocate the stabilization. Therefore, a sustainable poverty reduction "... requires a complementary macro-economic policy, which takes into consideration its social impact, greater long-term investment in social capital and the development of permanent social security system." (Cornia, 2001:28). The stabilization programs should avoid extreme social expenditure cuts and have to balance the relationship between the objectives of the program, political stability and social protection.

The IMF was late to deal with the specific dynamics of the countries, which get use of its funds and which are subject to the SAP prescriptions. It was only with the introduction of the social funds that, the SAP foreseen the alleviation of the social strata. However, the social funds were delivered to the state administration, which was not able to

transfer the funds to the necessary sectors of the society and even if they did so, the IMF was late to respond to social reactions and consideration of the countries, which applied the SAP. As a consequence, the internal weaknesses and inefficiencies could not be alleviated with a permanent solution. Since the precautions were not timely and effectively, the volatility of the existing structure could not be halted.

The IMF prescriptions did not restore the confidence of the investors to that particular country but rather worsen the profile of the debtor country. De-legitimizing the state, increasing the alienation of the people, increasing class conflict and increasing the social and economic burdens on the vulnerable classes are some other criticism. Due to low payment and limited job opportunities, financial burden even causes brain drain and loss of skilled people of those developing countries (UNDP, 1992:57).

The IMF conditionality policy and the terms, on which the lending was issued, has been a source of controversy. The traditional criticism is that the Fund is insensitive to the individual situations of the borrowing countries, because with its monetarist approach, it is ideologically biased in favor of free markets and it overrides sovereignty and perpetuates dependency. (Williamson, 1983:XIII). The IMF model of development was based on tight economic instruments stemming from classical mainstream economic theory. The IMF conditionality with Structural Adjustment was therefore designed to promote economic growth; nevertheless, the imposition of conditionality of a particular model of development and a narrow set of economic instruments. (Pender, 2001:399).

The understanding of IMF packages is that the success of a package is closely correlated with the feeling in the country that it is developed by its own will. The weak administration in most LDC's tends to fold under the pressure of mounting outside commitments.

(Williamson, 1983:86). Economic establishments like developmentalism, supervision of capital, keeping the macro prices (real price, real wage, real exchange rate) stable at a constant rate are all possible at least at the principle, like all other macro policies that are executed reasonably. Nevertheless, the principles can be realized as practices on the grounds that the independent operation power of the governments should be enhanced and the principle designers of the national economic policies should have the necessary skills to cope with the vicissitudes of this independent operation power. (Taylor, 2003:70).

The IMF insists on the fact that the origin of a balance of payment deficit has nothing to do with the adjustment measures required. The important thing is whether the deficit is persistent or temporary; if persistent, there is only one way of dealing with it, as the first of its Articles of Agreement asserts its purposes. (Sidney Dell quoted in Williamson, 1983:21). The first article of the IMF Articles of Agreement points out that, the IMF had the purposes of international monetary cooperation, the expansion and balanced growth of international trade, the promotion of exchange stability and of a multilateral system of payments, the mitigation of disequilibria in balance of payment and the provision of resources to facilitate the correction of such disequilibria. (IMF, 2005). However, while the IMF had tried to rely on the above purposes, it fell into such a mistake that the correlation between the supply of money and levels of expenditure did not indicate the direction of causality. It is not correct to group all forms of inflation together as being induced by a single factor, which is the increase in money supply in the orthodox monetarist perspective in the SAP. While adapting the remedies, it is important to determine the root cause of the problem. "Furthermore, care should be taken to avoid overkill in determining the degree and the character of adjustment needed in stabilization programs." (Sidney Dell quoted in Williamson, 1983:44).

As long as the combined features of the politics, economics and society are not included in the SAP, the complaints on the measures that the SAP proposes seem to continue. Even the triple variables of the society, economy and politics are inherited in the development process, the international agenda, the country's vulnerability to international crisis, setbacks and capital flows, and international political changes would be other determinants to affect the deal of structural adjustment and development. The specific character of each country reflects what kind of a procedure is desirable for that country. However, the SAP of the IMF does not carry that vision.

As mentioned in a previous section numbered 3.1.2, from 1980's onwards, the IMF is more active in the development agenda. However, due to the lack of vision as told in this chapter, the programs tend to be unsuccessful. Argentine development and the application of the SAP is a classical case for this. Next chapter will be analysing this relationship of Argentina, the IMF and development with the purpose of demonstrating the criticisms mentioned in this thesis.

4- THE RELATIONSHIP BETWEEN STABILIZATION PACKAGES AND DEVELOPMENT IN ARGENTINA IN THE 1990'S

Despite the fact that Argentina has been added to the system of the IMF funding since 1980's, Argentina is one of the countries which went through certain crisis both political and economic, and it does not take place among the developed countries. The SAP's applied in Argentina were not successful because of the inner political instability but also because of the IMF's interpretation of development as a linear and economic process and also IMF's loose application of policies which it relies on.

In order to highlight the relationship of Argentine development and stabilization packages, the economics and politics of Argentina from a historical point of view will be mentioned. Initially, a brief study of 1980's will be made, so that how the SAP came to the agenda of Argentina will be clear, and later the focus will be on Argentina of 1990's, when the IMF measures were devotedly applied. Then, SAP presumptions in Argentina and its repercussions from the IMF point of view and from the point of this thesis will be discussed. Finally I will elaborate the Argentine development throughout the years of the IMF funding and the SAP.

4.1 The politics and economics of Argentina from a historical point of view

4.1.1 Argentina in 1980's

Between 1950's and 1980's, Latin America grew faster than the industrialized nations, however this growth accompanied by disturbing elements, which endangered the long-term stability and sustainability of

the region. (Edwards, 1995:1). Despite the rapid growth, there was an excessive protectionism that created a rigid economic structure unable to react rapidly to the changing world's economic conditions. The combination of increasing burden on public sector budget and inefficient tax systems diminished the government's ability to provide equal and efficient social services. Weak economic structures forced governments of the region to rely on inflationary financing to bridge the gap between the expenditures and the revenues. (Edwards, 1995:5).

From 1930s to the 1983 and until when Raul Alfonsin came to presidency, Argentina had already seen over 24 presidents¹² (16 of which were army generals), 26 coups, hundreds of attempted ones, and only two elected presidents (one of them was Peron, and the other was Justo) where Raul Alfonsin would be third. (Smith, 1994: 266). In that sense, Argentina was one of the countries which were politically instable.

The problems of 1980s indicated the traditional pattern of financial crisis worldwide. The borrowing was euphoric and the lending followed payment difficulties of the nations in the Latin American region and the period was also characterised by the emergence of international institutions like the IMF, helping the countries delay the defaults of those countries, which accompanied systemic financial crisis. (Altimir and Devlin, 1993:339). In 1983, free elections were held in Argentina as an evidence of the will to pass to a stable and democratic regime. When the *Proceso*¹³ was abolished, it was thought that the democracy is further solidified. However, the crisis under the influence of ideologies, prevented the proper restoration of a sound democratic market regime, and the economic vicissitudes may turn decades into totalitarian or at least authoritarian regimes like it had happened in Argentina under Peron rule. (Bernholz, 2000:13). Since the military and the dominant classes were deprived of their privileges, they posed a great challenge to the establishment of a new system.

In Argentina, in 1983 Raul Alfonsin initiated a democratisation package, which included the rights of citizenship, freedom of association and political activity. In addition to these, in 1985 *Proceso* is sued for the court judgement about the unjust affairs during the military reign. (Smith, 1994:269). However, the other side of this transition process should have been the economic transition because the legitimacy of the new institutions, the new regulations, and the consolidation of power was required, which was impossible without a firm policy on economy.

The legitimacy of the new regulations and institutions was highly tied to the economy side of the story because, due to the economic crises of 1980's and the extreme liberalisation programs of the previous periods, Argentina had an instable economy. The population was growing; where the GDP was at the rate it was in 1970. Investment was decreasing with a public deficit of 11.1 % of the GDP, where foreign debt was 80% of the GDP. (Smith, 1994:270-271). Raul Alfonsin ought to deal with a huge task of economic indicators. His promise was to take the reins of the economy but this would be without the prescriptions of the liberalism of the IMF.¹⁴

The debt crisis in 1982 and the failure of the orthodox policies to deal with the crisis caused the intensification of the reform process, as a result of which policy makers began to supplement the modernisation reforms with social programs, and reformers focused more on reducing the inequalities and minimising the poverty.

The consequence of the emerging adjustment packages, the SAPs, was a rapid acceleration in inflation; however, Argentina experimented anti-inflationary policies, which de-emphasised the demand management and fiscal discipline. The most important element was to break inertia but failing to attain fiscal equilibrium. (Edwards, 1995:33).

The Alfonsin government avoided taking loans on the terms of classical economic conditions in the IMF package. At the same time, the

government tried to force international creditors and the IMF to deal with the Argentine government's own terms of economic agreement. For the Argentine government, in comparison with their economically not viable proposal of soft and long term economic measures, the usual program of the IMF inflation package as decreasing the government expenditure and thereby paying public debts, liberalising economy and inviting the foreign capital to the country, debt plan was unacceptable. Since the international creditors was unwilling to compromise at giving credits without conditions to comply, the only way left to finance Argentine debt was to make an austerity package with the IMF in 1985 to decrease rising inflation and to stabilise the economy. (Smith, 1994:273). Despite the IMF plan to bring stability to balance of payment difficulty, the structural deficiencies still persisted and the IMF could only be a temporary solution and it became obvious that Argentine government was also not capable of complying with the requirements of such a package as well.

Democracy was well restored during Raul Alfonsin from 1983 to 1989 with his democratisation package and with him questioning the previous faults of the dictatorial periods. However, he was not satisfactory on the economy. Without a stable economic program to accompany the social program, the hyperinflation became chronic during Alfonsin government, and economic problems deteriorated, which can easily be observed in Figure 3. For instance, the growth rate of GDP has fallen severely. The growth rate in total GDP which was 2.8 in 1983 has fallen sharply in 1985 to -4.7 and ended up at the rate of 1.6 in 1987 with a little recovery. In addition to this, the current account deficit, which was \$-2.4 billion has increased to \$-4.7 billion by 1987. Economy was under strains. Towards the election of the 1989, voters were sure that they did not want statist economic policies but did not want inflation either. (The Economist, 2000:15).

	1983	1984	1985	1986	1987
Growth Rate of Total GDP	2,8	2,6	-4,7	5,4	1,6
Current Revenues /public sector percentage of GDP	23,6	22,9	27,5	25,9	24,4
Current Expenditure /public sector percentage of GDP	26,8	25,2	25,4	23,2	24,4
Current Savings /public sector percentage of GDP	-3,2	-2,3	2,1	2,7	0
Capital Expenditure /public sector percentage of GDP	7,9	6,1	5,6	5,4	6,3
Deficit or Surplus /public sector percentage of GDP	-11,1	-8,4	-3,5	-2,7	-6,3
Growth rate of Domestic Credit	400,8	565,7	356,1	86,8	151,7
Growth rate of Money Supply-M1	362	546,7	697,9	70,7	106,6
Growth rate of Consumer Prices	343,8	626,7	672,2	90,1	131,3
Growth rate of Real wages	24,1	27,1	-12,2	-5,7	-7,6
Terms of trade(1980)	86,4	99,9	87	75	68,7
Balance of payment in billions of current \$					
Current Account	-2,4	-2,54	-0,96	-2,86	-4,7
Trade Balance	3,71	3,94	4,9	2,46	0,56
Net services	-6,17	-6,49	-5,86	-5,32	-5,25
Capital Account	0,41	2,74	2,25	1,68	1,85
Change in reserve	-2,47	0,14	0,98	-0,87	-2,21

Source: Inter-American development bank, Economic and Social Progress in Latin America, 1988 report, p.328 (Smith, 1994:271)

Figure 3 Argentine Principal Economic Indicators, 1983-1987

To overcome the strains on economy is one thing, but the real task is to modernise the state, rebuild its institutions and reconstruct the society, which was at war with itself during all those periods of military governments and hyperinflation. (The Economist, May 6th 2000:15). That is why Raul Alfonsin period simply indicated that dedication to heal “the democracy” alone does not mean too much, if the real reconstruction and development of the structural deficiencies are not realised.

The IMF austral plan in 1985 envisaged a new currency, price and wage freezes and decreases in budget deficit. However, with a newly established government and a vulnerable democracy, it was hard to cope with the IMF plan. The instantly applied adjustments and tight control of inflation would end up in a high social cost. The problem was on the distribution burden of the package. (Smith, 1994: 278). Eventually, when we come to the end of 1980's and the early 1990's, still not much changed from the early Raul Alfonsin period. The economic and the social disparities still existed. A difficult agenda was left for Carlos Menem to deal with.

4.1.2 Argentina in 1990's and early 2000's

During Carlos Menem's period, the liberal development strategies continued. The policies of Carlos Menem could be different than the previous policies regarding the departure from the classical Peronist network, which has foreseen a development with country's own sources, not with foreign aid. However, the structural deficiencies still existed. The unfair distribution of the burden of fastening ties and the IMF stabilisation policies were not sufficient to heal them.

Carlos Menem's response to the hyperinflation was through a set of neo-liberal free market reforms with the prescriptions of the IMF, which were rejected before by the Peronists. (Smith, 1994:299). With the Productive Revolution – *Plan BB*¹⁵, and *Bonex Plan*¹⁶ to convert the commercial bank deposits to dollar denominated bonds, he introduced new settings for the Argentine economy. *Plan BB* led to currency speculations and increase in the inflation, where *Bonex Plan* replaced short-term domestic debt with long-term external debt. Pegging the currency to dollars, Argentina faced with the trap of capital flows because when a currency is tied to the stability of another currency, once the international markets suspect the integrity of the mediator currency as an

anchor, like Dollars in Argentina, foreign capital inflows quickly reverse the flow outwards and volatility increases to credibility problems and to capital flight. Once the anchor price level for the selected anchor currency is higher than the price expected by the government, speculations cause a rapid decline in the stock of foreign reserves. (Andrade, et.al. 2000:118-122). Sharp decrease in the liquidity ended upon a recession, caused the hyperinflation of the coming days.

To check the hyperinflation, a "shock therapy" was implemented. However, there has been an incompatibility between the extreme market reforms and normal democratic procedures. The SAP tends to be anti-democratic, when it adopts a shock therapy. (Teubal, 1996:202). As Kohli defines, shock therapy is "the reforms implemented all at once, no one in society will know what hit them: liberalisation package is not something society demands but 'needs'; a bitter 'medicine' by economic doctors." (Teubal, 1996:205).

State-owned enterprises have been a financial burden on Argentine treasury. By 1989, the state-owned enterprises surpassed 50% of the total non-financial public sector debt contributing to the eruption of hyperinflation. (Edwards, 1995:194). A permanent solution required massive restructuring of public enterprises and 1989 Reform Act, by arguing that the publicly owned enterprises were eligible for privatisation, established this. A successful privatisation process required a modern regulatory framework; however, the implementation of new regulatory laws was slow. (Edwards, 1995; 197).

The commencement of the privatisation with the most controversial enterprises is a political decision of Carlos Menem, because the only way to show decisiveness to a proper privatisation to ameliorate the economic system was to make the privatisation swiftly during a time of hyperinflation and when modernisation efforts of the Alfonsín government were frustrated with failure in economic stability. (Edwards,

1995:198). Nevertheless, it is important to set the basis for new institutions first and then to make corrections when there is an implication of problems. What Carlos Menem's privatisation lacked is that "the market oriented reforms had to be supplemented with strong and targeted social programs aimed at reducing poverty and providing a social safety network." (Edwards, 1995:295).

Hyper privatisation may be counterproductive. Mass privatisation, involving huge amount of sales of public assets, fails to increase social welfare, if the public enterprises are disposed less than their real market value or if public monopolies are transferred to private sector without adequate regulations, which was the case in Carlos Menem's privatisation. (Ercan and Onis, 2001:9). Carlos Menem has followed a rapid privatization package in all sectors of the public enterprises; however, one of the reasons of the end of his power is corruption. (The Economist, 2000:4-5).

Before, Carlos Menem in 1980's, the leaders of Argentina were unable to respond effectively to national problems. Argentina faced hyperinflation and economic crisis before Argentine Congress passed laws giving powers to Carlos Menem to privatise enterprises. The debt of the previous crisis and failures of authoritarian regimes in the economic realm helped to provide legitimacy and consensus over the new reform packages. For neo-liberal reformers, it was comparatively easy to get rid of the opposition in this type of reform. (Ercan and Onis; 2001:114). Liberal understanding would expect free-market operations to naturally satisfy all the inhabitants; in such a way that economic crisis would not be a breaking point of a demand for liberal reforms, but rather the benefits of free market reforms themselves would attract the consensus of the society.

Carlos Menem period is a distinct period for Argentine's political history because he was a populist politician with a Peronist tradition

backed by labour unions and he turned out to be a neo-liberal reformer at the end of the reform period. His popularity was critical in building consensus around the reforms in Argentina, and provides legitimacy for the project. (Ercan and Onis, 2001: 110-112).

Similar to the other Latin American experiences, in Argentina, where checks and balances were largely inadequate, the individual, who occupied the presidential office has designed to embody extraordinary authority and personal power. Nevertheless, the presence of concentrated presidential power is a better environment for hyper-privatisation but also more open to abuses and corruption. (Ercan and Onis, 2001: 113).

An experiment to decrease and control the hyperinflation is realised in 1991. This was the 'Cavallo plan'. Domingo Cavallo was one of the economists in the economy team of Carlos Menem, applying liberal economic measures different from the Peronist predecessors¹⁷. Cavallo proposed shock therapy incorporation with the IMF SAP but this time convertibility of austral into dollars was foreseen. In addition to these, the Central Bank would not print money to cover deficits and the economy was to liberalise and open to the foreign trade. (Smith, 1994: 302). The privatisation has also taken upper hand. From the state oil company to Aerolienas Argentinas, Carlos Menem did not leave so much to privatise. "Today just about anything moves, even the postal service are in private hands." (The Economist, 2000: 5).

The new program brought by Carlos Menem's economy leader Cavallo in 1991, had the objective to bring a new approach to economy and politics, which was widely accepted as neo-liberalism. Chaos in the society, already existing hyperinflation, and various attempts to introduce stabilisation packages made it possible in 1991 to reveal this new program by Carlos Menem and his economic team headed by Domingo Cavallo.

Before the establishment and launch of the Cavallo plan in 1991, certain economic reforms were realised. In 1989, the Carlos Menem government passed the Economic Emergency Law and the State Reform Law. The Emergency Law eliminated manufacturing subsidies and authorised the dismissal for redundancy of public sector employees. On the other hand, the Reform Law made it legally possible for the government to engage in full-scale privatisation. (Bauer, et.al. 2002: 64). In 1991, Convertibility came out to the agenda of Argentina in above-mentioned circumstances.

The system of Cavallo plan of Convertibility was based on very fragile framework depending on the behaviour of the citizens because confidence played an important role in maintaining the economic stability. If speculations arise about the government's will or the amount of hard-currency reserves to maintain the convertibility of austral to dollars, people could take back their deposits in dollars leaving the Central Bank empty. (Smith, 1994:302).

The classical economic understanding and the liberal reforms seem to be compatible with each other on theory. Nevertheless, in practice, Carlos Menem's policies caused tension and strife. Liberal restructuring undermined the reaction of the population because the distributive effects of reforms increased the inequality of income distribution. The share of national income going to the top 10% population is 46% of the national income, where it was 35% in 1974. (Oxhorn and Ducantenzeile, 1999:25).

Carlos Menem could not solve the problem of hyperinflation but he was elected to a second term in 1995. It was at a time when there was increasing unemployment. However, with the measures of austral plan like providing the convertibility to dollars, at least the stability was achieved in currency. This was an important point in providing the consolidation of power of Carlos Menem. Nevertheless, the monetary

system was still fragile because the expectations of the public and trust to the system played a vital role. The voters had kept in mind that any change in regime might eventuate in making the system upside down. The belief in the fragility of the system to any change in politics brought Carlos Menem to power for a second term. Although Carlos Menem came to power with a fair-poll, in the post-1995 period, no clear advance was achieved in the development of Argentina. (The Economist, 2000:4). In September 1999 elections, Carlos Menem lost the power to Fernando de la Rúa.

International crisis, how they hit the economy and hit the politics was a good evidence of the deficiencies of the performance in the economy and politics of Argentina in 1990's and early 2000's. Crisis in the world, specifically Mexican, Russian and Brazil, also caused loss of confidence of the international investors to the developing world and capital flows has been diminished. (Teunissen and Akkerman quoted Hausmann and Valesco, 2003:9). The Mexican crisis or Tequila Effect, for instance, was a liquidity crisis involving banking sector and by the interruption of the credits, it affected the real economy through severely increasing the interest rates. (Bauer, et al. 2002:74). Asian and Russian crisis increased the interest rates too, but those crises did not cause a capital flight. However, Brazilian crisis in 1999 had severely affected Argentina (Figure 2) because 30 % of the exports went to Brazil. (Teunissen and Akkerman quoted Perry and Servén, 2003:6-7). The Argentine economy was fragile towards international pressures and the SAP, which was designed to alleviate Argentine development, had not taken the necessary measures.

The currency was pegged to dollars and there existed a huge public debt, as the dollar's value has risen sharply and Brazil has witnessed devaluation in 1999, a gap developed between the real exchange rate and its equilibrium value, resulting in an overvaluation of

the peso about 55 percent in 2001. In order to adjust to this new price level, prices should have fallen but the fall was not enough to compensate the gap. The other way was a change in the nominal exchange rate but due to fixed exchange rate regime, this option could not have been realised as well. (Teunissen and Akkerman quoted Perry and Servén, 2003:6-7). Devaluation took place. Devaluation coincided with the appreciation of dollar and caused the decrease in international competitiveness of Argentina. (Bauer, et al. 2002:74). The currency was pegged to dollars and this was promoted by the IMF, however this plan did not make the Argentine economy stronger or stable. Brazilian Devaluation worsened imports-exports ratio to diminish and debt management became impossible and the international institutions came back to the agenda. (Figure 4).

Having a glance back to the past performance of the packages in Argentina, Carlos Menem made use of extraordinary powers through the Law of Reform and State, to put an end to inflation, political instability and social unrest. Initially, convertibility plan was successful to achieve the political consensus on the path to development through the prescriptions of the plan and the IMF prescriptions, because primarily convertibility achieved a declining path for inflation targeting. Decreasing inflation helped to achieve consensus among the provincial governments, unions and investors who benefit from privatisation. The Tequila crisis of 1990s and the following crisis as Figure 4 indicated, caused negative movements in GDP and reminded Argentina that the structural problems were not solved yet. Measures leading to efficiency were considered more important than equity and the society was thereby wounded. (Bauer, et al. 2002:81). Already large public debt, lack of political decisiveness, weak economic structure and pegged currency increased vulnerability towards external shocks. Therefore international economic crisis hit the economy severely than ever.



Source: Argentine Economy Ministry. (Economist, 6th may 2000:5)

Figure 4 GDP over the Years of Crisis

From 1997 and on, social aspects of the IMF packages and the Convertibility plan were emphasized more. Some confidence was attained but structural changes were never inhaled. Even after the Carlos Menem government (after the end of 1999) economics and politics were not stable. In 2001, the loss of credence in economic policy and its sustainability could not be reversed, which paved the way to massive withdrawals of bank deposits forcing the government to adopt a set of measures, which further paralyzed the functioning of the financial system. (Inter-American Development Bank, 2004:1).

As in 2001, fiscal situation deteriorated, Fernando de la Rúa (Carlos Menem's successor) was trapped too. The IMF pushed Argentina to service its external debt, through forcing Argentina to devalue the peso, which had been pegged to the U.S. dollar. (Wikipedia, The economic crisis, 2006). Despite all the economic programs and packages,

another economic crisis had come at the verge and Fernando de la Rúa lost presidency, a traumatic period ended with the beginning of another.

By the end of 2001, Eduardo Alberto Duhalde (the successor of Fernando de la Rúa) abolished the convertibility and devalued Pesos, which increased the uncertainty in the legal and regulatory framework, leading to drastic consequences for the production of goods and services, and entailed extremely high social costs. By late 2002, Argentina's gross domestic product (GDP) had diminished by a cumulative 20% over a four-year period, leaving more than half of the population below the poverty line. (Inter-American Development Bank, 2004:1).

		2004	2005	2006	2007	2008	ACUM
IDB 1/	Principal	455,626	546,021	1,252,144	1,516,732	1,233,631	5,004,153
	Interest	408,490	471,542	462,972	413,721	346,507	2,103,232
	Total	864,116	1,017,562	1,715,116	1,930,452	1,580,138	7,107,385
WB	Principal	697,158	932,420	1,059,049	1,090,158	982,092	4,760,876
	Interest	209,619	230,401	199,474	158,395	120,247	918,137
	Total	906,777	1,162,821	1,258,523	1,248,553	1,102,339	5,679,013
IMF 2/3/	Principal	5,600,000	3,200,000	2,000,000	4,600,000	5,500,000	20,900,000
	Interés	600,000	600,000	800,000	700,000	400,000	3,100,000
	Total	6,200,000	3,800,000	2,800,000	5,300,000	5,900,000	24,000,000
TOTAL	Principal	6,752,784	4,678,441	4,311,193	7,206,889	7,715,723	30,665,030
	Interest	1,218,109	1,301,943	1,462,447	1,272,116	866,754	6,121,369
	Total	7,970,893	5,980,384	5,773,639	8,479,005	8,582,477	36,786,398

Source: Inter-American Development Bank, World Bank, and International Monetary Fund. (Inter-American Development Bank, 2004: Annex VIII).

Figure 5 Profile of Argentine Public Debt Service Payments to Multilateral Organizations (in US\$ 000s)

When the most rigid phase of the crisis had been overcome, after the second quarter of 2002, Argentina was struggling to restore confidence in its institutions and to formulate a macro economic framework capable of guiding the economy onto a sustainable recovery path. (Inter-American Development Bank, 2004:ii). Unfortunately, the recovery path is with a high burden of indebtedness as shown in Figure 5. The principal and interest payments to major financial institutions such as Inter-American Development Bank, the World Bank and the IMF are increasing over the years and even the accumulated total of all the debt until 2008 has reached 36,786,398,000 US\$ as of 2004.

There are three elements common to all financial crises in the developing countries. The countries highly depend on short-term capital flows from international institutions and foreign investors. Over the weak fundamentals of the economy, an appreciation of the real exchange rate causes a big current account deficit and loss of comparative advantage. From a social welfare point of view, utilisation of the loans is based on volatile network of inadequate regulations, which may also facilitate the emergence of a crisis situation. (Onis and Aysan, 2000:132).

It is clear that the Argentine governments' way of dealing with the problem has mistakes, but the international community also bears responsibility for the crisis. (Teunissen and Akkerman, 2003:xiii). Convertibility regime was in place for about a decade and Argentine economy was supported by the IMF's programmes. Furthermore, Argentina was perceived as "an exemplary case of a country adopting the type of structural reforms that international financial institutions and private markets have been pushing over the past two decades". (Teunissen and Akkerman, 2003:xiii). Until the very last stage of the process, opening to international markets was realised and possible risks were scrutinized by all the international institutions. Despite all these

facts, the crisis of 2001 has happened. (Teunissen and Akkerman, 2003:xiii).

Argentina was not stable in terms of local politics and economy policies. However, with the adoption of liberal reforms and adoption of stabilization plans, Argentina has shown strong belief in the IMF policies. Despite the nearly two decades of the IMF programs, Argentina is not a developed country yet. This reveals that the IMF also bears the burden that if the failure of the policies are because of the mal-application by the Argentine government, IMF should have been there to scrutinize, control and push the government for the good functioning of the process. In that sense IMF development policies were not realistic on its premises in Argentine case, which will be the subject of the next section.

4.2 Argentina, SAP and Development

4.2.1 How does IMF interpret the Argentine predicament?

From the perspective of the IMF, any failure in implementing or abandoning the SAP in times of deep rooted economic crisis would be dangerous, reflecting the fears of contagion. Alternative market-based solutions, other than lending money, were not viable alone. If lending is suspended, Argentine government would be forced to suspend debt payment, which will lead the bond holders to sue Argentine corporations, Argentine trade will be disrupted, exports will plummet, the emerging market investors will sell off securities in order to increase liquidity and which at the end damage the other emerging markets. (Eichengreen, 2001:22). The reform efforts should have continued.

The Fund prescriptions are not questioned from the point of its ingredients but rather the way they are implemented. J. Onno de Beaufort Wijnholds, one of the Fund members, who participated in the decision making of the Fund's financial support to the region during the

period, perceives this crisis as the lack of rigidity in the policies applied in Argentina. In his article, he describes the situation with a Dutch saying "Soft physicians cause festering wounds". (Wijnholds, 2003:101). From his point of view, the prescriptions to Argentina were not pushed forward enough "not prescribing the right medicine or in the right dose", actions of the Argentine government were clearly inadequate or wrong, and the international financial institutions were often insufficiently critical of them. (Wijnholds, 2003:101,111).

Mark Allen, another IMF staff, also points out a similar definition of the problem. The crisis has happened because of exchange rate regime, fiscal policy, the sustainability of the debt and the stagnation of the reform effort. However, these causes do not arise from prescriptions but rather from the application. According to the IMF rulings, members can follow which exchange rate regime they wished (Mark Allen, 2003:103). Therefore the IMF did not intervene to the choice of regulatory mechanism. The currency board required a stable economy and low debt. However, the IMF was not tight enough in following the commitment of Argentine government applying the policies. The Fund was late for pushing to abandon the currency board and insufficient in insisting the government when in late 1990's Argentine failed to comply with the fiscal requirements of the Packages, could not point out the increasing vulnerability of the Argentine economy and the Fund was very much optimistic about the debt scenarios, which prevented them to early rescheduling of the debt. (Mark Allen, 2003:131,135). But Argentine could not persist on the structural reforms as well.

From the IMF side of the story, it is explained that if the IMF prescriptions had been realised truly, the crisis would not have happened. The fundamental conditionalities and their essence are not judged but only the loose application of the SAP was seen as the point to be discussed.

4.2.2 Argentine Case: What are SAP's expectations and results?

Liberalisation

On the one hand liberal prescriptions of the IMF call for decreasing role of the state in decision-making of the economic reforms; on the other, the state bureaucracy should inherit additional roles in support of the market model. (Smith, 1994:305). Economic liberalisation requires a stronger state to withdraw from political commitments and decrease its role in the market. After liberalisation and with the monetary and fiscal adjustments, the macro-economic situation would eventually recover. However, shrinking the state would mean massive privatisation of institutions, which were before state-owned and small-scale. These companies and institutions would need time, help and technical expertise to recover, which are not adequately supplied by stabilisation packages.

Argentina was quick to realise liberalisation in 1990's in order to have a rapid and smooth development. However, the redistributive effects of unsuccessful development packages are discernible. Neither development, nor equality of income is achieved as an outcome. Even if we accept that Argentina is characterised by a more equal income distribution in the region historically, income inequalities and poverty yet continues. By 1974, the poorest 30% of the population received 11.4 % of the national income; by 1992, it dropped to 8.9 %. (Oxhorn and Ducantzeiler, 1999:25). The crisis of 2001 and the failure of the current economic regime to heal its wounds solidified the seriousness of the economic problems.

The SAP in Argentina does not have a long-run strategy other than liberalising the economy and decreasing the inflation to a certain rate. However, many sectors, like that of exports sector, need a new stable and coherent strategy since the country was an import substituting type of industry, which foreseen the production of goods that were imported

before and this conflicted liberalisation of the trade principles (Teubal, 1996: 208-209).

Privatisation

The important feature of the Argentine privatisation process is that, Argentina started privatisation with very large and controversial companies. These enterprises ranged from Entel, the Public Telecommunications Company, to TV channels 11 and 13 and to Aerolineas Argentinas, profit-making national airline. (Dornbusch, 1991:95). Ironically, the Peronist Menem oversaw the privatization of many of the industries Perón had nationalized. (Wikipedia, The economic crisis, 2006).

The presence of an executive authority with a commitment to the implementation of the program is crucial in increasing the velocity of the privatisation process. The other crucial influence in rapid privatisation is that, it is easy to implement privatisation in a country, which finds itself as a country of deep financial crisis. In such a climate, there emerges a considerable belief in the power of the external actors such as the IMF. In such a way, the government authorities attain more autonomy and legitimacy for the reform agenda, and the existence of a powerful external actor provides space for state elites for the same purpose. (Ercan and Onis, 2001:10-12).

Argentina faced one of the most rapid privatisation processes of the world because; privatisation was used as a part of government macro-economic policy to counter fiscal imbalances and to attain the maintenance of fixed exchange ratio. The government tried to increase the value of the publicly owned assets through modifying the incentives on those public enterprises. The increase in the value of assets was crucial to make assets more attractive to private sector and thereby to raise the government revenue from privatisation. Regulations are directed

to increase returns from the investment in the public enterprises, which are subject to privatisation. Quasi-rents are created on the assets of the oligopolistic markets i.e. telephone, electricity that were in loss before; in such a way the value of the assets would increase, thereby the government would capture the extra profit generated by the privatisation. (Bauer, et.al, 2002:66-67).

Adjustment packages of the IMF discourage state intervention in economic affairs; therefore support privatisation in public enterprises. Ultimately, fiscal deficit will be diminished. The claimed purpose is to attain efficiency in those enterprises and create fewer burdens for the government. Nevertheless, in order to curb the fiscal deficit, the governments tend to privatise the most well going enterprises or the unsuccessful public enterprises carrying do not attract buyers enough to generate profit. (Dasgupta, 1998:117). Argentina's rapid privatisation is the example of this dilemma.

Decreasing Role of the government and in government expenditure

With the stabilisation packages, Carlos Menem shifted from Peronism. He declined his initial premises of salariazio (wage increase) and revolucion productivada (productive revolution). The cuts in government expenditure meant cuts in education, health and pension. These reductions eventuated in a social strife because the SAP was applied without a "parachute" or "anaesthesia". (Teubal, 1996:206). Since the package foreseen an instant and stern application of the measures, the society had hardly adopt to new economic conditions and the new standard of living. However, in times of economic turmoil, cutting government expenditures simply exacerbates the problem. In such a case, not only government expenditure declines but tax revenues,

employment and confidence in the economy also decline. (Teunissen and Akerman quoted Stiglitz, 2003:3).

Towards the end of the 1990's, Carlos Menem period had come to its limits too. The attempts to realise the targets of the SAP led to the increasing role to play for the government. (Teubal, 1996:213). Although privatisation and other liberal measures seem to require less government intervention, the proper application of the market reforms accelerated the control of the government over the market, led to increasing rates of corruption, which decreased the legitimacy of the government. The government lacked transparency.

What is left from Carlos Menem and from 1990's efforts to back up economy in terms of the development of Argentina has not a promising future. Because, the structural problems in economy, politics and in society still remain despite the SAP. Economic liberalisation did not consolidate democracy and a stable economy. Even during the years of rapid economic growth, such a correlation of liberalisation, democracy and development in every sense, was not observed. (Oxhorn and Ducantenzeile, 1999:16).

Consolidation of the democracy under the rules of open market economy through the IMF prescriptions and through hyper privatisation and liberalization of Carlos Menem did not hold because development and democracy are not parts of a linear function, where up to time and space, they operate simultaneously. (Landman, 1999:621). The liberal rhetoric lacks other variables of development that are directly related with democracy and a stable political atmosphere. Income distribution and changing patterns of employment and moreover, the inclusion of political variables such as consolidation of state power, presence of strong political agents (political parties and the military) and social mobilisation with the income distribution were not considered in the SAP (Landman, 1999:625), as Argentina liberalised extremely with Carlos Menem's

commitment to power. However, Liberalisation and market reforms, which were made without the public support and which were not healthy performed, did not bring development to Argentina.

Money Creation, Growth, Price stability and convertibility

The objective in the application of the Convertibility plan with the IMF support was to bring stability and development at a certain level of. However, towards the end of the 1990's, it became obvious that stabilization was not successful enough to serve the objective behind its creation, yet the plan succeeded on certain points but failed on many others.

Convertibility plan was successful in attaining price stability, where the one digit inflation rates by 1994 is the most significant indicator of this temporary success. The stability in the price level increased the confidence to the currency and investment accelerated, which in turn facilitated the high growth rate in the first half of the decade. Imports rose with the dramatic opening to the outside world. Large inflows of capital increased the foreign exchange reserves. In March 1991, the reserves were about US\$ 2.4 billion; however, by the end of the year, the reserves shifted incrementally to US\$ 6 billion. (Bauer, et.al, 2002:60-66).

The package attracted foreign capital because of lower interest rates and higher exchange rates, but this is not enough to solve the problem of Argentina since the state structure was too much concentrated in the SAP program and did not question the rest of the problems other than raised by the SAP. The SAP applications and the convertibility plan could not heal the monetary imbalance, which is obvious even today in Buenos Aires, as one of the most expensive cities in the whole world.¹⁸

The positive environment generated by the Plan enabled the growth of debt. The price stability, opening to the economy, privatisation

facilitated the loans. However, debt exchanges to decrease the rollover risk exacerbated the indebtedness. By exchanging short-term obligations for longer-term instrument (through the loans of the international institutions, i.e. the IMF), the international and local authorities traded the problems with more prolonged deeper crisis. While providing relief from urgent refunding needs, debt swaps created heavy debt loads, which became economically and politically unsustainable concerning the future development of the Argentina. (Eichengreen, 2002:15).

Despite the quasi-positive effect of the SAPs and Convertibility plan, the negative effects appear as significant. Unemployment, income distribution, poverty levels and wage rates are negatively affected from the new procedures, because reforms like liberalisation, privatisation and convertibility were politically made possible by not implementing market reforms at the provincial level and by creating "illiberal enclaves", i.e. intensely regulated labour market. (Bauer, et.al, 2002:67)

Convertibility, on the other hand, requires the free market operations to be implemented, supported by the IMF stabilisation packages. Although, as discussed above, the liberal procedures, market reforms and convertibility seem to match with each other on the theory, it does not happen to be so in practice. Foreign trade is a perennial problem because as Peso tied to Dollar; it is overvalued, which resulted in trade deficit. The government introduced non-tariff barriers to imports with increasing productivity levels but the government contributed to growing levels of unemployment in that way. As a result of opening economy, with a fixed exchange rate, in front of increased foreign competition, local firms adopted advanced techniques (labour-saving) in order to increase industrial production while industrial employment decreased because inflationary inertia at the beginning of the programme increased labour costs, denominated in dollars. (Bauer et.al, 2002:68-69)

New employment opportunities were not created to confront the problem of unemployment.

4.2.3 Why SAP failed in Argentina?

Argentina has long been in extended periods of economic stagnation. Growth was depressed in 1980's by inflation and debt problem. Then, the stabilisation period has arrived with 1990's, which stimulated the increase in demand with an export growth. However, export growth was not sufficient to finance import demands. The imbalance between the exports and the imports made the country more depended on capital flows. (Eichengreen, B. 2001: 4-6). Factors precipitating the already existing under-development situation were intact. The economic structure was weak and the country was open to speculative attacks. Fiscal discipline was not maintained and trying to insert a proper open economy policy became more difficult. Countries characterised by high degree of fiscal instability are highly prone to crisis. (Onis and Aysan 2000:121). For export-dependent economies, unstable international financial markets carry many stakes. When expansion in exports are associated with the capital flows, exchange rate overvaluation leads imports to grow up compared to exports, and finally the whole program of opening the economy and stabilisation of the market may fail. (Andrade, et.al. 2000:118).

Political support for cuts in public spending, in order to balance the deficit, was fragile. Exchange rate was used as an anchor for disinflation, which in turn brought the competitiveness problem. Rise in consumption occurred by temporary decrease in interest rates. Nonetheless, keeping the current account at existing exchange rates and levels of demand required sustained capital inflows. The investors became reluctant to make long-term commitments, given all these vulnerabilities. The maturities shortened as risk mounted. (Eichengreen, 2002:5-7).

The convertibility plan has limitations. As Argentina adopted a dollar-based currency board, the board maximized the credibility of the commitment to price stability in short-run, at the same time it opened the economy to fluctuations in the relative value of major currency. Yet, the plan, to sustain all its aim, needed a democratic regime to survive on because free market operations and openness were only possible in a democratic regime. Also, there should not be a social upheaval in order not to cause any discrepancy to the balances in the market. The liberal market theory perceives the barriers to free market operations as the mistake of the individual players taking role in the system (Lipsey, 1990: 45). As evidence, the absence of growth together with mounting political opposition to policies of fiscal austerity, created doubts about the sustainability of the exchange rate and led depositors to flee the banking system and the country in the first half of 2001. That is the proof that the convertibility plans as well as economic and political measures taken to comply with the SAP were taken early, on excessive amounts or late, therefore they were not effective and sufficient.

The SAP in Argentina contributed to the stability of the economy in short terms. A stout attention should be directed to the maturity of the obligations because, excessive short-term debt is a leading indicator of problems and short-maturities can aggravate and end up as the source of instability. To finance short-term liabilities, sharp cuts in public spending is realised, which in turn decreased the aggregate demand, thus, leading to less demand meaning less growth. Growth is one of the milestones of the package, and without growth, sustainability of the package by reducing the tax base relative to the cost of interest, relinquishes the political support to continue with the program. As a matter of fact, those short terms liabilities ended up with a more unequal social stratum, solidified with the government expenditure cuts foreseen by the IMF.

The IMF SAP's were so much devoted to the liberal development idea that, the special circumstances and vulnerabilities of Argentina were not taken into consideration. Argentina was left to confront political instability, social resistance and international crisis. Development was not interpreted as something political, something international and something social, development was interpreted as economic growth to the level of the developed nations from the path of the developed nations.

IMF programs are applied on the will of the government that applies, however if the government could not perform the necessary measures, which the IMF it self perceives mandatory for development than the questions emerges as why IMF did not persisted. IMF applied a loose policy in addition to its single sided development understanding. The policy measures were chosen by the governments' own will and IMF supported these policies through the statements and through financing. However, IMF did not push the government to choose and apply the unchosen policies. IMF did not warn the Argentine government early enough for the policies that may solve the predicament or could not prevent the application of the policies that were deepening the predicament. (Mussa, 2003:39).

Since the beginning of the 1990's, because of the instabilities and crisis, a confession has begun to be made that confidence against the liberal reform policies are eroded. However, this does not mean that the market oriented policies are perceived as the causes of the crisis. Rather than the uncertainties caused by the dynamics of market-at-work, the liability of the crisis are vested usually to the political power which has difficulty in adapting to market conditions. The purpose is not to acquit crediting institutions like IMF but it is to prove that the theoretical framework is still perfect and still the strategy of global integration should be attained through capital liberalization. (Yalman, 2003:464-466). However, for the Argentine development case, it is also the market

policies it self, which has caused restrains for development, in addition to IMF assumptions and behaviour of the Argentine government.

The stable and consistent future growth depended on turning the "conflict" society in to a "consensus" society, where in consensus society the government, democratically elected, would have the natural authority to solve the conflicts, whether economic, social or political, without restoring to inflationary financing or foreign borrowing. (Bauer, et.al, 2002:81). With high indebttness, instable political framework, lack of public support, conditionalities and thereby, losing the initiative over economics and politics, with the rigid and ill-timed measures and extreme liberal reforms, Argentine governments could not maintain the consensus society.

5- CONCLUSION

The anchor of this thesis, as mentioned in the introduction, was that the IMF stabilization packages (SAP) pursue liberal development understanding and have defects in interpreting the problems of the countries and in implementation of the packages; Argentina is a classical case for IMF development exercise. The IMF SAP's did not have a permanent positive effect on development and the development of Argentina because of high volatility in Argentine local politics and fragile economy, the prescriptions IMF proposed, which undermined the Argentine fragile economic, social and political strata and because of loose reaction of IMF to poor implementation of SAP by government and to policy errors of the governments. The study of theory and history of development of Argentina in 1990's, has supported this anchor.

First of all, development is not equal to economic growth as liberal development foresees. As long as internal dynamics, such as political structure, administrative structure, the strategic position of the country, the major sectors of the economy, the intensiveness of the industry in certain factors, historical development of the state configuration, the source of power, and social dynamics, such as poverty levels, the employment level, demographic factors, the distribution of income and over all income level, literacy; and international dynamics such as the rate of participation to the international market, major weaknesses to the outward pressures coming from markets, international political configuration and the role of the state in the international organizations and many others, should be examined in detail before defining what is the perception of development for the country concerned.

It is vital to determine the measures of the strategies carefully according to the specific character of the subject country. Therefore, total

liberalisation of trade, opening to international markets, privatisation and other economic measures, if not dealt with care, may damage the already fragile economic patterns. The regulations on trade liberalisation and privatisation should be supported by strong local authorities and by efficient internal institutions to define necessary adjustments and regulations.

Argentina in 1990's was an example that over-privatisation and hasty liberalisation ended up with weakening of the existing economic resistance to international pressures, if deep-rooted and sustainable measures were not taken for the protection of the fundamentals of countries' industries and economy as a whole. If efficient regulatory mechanisms are not set, a developing country may fall into the trap of losing the ties of economy to external factors and can not adapt to the sudden changes in economy, politics and society, which precipitates the existing fragile network.

Every strategy to development should be assessed carefully because major changes in the economy may not always bring the expected result as a permanent recovery of the backwardness. In order to overcome hyperinflation and economic instability, Argentine government introduced currency board, where the local currency is tied to dollars. As a result of the currency board, temporary alleviation of economic figures, like sharp decrease in the rate of inflation, gave birth to increasing optimism about the success of the idea and to pegging the currency to dollars. However, providing stabilisation through artificial changes in the economic structure is misleading. By the early 2000's and especially in the 2001 crisis, it became obvious that during the years of the SAP, structural problems meant simply bargaining short-term problems to long-term liabilities. The government, beforehand, should judge the reliability and the strength of a policy change because

temporary solutions for deep-rooted problems only harm the existing structures.

From Argentine style of development efforts, one of the conclusions that should be driven is, what makes a country developed is not only the status of its economic indicators, but rather the capacity of its institutions and internal checks and balances. The strength of a country against a crisis situation appears, if the country has the capacity to overcome the crisis through its own resources or own strategies, apart from borrowings, and pegs the economy to outward pressures.

The financial institutions should consider the fact that, the developing countries might not have the institutional capacity to find out the source of the problem or the country might not have the stable, sound and effective authority to express the problem. In that case, international institutions have the responsibility of not only pouring out funds for that country but rather trying to find the source of the problem and thereby, the institutions should not be directed to debts, which would be paid at the expense of internal stability.

Argentine government could not sustain itself through the SAP, though the absence of inflation and high growth rates brought temporary stability. The IMF could not interpret the development in its true sense as multidimensional, did not foresee the inability of the government and need for a further push to comply with the procedures. Strife measures are taken only after the crisis situation has emerged and the efficiency of the programs were left to inefficient administrations; therefore the Argentina case indicated the failure of classical remedies to the development problem.

“What is” vis-à-vis “what was” and “what is actually” relative to “what should be” is the key starting point that the above thesis tries to adhere. Argentina has begun 2000’s in a deep-rooted financial crisis and the IMF could not yet find out a solution to the existing crisis, which it is

one of the actors. Every country should discover its strengths before defeating the weaknesses.

The IMF stabilization packages could not alleviate the development predicament of Argentina. Argentina was not politically and economically stable but the IMF could not supply the right measures, which should be applied strictly and timely enough to overcome the development gap as well. The SAP failed in Argentina.

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¹ With the word 'vertical industrialization' Sikkink mentions the type of industry, which focuses more on the establishment of heavy or basic industry.

² Walt Rostow is a historian and his book 'The Stages of Economic Growth: A Non-Communist Manifesto' was first published in 1960. (Rostow,1960)

³ Rostow estimates the stage of take off about 20 years time. The take off was 1783-1803 period for Britain, 1843-1860 for US, 1878-1900 for Japan, 1890-1914 for Russia and from 1950 on for India and China (Rostow, 1960:I).

⁴ This productive power is concentrated in individual consumption as in US, transferred to a welfare state like in Europe or used to build up global power and influence as in Russia (Haynes, 1996:8).

⁵ Wilber and Jameson exemplify this fact by Chile coup in 1973. To remove the distortions caused by the previous socialist regime a social market economy should be implemented in order to gradually adapt to the liberal market (1984:9).

⁶ In categorizing Marx's stages of historical development, the classifications made in the Purdue University web site (University of Purdue, 2003) is used as well as his comments in the "*Introduction to a Critique of Political Economy*".

⁷ His book 'Capitalism and Underdevelopment in Latin America' was first published in 1971. He represents at the same time the counterpoint of Rostow's take off, with his 'development of the underdevelopment' (Haynes, 1996:10).

⁸ The division to core, periphery and semi-periphery resembles the Wallerstein's analysis, although he cannot be considered as a dependency school analyst. As a world-system analyst, he focuses on the framework of the system and tries to evaluate how the change in the system may work. For more information, refer to Capitalist World Economy, "A world System perspective in the social Sciences," 1979, p.152-164.

⁹ "Diseconomies of scale" is an economic terminology to define the situation that marginal cost increases as output increases. In economies of scale, the costs per output decreases as output increases.

¹⁰ The analysis, as pictured out in the flow chart1 and 2, is quoted from Bernholz, who summarized how state undertakes regulatory mechanism and in flowchart 2 how over-regulatory mechanism of state intervention may be destructive in terms of stability. Although Bernholz is against the involvement of the state as a regulatory mechanism for the free market operations, the consequences of such an involvement is depicted. (Bernholz, 2000:3-16).

¹¹ The model is formulated by $H*V=P*T$, where H represents money supply, V represents velocity, P price level and T represents transaction or real activity. In this model the correlation between the money supply and the inflation is indicated. As money supply decreases, this should be followed by a decrease in the price level. (Polak, 1971)

¹² From 1930 to 2000's, Argentina's presidents are as follows:

Term	Incumbent	Notes
	Military Junta:-	
September 6, 1930 to February 20, 1932	General José Félix Benito Urburu, President	De facto
February 20, 1932 to February 20, 1938	General Agustín Pedro Justo, President	
February 20, 1938 to June 27, 1942	Dr Jaime Gerardo Roberto Marcelino María Ortiz, President	Died in office
August 12, 1940 to June 27, 1942	Dr Ramón S. Castillo Barrionuevo, acting President	For Ortiz, Removed from office
June 27, 1942 to June 4, 1943	Dr Ramón S. Castillo Barrionuevo, President	Deposed in a <i>coup d'état</i>
June 4, 1943 to June 7, 1943	General Arturo Rawson Corvalán, President of the Provisional Government	De facto, Removed from office
June 7, 1943 to February 24, 1944	Pedro Pablo Ramírez, President of the Provisional Government	De facto, Resigned
February 24, 1944 to June 4, 1946	Eduardo Farrell, President	De facto
June 4, 1946 to June 4, 1952	Colonel Juan Domingo Perón, President	First term
June 4, 1952 to September 21, 1955	Colonel Juan Domingo Perón, President	Second term, Removed from office
September 21, 1955 to September 23, 1955	Military Junta:-	
	José Domingo Molina Gómez, Chairman of Military Junta	De facto, Interim
September 23, 1955 to November 13, 1955	General Eduardo A. Lonardi, de facto President	De facto, Resigned
November 13, 1955 to May 1, 1958	General Pedro Eugenio Aramburu, de facto President	De facto
May 1, 1958 to March 29, 1962	Dr Arturo Frondizi, President	Removed from office
March 29, 1962 to October 12, 1963	Dr José María Guido, acting President	President of the Senate
October 12, 1963 to June 28, 1966	Dr Arturo Umberto Illia, President	Removed from office
June 28, 1966 to June 29, 1966	Revolutionary Junta:	
	Pascual Ángel Pistarini, Benigno Ignacio Marcelino Varela Barnadou and Adolfo Teodoro Álvarez Melendi	
June 29, 1966 to June 8, 1970	General Juan Carlos Onganía, de facto President	Interim, Removed from office
June 8, 1970 to June 18, 1970	Military Junta:-	
	Pedro Alberto José Gnani, Chairman of the Junta of Commanders	
June 18, 1970 to March 22, 1971	Brigadier-General Roberto Marcelo Levingston, de facto President	De facto, Removed from office
	Military Junta:-	
March 22, 1971 to March 25, 1971	General Alejandro Agustín Lanusse, Chairman of the Junta of Commanders	De facto, Removed from office
March 26, 1971 to May 25, 1973	General Alejandro Agustín Lanusse, de facto President	
May 25, 1973 to July 13, 1973	Dr Héctor José Cámpora, President	Resigned
July 14, 1973 to October 12, 1973	Dr Raúl Alberto Lastiri, Interim President	For Cámpora, Interim
October 12, 1973 to July 1, 1974	General Juan Domingo Perón, President	Third term, Died in office
June 29, 1974 to July 1, 1974	Señora Isabel María Estela Martínez de Perón, acting President	For Gen. Perón, Removed from office
July 1, 1974 to September 13, 1975	Señora Isabel María Estela Martínez de Perón, President	
September 13, 1975 to October 16, 1975	Ítalo Argentino Lúder, acting President	For Isabel Perón
October 16, 1975 to March 24, 1976	Señora Isabel María Estela Martínez de Perón, President	Deposed in a <i>coup d'état</i>
March 24, 1976 to March 29, 1976	Military Junta:	
	Jorge Rafael Videla, Emilio Eduardo Massera and Orlando Ramón Agosti	
March 29, 1976 to March 29, 1981	General Jorge Rafael Videla, de facto President	De facto
March 29, 1981 to December 11, 1981	Roberto Eduardo Viola, de facto President	De facto, Resigned
December 11, 1981 to December 22, 1981	Carlos Alberto Lacoste, de facto President	De facto, Interim
December 22, 1981 to June 18, 1982	Leopoldo Fortunato Galtieri, de facto President	De facto, Interim
June 18, 1982 to July 1, 1982	Alfredo Oscar Saint Jean, de facto President	De facto, Interim
July 1, 1982 to December 10, 1983	Reynaldo Benito Antonio Bignone, de facto President	De facto
December 10, 1983 to July 8, 1989	Raúl Ricardo Alfonsín, President	Resigned
July 8, 1989 to July 8, 1995	Carlos Saúl Menem, President	First term
July 8, 1995 to December 10, 1999	Carlos Saúl Menem, President	Second term
December 10, 1999 to December 21, 2001	Fernando de la Rúa, President	Resigned
December 21, 2001 to December 23, 2001	Federico Ramón Puerta, Interim President	For De la Rúa, Interim
December 23, 2001 to January 1, 2002	Adolfo Rodríguez Saá, Interim President	Interim, elected in Congress Assembled, Resigned
January 1, 2002 to January 2, 2002	Eduardo Oscar Camaño, Interim President	For Rodríguez Saá, Interim
January 2, 2002 to May 25, 2003	Eduardo Alberto Duhalde, Interim President	Interim, elected in Congress Assembled, Resigned
May 25, 2003 to Present	Néstor Carlos Kirchner, President	

Source: List of Presidents of Argentina (Wikipedia, 2006)

¹³ Proceso is the period between 1976 and 1983. This was the military coup period where extreme liberalization programs were initiated. (Teubal, 1996: 204).

¹⁴One should remember that the orthodox development policies envisage a development and reconstruction program, which is a fixed one for all the countries, let it be a developed or an underdeveloped one. This was one of the major points that they were criticized. For more information, look at section "perspectives on development".

¹⁵ Productive revolution involves rapid downsizing the state apparatus and deregulates semi-closed economy and return to normalcy. (Smith, 1994:300).

¹⁶ Bonex plan, envisages the convergence of the commercial bank time deposits greater than 1 million austral (more than 500\$) in to ten-year dollar denominated bonds paying 6 per cent annual interest.

¹⁷ Domingo Cavallo came to the leadership of economic elites one more time in April 2001.

¹⁸ High domestic prices are also a side effect of the SAPs. When Convertibility plans tied pesos to dollars, the pesos are overvalued. This limits export strategy because expensive domestic currencies make domestic goods more expensive. These ended up in a balance of trade difficulty and though the domestic prices continue to rise. (Teubal, 1996:209).