

POLITICAL ECONOMY OF POPULISM:
THE CASE OF ARGENTINA

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ABSTRACT

POLITICAL ECONOMY OF POPULISM: THE CASE OF ARGENTINA

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This thesis analyzes the concept of populism as a political logic by comparing three populist eras in Argentine history so as to understand if populist movements could be articulated to sustainable economic development strategies. The capacity of populism to articulate different classes and ideologies in times of crises have reproduced populist movements throughout Argentine history. The role of populism in crisis resolution and neutralizing social conflict is discussed through analysis of political economy during the rules of Juan Domingo Peron, Carlos Menem and Nestor Kirchner. The analysis is focussed on the way in which populism have changed the economic and political structure in Argentina. Therefore, this thesis seeks to analyse the political and economic transformations during these populist rules in Argentina as well as the extent of change in the relations with the global economic system so as to construct an understanding of the developmental capacities of these populist rules.

Keywords: Argentina, populism, development, political economy

ÖZ

POPÜLİZMİN EKONOMİ POLİTİĞİ: ARJANTİN DOSYASI

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Bu çalışma, popülizm kavramını bir siyasi mantık olarak inceleyerek, Arjantin tarihindeki üç popülist dönemin karşılaştırmasını yaparak, popülist hareketlerin sürdürülebilir kalkınma stratejilerine eklenilebilirliğini sorgulamaktadır. Popülizmin, kriz zamanlarında farklı sınıfları ve ideolojileri birleştirme kapasitesi, Arjantin tarihi boyunca popülist hareketlerin yeniden üretilmesini sağlamıştır. Popülizmin, kriz çözme ve sosyal çatışmaları yatıştırma rolü, Juan Domingo Peron, Carlos Menem ve Nestor Kirchner yönetimlerinde siyasi iktisat analizi çerçevesinde tartışılmıştır. Bu analiz, popülizmin Arjantin'deki ekonomik ve siyasi yapıyı nasıl değiştirdiğine odaklanmıştır. Bu yüzden, bu çalışma Arjantin'de popülist yönetimler sırasındaki ekonomik ve siyasi dönüşümleri, aynı zamanda da küresel ekonomik sistemle olan ilişkilerde oluşan değişiklikleri inceleyerek popülizmin kalkınma sağlama kapasitesine ilişkin bir anlayış oluşturmaya çalışmaktadır.

Anahtar Kelimeler: Arjantin, popülizm, kalkınma, siyasi iktisat

To My Father

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LIST OF ABBREVIATIONS

CEPAL	Comision Economica Para America Latina y el Caribe
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
MNCs	Multinational Corporations
SCRER	Stable and Competitive Real Exchange Rate
PWC	Post-Washington Consensus
WB	World Bank
WC	Washington Consensus

CHAPTER I

INTRODUCTION

This thesis will discuss populism as a *'political logic'* by referring to three eras of populist rule in Argentina. All the three eras are discussed as populist and this study will compare them so as to understand why they can all be classified as populist.

This study will discuss why populism is *'a political logic'*. Populism is a 'vague concept and there is a reluctance in giving the concept any precise meaning'. In that sense, rather than centering the discussion on the question of 'what populism is', populism will be discussed *'as an expression of a social reality'* (Laclau, 2005: 3). The question as to why populism is as a political logic will be answered in the light of the continuities and differences between the populist rules of Juan Domingo Peron, Carlos Menem and Nestor Kirchner.

This study will problematize the compatibility of populism and economic development by comparing the three populist eras in Argentine history. The purpose of this study is thus, to understand the relation between populism and economic development. The kind of economic development that this thesis is concerned is the one that improves the conditions of the people, because all the populist leaders in Argentina came to power with the promise of social and economic improvement. The problem to be addressed will be whether populist policies helped Argentina constitute a coherent strategy to achieve development during the populist eras that this thesis is concerned.

The rules of Peron, Menem and Kirchner are all populist, but they followed distinct strategies and performed differently. They all emerged as a result of significant turning points in Argentine history and thus, their political and economic strategies differ significantly from each other, this is not necessarily because of ideological

differences but rather because of the changes in the world economic system and the degree of integration to this system.

These populist eras are also crucial for Argentine history because these eras also represent state-led developmentalism, neoliberalism and post-neoliberalism. Therefore, besides explaining populism in Argentina, this thesis will try to shed light on the development paradigms that the populist governments embraced which will in turn explain how populism was articulated to different strategies throughout Argentine history.

The concept of populism will be analysed in relation to economic development in Argentina. Therefore, this will not be an in-depth analysis of populism. The objective is, to understand populism not necessarily with certain definitions and formulas but as a '*political logic*'. It should be noted that the way in which populism emerged in Argentina does not represent one single path to populism. Rather, it will be revealed that populism can be articulated to different strategies at different time periods depending on the crisis resulting in a particular populist rule. Thus, this study will explain how each populist rule emerged, which policies and development paradigms they embraced and how successful they were in achieving such aims as economic and social equality in the society.

The ambiguity in the concept of populism not only makes it difficult to define the term, but also could lead to descriptive analyses. Therefore, rather than defining populism, this study will explain why populism is a political logic, under which conditions the populist rules in Argentina emerged, and reveal the continuities and differences between them.

A populist rule emerges when the demands of the people can no longer be absorbed by the institutional system, which results from crises of representation or '*organic crises*' as Gramsci called them (Laclau, 2005: 46). In this sense, some degree of crisis in the old structure is necessary for populism; because the antagonism in the society contains unfulfilled demands, which in turn causes the old structure to crumble and

makes a populist rupture possible. The presence of the people and popular democratic demands are crucial for a populist rule. Populism is directly linked to the presence of the people, but the presence of popular elements in a discourse is not sufficient to transform it into a populist one.

Populism would be unthinkable without popular demands and from these demands, the people that would stand against the existing system is created. Thus, populism is based on the antagonistic confrontation between the people and the bloc in power. Populism can appear whenever the existing system has been broken and is unable to absorb the popular democratic demands of the people anymore. Therefore, populism is about the reconstruction of a new system when the existing system is shaken and the power bloc is deeply divided. In this sense, a populist experience is historically linked to a crisis in the power bloc and in the dominant ideology which is part of a general social crisis.

For Laclau, the presence of a crisis in the power bloc or a general social crisis does not explain populism unless the '*strictly populist element*' is analysed. "*The antagonistic moment in the popular democratic demands within a class or in divergent classes is called the strictly populist element*" (Laclau, 1979). This antagonism might be expressed by a specific social class or be articulated in the discourses of different social classes. It is true that the strictly populist element cannot be linked to the class nature of a movement. But based on this statement, neither we can say that populism is an ideology of a specific social class, nor can it be claimed that populist ideologies are not class based or they are above classes. Populism has a mediating capacity which helps neutralize the conflict in the society and to assert hegemonic power over the society. This is relevant to all the three cases and it will be discussed how the mediating capacity of populism constructed the political structure in Argentina.

The strictly populist element can only be seen if the class nature of a populist movement is left aside; yet, class contradictions should be mentioned so as to discover the unity of isolated political and ideological features in a society. It was mentioned that the presence of the people and popular demands are necessary

conditions for populism. Yet, popular demands or the people, cannot be the articulating principle of a political discourse. The people / power bloc contradiction cannot be developed without classes. If classes cannot be hegemonic without articulating the people, the people only exist articulated to classes. In this way, class contradiction can become the articulating principle of a political discourse.

Popular demands are presented in the form of antagonism in a populist movement. This antagonism which is implicit in the popular demands of the people, makes it possible to stand against the existing system and the power bloc and to struggle for hegemony. The distrust of a class/classes to the existing institutions results in an attempt at political recomposition. This antagonism and the consequent struggle can be more or less radical, and this nature of the movement reveals the degree of populism. Thus, the reason why Laclau claims that 'the degree of populism depends on the antagonism between people and power bloc' is that radical confrontations of the people with the existing system need populism to assert their hegemony (Laclau, 1979: 196). In this sense, rather than imposing one single ideology, a populist rule can articulate different political and ideological features in such a way as to neutralize the antagonism in a society. This is what makes populism hegemonic.

At that point, Laclau points out to four different conceptions that help explain populism (Laclau, 1979):

1. Populism is the typical expression of a determinate social class and characterizes therefore both the movement and its ideology. According to this, populism is deemed to be typical of a distinct social class.
2. Establishing class connotations of populism is difficult and it leads to a second conception which might be called a kind of theoretical nihilism. According to this, populism is a kind of concept, devoid of content.
3. This conception tries to overcome the difficulties by restricting the term populism to the characterisation of an ideology and not a movement. The typical features of this ideology are deemed to be hostility to the status quo, mistrust of traditional politicians, appeal to the people and not to classes, anti-intellectualism and so on.
4. Functionalist conception of populism: Populism derives from the processes of transition from a traditional to an industrial society. This is, the most consistent and developed of all the conceptions mentioned so far.

These are conceptions which help define populism. However, each of these conceptions has its limitations. The first conception defines populism both as a movement and an ideology. It claims that populism is typical of a distinct social class. But, for a movement to be called populist, it does not necessarily come from a specific social base, but popular demands should be presented in the form of antagonism. For instance, if classical populism in Argentina (Peronism) is the case; based on this argument we should classify it as a movement/ideology of either the national bourgeoisie or of the urban workers, which would make our analysis questionable. Populism is not necessarily tied to a specific social class; plurality of demands might be articulated in the discourses of different classes. A successful populist movement articulates different popular demands and neutralizes the potential antagonism in the society. Thus, populism is not linked to a specific class, nor is it placed above classes.

The second conception ignores populism either as an ideology or a movement because of the difficulty of establishing the class connotations. Yet, class analysis cannot eliminate the problem of populism. Despite variations in their other characteristics, movements separated in time, space and culture possess certain crucial features which justify our classifying them under the same name: populism. Populism does not have a class base but it can be articulated to different classes in such a way as to neutralize the conflict. This is what makes possible to call Hitler, Mao and Peron simultaneously populist.

The third conception makes the most common definitions of populism possible and reveals some crucial characteristics of populism. It presents populism in a descriptive way, which would make possible to define any ideology as populist provided that certain characteristics exist. There is a strong emphasis on the 'appeal to the people and not to classes'. Yet, does this eliminate the class structure of a society? Obviously not. The people in a given society and their demands can only exist articulated to classes. Hence, the political and ideological features of a society can only be discovered if class contradictions are taken into consideration. Populism can appeal

both to the people and classes, and appealing to people does not necessarily lead to populism (Laclau, 1977).

The fourth conception, the functionalist conception of populism is based on the assumption that populism emerges during the transition process from traditional to industrial society. This conception applies to the modernization theories.

Modernization perspective offers a structure of '*value systems at two polar ends of the evolutionary process*' which implies a qualitative change in societies from one end of the line to the other, although it is never clear at exactly what point societies become modern (Valenzuela, Valenzuela, 1979: 34). The teleological perspective is built on Western centric values and a traditional-modern dichotomy. Modernization in the underdeveloped countries was supposed to be realized by the spread of modern values from the developed countries.

Any kind of interaction between the developed and underdeveloped countries should bring about modernization. The conception of modernity is thought of as an ideal type that is possible to implement in any society (Black, 1966: 53) because modernization theory accepts the nation state as its historical setting on which to build a desired structure independent of social dynamics and class relations. The theory offers the underdeveloped countries the 'universal path' that was formerly followed by the developed countries and argues that, it would be possible even to skip stages, if they could achieve a rapid and intense modernization process (Silvert, 1966: 261).

According to the theory, in the transitional period, traditional and modern/industrial elements coexist in the society. The modernisation of one aspect or part of the society will trigger changes in others, which would end up in modernisation. Coexistence of traditional and modern elements represent insufficient integration with the modern world and populism can appear only under the transition period. Germani (1965), claims that, populist experiences in Latin America in the 1940s were possible because of the insufficient integration with the modern world and the coexistence of traditional and modern elements. In this sense, populism is explained as a movement

that takes place in backward societies and that populist movements only emerge sometime during the transition period from traditional to modern. Yet, as the theory cannot explain at exactly what point a society becomes modern; it cannot explain the exact point where populism emerges.

According to Torcuato di Tella, populism is a political movement which enjoys the support of the urban working class and/or peasantry, but it does not result from the autonomous organisational power of either of these two sectors. It is also supported by non-working class sectors supporting an anti-status quo ideology. (Di Tella, 1970: 47). The presence of social classes is not denied, classes are present in populism but not as classes. For di Tella, the class nature of these sectors and their forms of political expression are separated in populism.

The analyses of both Di Tella and Germani explain populism as a phenomenon that emerges in the transition period. Then populism vanishes as the society advances towards modernisation. Yet, even the concepts 'traditional and modern' are not theoretically constructed. The importance of the two concepts only appears if the progress in the transition period is concerned: it is the society's place on the line, which is never certain.

If populism appeared only during the transition period from traditional to modern, then populism should have been unlikely to emerge in 'modern' countries, but what about populism in the industrial societies such as, Qualunquismo in Italy, Poujadisme in France? Secondly, is populism a necessary step between traditional and industrial/modern? Does every society have a populist experience before industrialisation? Based on this analysis, they should; but obviously they do not. Neither can populism be linked to a certain stage of development or industrialisation, nor can we claim that only 'backward' societies experience populism before their eventual modernization.

In that sense, populism is not tied to specific social and economic conditions. Populism can appear under various divergent contexts. Populism is always possible in rebuilding the state and society. It is true that the emergence of ISI and populism coincide in many cases such as Argentina, but this does not mean that populism can only exist as articulated to ISI. If populism flourished in Latin America especially between 1930 and 1960, it does not suffice to link ISI with populism. Rather, the conditions under which populism emerges and how these conditions were united in that specific period should be investigated so as to see whether a movement is populist or not.

Populism necessitates the coexistence of certain political, economic, and social conditions. Class analysis is one of these keypoints to understand whether a movement is populist or not; and if so, what the specific characteristics of this specific experience are. It would be mistaken to link populism to a determinate stage of development. If populism were linked to ISI, it would not be possible to talk about populism in agrarian societies or populism in 'developed' societies. Similarly, if populism could survive only articulated to ISI, the two populist regimes in Argentina, Menemism and Kirchnerism, would never have existed. Thus, 'the meaning of populism and why it emerges should not be sought in ideal paradigms', but populism should be analysed as an expression of a social reality (Laclau, 1979: 154).

The following three chapters will analyse each populist rule as a political logic and answer the question as to whether these populist governments helped in achieving social and economic improvement. It will be argued that each of these populist rules is a result of a serious crisis and each of the three populist rules embraced different approaches towards the state, society and economy. The institutional transformations after each populist rule will be discussed. It will be revealed how the mediating capacity of populism was capable of restructuring the Argentine society in times of deep crises. A comparison of the three populist eras will be made in order to have an understanding of the contribution of populism to social and economic improvement.

As populist ruptures results from crises, crises and the conflict in the society shape each populist rule and determine the degree of populism, its economic strategy and the duration of the populist rule. The promise of economic and social improvement and the failed promises of the previous system has always been the ground on which state power is re-constructed by the emerging populist leaders. This is the reason why this thesis is concerned with the compatibility of populism and economic development.

In short, this thesis will analyse populism as a political logic in the light of the populist rules of Juan Domingo Peron, Carlos Menem and Nestor Kirchner. The continuities and differences between these populist rules will be discussed so as to see why they are all defined as populist. It will be argued that populism can emerge under various circumstances because populism is a way to express a social reality and populism is always an option when building a political structure. Therefore, populism is not an expression of backwardness or irrationality, nor is it a class movement. Populism is not related to a certain stage of development either. Rather, it will be argued that each populist rule has a mediating capacity which reconstructs the society in times of crises. Populism continues as long as the promises of crisis recovery and demands of the people are fulfilled and collapses as it loses its mediating capacity. New crises can cause the dismantling of populist systems, but crises and conflict can lead to new populist systems as well. In that sense, populism can constantly be reproduced in times of crises, as the case of Argentina will reveal.

CHAPTER II

CLASSICAL POPULISM AND STATE-LED DEVELOPMENT

2.1 Formation of the Classes and of the State

As a former colony of Spain, Argentine population has not been composed only of the local people. When the components of Argentine population is investigated it can be seen that from the very beginning, it has had a complex stratification and social status was an important issue. There had been people of different origin namely, Indians, Europeans and Africans. The whites were the most prestigious despite their being small in number. Most importantly, the whites born in Spain (peninsulares) and those born in the New World (criollos or creoles) were subject to ranking and their conflict is said to have shaped the struggles that brought independence. It is important to note that the existence of Argentina owes nothing to race, ethnic group or any feeling of belonging prior to independence. Not even the name of the country, Argentina, had a national significance, so the country existed because of political and economic reasons (Phillips, 2004) and thus, nation building was to be dealt with in the later periods. In the first half of the 19th century, (during which development was induced largely through the expansion of raw material exports) the regions with temperate climates and abundant lands received a large inflow of immigrants and capital from Europe. As a result, “the old society, in which political power was monopolized by a small minority of landowners, was rapidly urbanised. As Argentina urbanised, subsistence economy rapidly changed into a money economy” (Furtado, 1970: 43).

When Argentina gained independence in 1810, they had no experience in government. Argentina’s lack of experience in government is mainly due to Spanish

colonial rule. Unlike the British colonies in North America, they were not allowed to have their own

legislatures, for their decisions were made from Spain (Lewis, 1992: 17) and their rulers were *caudillos* (local strongmen), whose rule was authoritarian and arbitrary. Therefore, in the time of independence Argentina lacked a proper ruling strategy. The agrarian elite had differing ideas about the form of the new state, for instance, there was a dilemma of whether they should construct a centralised or a federal system. There was a tension between centralists (*unitarios*) and federalist *caudillos*, the former of which wanted a powerful Buenos Aires to govern the nation based on enlightened liberal principles whereas the latter wanted a centralised liberal regime. Juan Manuel de Rosas won the battle and came to power whose order was a dictatorship with a gaucho army and rested on a traditional patriarchal system, supported by the agrarian oligarchy.

In Latin America, agrarian structures are not only an element of the production system, but also the basic entity of the entire social organisation. Large lands were granted as family holdings to settler families and this system remained unchanged after independence.

Especially in the economies that were based on agricultural exports, the large estate has become the basic element of social organisation (Furtado, 1970: 51). Therefore, the country's direction has always depended on a relatively small group of landowners. Yet, this does not mean that these landowners constituted a unified group. These elite had economic interests in common, but their different roots made it difficult to merge into a unified and cohesive group (MacLahlan, 2006: 26). Their common economic activity transformed Argentina from a relatively poor country to the richest in Latin America towards the end of the 19th century. In an agricultural country as Argentina, it is natural to have a strong agrarian oligarchy that was influential in economic and political life; for the economy has depended on exportation of agricultural products for a long time. The interesting part is that the landed elite continued to possess its power even after the agricultural sector had lost

its priority in the national development strategy. Thus emerged the two sides of a never ending conflict in Argentine history, which were the landowning agricultural sectors and the newly emerging industrialists.

As elsewhere in the world, in Argentina, the ruling class has always been tied to economically dominant people. For a long time, it had been the landowners, who involved either directly to politics or were influential even in the military regimes. Its oligarchy, the *estanciero* ruling class, contributed to economic activity by responding to the opportunities of the market. Later, as Argentina industrialised it became the entrepreneurial class who were influential in politics. But, in Argentina, especially during the beginning of the industrialization process, it was the landowners who controlled most of the agroindustrial sector, and thus, landowners and industrialists could not be fully differentiated from each other. Their attitude towards the new industries was pragmatic: for instance, they agreed with the building of those industries that did not have adverse effects on agricultural activity (Tokman, 1973), so, in a way, early industrial groups came out of the landowners. It was said to be a reason why traditionally the intermediate and capital goods industries lagged behind the agricultural sector and agroindustries.

In short, it can be said that, the economically dominant groups, have helped shape the scope of economic activity and they tried to determine which industries to be developed and to set the economic priorities. So, from the beginning, dominant groups wanted their interests satisfied either through their personal relations with the ruling class, or through their influence on decision making process. That is why, policy making process cannot be thought independent from the demands of the economic actors.

Despite the conflict, under the influence of the US, a constitutional federal order was founded. General Roca constructed an orderly government. It was a liberal order with a limited government and economic liberty. Late 19th century Argentina was characterized by, classical liberalism, individualism, free enterprise and free trade. Under a liberal state; life, liberty and property should be protected. A liberal state is

where there is protection of rights and upholding of justice. It should not be a minimum state, but limited government. According to Gray, ‘*Unlimited democratic government from a liberal point of view, is rather a form of totalitarianism*’ (1995: 71).

In a liberal state, there is reference to the rule of law, and the arbitrary exercise of governmental authority is to be constrained by constitution. For Hayek, liberalism is to be regarded as a form of political and moral practise. In a regime of liberty, human purposes are best served. Individual freedom is a virtue of political order. The criteria for a right to be just is its universalizability. A liberal state is to provide a minimum of welfare services and to maintain a free order (Gray, 1989: 100). Thus, state is a guardian and provider of general welfare. Yet, as one Argentine historian put it, ‘*Liberalism promised a theoretical garden of happiness which historically became a jungle of poverty*’ (Burns, 1977: 90).

2.2 The Great Depression and 1930 Military Coup

In late nineteenth century, Argentina experienced a debt crisis, 1890-91, its debt was more than three times its GDP, but a surge of new foreign investment spurred rapid recovery (Cardoso&Helwege, 1995: 113). In the early 20th century, the larger Latin American countries such as Argentina, were looking like stable semi-democratic republics. Yet, this apparent modernisation masked the fact that the agrarian oligarchy still largely held the power. The export-oriented sector began to crumble before the crisis of 1929 (Furtado, 1970) and the agrarian oligarchy weakened through this event and the subsequent depression of the 1930s weakened the ancien regime (Munck, 2008: 29). Nevertheless, the military coup of 1930 helped strengthen the political position of the agrarian oligarchy, serving their interests such as world trade, land speculation and stock raising (Alejandro, 1967). Until the Great Depression, Argentina was a great exporter of agricultural products and actually, Argentina was one of the least affected countries from the devastating effects of the depression, because of food exports, which have a low income elasticity (Furtado,

1970). Yet, it was still dependent on the European demand for agricultural products, since it did not produce industrial products, which would later bring about their slower development and further dependence upon the industrialized countries.

At that time, there were two main features of Argentine industry, firstly, the key industries were almost wholly foreign owned. This means they were left vulnerable to any change in the external environment that would disrupt foreign investment or trade. Secondly, late development of national industries made the country backward. Argentina was a producer of nondurable consumer goods such as, textiles, leather goods, processed foodstuffs and clothing. Also, there emerged new demands in the building sector as a result of the urbanisation process, yet, nondurable consumer goods and building materials by themselves had limited power to provide sustained development (Furtado, 1970: 83), these could not do much than meeting the needs of the population. These two features indicated the country's dependence upon the industrial countries on the one hand, and on the other, their backwardness in terms of economic development. These facts became clear especially after the Great Depression when export-oriented system had come to its limit because of the sudden disruption of world trade. The exhaustion of the system would also signal a trial for a change in the international division of labor and in the development strategy of Argentina, from an exporter of agricultural products, to building of national industries.

As a result of the depression of 1929, there occurred a decrease in the exportation of agricultural products. This event has necessitated new policies to curb imports in accordance with the decrease in exports which in turn, means a decrease in consumption. This act was seen as a temporary solution and the export rates were expected to be maintained after the depression. In that sense, the rationale that brought ISI into being was to recover the economy from the ruins of the depression (Yalman, 1984). The 1930s, represented the failure of outward-oriented growth and the positivist belief in orderly progress along with the military coup that replaced Yrigoyen with General Uriburu in 1930. The dominant trend towards a new political economy of development had come to be based on industrialisation and on the

internal market. However, in the meantime, foreign investments continued to grow; in fact, the Great Depression brought even more foreign companies because in 1933, Argentina abandoned the gold standard (Furtado, 1970).

By the end of 1930s, industrialists forced the ruling oligarchy to accept them as partners in Argentina's economic future. Between 1930 and 1943, Britain's imports from Argentina decreased (Fitzgerald, 2005) and the US had become an emerging economic power and it became a rival of Argentina, since it was also a producer of meat. So, if Argentina was to buy industrial goods from the US, it had nothing to sell them in return. Yet Argentina had to be economically sovereign. Authoritarian technocracy was seen as one of the solutions since productivity required social discipline and leadership, economic elites and industrialists had to be encouraged to put their talents and capital to work. But who would consume these products? Two possible answers were found. Either the state, especially the military would become the chief consumer as had happened in Germany and Japan, or the government would create a mass market in the private sector by raising workers' wages and spending more on welfare as Peron would later do (Lewis, 1992: 88).

Until 1930s, state played a minor role in economics in accordance with liberal principles. However, during the depression, falling exports curbed Argentina's ability to import finished products, so, local industry was encouraged to meet that demand. Such was the logic of ISI in the 1930s. After the Great Depression, along with nationalism, Argentina adopted a state-led development path which required state intervention and regulation in the economy and thus, state needed a degree of autonomy.

According to Rueschemeyer and Evans, state intervention seeks to enable capitalist political economies to foster economic growth and manage socio-economic conflicts. Limits to its capacity to do so may arise from the internal structure of the state and from its relation to its class structure, yet a bureaucratic apparatus and a degree of autonomy is needed (Cammack, 1990: 159). Evans' conception of autonomy is

different from the 'relative autonomy' of the state. For him, a state is to have strong institutions, and if it is to achieve development, it must have '*embedded autonomy*' which means internal coherence with external connectedness (Evans, 1992). Markets operate well when there is state intervention. Embedded autonomy ensures that state bureaucracy and capitalists are not isolated.

However, the dominant institutionalist approaches tend to miss the key point that social relations that constitute institutional arrangements are essentially class-based, the relationship between the state, capital and labor cannot be understood as governed merely by institutions. Another limitation of institutionalist approaches is the conceptualisation of capitalist models entirely in national terms. In this approach, institutions are socially embedded, reflecting the impact on societal structures of economic activity in predominantly national terms. Yet, Marxist perspective on capitalist development introduced a notion of structure which relates to the structure of capitalism as a world system and to the class structures as well, which are seen as determined within the relations of production (Coates, 2000: 164).

In 1930s-40s, the rise of nationalism discouraged the participation of foreign capital. Dependence on foreign investment and its exploitative relation to the nation was blamed for underdevelopment and the general poverty of the population. (Munck, 2008). So, state intervention and its capacity to generate a dynamic capitalist development process was a hallmark of this era. Stiglitz (1987: 14), claims that there are two conflicting paradigms for development strategies: one emphasizing the principle of comparative advantage, preaching the free market and export-oriented policies; the other highlighting heavy industrialization. This strategy has been typically associated with interventionist trade policies and focus on fostering a domestic market via ISI. Yet, growth of exports and the initial phase of industrialization cannot be thought as externally related.

The only difference was that, export sector was dependent on foreign demand and therefore was an exogenous variable; whereas investment in the industrial sector was dependent on the growth of the exports market, (Furtado, 1970: 84) simply because the new industries were financed with the revenues coming from the exports. This means, exports of agricultural products and industrialization should have been thought as mutually related, rather than one seeing the other's growth as a disadvantage for themselves. The fact was that the industrial sector was dependent on imported equipment and therefore dependent on foreign suppliers and that the sector could only be freed from this dependence relation, if it could be diversified enough to meet its own demand. And unless the country could meet this demand, as had happened in Argentina, the scope of industrial activity would remain limited to processing of agro-industrial products and food, or finishing of imported semi-manufactured consumer goods.

Three facts are taken for granted in most discussions of post-war development strategies. Firstly, these strategies were centered around the idea of rapid industrialization, and a desire to catch up with developed countries. The mid-20th century fashion was the ISI model, that is by limiting the entrance of imports through the erection of tariffs and quantitative controls to create a market for local firms; and by providing support for the rapid growth of these firms through subsidization. Second is the industrialization attempt which was undertaken as a common project between political elites, state managers and domestic capitalists. The third is that, in the alliance between state and business, state took major role. Hence the common description of rapid industrialization projects is "*state-led development*" (Chibber, 2004: 3).

National development project was supposed to be led by the national bourgeoisie that was to be created during the industrialization process. The instrumentalist theory codes the capitalist state as an institution reflecting ruling class interests. There was thus, on this theory, no room for tensions between them and the state, after all, it was their state. Yet, if we move from instrumentalist view to grant some autonomy to the state, conflicts about developmentalism become less mysterious. State's relative

autonomy meant that its powers were not under the direct control of national bourgeoisie, which is a crucial element of import-substitution industrialization (ISI). ISI aims to curb the imports, by deliberate state intervention and by a strong domestic economy with a national bourgeoisie. According to Hirschman, there are four impulses that bring ISI into being, which are; wars and depressions, a deliberate development policy, gradual growth of the domestic market and balance of payments difficulties. ISI starts with the manufacture of finished consumer goods that were previously imported, and this stage refers to the '*easy phase*'. Then it should move on to higher stages of manufacture; to intermediate goods and machinery (Hirschman, 1968: 6). At this point, it is crucial to note that, import-substitution industrialization took place in countries that already completed the initial stage of industrialization because these countries did not have to import additional equipment (Furtado, 1970), such as Argentina which had already generated non-durable consumer goods industries. This phase was necessarily followed by a high demand for intermediate products and machinery, at least until the industrial sector was deepened.

During the period from 1930s to the end of World War II, Argentina has experienced the capital accumulation -albeit limited, during import substitution industrialization process. This period also revealed the weakening of the economic position of the agrarian sectors and their 'constitutional' regime of the 1930s that rested on repression (Yalman, 1984: 129). This was a regime that could not respond to the needs and demands of the newly emerging sectors, namely, the urban workers and industrialists which would cause social discontent and political instability.

2.3 Bretton Woods System and the IMF

Statesmen learned from the Great Depression, but different statesmen learned different things. That some of them inherited power rather than others is part of life's lottery, not the product of some evolutionary design. But once their preferences were instituted, the institutional arrangements shaped subsequent developments (Ruggie, 1982).

Domestic politics had priority on trade policies during 1930s, since international cooperation in trade had experienced a failure in the decade, and a freefall followed the Great Depression. The effects of the depression were so deep that all the economies implemented protectionist measures, which was a natural reaction. Between 1929 and 1937, the volume of world trade was halved (Rodrik, 2011: 45). But the deeper roots of protectionism also lay in the powerful and active society that demanded greater economic protection from the government against extreme competition in the world economy. Governments did not yet have safety nets and social insurance to protect the working people from the consequences of trade. Yet, when the unhealthy conditions of world trade collapsed after the depression, the changed economic circumstances necessitated protective policy measures.

So, the world economy left the classical liberal economic order after the depression. The liberal order has ignored such concerns as social reform, nation building and national assertion. When these ideas began to take shape, developing countries such as Argentina, chose nation building. During the interwar period, and especially following the Great Depression, nationalist and protectionist measures were on the economic agenda in order for the wellbeing of the domestic market. Nevertheless, in the postwar period, the protectionist measures were seen as the main obstacle to achieve economic development. Under the leadership of the United States, a new international economic order was constructed named as the *Bretton Woods* system which was based on the principle that dollar had an exchange rate tied to gold. The system was aimed at global economic integration and accepted the free flow of goods and capital as the means for integration with the world economy (Spero&Hart, 2003). Bretton Woods system was a collective deliberation trial at the global level (Rodrik, 2011: 69) established in July 1944 to aid in the reconstruction of Europe.

The Bretton Woods system was defined as the compromise of embedded liberalism:

Unlike the economic nationalism of the thirties, the regime would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism (Ruggie, 1982).

The postwar economic order offered that the trade barriers that limited the flow of international economic interactions should be reduced. The international division of labor that would emerge after the implementation of these measures would enhance both the American and global welfare, although it was more likely to serve the interests of the U.S. by eliminating the barriers that formerly reduced the exports of the U.S.

The protective measures of the 1930s were defined as mutually destructive and thus should be abandoned. Therefore, international discipline and trade liberalization was needed to allow free trade, but at the same time, governments should be given the space to respond to domestic social and economic needs (Ruggie, 1991: 203) which referred to the embedded liberalism of the postwar welfare state of the west. Domestic policy objectives then, should have priority over international economic policy, such as full employment, economic growth, equity, social insurance and the welfare state. It is because it was thought that healthy national economies would ensure a healthy world economy. For the founders of the Bretton Woods system, the Great Depression has proved that markets sometimes do not work well, and that there should be a role for government in the economy (Stiglitz, 2002: 239). As a consequence of the foundation of the Breton Woods system, there emerged '*varieties of capitalism*' (Hall and Soskice, 2001).

The Great Depression was accepted as resulted from or at least exacerbated by, negative interactions among countries. The depression was a massive market failure and thus, the new economic order needed global collective action, expansionary monetary and fiscal policies. The framework of the postwar economic order was determined, but there was a need of an institutional setting in order for the system to succeed. It was accepted that: "Markets by themselves are powerful but important and extensive market failures need collective action" (Stiglitz, 2002: 252).

One of the most important institutions of the Bretton Woods system is the International Monetary Fund (IMF), which was founded to provide global action directed at enhancing global stability. The IMF's importance in the postwar period was its construction of a new world order where individual economies started to integrate into a capitalist world market and their economies are oriented towards the dictates of that market (Harris, 1988: 312). The IMF was supposed to resolve the '*fundamental disequilibrium*' (Ruggie, 1991: 204) that markets by themselves cause. The role of IMF in the world economic system was to resolve the short term balance of payments problems and thus help the countries' integration with the world economy.

The basic mechanism to deal with the problems is the stand-by agreements by which it dictates stabilization policies. In return for the compliance with the conditions of the agreement, the country could benefit from the credits of the IMF, the limits of which are previously set by the institution. So, a country that demands help from the IMF, for the resolution of balance of payments problems, has to obey its commands. The IMF insists that the 'terms' of the agreements are set by negotiations, but it is not, because the countries that demand help often need the money so badly that they can agree with any condition (Stiglitz, 2002: 64). The credit that is given to the countries is temporary and they shall not be used for other objectives, such as the financing of development programs, for this was the duty of another institution.

However, The US Treasury man Harry White argued for the establishment of the IMF (Harris, 1988: 314):

1. *When countries run balance of payments deficits, credits should be available for them to ensure that their governments could pursue Keynesian policies and increase their spending without outside pressure, thereby maintaining full employment and effective social reforms*
2. *Channelling funds through an institution such as the IMF, controlled by member governments was preferable to having flows of international capital under the control of private banks and private investors.*

As for long term development, another institution was founded: the World Bank. Its original name was the 'International Bank for Reconstruction and Development' (Ruggie, 1991). The role of the World Bank has become helping developing

countries, achieve economic growth and eradicate their poverty, whereas, originally it was supposed to correct the imperfections in capital markets that prevent the flow of

capital from developed to less developed countries. At that time, it was argued that what caused lack of development was the shortage of capital, but it was not what had been happening. What separates developed from less developed countries is not only the lack of capital, but also gaps in knowledge. That is why, one of the functions of the Bank has come to be the reduction of those gaps (Stiglitz, 2002: 250) and thus the World Bank functioned so as to provide the necessary support for long term development programs of the countries in need.

Another important concept about the Bretton Woods system was multilateralism which meant rule enforcement would work henceforth through international institutions- the IMF, World Bank, and the General Agreement on Tariffs and Trade (GATT)- rather than through naked power politics (Rodrik, 2011: 70). Multilateralism symbolized the end of bilateralism, and the rule enforcement process became institutionalized. Then, only the institutions (namely the IMF and the World Bank) could help the countries in need, and no country could help the other unless it is urgent or temporary. Besides the principle of multilateralism, the rationale behind the idea was to introduce foreign investments as a means for the economic development of the developing countries. Otherwise, foreign aid would become an alternative to foreign capital (Yalman, 1984) which would disrupt economic interactions. Yet, the efforts to construct multilateral economic regimes could not succeed until 1950s.

Bretton Woods system was embarked on free market policies and was said to be responding to such problems as inflation and foreign exchange shortages by means of neoclassical policy measures. The IMF advocates the neoclassical argument that both inflation and balance of payments difficulties are a result of excess demand. The balance of payments difficulties are often claimed to be caused by the economic development strategy and by the policies implemented by the government. It is as if the economic development strategies could be implemented by the governments,

independent from the social dynamics and class relations. It is argued that the unbalance between supply and demand leads on the one hand to high inflation and on the other hand increases import demand whereas exports continue to fall which in turn causes trade imbalance and instability in the domestic and external economy (Yalman, 1984: 87). As a solution to these problems, stabilization programs are prepared by the IMF which basically say; the thing to be done in order to foster growth and reduce balance of payments difficulties is, to take monetary and fiscal policy measures and not to implement inflationary policies.

Yet, contrary to the neoclassical approach, structuralist view claims that, the economic structures of developed and developing countries are different from each other and for that reason, their problems cannot be resolved with the past policy experiences of the developed countries. Such problems as inflation and balance of payments difficulties in the developing countries prevail, unless their production structure and position in the international division of labor is changed. So, the monetary and fiscal policy measures of the Bretton Woods institutions would not bring developing countries anything other than higher rates of unemployment and stagnation. It can be argued that, Bretton Woods institutions function so as to keep the unequal conditions in the international division of labor unchanged and the 'collective action' of the institutions does not resolve the economic problems of the developing countries.

2.4 The Emergence of Peronism and Classical Populism

The central components of Justicialismo (Peronist ideology) have roots in the Social Christianity and national populism of the FORJA (the yrigoyenista, the nationalist wing of the Radical Party in the 1930s) and in syndicalism (Brennan, 1998). So, populism in Argentina is not unique to Peron and Peronism. As it will be seen in the later periods, populism has always been so inherent in the Argentine political structure that it almost became a political tradition.

Popular demands are the embryo of populism and from these demands, the people that would react to the status quo is created (Arditi, 2010: 74). Laclau says that “*Populism is, quite simply, a way of constructing the political*”. He adds that “populism is the royal road to understanding something about the ontological constitution of the political as such” and that by ‘populism’ we do not understand a *type* of movement. . .but a *political logic*.” The condition leading to a populist rupture is a situation in which a plurality of demands coexists with an increasing inability of the institutional system to absorb them. This generally results from the types of crises of representation that Gramsci called ‘organic crises’ (Laclau, 2005: 46).

Peronism represents one of the most significant cases of populism since no other Latin American populist movement was constituted from the articulation of more disparate interpellations; no other achieved such success in its attempt to transform itself into the common denominator of mass popular democratic language, and no other was articulated into such varied class discourses (Laclau, 1977: 176). In order to understand the specificity of the populist rupture from which Peronism emerged, it is necessary to understand the nature of the previous dominant ideological system in Argentina.

For Laclau (1979: 186), 4 ideological ensembles explain the pre-Peronist Argentina: “*oligarchic hegemony as such; an increasing unity between liberalism and democracy in the dominant discourse; a marginal authoritarian ideology (1930 military regime), both anti-democratic and anti-liberal; class reductionism in working class ideologies*”. These represented oligarchic hegemony that came to an end with Peron’s rise to power.

According to Cammack (2000: 157, 159), the institutions created by export-led development and liberal oligarchy in Latin America before 1930 were vulnerable to the national developmentalist challenge because;

1. They had lost legitimacy after the Great Depression of 1929,
2. They could not offer a more convincing alternative economic model,
3. They had failed to capture the majority of the population, who were therefore available for counter-mobilisation.

The classical populists therefore, succeeded in neutralising more radical class-based alternatives, in the context of the global and regional collapse of export-oriented development and liberal hegemony (Cammack, 2000: 159). The decade of the 1930s saw the decline of the oligarchic hegemony and the emergence of new contradictions in the power bloc. In the first place, the power bloc experienced a deep crisis; the world depression led to a process of ISI that created new antagonisms between industrial sectors and the landowning oligarchy. Secondly, there was a crisis of transformism. The democratic demands of the masses were less and less absorbed by the liberal regime and this was reflected in an increasing division within the power bloc. Then the perfect synthesis between liberalism and democracy was dissolved.

After the Great Depression the way in which popular demands reunited, expressed a powerful opposition to the oligarchic power bloc. The potential antagonism was directed towards a confrontation with the oligarchic discourse that is liberalism. In this sense, Peronist ideology was aimed at delinking liberalism from democracy and accusing liberalism of serving oligarchic class interests.

For Laclau (1979), 4 factors are rooted in the success of Peron's populism:

1. 'If the strictly populist element in Peronist ideology was the radicalisation of anti-liberal popular interpellations, Peronist discourse consisted not only of these interpellations but also of their articulation within a discourse imposed by the class project that defined the regime: *the development of a national capitalism*'. Hence the antagonism of popular interpellations was permitted to develop only up to a certain point in order to limit their explosive potential.
2. If Peronism was undeniably successful in constituting a unified popular-democratic language, this was due to the social homogeneity of Argentina, exceptional in Latin American context: lack of a peasantry, overwhelming predominance of the urban population, substantial development of the middle classes, development of trade unionism.
3. The presence of the working class in Peronism gave it the ability to persist as a movement after the fall of the regime in 1955. As industrialisation was transforming the role of the working class from being a marginal sector to the most concentrated social sector, the working class had come to oppose to the oligarchic rule.
4. If the antagonism of popular interpellations developed within the limits tolerated by the

Peronist regime while it existed, it was impossible to impose these limits after Peron's fall. Hence, Argentinian liberalism, restored in 1955, demonstrated its complete inability to absorb the democratic demands of and resorted more and more to repression, the potential antagonism of popular interpellations could develop to the full.

In the 1930s and 1940s, power blocs were deeply divided due to the crisis of oligarchic hegemony, and at least a fraction of them could move in the direction of a national independent capitalism and seek mass support. Until 1955, Peron's populism was successful at acting as a mediating power between opposed bases of support. It did not aim to unify different ideological elements, for, the strength of the movement was rooted in this mediating capacity. It is for this reason that after the fall of Peron in 1955, the movement was radicalized and extended beyond the limits.

During the second term of Peron, the nationalist experiences have collapsed and thus, their capacity to absorb democratic demands of the masses was limited (Laclau, 1979: 193). Addingly, military regimes tended to be more and more repressive which left no room for popular demands. Under these circumstances there are no antagonisms sufficiently deep for a fraction of the power bloc to be reunited in a populist direction.

Peron transformed Argentina's political culture and made radical changes, in the country's economic, social and political structure. The changes were so intense that some scholars such as an Argentine historian Tulio Halperin Donghi (1994), describes Peron's coming to power as the '*Peronist revolution.*' Populist leaders and politics were ideologically incoherent but tried to be inclusive. They seemed to be threatening the elites' control (Horowitz, 1999), and favoring workers. Rudiger Dornbush and Sebastian Edwards (1991) emphasized this left of median aspect of populism:

Populist regimes have historically tried to deal with income inequality problems through the use of overly expansive macroeconomic policies. These policies, which have relied on deficit financing, generalized controls, and a disregard for basic economic equilibria, have almost unavoidably resulted in major macro-economic crises that have ended up hurting the poorer segments of society.

2.5 The Postwar Period and Peron's Rise to Power

Following WWII, the raw nationalism and corporatism that had been the hallmark of the prewar years were displaced in a technocratic attempt to engage selectively with the international economy (Bulmer-Thomas, 2003). This process was realized in ISI and then post-ISI (Amann, 2010: 235). But, these were not in any sense, a product of left-wing populism. For Argentina, it represented a form of economic nationalism.

The period between 1930 and 1940 was defined as the '*infamous decade*' during which working class felt a deeper sense of alienation (Horowitz, 1999). By 1943, many labor leaders had become deeply frustrated with the lack of aid from the left-wing parties. So, towards the end of the Second World War, Argentina had experienced yet another military coup. In contrast with the military coup of 1930 that strengthened the political position of the agrarian structures; the one in 1943 represented the weakening of their political position and prepared the ground for the emergence of national industrialists. Therefore, this coup opened up a new page in national industrialization process. From then on, state intervention and its capacity to generate a dynamic capitalist development process was needed. The new regime that came out of that coup constructed a more active and expansive state with high government spending, in order to enlarge the domestic market, to increase consumption and thus, to foster industrialization.

In June 1943, dramatic political changes were made by a group of army officers. Focussing on communists, they closed major labor confederations and it became almost impossible to call for strikes. They wanted to avoid the spread of communism and avoid social unrest. At those times communism was seen as the most dangerous regime and Argentina was afraid of communism despite that there has never been a real threat of communism in Argentina, due both to labor shortage and to the lack of a mass based, genuinely threatening Marxist-Leninist party in Argentina between 1943-45 (Brennan, 1998: 7). Argentina's major populist leader Juan Domingo Peron emerged out of such a group. He had a desire for order and he wanted power for

himself, but he wanted it through popular support (Horowitz, 1999). He thus, established the Partido Justicialista (Peronist Party) in 1946 and came to power through the elections of the same year. He made major efforts to attract support from the middle class and from the business community, but his real success came in recruiting support from unions and the urban working class, because of the benefits he offered. In the corporatist-populist regime, (Peron, 1946-1955) there was an inclusive level of political participation but power was centralised by the leader. So, respect for democracy by Peronism and by Peron himself, seems to be pragmatic. (Waisman, 1999: 83).

The former minister of labor Juan Domingo Peron came to power with the support of the military and unions, despite the opposition of the old power bloc –the agrarian sectors. Peron maintained the conditions of the urban working class and thus, was supported by them. On the other hand, the newly emerging industrial sectors were looking for a leader to provide them the necessary resources and Peron responded their demand with protectionist measures, in order to protect them from the competitive external market and to strengthen the national industries. This strategy of him unified the support of the urban workers and industrialists, since their interests coincided under the promises of Peron. President Peron was for a corporate state in which labor, business and state were allies. Yet, he wanted workers organized because of the fear of communism. He defended his system by arguing that, “*Strong unions are less of a danger to capitalism than a poorly organized working class. If they are organized, they are led. That is the way to reach agreements without fights.*” (Cuneo, 1967). Peron was hostile to the unorganized groups. So, he supported unionism if and only if they acted in accordance with the directions of the Party. So, both the working class and the industrialists constituted the support base of Peron, who in turn would serve for the national development strategy, which was the building bloc of Peron’s system.

During Peron’s office, comprehensive economic and social policies were conducted, government spending and wages increased to encourage consumption. His economic model included; state interventionism, industrialisation, income distribution and nationalisation of ‘the critical sectors of the economy’. Emphasis on income

distribution did not mean that Peron was a Marxist; moreover, people of populist politics are not necessarily the poor, and have little to do with Marxist notions of class alliances against the economically dominant class. They are those who consider themselves as disenfranchised and excluded from public life. (Panizza, 2005: 16). Peron was often referred to as a '*Marxist in reverse*' (Waisman, 1999) due to his giving benefits to the working class but at the same time, because of his denial of the concept 'class' and his pragmatic attitude towards the working class.

The phenomenon of 1930s-40s was economic nationalism and import substitution industrialization, so when Peron came to office, industrialization attempts have already started. Since Peron was concerned with rapid industrialization and a strong domestic economy, he made use of protectionist measures in order for the new industries to grow, because without state protection, these industries would not have been able to survive even in the domestic market. That was also the period when the decline in the capacity to import permitted the intensive use of the basic industries constructed earlier (Furtado, 1970). This means, if there is a growing need for products and the importation of them is not possible, then the products should be produced domestically. As demand expanded, which accompanies industrialization, new markets were created.

By means of the already established basic industries, Argentina experienced the golden era of ISI in 1946-47 period. The agro-industries such as food, textiles, tobacco, and leather goods have been maintained. Foreign trade was controlled by the state and the export revenues constituted the credits given to the industrial sectors (Alejandro, 1965). Also, a great portion of the export revenues were used to import the necessary input and capital goods for the industrial sector.

During the first years of Peron, the system worked well, but as ISI began to come to its limits, the climate discouraged the potential foreign investors and local capitalists. In fact, most of that loss was due to Peron's decision to nationalize transportation, communications and utilities companies. The postwar capital accumulation had

mostly been spent on the one hand, on imports needed by the industrial sector and on the other hand, on nationalization of such companies as railroad, telephone and natural gas (Yalman, 1984). For Peron, however; this symbolised the end of Argentina's dependence upon foreign capital. Yet, on the contrary it contributed to the opening of another era marked by dependence upon foreign capital.

After the success during the easy phase, problems began to emerge. Basic industries prevailed but new industries were not generated which would have served for the deepening of the industry. Beginning from 1948, Argentina's foreign trade began to deteriorate. As a matter of fact, growth rate decreased, inflation increased and industrialization slowed down. There was a need of change in economic policies and this required the limitation of credits, government spending and wage increases. Nevertheless, the policy changes did not really work, and so, price increases and balance of payments difficulties prevailed. Despite devaluation, exports could not be increased because of the reaction of the agricultural sector to the prices, by a fall in production.

Under these circumstances, to encourage beef exports would mean that domestic consumption of beef, which was an important wage good, had to be limited. For this reason, beef exports were not encouraged, nor did the domestic consumption decrease. The fall in production led to price increases and high inflation. Not only had these problems put an end to the intersection of interests of the workers and industrialists, but also intensified the conflict between the agricultural and industrial sectors (O'Donnell, 1973; Collier and Collier, 1991).

By the end of 1949, Argentina's foreign exchange reserves were dangerously low, threatening the country's capacity to import. Given the decline in exports, the foreign exchange bottleneck, the falling rate of foreign investment and the outflow of capital; attracting foreign capital remained the only way to revitalise the economy. In 1952, the fall in production became so serious that Argentina, once a provider of food to the rest of the World, had come to import wheat from the United States. Imports, which were directed towards the needs of the industrial sector formerly, had to be

limited so as to be able to import agricultural products as well. As a matter of fact, the resource transfer to the industrial sector decreased and that meant a further decrease in domestic production and consumption rates.

Beginning from the 1950s, economic planning came on the agenda, partly resulting from the trend to regulate government intervention. ISI strategy without planning begins with the production of basic goods and it relies on imported equipment but, the structuralist view states that, planning would maintain the difficulties that the economy may face. So, planless governance of the economy was seen as the basic reason of the crises. Whereas, according to Hirschman (1968), it does not make a difference in the process whether the ISI strategy is practised in accordance with a plan or not. The process always starts with the production of nondurable consumer goods and evolves into intermediate and capital goods.

The neoclassical approach does not completely exclude the ISI strategy, rather deems it as beneficial for the development of infant industries. Yet, it puts the blame on the policies implemented and thus, on the state. The policies are criticised because they are directed at protection of the domestic industry and market, which for their view, complicates the integration with the world economy. Surely, failures in the policy making and implementation processes are possible and should not be neglected. Yet, this kind of a view ignores the impact of the classes in the process and charges the state with inefficient governance of the economy, and similar to the structuralist approach, puts the blame on the state by ignoring the classes and power relations in the policy making process. Political and economic power groups guide the policy making process, but neither the state is an instrument of those groups, nor class relations have no impact on decision making process. Therefore, the roots of the crises lie more on the internal contradictions of the capital accumulation process than on policy implementation process, be it randomly or in accordance with a plan.

In accordance with the planning fashion, in 1952, a new program to combat inflation was prepared and this plan achieved a decline in inflation rate from about 30% to 5%. Yet, balance of payments difficulties were resolved more by the limitation of imports

than by an increase in exports (Skidmore, 1977). A kind of stability was achieved but the fact was that it was impossible to implement the program forever. Agricultural sectors for instance, would not stand the low price policies of the state for a long time which were aimed at the transfer of resources to the industrial sector. Thus, the state partly left the low price policy. Another measure was to try to stabilize the value of peso in order for the benefit of the exporters (Alejandro, 1965).

After the initial success of the program, in an attempt to regain the industrialists and the workers, tight credit policies were expanded and then came a wage increase. Yet, beginning from 1954, agricultural production started to decline again. Moreover, despite wage increases, real wages could never reach the level of pre-1950s. Especially after 1952, when economic growth stopped and the government faced difficulties in finding resources for new investments, Peron government had no choice other than attracting foreign capital. It can be argued that Peron administration welcomed foreign capital not because national development strategy was abandoned, but because of the need to create resources. This argument could have been completely valid, if the necessary investments to produce intermediate and capital goods were made, when they had the capital. But in the case of Argentina, the crisis conditions, which are inherent to the process of capital accumulation, were intensified (if not caused) by means of wrong decisions when setting the priorities as well. If the idea was rapid industrialization, then investments should have been made in time, in order to produce and export manufactured goods. Simply relying on agricultural exports (especially when there has been an intense rural-urban conflict) and basic industries to foster economic development does not seem to be sustainable.

Therefore, despite the internal contradictions of the ISI strategy, Peron government made lots of mistakes too. For instance, he neglected heavy industry and thus, his period was seen as a lost opportunity. If industries such as steel, oil extraction, petrochemicals had received priority over the light consumer goods industries producing for the domestic market, Argentina would, in a short time, have become an exporter of manufactured goods. It would have been freed from its reliance on agricultural exports, it would not have to import capital goods and so would have

avoided the foreign exchange bottleneck (Alejandro, 1967: 727-729; Furtado, 1970: 144). Peronist populism focused on the more labor-inclusive ISI industries such as textiles, food or simple metals and did not undertake a massive expansion of the state in basic industries. The construction of the first large plant was initiated in 1947 and finished 14 years later (Schvarzer, 1996: 207-10). Moreover, there had been less excuse for Peron's neglect of the oil industry since they had oil reserves, contrary to what Peron thought:

We cannot extract our own oil because we haven't got the money to invest in a company capable of doing it. Sure we have oil, but what good is it if it is two, three or four thousand meters beneath the ground? In order to get it out, we would need a lot of capital, which unfortunately we do not have (Lewis, 1992).

Actually, it is good to have oil reserves beneath the ground because they usually stay there until extracted, and obviously for that reason it is a big investment. Therefore, Peron's statement seems unacceptable because, in order to accumulate capital for the investment in such industries was exactly what should have been done in the early phase of the ISI process. Furtado (1970) claims that if Argentina had taken into account the long-term trends of international trade after 1940s, the industrial sector could have been deepened. If the state lacked money for those kind of investments, there must have been something wrong with the setting of priorities. Investment in such industries as oil extraction and petrochemicals should have been more important than such symbolic investments as nationalization of the old and technologically backward companies, to say the least.

It is important to keep in mind that, successful industrialisation necessitated cooperation between classes, but it can be said that Peron failed to deal with the conflict between the industrial and agricultural sectors. The two were seen as 'enemies', externally related, one serving for export sector while the other should achieve industrialization. There was a false belief in those sectors that the wellbeing of one sector brings the destruction of the other. This was mostly due to the long dominance of agrarian sectors in the economy, not only because of agricultural

products but also because of agroindustries which were mostly controlled by the landowning groups. Addingly, banking and insurance sectors were mostly controlled by them which meant the industries that should be developed were partly decided by these sectors. As these groups saw the durable consumer goods industries as a danger for their industries, it became hard to invest in industrial sectors and thus, the development of these industries delayed.

Actually, it is an essential consequence of the influence of power relations and power groups on the policy making process. The fact that Argentina's main export goods, beef and wheat, were at the same time wage goods, intensified the conflict between agricultural and industrial sectors. Given the economic and political strength of the agrarian sectors, it was hard to transfer resources from agricultural sectors to industrial sectors because of the agrarian reaction to ISI strategy. This resulted in a serious conflict between employers and workers and it was impossible for the government to act as if power relations did not exist. Thus, in Argentina, one of the first things to be done by the military regimes that came after Peron, was dismantling the working class organizations and thus, reducing the political influence of the workers.

Beginning from 1948, high wages have begun to be seen as the main cause of inflation and there occurred a decrease in wages. Due to high inflation and general economic instability, the real wages of workers have already been low. Moreover, lack of support for the industrial and agricultural sector due to lack of capital, led to reactions from the two sectors. So, there was a discontent about the regime. During his last years, Peron's attempts to balance the interests of the different sectors of the population failed as none of the groups were satisfied, which brought about political unrest and the loss of support of the military. Thus, there occurred another military coup in 1955 and Peron was sent to exile.

The idea of a national development strategy was to construct a national bourgeoisie and strengthening it in order to foster industrialization, and populist (or peronist) ideology served for the improvement of the conditions of the poorer sectors in order

to gain support and not to face their reaction. The problems came by the Great Depression forced the state to favor import substitution industrialisation, and although the economically dominant classes did not really support the idea of import substitution industrialization, the economic conditions left no choice other than the protectionist strategy. When the ISI strategy was combined with Peron's populist leadership, a unique development pattern has emerged in Argentina. In the corporatist populist system of Peron, with the alliance of the state, industrialists and workers, Argentina had experienced the golden era of populism and national capitalism during Peron's first term, whereas later on, as ISI strategy and the mediating capacity of populism has come to its limits, the populist system began to crumble.

After Peron's fall, much debate centered on how to achieve economic development, how to revive a dynamic industrial sector. Economic liberals, blamed Peron, they wanted to reduce the state's role and return to free enterprise. Liberals emphasized the control of inflation to achieve a healthy economic growth. Foreign capital should be attracted back and incentives should be given to agriculture, for Argentina had comparative advantage. This principle states that the countries should focus on the production of such goods that they are best at producing. In the case of Argentina it was definitely the agricultural products. Nevertheless, according to the principle of comparative advantage, Argentina should have been able to develop by exporting agricultural products, which however was proven to be untrue by past experiences. The comparative advantage principle rather works so as to determine the duty of these countries in the international division of labor. Therefore, according to the principle, Argentina may have comparative advantage against a country that cannot produce agricultural products; but if that country could produce capital goods and machinery, Argentina's production of agricultural goods does not seem to be an advantage when compared to that country's advanced industry.

On the the other hand, economic nationalists, wanted a reformed state, a more socially equitable distribution of wealth as the way to encourage industrialisation, and argued that a stronger domestic market would provide the incentive for the industry to

expand. The industry should be protected from foreign competition, and agriculture should produce to supply the home market, rather than for export. Foreign capital, then, should have little or no impact. They also focussed on full employment rather than controlling inflation. As it might be expected, nationalist position was popular among trade unions, small businessmen and farmers, but big business supported the liberal view.

To put a final remark on the problems of the ISI strategy, it can be concluded that, the state or its policies cannot be deemed as fully responsible for the crises. The ISI strategy of the postwar period was aimed at production for a particular domestic market and by nature, was dependent on the importation of intermediate and capital goods for the manufacture of durable consumer goods and luxury goods (Hirschman, 1968). Therefore, the point at which the limits of the domestic market was reached, problems begin to occur. And if the system's tendency to importation is added to that, balance of payments difficulties grow and for that reason it could be said that ISI strategy is prone to crises because of its internal contradictions. The resolution trials of this crisis period often results in even higher inflation and more serious balance of payments problems, since the main contradiction is inherent to the capital accumulation process.

In the easy phase, ISI strategy encouraged the spread of small, and technically backward enterprises which could never hoped to remain in the domestic market without government protection and subsidies, leave aside, being competitive on foreign markets. But by the end of 1950s, easy phase of ISI was becoming 'exhausted' as Brazil, Chile, Mexico, Argentina, Venezuela, Colombia and Peru began to run out of import-substitution possibilities (Cardoso and Helwege, 1992). A new 'post-import substitution strategy' became necessary with more sophisticated forms of production to develop new products for local consumption and export, which required new skills and new consumption habits. By the 1960s Prebisch himself was recommending a post-ISI strategy to remove protection from some industries and develop non-traditional exports.

At that time, the development plan was prepared by Raul Prebisch. Prebisch Plan foresaw a resource transfer from the industrial sector to agricultural sector in order to achieve an increase in agricultural production. Foreign investment was welcomed. The objective was to achieve economic growth in harmony with the world capitalist system without the abandonment of ISI. Yet, contrary to what the plan offered, balance of payments difficulties could not be resolved by foreign direct investments. New investments necessitated more imports, which was an essential feature of the further stages in ISI strategy, and as a result of low exports, foreign debt grew which caused delays in necessary imports. So, the stabilization trial of 1955-58 period resulted in inflation, foreign exchange shortage and instability, just as the one in 1952-1955.

2.6 Fall of Developmentalism

Prebisch noted that Argentina had experienced greatest industrial development at times of the Great Depression and of war, when the country had to produce its needs that it could not import. The Prebisch-Singer thesis states that unequal exchange in world trade enables the rich advanced countries to prosper at the *expense* of the poor backward ones, challenging the principle of comparative advantage. The terms of trade from the 19th century until the Second World War had moved against the exporters of raw materials and agricultural goods.

Prebisch (1967) contended that the money supply in peripheral countries could not be expanded in pursuit of full employment, since with the tendency to import, any increase in income would exhaust foreign exchange. So, peripheral countries had three options all with undesirable results: They could have strong currencies, rely on import, and have high unemployment; or they could have an expansionary monetary policy to fight unemployment, which would cause high inflation. If they used monetary policy to fight unemployment, but failed to devalue, their reserves would disappear.

According to Prebisch and Singer, domestic economy should be strong by itself, for foreign investments can never be a part of the national economy. It has been argued that structuralists did not originally advocate an ‘inward-oriented pattern’, but rather “*development from within*,” a model that saw protection as a temporary act so as to allow the development of new export capabilities. According to Thorp, ‘development from within’ occurs in Prebisch’s early writing, and expresses the idea that the Latin American economies should be integrated to the world economy, but in a way that reinforces internal capacities, respects autonomy and builds up long-run comparative advantage (Thorp, 1996: 145). However, what prevailed in practice, was an inward-oriented model of industrialization based on the internal market and with a strong anti-export bias. Theories of ECLA were applied in fields not just on theory, and they had little success when implemented by Latin American governments. In the postwar period, inflation was the most important problem of Latin American countries and the structuralist view was that inflation derived from bottlenecks produced by retarded sectors, agriculture, whose backward stage causes inelastic supply in the face of rising demand by the urban masses. It was claimed that any increase in economic efficiency will diminish basic inflationary processes. Inflation is due to the failure to carry out one particular improvement and it can be associated with a variety of social problems (Hirschman, 1963: 216).

ECLA failed to fully realize the problems that import substitution industrialization may face and remained unable to control inflation rates. ISI was seen as composed of three stages, easy phase, production of durable consumer goods and production of capital goods respectively. After the initial phase of ISI, when Argentina was suffering from balance of payments difficulties and high inflation, a stabilization plan was prepared by Raul Prebisch but the plan was embarked much more on neoclassical principles than on structuralist view. Interestingly enough, during the implementation of the plan, Argentina became a member of the IMF. Prebisch, in the late 1960s, despite his emphasis on national industries, concluded that exaggerated pattern of protection had resulted in inefficient industries to grow (Prebisch, 1967: 21) and thus, economy was mismanaged. Later on, he also emphasized export promotion as well. The policy prescriptions of ECLA could not do much good for economic

development either. Yet, in any way, structuralism gave the state an important role in the process of development and emphasized macroeconomics, institutions sociopolitical approaches to economic issues.

2.7 Aftermath of Peronism and a New Phase in ISI

After Peron, Argentina was suffering from “*stagflation*”, sluggish production coupled with inflation. Prebisch Plan of 1955 was implemented as a solution. Although later on, the plan was accepted by Prebisch himself as faulty, it concluded that:

The country's great production potential remained intact, permitting a quick recovery, but it had become technologically backward as a result of a dozen years of misrule, during which capital has been discouraged. Painful sacrifices in the general living standards would be necessary in order to raise capital for those investments. So, exports, should be encouraged, freer trade is emphasized so as to separate the strong enterprises from the weak and to force down prices, such measures would attack the problem of inflation. The revival of industry would require a mixture of state, foreign and domestic private capital. According to Prebisch, Argentina's consumer goods industries were sufficiently developed, so it was time to move into heavy industry, in which foreign capital should definitely be involved. Local private capital should continue to be involved in nondurable consumer goods (Lewis, 1992).

After the military regime that sent Peron to exile, in May 1958, Frondizi came to power from the left wing of the Radical Party, as a nationalist, but in order to prevent a resource transfer from agricultural sector to industrial sector, and thus to avoid reactions from agricultural sector, foreign capital was welcomed. His justification was that: “It does not matter where the capital originates, only its functions matter. If it serves to national ends it is welcomed and it is useful.” (Di Tella, 1983: 23). When inflation got out of control, he accepted neoliberal solutions, signed an agreement with the IMF to start an austerity program that included all measures emphasized by the Prebisch Plan. It was actually a more rigid program that offered a resource transfer to agriculture, removed the limits on imports and implemented a floating exchange rate. In 1959, inflation rate was 113% (Skidmore, 1977), which caused a state of emergency and necessitated a major devaluation. Imports became more costly as a result of devaluation whereas a serious tax reduction was

implemented for the imports of foreign investors which harmed local investors. When depreciation of the peso got out of control, it was fixed to a certain rate which seemed advantageous for imports, but growing imports led to growing balance of payments difficulties. As a result, real wages decreased and domestic demand was limited.

In Frondizi's term, growth with stability was aimed and inflation rate, which was 113% in 1959 was reduced below 20% in 1961 (Skidmore, 1977). Yet, inflation rate started to increase in 1962 and balance of payments difficulties reemerged which caused further depreciation of peso. In short, the import dependence of the economy resulted in balance of payments difficulties at a time when exports could not be encouraged. So, the industry was to be restructured so as to generate the exportation of durable goods (Alejandro, 1965).

In the 1960s, both small and big business were starving for capital. They lost their power to withstand the shocks that would come in the 1970s. However, the real problem was not only the lack of capital, but a lack of willingness to invest as well. In 1973, Ministry of Economics declared that 10 billion dollars of Argentine capital was deposited in banks in Zurich, London, Paris, and New York. If that money had been channeled into Argentina's economy, the country might have overcome its stagnation (Muchnik, 1978: 310). These big businessmen, thanks to overseas investment, were also successful tax-evaders as they were saved from the tax that would be imposed on their wealth.

According to O'Donnell (1973), exhaustion of the first phase of ISI during 1960s, was tried to be restructured with authoritarian rule. "The case of Argentina gave rise to a new bureaucratic authoritarian state. It responded to the failure of the import-substitution model in the context of economic internationalisation. Authoritarian measures are needed given the activation of the masses during the populist regimes which accompanied the ISI models." (O'Donnell, 2001). So, after a brief democratic interlude, the military government of General Onganía from 1966, aimed to depoliticise economic policy-making and to privilege technical expertise (O'Donnell,

1988: 75, 76). One of the main objectives of the military regime that came to power in 1966 was to dismantle the Peronist tradition and working class organizations and thus to ensure political stability as well as economic stability.

For economic stability, another stabilization program by Vasena was enacted which offered devaluation along with high taxation of the agricultural sectors and low prices for their products. This caused reactions from agricultural sectors, yet, the fact was that the political position of those sectors was too much weakened and so, they could not do much to affect the decisions. Vasena's plan of 1967 was about to be successful yet, the political instability and discontent in various parts of the society resulted in the failure of the plan. The repressive regime could have lasted for a longer period of time, but after there occurred an explosion of anger in the 1969 'Cordobazo', Onganía regime retreated.

The Cordobazo that took place in 1969, which was an explosion of anger of the workers, was repressed in a bloody way and this caused further discontent among workers. If the opposition of the small business and agricultural sector to the economic policies are added to that, military regime could not provide political stability and had to retreat. The program was actually going well and capital goods industries, such as automobiles sector, were successful prior to Cordobazo, whereas after that, the conflict was intensified between the different layers of the power bloc.

After the military regime, a peronist government came to power and in 1973, and later Peron himself became president but, the government of 1973 had to exclude working class, contrary to the inclusionary policies of the first Peronist era. Peron could not stay much in power this time since he died in office. After Peron, Isabel Peron came to power when political and economic instability grew even further which brought about the 1976 military coup. The failure may not be completely due to the second Peronist government from 1973 to 1976, but the period experienced the collapse of both democracy and industrialisation. The military regime aimed to bring back social order and economic stability, which necessitated the elimination of

Peronism and its economic policies, i.e. the ISI. Therefore, for deconstructing the political structure that Peron emerged, the economic structure was to be restructured, therefore, the subsequent military dictatorship started a period that represented an ill-fated experiment with neoliberalism.

CHAPTER III

NEOLIBERAL COUNTER-REVOLUTION

Neoliberal economic agenda combines a broad set of economic policies that are based on free market and economic liberalization. These policies were presented as a magical solution for such problems as inflation, but they failed to provide a coherent set of policies that could bring sustainable economic and social development. Neoliberal policies have been influential in many parts of the world, along with Latin America, but before the neoliberal turn in Latin America in general and in Argentina in particular is elaborated, the ground on which the neoliberal agenda was constructed should be pointed out.

3.1 From ISI to the Demise of State-led Development

In practising the ISI policies, the aim was to achieve industrialization and thus to create a self-sufficient economy. State interventionism was the order of the day. Protectionist measures were used so as to promote balance of payments equilibrium and to protect local jobs. Some argued that ISI focused too much on industrialization and ignored agriculture, and with the introduction new machinery in agriculture, many laborers became unemployed. However, the idea was that the growing industrial sector would provide them new jobs and higher incomes (Cardoso&Helwege, 1995: 85). Moreover, it seems misleading to define ISI as useless or simply as a protectionist strategy to protect the existing firms, since ISI was also directed towards establishing new firms. Surely, it is debatable to what extent this had been achieved in Argentina, yet the problem was not the nature of the strategy, nor was it unsuccessful because of the political cadres or implementation problems. It is important to note that; ‘the performance of a capitalist economy cannot

be separated from exploitation, oppression and conflict among classes in a capitalist society. This also holds for the economic interventions of the capitalist state which are never innocent of class interests and conflicts' (Lapavitsas, 2005).

Therefore, various reasons why ISI strategy had collapsed or had come to its limits, are rooted in the controversies of the capital accumulation process, because ISI is an accumulation strategy as well that emerged within the capitalist mode of production, so it is not unusual for ISI to encounter crises that are likely to occur within the system.

The critics of ISI claim that protection led to overvalued exchange rates which resulted in slower export growth. As revenues from primary exports decreased, subsidies to industrial investment and growing government responsibilities put pressure on the budget. Some argued that ISI increased the dependence upon imports. Some claimed ISI misallocated resources instead of enjoying rapid growth rates through export promotion (Cardoso&Helwege, 1995: 92). It was pointed out that ISI promoted excessive capital-intensity of production, a wrong balance between imported and domestically produced inputs, a distorted product mix, overvaluation of exchange rates and increased inflation resulting in lowering of real interest rates which discouraged private savings (Hirschman, 1969, Cardoso and Helwege, 1992; Saha and Parker, 2002).

On the other hand, ISI stimulated industrialization, and had a positive effect on economic and social development, it was socially responsible toward the poor; invested in social security programs, education, health and infrastructure. Although ISI could sometimes be socially unfair, of limited capacity or structurally fragile, the crisis of the 1980s was not completely due to its shortcomings, it was also imposed from the developed world.

Beginning from the late 1960s, ISI strategy began to have problems. By the 1970s and early 1980s the situation has become even more critical as a result of the impact

of recurrent external deficits on the accumulation of foreign debt (Amann, 2010: 235). By 1970s, fluctuations in the real exchange rates caused exports to fall and costs to increase which led to the decrease in export revenues as well as production and this contributed to economic instability.

Nevertheless, according to structuralists, different sectors of the economy develop at different speeds and this may give rise to bottlenecks. Shortages in sectors that could not grow as rapidly as the rest of the economy generate price increases that may affect the whole economic activity. In that perspective, low productivity growth in the agricultural sector during the industrialization process is not surprising because, during the industrialization process, there is a shift of workers from agricultural to industrial sector. Added to all these was the export bias of large producers in Latin America, which contributed to stagnant food production. Therefore, as the industrial sector grew, the demand for food increased much faster than its supply. As a matter of fact, food prices increased and urban workers insisted on higher wages. Industrial sector tried to compensate the cost of higher wages by raising prices and economy-wide inflation was on the stage. Prices had to be increased, both because of the scarcity of basic food and also because the industrialists would not want to decrease their profits when they had to increase the nominal wages of the workers.

This is to say, inflation is not just about bad macroeconomic policies, the struggle of different classes all of which try to protect, or even increase their incomes, had an undeniable effect on inflation. In short, neither workers nor industrialists accept a decline in real income when shortages occur. Behind inflation lies the struggle of different groups in society trying to maintain, or even increase, their share of the pie (Cardoso&Helwege, 1995: 147).

In the post World War II era, Bretton Woods system provided a relatively stable economic environment, free of serious financial and balance of payments crises. The US had been the leading power in the system for a long time and the US dollar became the global currency. Yet, in 1971, for the first time in the twentieth century, the US

showed a trade deficit. Their gold stock declined, inflation rose and there was widespread unemployment. Therefore, on August 1971, President Nixon announced that the dollar would no longer be convertible into gold. This date marked the end of the Bretton Woods system. Under these circumstances, it became hard for the west to continue Keynesian welfare state policies and in Latin America, this date represented one of the two major reasons why state-led development and ISI have come to an end. The other main reason was the oil crisis, but it is claimed that ISI began to unravel before the first oil shock of 1973 (Saha, 2002: 83). Indeed, ISI strategy became unsustainable before the first oil shock, since it was grounded on and made stronger by the Bretton Woods system. Thus, after the collapse of the system, the crisis that ISI faced should not have been surprising. Then, the oil shocks and the stagflation of the 1970s, pushed attention from Keynes's focus on demand management to the supply side of the economy (Rodrik, 2011: 101; Palley, 2005: 37).

In August 1971, fixed exchange rate system had been abandoned, raising questions about the role of the IMF. But the abandonment of the fixed exchange rate system did not mark an end to crises, rather they seemed to become much more frequent and of greater depth. Some argued that there was an even greater role for the IMF in this increasingly unstable global environment (Stiglitz, 2002: 239). Indeed, the IMF is most visible during the times of crises, although its original duty was to ensure cooperation among countries. The institution has not only failed to live up to its original mission, but has actually undertaken counterproductive policies in terms of crisis resolution.

In developed countries, the crisis of the 1970s signaled the end of the golden age of post war development based on Keynesian demand stimulus, low employment and welfare state consolidation. In Latin America, this brought about the exhaustion of postwar strategies of economic growth predicated on domestic market expansion, state intervention and high tariff walls, and the model of ISI (Etchemendy, 2011: 3). Yet, the offered policies could not put an end to the crises that capitalist economies encounter.

3.2 Oil Crises of the 1970s

In the 1960s and 1970s, many Latin American countries such as Brazil, Argentina and Mexico borrowed huge sums of money from international creditors in order to finance their industrialization attempts. At the breakdown of the Bretton Woods system there was the problem of stagflation. The price of raw materials rose sharply, especially that of crude oil, which quadrupled between 1973 and 1976 (Toporowski, 2005).

In 1973, the oil exporting countries decided to increase the price of oil. Within a year, the price of oil quadrupled. In 1974 alone, 70 billion dollars were transferred from the oil consuming countries to oil producing ones (Spero, Hart, 2003: 25). So, deficits occurred in the oil consuming countries while oil producing countries made huge surpluses. Thus, oil consuming countries had to borrow to pay for their deficits and the only source for borrowing were the countries with surpluses from oil earnings. This was later transformed into the developing countries' debt crisis.

The oil shock of 1974 enabled the Latin American countries to depend more heavily on credit. Oil exporters deposited their earnings in the commercial banks of developed countries, but higher oil prices caused a recession in the OECD countries and reduced demand for credit. With excessive liquidity, commercial banks easily lent to the developing countries. Budget deficits in the oil importing countries increased vastly, exchange rates were overvalued, capital flight and excessive consumer imports were the rule. Low real international interest rates made borrowing even more attractive. Also, lenders paid little attention to creditworthiness and made excess accumulation of debt possible (Cardoso&Helwege, 1995).

In January 1976, Second Amendment to the Articles of Agreement of the IMF called for an end to the role of gold and legitimized the system of floating exchange rates. Also, this amendment called for greater IMF surveillance of the exchange rate system and management of national economic policies to promote stable and orderly system (Spero, Hart, 2003: 27). The Second Amendment did not resolve the problem of the dollar but, signaled the beginning of a period characterized by multilateral management of the global economy.

It is claimed by Spero and Hart (2003) that, crises were mainly because of the imbalance between oil exporting and oil importing countries. After the second oil-crisis of 1979, debtor countries were hit hard by the increase in the price of oil, by restrictive monetary policies in the industrial countries that led to record-high real interest rates and an increased debt service burden and by world recession, which led to a decrease in commodity prices and demand for LDC exports. The consequences for the developing countries were declining exports and greater debt service costs. The oil crisis of 1978-79 changed policy concerns from economic stimulation to an emphasis on the control of inflation which will be shown clearly with the implementation of structural adjustment policies.

The second oil shock of 1979 caused trouble for the importers. In Argentina exchange rates were overvalued, balance of payments problems occurred, military expenditures and budget deficit were important problems (Cardoso&Helwege, 1995: 117). In the period before 1979, there was a rapid increase in bank lending to developing countries which was offered as a valid solution to the problem of recycling oil-exporting countries' financial surpluses. The IMF and the World Bank, thus borrowed from the oil producers and made loans to the oil consumers. However, after the second oil crisis of 1979, debtor countries were hit harder by the increase in the price of oil, by the high real interest rates and by an increased debt service burden and by world recession. Nonetheless, banks continued to lend and developing countries continued to borrow, building up a huge debt which they were unable to service. By the early 1980s, the resulting debt crisis raised serious questions about the strength of the

international financial markets. When debtors could not pay and creditors would not lend, the 1982 debt crisis was ready.

According to Balassa, the effects of the external shocks that emerged after 1973 were: balance of payments problems, deterioration of the terms of trade, and a slowdown in world demand. The policies applied were, additional net external financing, export promotion, ISI, and ‘temporarily’ reducing the rate of economic growth. Different policies were applied in different economies to the external shocks during 1974-78. In Korea, Singapore and Taiwan, outward oriented strategy was applied. Chile and Uruguay turned to outward orientation after ISI. Brazil, Israel, Portugal and Yugoslavia increased their degree of inward orientation. Argentina, Mexico and Turkey maintained their relatively inward-oriented stance. After the internal shocks, excessively expansionary policies were applied in Argentina and Mexico (Balassa, 1981).

This sharp policy shift in Argentina from inward oriented industrialization to expansionary economic policies was made possible with the authoritarian rule of the military dictatorship of 1976, both because expansionary policies were dictated by the international financial institutions as the only alternative, and also because the decision making and implementation process during military dictatorships is rapid and objection is not really possible. “*In general, authoritarian regimes were associated with orthodox policy recipes in Latin America*” (O’Donnell, 1973). It is claimed that governments in competitive systems find it extremely difficult to reduce inflation and pay a very high political cost for their efforts (Skidmore, 1977).

A debt crisis occurs because of such factors as, deficits in the current account balance, decreased export earnings or increased import costs, world economic shocks, capital outflows, or loss of confidence on the part of the world capital market (Cardoso&Helwege, 1995: 110). These factors came together in the Latin American case. Developing countries borrow too much, or are lent too much, in ways that force them to take most or all of the risk of subsequent increases in interest rates, fluctuations in the exchange rate, or decreases in income. Given that, it is not

surprising that they often cannot repay what is owed. As Stiglitz (2006: 212), said '*too much debt caused the debt crisis*'.

A crisis erupted in 1982 when Mexico announced that it was unable to service its debt. Mexico's external debt was more than 80 billion US dollars. Mexico was not the only country in debt. At the end of 1982, total LDCs debt amounted to 831 billion dollars. In 1972, the total foreign debt of Latin American countries was 31.3 billion dollars. In the late 1980s, debt reached 430 billion dollars. It reached 750 billion at the turn of the millennium (Saad-Filho, 2005: 224). During the period, economic development was seriously retarded and the period was named as the lost decade (Stiglitz, 2006). Another important feature of the crisis is that it put an end to the inward-oriented ISI and state intervention. In other words, for the countries that were not affected previously, the neoliberal era has begun.

In the 1980s, a number of countries liberalized financial regulations. Floating exchange rates were a central characteristic of the new international monetary system. Proponents had argued that a float would make possible greater autonomy for national policy by freeing economic policy from the external balance of payments constraints of a fixed exchange rate. It was claimed that floating exchange rate was the only system that could have endured the serious economic shocks of the 1970s and 1980s, including the oil and debt crises.

The strategy then offered was '*growth with debt*'. 'A country can and should borrow from abroad as long as the proceeds from such loans produce a return to cover the cost of borrowing' (McDonald, 1982). While calculation of a sustainable level of borrowing is possible in theory, in practise, it is almost an impossible task, since the equilibrium levels differ from country to country and from time to time.

The outstanding bank debt grew around 10% in 1982. The interest rate was on the order of 16% which means for every 100 dollar of debt, they had to take 6 dollars from other sources, resulting in severely negative net financial transfers (Stiglitz, 2002). In 1982, there occurred an unexpected cut-off in bank financing to Latin

America and it led the crisis to an even more serious stage. The abrupt fall in external financing was a primary cause of the low level of economic activity during the 1980s. Together with the deterioration of the terms of trade and capital flight, there was a huge shortage of foreign exchange. The utilization rate of available productive resources dropped correspondingly. As a result, capital formation declined throughout the whole region during the 1980s.

After the debt crisis, the resources of the IMF were increased and it assumed the new role of financier and overseer of national economic policies of developing countries. But, countries suffering from severe balance of payments disequilibria, due to debt or currency crises, can borrow from the IMF and the World Bank only if they agree to follow a stabilisation and structural adjustment programme agreed with these institutions. Unless they are friends with the IMF and the World Bank, borrowing is not possible (Saad-Filho, 2005: 114; Stiglitz, 2002, 2006). The oil crises and the consequent debt crisis has strengthened international financial institutions and made them even more influential in resolving the crises of the developing countries in accordance with the new principles of 'interdependence' and 'multilateralism'.

After Mexico defaulted in August 1982, a kind of international lender of last resort was rapidly organized whose function was to stabilize a financial system during times of crises. The cost of servicing the debt led to depressed living standards, hyperinflation, low investment and harmed long-term growth. Finance ministries created a new mechanism called the Paris Club to negotiate the rescheduling of public debt and London Club to negotiate the rescheduling of private debt.

3.3 Phases in the Management of the Crisis

The first phase was between August 1982 and September 1985. During the period, promoting austerity in the debtor country, a restructuring the external debt and the normal payment of interests were the primary aims. To achieve these, several

measures were taken, such as coordination among creditors, adjustment in the debtor country, restructuring of debt service, and the active role of the official sector government agencies and multilateral institutions.

The Second phase was between September 1985 and September 1987. In 1985, U.S. treasury secretary James A. Baker proposed that fifteen developing countries would be supported with 29 billion dollar from the World Bank and private banks if these countries adopt free market policies (Cardoso&Helwege, 1995: 135; Toporowski, 2005). The Plan basicly advised '*structural adjustment with growth.*' But because of insufficient cooperation, Baker Plan failed. This period also represents the fourth round of debt restructurings.

The third phase began in September 1987 and ended in March 1989 and is also known as the Baker Plan B which offered a 'market based menu approach'. The menu included the traditional mechanisms of rescheduling with new loans, but it introduced debt-reduction mechanisms as well.

The fourth phase began in 1989 when the U.S. treasury secretary Nicholas Brady offered a plan in 1989 that asked banks to forgive part of their loans to debtor countries in exchange for limited guarantees of repayment, financed by the IMF and the World Bank. In return, debtors would have to undertake policies favoring private investment (Cardoso&Helwege, 1995: 136; Toporowski, 2005). It was said to be an extension of the Baker Plan. Yet, according to Brady, one of the reasons for the lack of success of the Baker Plan B was that debtor countries did not have enough resources of their own to buyback their debts at a discount. To overcome that problem, the plan mobilized 30 billion dollars in loans, which could be used to finance debt buybacks or its conversion into discount bonds. But banks were hardly eager to lose bargaining power with the debtors that could repay. The Brady Plan launched the fifth round of debt restructurings.

Certain parallels can be drawn between the causes of the 1980 crisis and those of previous crises: excessive enthusiasm on the part of creditors to extend finance and on the part of the countries to go into debt, which ended in an overextension of the international financial system. But the similarities end there. The 1980 crisis is unique because of the tremendous coordination creditors achieved among themselves. That allowed them to delay or stop the defaults by the Latin American countries that would have threatened the solvency of the international banking community.

3.4 Structural Adjustment Policies

As the rent-seeking literature has been criticised for failing to account for the success stories, particularly of state-led industrialization, there has been an increasing interest in exploring possible ways in which the so-called predatory state could be transformed into a developmental one (Evans, 1989).

The sudden fall in external financing was seen as the main cause of low level of economic activity during the 1980s. Together with the deterioration of the terms of trade and capital flight, there was a huge shortage of foreign exchange. Added to all this was the balance of payments deficits. Structuralists argued that persistent balance of payments deficits are a necessary condition of development. Yet, the existence of deficits in the Third World countries and their financial needs, made the IMF an overseer of their economies and gave the institution greater measure of control over what the debtor does.

The emergence of structural adjustment policies as a way to fight crises, and to ensure the spread and consolidation of neoliberalism all over the world, also represents the transformation of the IMF from an institution organized for restoring cooperation between governments, to a financier dictating the policies of its customers. The IMF should have been a cooperative society in which member countries had an automatic right to borrow, since all countries contributed to its pool of currencies. But the US power made lending hard, through ‘*conditionalities*’ which are the dictates of the IMF that the countries in need of help should comply. The stand-by agreements have

become the principle type of loan agreement through which the IMF imposes conditions on borrowers. ‘The stand-by agreement is a resolution by the IMF setting forth the terms under which the member country can purchase hard currency: it includes certain goals the economy must reach and the policy procedures to be used’ (Frenkel, O’Donnell, 1994). Critics argue that the economic policy reforms embodied in the IMF conditionality agreements force governments to accept harsh austerity measures that reduce economic growth, raise unemployment, and push vulnerable segments of society deeper into poverty (Stiglitz, 2005). The institution always adopts a ‘one size fits all’ approach of problem solving. IMF policy reforms are often inappropriate given a particular country’s unique characteristics.

Stabilization is intended to mean the restoration of equilibrium. The theory behind structural adjustment was that private enterprise can be grown in the absence of government regulation. Yet it has come to mean the cuts in government deficit spending, restrictions on bank credit and wage controls as means to reduce the overall demand and to reduce the amount of net imports (Harris, 1988: 322) so as to fight inflation. For Balassa (1981), structural adjustment policies may be defined as, policy responses to the external shocks followed with the objective of regaining the ‘*pre-shock growth path*’ of the national economy. This necessitates improvement in the countries’ balance of payments position since it binds economic growth. What he offers is basically that an outward oriented strategy should be carried out in order for economic development. The policy packages for structural adjustment for Balassa were: production incentives, efficient allocation of resources, investment incentives, and freeing of controlled prices. Along with these policies, it was said that the role of the government and public investments are not denied, since reliance on private incentives may not suffice in the case of large investments.

Orthodox stabilization measures support; a smaller role for government, stable prices, greater efficiency and competitiveness, balance of payments stabilization through promotion of exports and foreign investment. Prices should be freed, import licences, and quotas should be eliminated and tariffs should be reduced. Free entry and exit of

capital should be promoted. Union activities should be prevented. Public sector participation in production should be reduced. Fiscal deficits should be eliminated (Cardoso&Helwege, 1995: 181). These conditions were introduced as the preconditions of economic growth.

The IMF has consistently attempted to reduce governments' role in trade and so has strengthened both a capitalist mechanism and a capitalist agency (TNCs). The policies of the IMF shifted the character of national economies, reducing the state sector and increasing the scope of TNCs to operate (Harris, 1988: 312) especially beginning with the 1980s. From then on, the policies of the IMF were founded on the principles of '*multilateralism*' which aims free trade and free flow of capital among all countries without restrictions, and '*conservative macroeconomic policies*' which requires an indebted country to implement rigid economic policies that could sacrifice such aims as social development or full-employment to ensure the repayment of the debt.

Stabilization of the economy, lowering the inflation rate, restoring competitiveness, reducing the current account deficit and checking the loss of international reserves were aimed in the implementation of structural adjustment packages. Although the IMF does not have a concern for the wellbeing of the developing countries' economies, adjustment cannot be durable if it is not followed by satisfactory growth. The duty of the IMF is to provide temporary financial support and not economic development. "*The Fund does not have a development paradigm as such, but it is to provide the necessary foundation on which development is based*" Growth is a central element in the Fund's objectives but it should be said that the fund is not a development agency. Whereas the Articles of the agreement of the IMF state that "*The promotion of trade, the increasing levels of employment and real income and development of productive resources are to be the primary objectives of economic policy*" (Frenkel, Khan, 1993: 87), In practise the IMF does not concern most of these objectives.

Liberalization of the domestic markets, especially with regard to foreign trade, the financial system and labor market, privatization, opening to international financial flows and the withdrawal of the state from a wide range of economic activities are the first generation of reforms (Saha, 2002: 86). However, when they were tried in Argentina in the mid-1970s, they deepened the crisis, caused economic stagnation and high inflation.

Structural reforms were said to play a crucial role in the balance of payments viability and preparing the basis for durable economic growth. These were introduced as policies to improve efficiency and resource allocation, and to expand the productive capacity of the economy. Decentralization of economic decisions was one of the main ideas. The use of realistic prices to guide such decisions can improve the efficiency of production and investment. But Frenkel and Khan (1993) claim that the emphasis on getting prices right is not to suggest that the Fund sees no role for the government in the economy or that it is opposed to all forms of government intervention. Deregulation is an important part of the process, but apart from lifting old regulations, it brought market rational regulatory structures so as to make the state agencies more market minded (Cerny, 2000). Probably in that way, the necessity of the state in the economy was recognized.

The IMF considers external disequilibrium and inflation as problems generated by 'distortions' in the economic development process. As countries try to emphasize public services and accelerate economic growth, they often have a tendency to overspend, thus creating considerable pressure on the balance of payments and prices. As far as balance of payments difficulties are concerned, the main objective is to adjust disparities among internal and international prices. This generally implies a significant devaluation.

Devaluation is an important part of the adjustment programs to correct the overvaluation of the domestic currency that occurred during the period leading up to the program. One view is that the longer a real depreciation persists, the greater the

benefits. Devaluation will work in the direction of improving competitiveness and balance of payments (Frenkel, Khan, 1993: 94). However, devaluation does not improve the trade balance, increases inflation and creates recession in the process. Devaluation was introduced as a means to change the relative price of imports and locally produced goods to discourage imports and stimulate exports. Devaluation is not a necessary policy for curing balance of payments deficits. Import controls and export subsidies are alternative methods but the IMF strongly opposes to them.

Devaluation brings about an increase in agricultural prices and a lowering of real wages. This leads to a recession in the internal sector. The recessive impact of a drop in effective consumer demand is not offset by a sufficiently strong expansion of export activities, as a consequence, the GNP falls (Frenkel, O'Donnell, 1994: 165). Decrease in real wages also do not help much other than increasing the profit potential. The IMF is not in the business of stabilization or achieving balance of payments equilibrium as such. 'Instead, its role is to transform Third World economies in such a way as to integrate them more strongly into the capitalist world market: international system as such is its prime concern' (Harris, 1988: 324).

Structural adjustment reforms emphasize macroeconomic stability, they suggest that without macroeconomic stability, growth cannot be sustainable. It was believed that to the extent that developing countries achieve macroeconomic stability, growth would be possible. Although macroeconomic stability is a component of sustainable growth, it does not necessarily lead to economic growth. Moreover, it is not surprising if countries face instabilities from time to time, especially the developing ones. If a country suffers from macroeconomic instability, it does not mean that it was because of wrong policies, or faulty implementation of right policies. According to Dani Rodrik (2001), countries that articulate credible growth strategies are likely to find themselves the recipients of capital inflows even if they buck the trend of financial openness. Most Latin American countries adopted more trade and finance liberalization policies and carried out more privatization in a few years than the East

Asian countries had done in three decades (Rodrik, 1996) but could not achieve economic growth.

Structural reforms were directed at elimination of distortions, and to make the economy more flexible and efficient. The subsequent growth of the economy was said to bring other development objectives as equal distribution of income, providing employment, improving the quality of life and poverty elimination. Yet, to say nothing about realizing these objectives, economic situation in many countries, as Argentina, had become worse than ever after the initial success of the reforms. Structural adjustment policies promised balance of payments viability as well but, the IMF's strategies of curing balance of payments deficits are ill-defined and short-term. In short, instead of stabilizing economies, IMF's stabilization programs directly destabilize the economic and social order.

3.5 The Neoliberal Turn

Neoliberalism emerged as a response to the crisis of the Keynesian welfare state, which was precipitated by the generalised capitalist crisis associated with the end of the postwar reconstruction boom and was brought to a head by the escalating cost of the US war against Vietnam at the beginning of the 1970s (Clarke, 1988).

In whole Latin America, economic growth stalled, wages plummeted, and inflation skyrocketed in the wake of the crisis. It became easy to accept that ISI had collapsed and neoliberalism should be on the agenda (Saad-Filho, 2005). Latin American states were convinced that ISI should be abandoned and economic dynamism should be restored which was actually misleading.

Hence, 1976 military coup had put an end to state-led development. The military regime set an ambitious plan to meet the demands of international economy, applied political repression and created social quietism through terror, it was called '*el proceso*' which was the bloodiest regime ever not only in Argentina, but in whole Latin America. The military rejected a time limit to their rule by claiming that, '*the*

military has no fixed term, only objectives” (Munck, 2008: 37). For O’Donnell, this case has shown the emergence of a new ‘bureaucratic authoritarian state’.

The military takeovers responded to threats to social order resulting from the exhaustion of the ISI-populist model of capitalist development in the context of economic internationalisation. The military takeovers had two objectives; the first was to crush popular and revolutionary movements through mass repression and institutionalized terror and second was to begin the dismantling of the old model by launching of economic adjustment and deeper integration into the world market in concurrence with the emergence of the global economy (Robinson, 2008: 272).

The solution to economic problems, social conflicts and political instability was seen as bureaucratic authoritarianism. When the Peronist regime was overthrown in 1976, Argentina was on the verge of hyperinflation (Cardoso&Helwege, 1995: 184). Stabilization program of the military regime in 1976 combined; an increase in the exchange rate, elimination of price controls in the internal market and the freezing of nominal wages (Frenkel, O’Donnell, 1994: 166). The first priority of the military regime was the stabilization of the prices. In the meantime, fiscal deficit was gradually reduced. These have brought about good results for inflation.

From the military government’s perspective, prior political power had lacked the strength to deal with the two main corporate interests groups in Argentina, which were the organised workers and private sector entrepreneurs who benefited from a protectionist state. The outcome of the confrontation between them was “chronic political and social disorder and inflation” (Crimson and Kesler, 2005: 65). According to O’Donnell (2001) “*there was a necessity, for authoritarian measures given the activation of the masses during populist regimes which accompanied ISI models*”.

What was sought by the military regime was a stable and profitable division of labor led by the financial sector, which was turning into the key international economic sector. This was the political economy of monetarism which differed from the earlier

short-term adjustment policies. The new policies could be protected by authoritarian regimes and also the policies of the US and the UK provided an added legitimacy to the process (Munck, 2008: 57). And so, the military government had obeyed the dictates of the international financial institutions and made the 'necessary' reforms easily, thanks to the obedience of the population.

Yet, this does not mean that bureaucratic authoritarian regimes could overcome economic and political problems, what was needed was not repression, when achieving economic development. Argentina's failures stemmed basically from 'dependence' (and not interdependence) upon international capital, and backwardness in the industrialisation process, these were the reasons on the surface. The underlying reasons were within the dynamics of the capitalist mode of production. Therefore, neither military authoritarianism nor any other rule could offer a way out of crises that a capital accumulation strategy encounters. This is because the crises of a capitalist strategy can never be eliminated by any method or policy package within the same system. For that reason, neoliberalism cannot be (and indeed was not) a solution to the crisis of state-led development and of ISI, for neoliberalism was just a capital accumulation strategy, and not, a mode of production.

The economic objectives were largely met in the beginning. But by 1980, overvaluation had become so extreme that despite the government's assertion that the policy would continue, speculation led to rising capital flight. Over the next few years, depreciation and inflation became rampant. The budget deficit increased with growing external interest payments. Moreover, 'el proceso' in 1976 damaged the army's moral position despite the claim that it saved the country. Besides saving the country and apart from the 'dirty war' (in which tens of thousands of people either died, or 'disappeared') the armed forces failed to govern effectively. A deterioration in the terms of trade and the Malvinas War quickened the devastation of the economy.

In the early 1980s, Latin American governments were deprived of foreign capital to finance interest payments and noninterest deficits. The governments' response was reduced expenditures, high taxes and printing money. So, it is no accident that in the

aftermath of the debt crisis, Argentina suffered from high inflation.

The general discontent was not a sufficient reason to end this military dictatorship, and the defeat in the Malvinas (Falklands) War finally put an end to the inglorious term, there remained no solution other than the transition to civilian rule. However, Argentina has inherited an ideology from 'el proceso' that would prevail in the subsequent years, which is **neoliberalism**.

After the military regime, Alfonsín came to power in 1983 by free elections, which was the first electoral defeat of the Peronist Party. Economic liberalism was on the agenda of Alfonsín as well but it was less emphasized because of the emphasis on democratisation. During the first years of Alfonsín, economic reform was constantly linked to Argentina's authoritarian past. The main criticism was that economic liberalism would harm certain sectors of the society.

The inflation rate was up to 600% by the time Alfonsín came to power in 1983 (Cardoso&Helwege, 1995). In June 1985, the annualized inflation rate in Argentina reached almost 6000%. There were reform attempts such as the Austral Plan which was a program of stabilization based on wage controls and a fixed exchange rate. The first year was successful. Inflation dropped from 30% per month to 3%, however, austerity measures also accentuated an existing decline in output and real wages. When the price freeze was lifted and growth recovered, prices took off. (Cardoso&Helwege, 1995: 190). By 1987, the heterodox Austral Plan was not working (Barros, 2005: 265) and due to growing economic problems, he resigned in 1989, six months before the end of his term.

3.6 Menem: Orthodox Neoliberalism and Redefinition of Populism

Neoliberalism in the world has emerged as a solution to the crisis of capital accumulation in the 1970s. Latin American crisis of the early 1980s was part of the

shift towards neoliberalism, international economic slowdown and the disintegration of the Bretton Woods system (Saad-Filho, 2005). Harvey claims that neoliberalism is a theory that links human wellbeing with the maximisation of entrepreneurial freedom and supports private property rights, individual freedom, free markets and free trade. State intervention should be kept at minimum due to the fact that it threatens

individual liberty and freedom (Harvey, 2006). It is claimed that state led development did not bring development but ended up with corruption, yet, in the neoliberal era, corruption would be ended since the role of the state would be eliminated. However, according to Manzetti and Blake (1996), neoliberalism has not ended corruption but created different ways to corruption as will be seen in Menem's term in Argentina. The issue of corruption, just like neoliberalism, can be understood in terms of '*creative destruction*'; that is willingness to destroy old advantages by creating new ones (Harvey, 2001).

In the 1990s, many scholars have begun to explore the emergence of a *neo-populism*: new ways of populist leadership, emerged from the right, that coincided with neoliberal reforms (Fujimori in Peru, Menem in Argentina, Collor de Mello in Brazil, Fox in Mexico) (Philip, 1996: 33). Neoliberal populism differs from classical populism in the sense that it co-exists with neoliberal policies aimed at improving economic efficiency and eliminating rent seeking behaviour associated with heavy protectionism and excessive state intervention of the ISI period (Öniş, 2004: 22).

Neoliberalism which emphasizes the efficiency of market competition, the role of individuals in determining economic policies, and distortions associated with government intervention and regulation of markets is principally associated with the Chicago School of economics (Palley, 2005).

In large part, the emergence of neoliberalism can be explained by the severity of the economic crisis at the end of the 1980s. Neoliberalism also stemmed from structural factors, which include the collapse of the financial system with the debt crisis of the

early 1980s and external events such as the demise of the Soviet Union, which had been a major market for Argentine exports by the end of 1970s. Moreover, the result of political pressures and economic dislocations was the emergence of hyperinflation running at some 5000 % in 1989, an acute foreign exchange shortage, a 20 % fall in per capita income, 50 % fall in domestic investment (Phillips, 2004) and the consequent resignation of Alfonsín and his team, brought about neoliberalism as a solution to the crisis.

Neoliberal policies emerged mostly as a response to high inflation in Latin America. The urgent need for inflation stabilisation led to the neoliberal transition despite its long term consequences. (Saad-Filho, 2005), that is to say, in order for short-term inflation control, prospects for long-term economic development were sacrificed.

Neoliberalism is also a new way of redistribution that concentrates income and wealth in the hands of the upper classes, that is to say, it provides the conditions that money and power flows from the lower classes to the upper ones which creates a great gap between classes. Thus, neoliberal policies brought about a new social order in Latin America besides the crucial changes in economic policies. The lower classes, which were favored under the ISI-populist governments, were completely left unprotected and the policies about distribution of income were turned upside down, so as to ensure the flow of wealth from lower classes to upper classes. Under these conditions, lower classes are doomed to failure, but according to neoliberal theorists, it is their fault if their conditions get worse, it is because they were unable to adapt to the conditions.

Then how could the states accept these principles? First of all, neoliberalism has a strong weapon to legitimise itself, that is freedom. More importantly, it has emerged as a cure to the crisis and became successful, according to international financial institutions, when tried in Chile. So, after this first phase of global neoliberalism, it has spread around the world. Even if developing countries were not willing to accept these principles, because of the crisis conditions and their debts, they had to accept this solution, since there was the threat of bankruptcy. Moreover, since neoliberalism

is said to be rested on the rule of law, and not on the arbitrary decisions of state bureaucracy, it was expected to put an end to corruption, which in fact was not the case as it can be seen in the case of Argentina. They had to pursue such acts as privatisation, deregulation and financialisation. Privatisation is defined by Harvey, as '*accumulation by dispossession*'. "Deregulation fostered redistributive activity through speculation, predation and thievery. Management and manipulation of crises became a means of redistribution of wealth from poor to rich countries and the adjustment programs imposed by the IMF and World Bank ensures the US imperialism without colonies" (Harvey, 2006).

Neoliberalism also supports a limited government in order for economic efficiency. Friedman saw limited government as essential for the preservation of the public order and the protection of private contracts, as well as for the promotion of competitive markets and economic development (Friedman, 1962). The state's role on economy should be limited, in fact, state itself should be limited, state enterprises should be passed into private hands and state expenditures should be curbed. For neoliberalism, developmentalism had hampered development, and only a free-market economy guaranteed the road to prosperity. For them, the main problem of Latin America was not dependency but the state because it prevented growth and modernization. As the economic crisis deepened and external pressures to deal with the debt problem increased in the early 1980s, a number of Latin American governments began, willingly or unwillingly, to adopt neoliberal programs. In any case, a neoliberal ideology came to challenge and replace, old views of development centred around the notion of an economically powerful state.

Neoliberalism tries to limit the role of the state in the economy, but actually a neoliberal state should be powerful to cope with the problems. "Greater orthodoxy requires not less but more state intervention, as well as more power concentrated in the hands of the state bureaucratic elite" (Smith, 1991: 306). Gamble also claims that a free economy needs a strong state to deal with the obstacles (Gamble, 1979). Neoliberalism accuses the state of being responsible for the problems faced during the economic liberalization process, the state is seen as an obstacle, for market is

much more efficient. However, the state by itself cannot be responsible for policy making, because, relative autonomy of the capitalist state does not define the state as the locus of a coherent and rational policy external to capital (Poulantzas, 1975).

Neoliberalism also caused a decrease in production. The substance of the new neoliberal thinking rested centrally on the prioritisation of capital as money over capital as production (Gamble, 2001: 131) which disengaged state and capital from their roles in the Latin American inward-looking industrialisation model.

In fact, populism and liberalism are, in their classic forms, philosophically opposed. While liberalism, as an ideal-type, advocates the principle of a universalistic, contractual relation between free and rational individuals, populism has usually been associated with a romantic, organic, naturalistic conception of society. Yet, Armony claims that their new forms are not incompatible and they operate in two interconnected realms (2005: 3).

The proponents of their compatibility claim that those two are consistent and would bring about development (Roberts 1995; Weyland 1996, 1999, 2003). Weyland claims that neoliberalism and neopopulism are compatible and they have some unexpected affinities. He puts the following thesis: "*neopopulism and neoliberalism are both antiorganizational in their majoritarian or individualistic parts, respectively. They refuse to recognize special weight to anyone, such as the business groups*" (1996: 9) so as to be compatible with the promise of ending corruption.

On the other hand, other scholars rejected the application of populism to leaders who implemented neoliberal reforms, arguing that, even if they showed a tendency towards a personalistic, plebiscitarian and delegative style of leadership, they lack the mobilizational and democratizing impulses of historical populist figures. (Panizza, 2005). Nun and Adelman (1995) argue that a number of presidential candidates campaigned on populist platforms, but abandoned populist discourse and tactics immediately after winning the election, as they had to embrace neoliberalism. Menem

won presidency promising a productive revolution, a big wage increase, and support for labor's demands, but once the election was over, these promises were not carried out. Thus, rather than a genuine populist ideology, Menem's populism is seen as a neo-populist road to market reform.

In Latin America, neopopulism can be understood as a consequence of neoliberalism and the gradual erosion of trust in the institutions. Loss of faith in the institutions and lack of powerful alternatives had contributed to the perception of strong populist leaders as the saviors of the nation. The inefficacy of political institutions to respond to the demands of people, oversee growth, and promote socioeconomic inclusion has undermined the faith of people in the institutions, thus generating the political space for populist candidates (Seligson, 2007).

Paul Cammack argues that contemporary manifestations of populism must be understood in the context of attempts at restructuring capitalist relations in the region. For Cammack, the common element in all forms of populism is a '*direct appeal to people*' which by-passes the existing political institutions (Cammack, 2000: 150-151):

If populism in general is the language of politics when there can be no politics as usual, neopopulism is the language of contemporary politics at times of unsettlement and dealignment. In other words, neopopulist leaders emerge because of the inability of existing social and political institutions to mobilise, confine and regulate political subjects into a relatively stable social order. Thus, neopopulism is a form of political appeal that seeks to change the terms of political discourse, articulate new social relations, redefine political frontiers and constitute new identities.

If one of the roles of political institutions under capitalism is to mediate between the rulers and the ruled, populism helps to ensure those limits necessary for the reproduction of capitalism whenever the existing system is unable to do so (Cammack, 2000: 155). In that sense, Cammack claims that, both Menem and Peron could be defined as populists, because they do not represent two different modes of discourse but two different conjunctures. Both are specific conjunctural projects for the reorientation of capitalist reproduction. According to Cammack, an important contrast appears between classical and contemporary populism: While classical populism challenged economic liberalism and oligarchy, contemporary populism

appeared during a successful neoliberal transformation. Menem's rule could as well be defined as a means for consolidating an order by using traditional populist policies to implant a neoliberal agenda.

If populism is based on the antagonistic confrontation between the people and the bloc in power, resulting in the consolidation of a new power bloc and the demise of the old one, Menem's populism is not as crystallized a movement as Peron's populism. Neopopulism appeared after long periods of military dictatorships and neoliberal experiments, aimed at destroying state-led developmentalism. Thus, Menem did not need to challenge the existing power bloc, because the neopopulist order came after the neoliberal system was founded and when the new order and its power bloc were in a great harmony, but still, Menem's rule can be defined as populist, because he used the populist rhetoric not only to gain a support base but also to establish hegemony and consolidate neoliberalism.

Menem came to office in 1989 under crisis circumstances and it was not a mere economic crisis, but a hegemony crisis which is an economic crisis coupled with political crisis. Argentina was suffering from hyperinflation to which Menem responded with radical, free market, neoliberal reforms. The other important problem was the high amount of foreign debt. For Menem, his team and the international financial institutions, the reason why Argentina was suffering from such a crisis was state protectionism and the ISI strategy.

The union strength has begun to be challenged since the military regime after Peron, and Menem successfully prevailed the policy as commanded by the international financial institutions. "Neoliberalism advised curtailing the union strength so that employers can hire and fire whom they choose, privatising state enterprises so that their workers will fall under the purview of domestic capital; and opening up domestic markets to foreign capital and foreign goods" (Shaikh, 2005), in order for economic liberalization and fostering 'competition', despite that most of Argentine products were not competitive in the world market. "For (formerly protected) domestic industrial firms, unions and individual workers, economic liberalization

simply meant bankruptcy, organizational disarticulation, unemployment and poverty’’ (Etchemendy, 2011: 6).

Before assuming the presidency, Menem contacted businessmen and industrialists to help fashion an economic program. The large, privately held conglomerate Bunge y Born advised him to bring inflation under control, stimulate foreign investment, reduce government subsidies, privatize state industries, reduce government expenditures, cut the military budget, end tax evasion and to attack corruption. Then Menem appointed a series of Bunge y Born executives as economics ministers to ‘save’ the country (MacLahlan, 2006: 162), which in fact was an attempt of Menem to gain confidence from the business community. In the first years, Argentine neoliberalism was defined as a success story.

Argentina had an episode of very high inflation at the end of the 1980s, hitting a peak annual rate of 3080% in 1989 (Stiglitz, 2006: 221). In 1990, the austral rose against the dollar throughout the year as a result of the trade surplus and high interest rates. The artificially strong rate was kept in an attempt to reduce inflation. But in January 1991, the austral fell 40% against the dollar (Cardoso&Helwege, 1995: 197), Menem appointed his fourth economic minister in about one and a half year, and the military was threatening a coup.

Under Menem administration, the model of development was reoriented toward the market. Such problems as hyperinflation, and macroeconomic instability led to the deepening of liberalization process by lifting capital and exchange controls. In March 1991, economy minister Domingo Cavallo launched the ‘Convertibility Plan’. Then the congress fixed the exchange rate at one to one relative to dollar (Rodrik, 2011; Gallo, 2010; Palermo and Novaro, 1996: 288). Neoliberal reform in Argentina, began to consolidate with Cavallo’s Convertibility Plan which was launched in April 1991. It established the full convertibility of the austral with the US dollar. The strategy worked: inflation came down. But it was a risky strategy; it required frequent

adjustment of the exchange rate and it could not stabilize the inflation rate for a long time.

Nonetheless, it is important to note that, Cavallo's Convertibility Plan offered that domestic money supply could increase and interest rates decrease only if dollars were flowing into the economy. If dollars were moving the other way, the money supply would have to be cut and interest rates raised. (Rodrik, 2011: 185). Thus, the plan was dependent on the capital flows and it was of no use unless capital inflows were guaranteed.

This was later modified with the reintroduction of the 'peso' as the national currency from 1 January 1992, which was fixed at 1:1 parity with the dollar. However, the overvaluation of the currency eroded the competitiveness of Argentine external sector. The Convertibility Plan also stipulated that the monetary base be backed fully by available reserves of gold and hard currency. The aims of Convertibility Plan were thus anti-inflationary and it aimed to attract foreign capital both in the short and the long term. The neoliberal policies were centered around the idea of an anti-inflationary growth strategy with stability. Exchange rate policy, in the shape of Convertibility, became the pivot between the various elements of economic policy reform, inflation stabilisation, trade liberalisation, financial deregulation and privatisation (Phillips, 2004: 67).

Cavallo accelerated the privatization, deregulation and opening up of the Argentine economy. Open economy and deep integration would reinforce business confidence by preventing interventions. Cavallo envisioned globalization as both a harness and an engine for Argentina's economic growth. Globalization provided discipline and an effective shortcut to credibility in economic policies, it would also unleash powerful forces to propel the economy forward. Imports from abroad would force domestic producers to become more competitive and productive. Deep integration with the world economy would solve Argentina's short and long term problems (Rodrik, 2011: 186). In this way, Washington Consensus was taken to an extreme with the plan.

The Convertibility Plan reflects the people's longing for stability, their fear of high inflation and their hope of seeing peso as a strong currency. The experience of the Convertibility Plan has clearly shown that the policies that led to crises and the ones that are implemented as solutions to crises, cannot take shape as independent from the power groups that are hegemonic in the social structure (Yalman, 2004).

In the first years World Bank and IMF sponsored structural adjustment and liberalization measures, were seen as successful, despite the popular discontent (Saha, 2002: 85). GDP grew at an average rate of 7.6% between 1991 and 1994 in Argentina, yet, after a short burst of growth in the early 1990s, stagnation and recession have set in. After the Mexican crisis of 1995, the country resumed growth, but at a slower pace, during 1996 and 1997, only to succumb to recession in the last two years of the Menem presidency (Etchemendy, 2011: 57). Indeed, in the early 1990s, Argentina had a boom. The consumption boom was sustained as the country privatized state enterprises. Actually, the situation was not that good, if looked at the country's balance sheet (Stiglitz, 2006). Yet the IMF focused only on the deficit and was so pleased by the adoption of Washington Consensus policies that other problems were ignored.

The first years of Menem were seen as so successful that Argentina had become the poster child of neoliberalism. During the period, high inflation was taken under control, neoliberal economic policies provided magical solutions for high inflation. During the first years, public sector deficit had been brought down, and inflation decreased. But unemployment rose dramatically (Cardoso&Helwege, 1995: 197). Moreover, neoliberal policy packages are not that successful in terms of bringing sustainable economic growth and development.

5 policies played a key role in inflation control (Saad-Filho, 2005):

1. Trade (Import) liberalisation. Trade liberalisation helps to control inflation because foreign competition limits the prices of domestic products. It also limits the wages, since high wages make local firms uncompetitive. Also, trade liberalisation forces

domestic firms to compete foreign firms and finally unsuccessful domestic firms will close down and their capital and labour will be deployed more productively elsewhere.

2. Exchange rate overvaluation: It reduces price of imports which badly harmed local industry. It caused underemployment, informal employment and deindustrialisation.
3. Domestic financial liberalisation: expected to help increase savings and the availability of funds for investment. In fact quite the opposite happened in Argentina. Savings fell from 22% to 17% of GDP in ten years after 1989. Investment fell by one-third in Argentina between mid-1980s and late 1990s.
4. Fiscal reforms (tax increases and expenditure cuts): these were largely successful but the cost of servicing the public debt increased sharply because of the high levels of domestic interest rates in Argentina.
5. Liberalisation of the capital account of the balance of payments: refers to relaxing the rules governing movements of capital. This measure was supposedly essential to attract foreign savings and modern technology. But the real situation was that imports increased dramatically, domestic firms decreased, and deindustrialisation began.

3.7 Washington Consensus

After the demise of the post-war developmental state, the international financial institutions forced the poor and/or developing states to rely much more on the markets. State was then accused of being the main obstacle to economic development, whereas in the ISI period it was seen as the engine of growth. The IMF often speaks about the importance of the discipline provided by capital markets. In doing so, it exhibits a certain paternalism, a new form of the old colonial mentality: "*We in the establishment, we in the North who run our capital markets, know best. Do what we tell you to do, and you will prosper.*" (Stiglitz, 2002).

Liberalism is only realised in the current phase of world history through the complex cluster of economic, political and social processes we know as globalisation. To carry through this project, the transnational capitalist class made a concerted bid during the 1970s and 1980s to create a 'disembedded liberalism'. Capital mobility was facilitated, free trade was sanctified, labour was made more flexible and macroeconomic management became fully market compliant (Munck, 2006: 62).

Thus, a neoliberal revolution took place in the developing world over the 1980s and 1990s, underpinned by 'Washington Consensus' that emerged around such virtues as inflation stabilisation, commercial liberalisation, financial deregulation,

privatisation, fiscal discipline and labor-market flexibilisation (Williamson, 1990, 1994). Washington Consensus was founded on monetarism, supply-side economics and on a minimal state (Munck, 2008: 60). The big ideas in the consensus were; macroeconomic discipline, a market economy and openness to the world.

The central idea in the Washington Consensus was that market is efficient and state is inefficient. Therefore, the market rather than the state should address such development issues as industrial growth, international competitiveness and employment creation (Saad-Filho, 2005: 113). It was offered that state intervention should be as limited as possible in order to eliminate such problems as high inflation and budget deficit. These policy recommendations thus, officially ended the era of state-planning and state intervention in economic affairs.

The consensus was consisted of ten recommendations to be pursued by the developing countries, so that they could achieve economic growth.

3.8 Ten Commandments

1. **Fiscal Discipline:** for a balanced budget, fiscal deficit should be cut.

Actually, fiscal consolidation was achieved by raising the real price of public services,

increasing the value-added tax base, and forcing a conversion of domestic debt into long term bonds. In order to promote private enterprise, the tax rate on profits was cut, as was the top marginal income tax rate (Cardoso&Helwege, 1995: 197). To support greater openness of the economy, Menem's program called for a reduction of export taxes, import tariffs and import licences.

2. **Public expenditure priorities:** public expenditures should be cut. The expenditures included health, education and infrastructural services as well as subsidies.
3. **Tax Reform:** Increased tax revenues are the alternative to decreased public expenditures as a remedy for fiscal deficit. (as if high taxes for less public services make sense)

4. **Liberalization of the Interest Rates:** Interest rates should be market determined, to avoid resource misallocation.

It was claimed that correct interest rates could help achieve balance of payments equilibrium, low inflation, more investment, production and consumption and thus higher and sustainable economic growth. But what happened in the developing world is that, in order to fight inflation, interest rates were often at very high levels. Largely as a result of interest rate increases for emerging markets, Argentina's debt service more than doubled from 1996 to 2000 (World Bank, 2000).

5. **The Exchange Rate:** Exchange rates may be determined by the market but a competitive Exchange rate is more important than how it is determined.
6. **Trade Liberalization:** (import liberalization?). Free trade would foster economic growth.

Free trade was believed to optimize global resource allocation, increase consumer welfare, lead to productivity growth, and promote economic growth and thus, government intervention to the process was seen as distortionary. Trade liberalisation by lowering tariffs and non-tariff barriers should be the core of trade policy. *“Since competition is always a virtue, its results can never be bad. For the neoliberal, the market is so wise and so good that, like the god, the invisible hand can bring good out of apparent evil”* (George, 1999). In this way, Adam Smith's doctrines had been transformed from a subversive attack on a parasitic state to become the ideological orthodoxy of a liberalising state (Clarke, 1988). The role of the state was no longer to restrict and tax free trade, but to use all its powers to extend the freedom of trade within and beyond its national boundaries (Clarke, 2005: 50).

Free trade, opening up to the international economy and export promotion (exports of agricultural goods and primary products in the Latin American case), was said to be beneficial both for Latin American countries and for developed countries. These were presented as 'the' way to economic development. The theory of comparative advantage, which was highly recommended by the IFIs, implies that international trade between countries will be eventually balanced with full employment in both nations. Even if one of the countries was inferior in the beginning, free trade would

automatically eliminate the initial superiority and ensure the balance. If free trade was promoted with no restrictions, then the system would work as promised. This was the central idea of neoliberalism.

Yet, *'It is not the absence of competition that produces development alongside underdevelopment, wealth alongside poverty, employment alongside unemployment. It is competition itself'* (Shaikh, 2005: 43). Free trade favors the competitively strong over the weak. Unrestricted international competition is a threat for a developing country. It is claimed that, international trade provides access to cheaper commodities without harming anyone. Yet, *'trade imbalances have not been automatically eliminated, not in the developing world, not even in the developed world, not in the past, not in the present, not under fixed exchange rates, not under flexible exchange rates.'* (Harvey, 1996). Capitalism has no tendency towards full employment, even in the advanced world. The real competition favors the strong, therefore, free trade is most beneficial for the advanced countries and big business (TNCs, MNCs...).

To say nothing of economic growth or development, free trade and opening up to the world economy in such a rapid way curbed exports because most of Latin American products were 'competitively weak' in world markets. What free trade fostered in Latin America was rather, imports, which often leads to balance of payments difficulties instead of economic growth.

'Although the rich countries now preach free trade, when they were themselves climbing the ladder of development, they relied heavily on trade protectionism and state intervention. Even now, rich countries often do not follow their own preaching' (Rodrik, 2001: 11; Stiglitz, 2002).

7. **Foreign Direct Investment:** This can bring the needed capital, skills and know-how.

The success of the strategies were largely dependent on big business and investors, so sudden changes occurred in financial structures. Fluctuations in the capital flows to

developing countries resulted in financial crises rather than economic growth as in the case of 2001 crisis in Argentina.

Stiglitz (2002) claims that, historically, most of the disturbances in capital flows in and out of a country are not the result of factors inside the country. Major disturbances arise, rather, from influences outside the country. When Argentina suddenly faced high interest rates in 1998, it was not because of what Argentina did but because of what happened in Russia. Argentina cannot be blamed for Russia's crisis.

8. **Privatization:** It may help relieve the pressure on the budget but the main rationale is that private industry is managed more efficiently than state enterprises.

Rapid privatizations would generate lower revenue for governments desperately in need of money, furthermore, they would undermine confidence in the market economy. Without appropriate laws concerning corporate governance, there might be massive theft of corporate assets by managers, there would be incentives to strip assets rather than to build wealth (Stiglitz, 2006: 38). By 1999, most structural market reforms had been accomplished, and the vast majority of Argentine public enterprises had been transferred to private hands (Etchemendy, 2011) but neither this did this grant Argentina a more efficient production structure, nor saved the country from recession and its mounting debt.

9. **Deregulation:** was needed to promote competition.

However, economic deregulation decreases the state's policy making capacity and excludes state discretion in economic policy making, in that respect, Washington Consensus is a policy package that clearly supports the separation of state and market. As the system was founded on market rationality, social policies were ignored.

10. **Property Rights:** property rights should be secure.

Fiscal discipline, positive real interest rates, a competitive exchange rate, and more secure property rights are important for reversing capital flight (Williamson, 1990). According to Saad-Filho (2005: 225), financial, trade and capital account liberalisation, privatization or closure of state-owned enterprises and fiscal and labour market reforms were imposed because they were seen as essential for short-term macroeconomic stability (inflation control) and long-term economic growth. Washington Consensus was introduced as a recipe for economic growth, but it had serious problems. The policies favour large domestic and foreign capital over smaller capital and workers. In this way, rather than promoting economic growth, capital transfer from the poor to the rich was ensured. Moreover, policies to fight inflation led to high unemployment, poverty and recession.

Neoliberal reforms destroyed the existing jobs and industries. The damage done was not compensated by the development of new industries, at least in the case of Argentina. For Stiglitz (2002), the problem is not only that job destruction comes before the job creation, but that the IMF's "structural adjustment programs" make job creation almost impossible. This is because these programs are often coupled by high interest rates that are justified by a fight against inflation. What happens is that, rather than moving workers from low-productivity jobs to high-productivity ones, they are moved from low-productivity jobs to unemployment. Rather than enhanced growth, the effect is increased poverty. To make matters even worse, the unfair trade-liberalization agenda forces poor countries to compete with highly subsidized American and European agriculture. The results are, even more unemployment, poverty, deindustrialization and balance of payments problems.

Washington Consensus ensured the separation of public and private, in other words, of state and market. It is offered that markets should exist and operate independently of a political sphere to respond to a logic of market globalisation based on rational criteria for economic and investment decisions. (Phillips, 2004: 62). Washington consensus had reduced state capacity to address social problems including poverty, unemployment and concentration of income and wealth (Saad-Filho, 2005) and failed

to deliver faster growth in developing countries. International financial markets can be prone to instability; export-led growth is not sufficient for domestic development and can promote global deflation and the labour market protections are needed to prevent exploitation. Yet, for Williamson, Washington Consensus did not fail, but Argentina made two fatal mistakes: one is that they failed to achieve a competitive exchange rate and the other is that it failed to follow strict fiscal policies (Williamson, 2002). The failure of the neoliberal policies to achieve growth generally was not accepted by Washington, and it results in even more IMF and World Bank intervention into economic matters of the developing countries.

Despite the neoliberal attempts such as the Washington consensus of 1990, Argentine economy was no better than its situation prior to these reforms. Actually, because of globalization and further integration with the world economic system, the already weak economy of Argentina has become even more fragile to the recessions or crises happening in different parts of the world. Especially in the second term of Menem, serious problems began to come to the stage. As problems occurred, Menem's team began to crumble. For instance, Cavallo left office in 1996, when it was crystal clear that the Convertibility Plan was not working.

Furthermore, the East Asian crisis of 1997, badly affected the Argentine economy, as it became a global crisis in 1998. Global interest rates to emerging markets increased. Largely as a result, Argentina's debt service increased from 13 billion dollars in 1996 to 27 billion dollars in 2000. These problems became more serious because the Argentine peso was tied to the dollar, which made it increasingly overvalued (Stiglitz, 2006: 221). The situation got even worse, when Brazil, its major trading partner devalued its currency in 1999 because of its own crisis. The devaluation reduced the value of Brazilian currency by 40% against the dollar, making Brazilian exports cheaper than those of Argentina. Brazil's cost advantage left the Argentinian peso looking overvalued. Then, Argentina was flooded with imports and with the high exchange rate, the country found it difficult to increase exports. Doubts about Argentina's ability to service its debt multiplied, confidence collapsed, and Argentina's creditworthiness had slid below some African countries (Rodrik, 2001:

186). With fewer exports and more imports, its balance of payments deteriorated, and as a result, it had to borrow more from abroad, which would contribute even more to balance of payments difficulties, macroeconomic instability and most importantly, to its mounting debt.

Besides the effects of the East Asian crisis, the IMF was responsible for the emergence of the 1998 crisis in Argentina as well: It encouraged Argentina to privatize the social security system, which resulted in a reduction in revenues coming into the government. However, reduction of the social security revenues damaged the Argentine economy much more and faster than it benefited from a reduction in expenditures for the retired. Had Argentina not privatized social security, even at the time of crisis, its deficit would have been close to zero (Rodrik, 2011: 222). The IMF had insisted on the privatization of public utilities, like water and electricity, but it also insisted that when they privatized, prices should be linked to those in the US, in order for macroeconomic stability and for inflation control. Yet, it also meant that, when the prices increased in the US, Argentines would have to pay more and more for basic necessities, which would in turn make the country less competitive and increase the level of social unrest. And soon, they would have to admit that, Argentina's high exchange rate and mounting debt was not sustainable.

3.9 Post-Washington Consensus

The post-Washington consensus was sought in an attempt to review the Washington Consensus and try to solve the problems that the former consensus could not achieve. Nevertheless, it would be misleading to think the post-Washington Consensus as totally different from its predecessor, for, the way in which problems were analyzed is actually the same. The main difference was that the latter was somehow more sensitive about social policies such as poverty elimination, education and infrastructural services. It also introduced the so-called 'pro-poor policies' oriented towards satisfaction of the basic needs of the population, equitable distribution of income and macroeconomic stability.

The Post-Washington Consensus reflected a new point of view: New Institutional Economics (NIE), which tries to shift the focus away from competition and markets and emphasizes the implications of market failure, the institutional setting of economic activity and the potential outcomes of changes in institutions. According to NIE, development no longer simply means increased per capita GDP or consumption levels, contrary to neoclassical theory. It now includes the changes in the distribution of property rights, work patterns, urbanisation, family structures and so on. NIE did not deny the necessity of state intervention, offered changes in economic policy and in judicial issues, anti-corruption programs and financial reforms other than privatization. This broader set of policy recommendations are called '*enhanced conditionality*' (Saad-Filho, 2005).

Stiglitz interpreted the Washington Consensus as a neoliberal manifesto. The post-Washington Consensus that is sought should focus on achieving a broader range of goals than just economic growth. It should also pursue equitable development, sustainable development, and democratic development (Williamson, 2004: 14).

In the Washington Consensus, the state itself was considered as the problem and excessive state interventionism was conceived as the main obstacle to economic progress. In that sense, liberalization and state contraction were seen as necessary to curb the excessive powers of politicians and bureaucrats. So, a minimal state was perceived as a precondition for macroeconomic stability and also for rapid and equitable economic growth, yet without altering wealth distribution, problems of poverty and inequality cannot be solved (Öniş, Şenses, 2005). Yet, even if a minimal state would have been the solution to such problems as unemployment, poverty and inequality, neither a liberalization as such had been realized, nor a rapid and equitable economic growth had been seen. There was an emphasis on democratization in both of the consensuses but it had not been realized in Argentina. Rather, state powers, or presidential powers were deliberately strengthened. This was seen most clearly in the privatization acts of Menem when he totally ruled by decrees. Moreover, a strong

emphasis on democratization in both of the consensuses seems paradoxical, because there is also an emphasis on deep global integration.

At this point, it is not clear whether, deep globalization and national democracy are compatible. And if so, how the two should be combined and managed is not known. The key element in the Post-Washington Consensus emerged as the recognition that states have an important role to play in economic development. There is a great reliance on market but, states and markets are thought as complementing rather than substituting for each other. It was offered that market failures should be corrected by state intervention. It might seem as an important difference from the former consensus, however, it is not, because how the state should deal with such problems or how far state power could go, is not stated. In that sense, like Washington Consensus, the post-Washington consensus, does not touch upon existing power structures, or on the relations between power groups. Moreover, the two consensuses offered recipes as if these were the only solutions and acted as if there was one single crisis happened to one single country. Unique characteristics of states and power relations within different states were totally ignored and the recipes were dictated to all developing countries which created a 'one size fits all' type of crisis management. They are both highly conservative in fiscal and monetary policy and support free trade, privatisation, liberalisation and deregulation. The only significant difference is the speed, depth and method of reform, since new institutionalism accepts state intervention as a way to correct market failures.

It shares the same methodological foundations with Washington Consensus including reductionism, utilitarianism and the dogmatic presumption that exchange is part of human nature rather than being an aspect of society (Saad-Filho, 2003). So, for the post-Washington Consensus as well, the market is a natural and not a socially constructed entity and although its efficiency can be questioned from time to time, the market itself cannot be challenged.

Although a bit narrower, the PWC defines a technocratic role for the state. The existing power structures were taken for granted. Power relations at the level of nation states and in the global economy were ignored. However, class conflict and asymmetries of power in the global economic structure needed to be challenged if the addressed economic and social development was to be achieved. Öniş and Şenses (2005) claim that post-Washington Consensus did not go far enough in overcoming the limitations of the neoliberal policy agenda. For Alfredo Saad-Filho (2005), Washington Consensus and post-Washington Consensus are two branches of neoliberal economic policy.

Rodrik claims that,

The post-Washington Consensus is just as bound to disappoint as its predecessor because it offers too broad an agenda of institutional reform that is insensitive to local context and needs. It describes what advanced countries look like, rather than prescribing a practical path for getting there. He argues that the aim should be to provide an alternative set of policy guidelines for promoting development, while avoiding offering another impractical blueprint that is supposed to be right at all times (Williamson, 2004: 15).

When such adjustment programs are offered, the main issue seems to be economic growth rates that could be achieved with the implementation of the programs. However, the kind of growth and development and how they affect the conditions of the people should be the main concern. The patterns of development offered by the two consensus are not desirable for the people because the programs take the existing power relations for granted, they concentrate power and wealth in the hands of some people and therefore, they reproduce poverty. Under such circumstances, it is not possible for the poorer people to benefit from that kind of an economic growth and thus, this would not be a development for an entire population.

Thus, the failures and inefficiencies of the economic systems of developing countries are not due to excessive state intervention (Öniş, Şenses, 2005: 119). Rather, the problems have its roots in the power structures of the capitalist state and they shall not be solved unless the existing power structures are challenged. Therefore, any

recipe offered within the existing system would not resolve the problems or bring any kind of development.

3.10 Relations With Business

During Menem's era, there has been a fragmentation in private sector and a tendency towards atomisation. Collective action within Argentine industry was almost impossible due to post-war de-industrialisation of the economy and to the absence of a hegemonic group in industry around which various groupings could coalesce into organised activity. This absence was due to the continued successful assertion of hegemony by big business over the state, labor and neo-corporatist institutions (Acuña, 1998: 59, 68). The post-war Argentina was characterized by oppositions between capitalism and democracy; between Peronism and business. The Alfonsín administration failed to improve its tense relations with the private sector. Yet, under Menem, a new chapter was opened in the state-business relationship. Business interactions with the government took the form of a typical neoliberal state-business nexus. Moreover, Menem populated government offices with key business representatives. The relations were conducted on a personalist, or on an informal basis. These close relations applied to the individual leaders of big business, not to the smaller ones, because neoliberalism favors the strong and not the weak.

Domestic large family-owned firms have been relatively efficient under ISI. They rested on subsidies, promotional regimes and protections. Soon after taking office in 1989, the Menem government passed legislation that brought an end to the system of sectoral subsidies and promotional regimes that had constituted the core of Argentine protected capitalism. At the same time, the State Reform Law set the basis for a vast privatization process. In this '*disarticulated restructuring*' (Etchemendy, 2011), firms in seven major tradable sectors clearly benefited from compensatory measures: petroleum, steel, autos, aluminium, cement, petrochemicals, and pharmaceuticals.

Menem picked for the Ministry of Economy a former CEO of the largest Argentine economic group, Bunge&Born, partly because he was seeking credibility in the

business world. Bunge & Born was a large and internationalized business group mainly based on food and grain trading, industries in which Argentina had comparative advantages and was scarcely challenged by the economic opening (Acuna, 1994: 355). The following reforms and economic policies and stabilization measures were in the interest of the big business.

Menem's efforts were directed at stabilizing the currency and curbing inflation, liberalization programs also involved trade reform and integration into regional markets, industrial privatization, capital market liberalization and attempts to (de)regulate the labor market. This led to the disappearance of local firms, massive layoffs and unemployment (Etchemendy, 2011: 53). Neoliberal agenda fostered a sharp polarisation of the business sector into winners and losers from restructuring processes. The participation of transnational firms in these restructuring processes was crucial to the new business oligarchy.

Towards the end of the 1990s, one thirds of the 1000 largest corporations in Argentina were transnational firms, in contrast, there were 75 national economic conglomerates. Foreign owned business was dominant and the most influential businesses were dominated by the consortia of foreign and local capital. The national economic conglomerates have remained dominated by firms, mostly family-owned, which at the end of 1990s accounted for around 85 % of the total sales of this group (Kosacoff, 1999: 96). Privatisation process resulted in amalgamations of foreign and local capital and consequently in the transnationalisation of domestic economy, which has resulted in the concentration of wealth in the hands of big business.

Argentina was caught in the middle between traditional family-owned grupos and foreign multinationals' expansion in liberalized markets, during and after privatization (Etchemendy, 2011: 307). However, neither domestic nor foreign investments were sustainable because of the rapid liberalization of the capital markets which caused instability in the economic environment.

3.11 Privatization: De-Industrialization?

In the industrialization phase (which was ISI period in Latin America), labor is employed mainly in manufacturing and services. In the next phase, services played the key role and share of manufacturing stabilized. Then in the next phase, manufacturing employment begins to decrease dramatically, and this is referred to as 'de-industrialization' (Palma, 2005: 71).

Low income Latin American countries have experienced the process as well. This can be explained by the policy regime of 1980s, that discouraged production. Another factor was '*Dutch disease*', which is exporting natural resources, agricultural commodities or other primary products to make a trade surplus and finance trade deficits (Palma, 2005: 81). Dutch disease in Latin America, however, should be understood more as a case of downward de-industrialization. There, the process was experienced mostly as a result of a drastic change in the economic policy regime. Argentina was one of the most rapid and highly industrialized countries in the region but experienced a very high level of downward de-industrialization.

The question as to why this occurred has its roots in the economic policies. Industrial sectors have been hit hard by the neoliberal turn. Trade liberalization and export promotion (of agricultural commodities), harmed especially the domestic industries. Ignoring domestic firms and giving priority to foreign direct investments contributed to the decline. But the most important factor had been privatizations. To take an example, steel industry was one of the major industries in Argentina and was severely hit by the successive rounds of liberalization after 1989. The government sold the public steelworks in 1992. As a result, prices decreased, overall production went down in the first three years of adjustment, and eventually, the sector showed a trade deficit (Bisang and Chidiak, 1995: 53). Massive and rapid privatizations during Menem's term depressed the Argentine industries, whereas it had been said

that private industries would have been more efficient and productive.

Another major industry that was affected was the oil industry. Since the first oil reserves were discovered in Argentina in the twentieth century, the oil industry had been dominated by the state enterprise Yacimientos Petroliferos Fiscales (YPF). To deregulate and then privatize the industry; firstly state intervention in price setting was removed. Secondly, oil fields were privatized. And finally the YPF itself was privatized in 1993 via a public auction. With 3.9 billion dollars of net sales in 1992, YPF had been the biggest Argentine company (Etchemendy, 2011: 109) and therefore, with those privatizations state revenues dramatically decreased.

Privatization attempts not only had resulted in a major decrease in state revenues, but also contributed to the de-industrialization process. Industrialization is a certain process that all countries must achieve before skipping to service or financial sectors. The industrialization process needs at least state monitoring, if not control. Simply passing industries into private hands is harmful for the economy and for the whole population, because markets do not perceive industrialization as a necessary step, they have not an industrialization project as such. What an industry means for the market is profit; and if a certain industry is no longer profitable, they can just close the firm and stop producing. However, the very same process means de-industrialization for the economy.

The ISI policies aimed to accelerate industrialization so as to generate a trade surplus. But neoliberal policies deconstructed what ISI strategy had tried to achieve throughout years. Rather than carrying the industrialization project to a certain stage in order to focus on activities other than industry; they simply stopped industrialization. The closure or privatization of state enterprises and the ignorance of domestic firms contributed to a serious decline in production. Under such circumstances, export promotion should have been nonsense because it is worth asking: What to export when most of the productive sectors of a country were eliminated? The answer in the Argentine case was unfortunately the agricultural commodities, which were neither competitive, nor profitable enough to cover the

trade deficit, leaving aside making trade surplus. What has been done was simply *'bringing these countries back to their Ricardian position'* (Palma, 2005: 108) by preaching the importance of comparative advantage and trade liberalization. Neoliberalism has been unable either to address most failures of ISI or to match the growth performance of the previous period. Between 1981 and 2000, Argentina's average annual economic growth rate was 1.6 %. It was higher in ISI, if growth rate is a reliable indicator. Even considering only the 1990s, long after the debt crisis, the comparison does not justify neoliberalism. Argentina grew only 4.5% annually (Saad-Filho, 2005: 227).

Trade liberalisation and dismantling of state intervention was supposed to stimulate agricultural sector and stimulate investment. But, 'How can one build factories or create jobs with money that can come in and out of a country overnight?' There is a high risk of investing in the country, and thus (foreign) investors demand a risk premium in the form of higher profits. That increases the likelihood of recessions. Even in developed countries, safety nets are either weak or nonexistent among the selfemployed and in the rural sector. But these are the dominant sectors in developing countries (Stiglitz, 2002), so liberalization, especially in developing countries is not as efficient as thought by the international financial institutions. This rather damaged the already fragile economic conditions and resulted in an unstable economic environment and lower profits for firms, and thus created discontent among the business sphere. The breakup of the consensus within the business class, especially in the second half of the 1990s, led to undermining economic policies' credibility and to the traumatic demise of the economic system in the crises of late 1990s and 2001.

3.12 Relations With Labor

The working class and capitalist class are differentiated, but such differentiation does not in any way undermine the fundamental class character of capitalist society (Clarke, 2005).

New capital-labor relations are based on the perception of the global economy as an abundant supply of cheap, flexible and disciplined labor as '*comparative advantage*'. In the logic of global capitalism, the cheapening of labor and its social disenfranchisement by the neoliberal project became the core conditions for development (Robinson, 2008: 238). In this way, private international capital was expected to serve for development and social wellbeing.

For the World Bank, labor market inflexibility or rigidity includes the high costs of dismissing workers, restrictions on hiring temporary workers, high levels of fringe benefits and so on (World Bank, as cited in Thomas, 1996: 91). So, neoliberal labor market reform has brought; reduction in the power of trade unions, a dramatic decrease in public employment and a changing of labor codes in order to make the laborforce flexible. (Robinson, 2008: 239).

Work benefits were eliminated, minimum wage was decreased, young people were employed for sub-minimum wages, the legal workday was extended, which reduced the obligations of the employers and prevented unionization. All of these contributed to the changing nature of employment. The 1980s was therefore, the decade of labor deregulation. The nature of employment has changed and there emerged flexible labor and informalization as a result of global capitalism.

For neoliberals, labour markets should be flexible in order to increase employment and labour productivity. This necessitated the simplification of hiring and firing regulations, decentralisation of labour relations, the curtailment of trade union rights, elimination of collective agreements and protective regulation and reduction of social security benefits (Saad-Filho, 2005: 114). All these advices were taken and implemented, but instead of increasing employment and productivity, quite the contrary has happened.

Deregulation of labor markets was justified with the claim that the 'incentive' of low wages and flexible workers will lead to an increase in jobs. However, 'the data shows

a general trend towards rising unemployment in Latin America as well as in Argentina. The unemployment rate which was around 8% in 1989, became 16% in 1999 (IMF, 2000). Unemployment was skyrocketed during the era, but besides that, underemployment and informal employment emerged as a serious problem.

Formal employment had grown rapidly in the ISI period, whereas in the neoliberal era, informal employment grew. Formerly protected sectors were deregulated and formerly formal employment was informalized. In the neoliberal era, outsourcing and subcontracting were common methods to reduce costs. Another way to reduce costs was the employment of women and young people for sub-minimum wages.

Moreover, with the rise of neoliberalism, not only was the living standards of the working class deteriorated, but also that of the middle class was affected, due partly to the decrease in state employment. This is because, state employment has traditionally been an important means for social mobility in Argentina. Furthermore, labor market flexibilisation in the private sector has been a burden not only for the blue collar workers, but white collar workers were also badly affected. This contributed to the deterioration of the conditions of the middle class working either in public or in private enterprises. As the middle classes continued to disappear, extreme poverty and extreme wealth emerged, contributing to further marginalisation. In that way, transfer of wealth from the poor to the rich was ensured, because if there is extreme poverty and the middle class disappears, this means that their money is transferred to some rich men, to either local or international bourgeoisie. *'Job stability and security has deteriorated while unemployment, underemployment and overemployment has increased'* (Pozzi, 2005: 75) which led to serious economic problems and social discontent.

3.12 Menem and Neo-populism

'If you can occupy people's heads; their hearts and their hands will follow.'
(George, 1999: 73).

A new phenomenon emerged in the developing world described as '*neoliberal populism*'. Neoliberal populism differs from traditional populism in the sense that it co-exists with neoliberal policies aimed at improving economic efficiency and eliminating rent seeking behaviour associated with heavy protectionism and excessive state intervention of the ISI period (Öniş, 2004: 22).

In fact, Menem diverged from populism by pursuing neoliberal reforms, also he forged a close working relationship with the US which is unthinkable under Peron (O'Toole, 2007: 96). Menem had abandoned the classical populist perception of the state as the 'engine of growth' and development for, it was too hard for a government to pursue state-led developmentalist agenda and classical populism after the neoliberal turn because of the economic obligations of developing countries.

Thus, Menem's populism was seen mostly on the discursive level. Its main characteristic was an ambiguity which made possible the inclusion of those who felt excluded from political articulation (Barros, 2005: 257). He addressed "ordinary people" by appealing to their feelings of brotherhood and sisterhood. He mentioned repeatedly the name of the country and used the emotional term *patria* (fatherland), he calls upon God, Perón and the community. He focused his discourse on the myth of a *Great Argentina*. This is typical of populist rhetoric: patriotic ardor, cohesive community, faith in destiny, etc. He used the populist rhetoric and language in an attempt to gain the support of the people, and he became successful in gaining support.

Menem may well have used some of the political instruments and tactics applied by populists, but neoliberal populism lacks one decisive feature of classical populism: Classical populism incorporated previously excluded sectors of the population into political and social life (Lynch 1999; Quijano 1998: 183; Vilas 1995: 32, 37, 41). Populists promoted the inclusion of newly rising sectors, especially the working class. Yet, Menem, like Fujimori, and Collor, demobilized the masses by weakening intermediary organizations and by using TV to reach the people, treating them as passive consumers, not active participants.

Nevertheless, Menem's discourse was by no means a replication of Peron's. The demagogic style of classical populism, simplistic images, vague promises were there, but we also see the main themes of neoliberalism: unleash the market forces, trim down the welfare state, mistrust political debate, embrace pragmatism, hail globalization (Armony, 2005: 10). So, in Latin America, neopopulism is best understood as a consequence of neoliberalism and the gradual erosion of trust in the institutions. Loss of faith in the institutions on the side of the people had contributed to the perception of strong leaders as the saviors of the nation. Under such circumstances, Menem consolidated his rule, appearing as a strong leader making well use of the populist heritage of Peron. The inefficacy of political institutions to respond to the demands of people, oversee growth, and promote socioeconomic inclusion has undermined the faith of people in the institutions, thus generating the political space for populist candidates (Seligson, 2007).

In the cases of Menem in Argentina, Cardoso in Brazil, there is an emphasis on winning the hearts and minds of the disenchanted people of the previous era. In the absence of any viable political alternative, they came to power (Yalman, 2004: 26). Menem's rule, however, began to crumble as the most important problem (inflation) disappeared, then people focussed on socio-economic issues such as unemployment and poverty, on which, neoliberal agenda is not good at resolving. Consequently, the synergies and affinities between neoliberalism and neopopulism, which were quite strong during the initial phase of shock treatment and market reform, became looser. As more tensions emerged, the political position of neopopulists weakened (Weyland, 2003: 13). However, this does not mean that Menem's era cannot be defined as populist, but that the crisis conditions had caused the neopopulist experiment to fail. Unfortunately for neopopulist leaders, neoliberalism offers recipes for eliminating hyperinflation, but does not provide magical solutions for stimulating growth and employment. In the context of the political, social and economic situation, Menem chose neoliberalism instead of building a developmental state like Peron did and Kirchner would later do, but still, Menem's rule can be classified as a populist rule.

3.13 Political and Administrative Changes

In Menem's term, the state entered in a process of restructuring so as to better serve the interests of the big business. In spite of being a big contradiction, a new and powerful state was sought in order for the launching of the new generation of reforms. Not only the economic but, administrative and political reforms during Menem administration were oriented towards institutional transformation. There had been a deployment of state power, and a reorganisation of state-bureaucracy to further privilege big business. To do that, legislature was marginalised, checks and balances on the discretionary powers over the executive were eliminated.

Menem, like his neopopulist counterparts, has used the powers of the presidency to the full. To take an example, Argentina's Public Sector Reform Law gave Menem the right to privatize state assets without the further approval of Congress. Menem also accepted political support from military officers associated in the past with extreme nationalist positions and unconstitutional behaviour. It is clear that he did so only in order to defuse the threat of further military rebellion, and not to militarize his own administration (Norden, 1996). Menem used presidential decree powers so that certain policy matters, such as privatisation, could be operated quickly and easily. Presidential decrees were to be used only in times of necessity and urgency. Between 1853 and July 1989, Argentine presidents had issued about 35 decrees, while Menem passed 336 decrees during his first five years in office (Ferreira, Rubio and Goretti, 1996: 444). As it can be seen, not only has the state been subordinated to capital, but the nature of state power has also been transformed under Menem, which brought abuses of state power or particularly, presidential powers for the sake of business interests.

The crucial point about Menem's neoliberal populism is that reforms are initiated in a top-down fashion, often by surprise and without the participation of organized

political forces. Reforms involve significant social costs and a there were huge number of losers because of this process. In that sense, “neoliberal populism represents the coexistence of liberal economics with illiberal politics or a kind of shallow democracy” (Öniş, 2004) whereas, Menem’s administration was claimed to be based on the rule of law, and therefore, was said to put an end to the corrupt practises of the bureaucracy during the ISI period. Yet, what it did was to oppress the rule of law, and to engage in the most corrupt activities. There could be no such thing as the rule of law, in a country where legislature was undermined and weakened.

In this way, the state easily served for the interests of business, because the way in which the economic role of the state had been reduced, granted the market the ability to determine the economic policy priorities. This resulted in a serious problem: Policy making autonomy of the state had been narrowed down by the close relationship of the government and business. The government took two measures to increase the breathing space of the state. The first was to replace the Economy Minister Rapanelli with Erman Gonzalez who was not specifically tied to any economic or political interest. The second was to effect a policy shift towards increased monetary restriction, which had the effect of making the state less permeable to the demands of business interests (Palermo and Novaro, 1996: 157-65) which actually changed nothing but rather granted the system a more humanized look.

Finally in 1994, a constitutional reform curbed the authority of the executive, imposed more explicit conditions on the deployment of emergency powers. Yet still, the legislature remained unable to decide on the issues of trade negotiations (Bouzas and Avogadro, 2002: 2). The process of consolidating executive power required the approval of the Supreme Court which was Menem’s second task to deal with. ‘Hostile elements’ in the Court were made to resign (Ferreira Rubio and Goretti, 1996: 447) and with the appointment of six new members, Supreme Court turned into a ‘Menemist institution’ (Phillips, 2004: 231) which eliminated the judicial obstacles as well as constituted the link between the executive and judicial power.

In reality, democratic institutions and legal norms were weakened so as to implement economic reforms successfully, but had failed to result in sustainable economic growth. Added to all these was the increase in corruption and weakening of the rule of law. (Öniş, 2004: 30). Consequently, the early success of the neoliberal transition had evolved into an economic disaster and thus, disappointed the support base of Menem.

Menem's neoliberal project was highly problematical. On the one hand there was the changing balance of power between the executive and legislature, and on the other hand, balance of power between the state and internationally competitive sectors of the entrepreneurial class has been changing. Menem tried to 'righten the economy', but he could not take the advantage of the good times when the economy grew between 1996-98 to establish a healthy fiscal situation and reduce the debt load (MacLahlan, 2006: 170). Neither the Bunge y Born nor Plan BB II was effective, they could not prevent hyper-recession. When Menem's term ended in 1999, economy was in a terrible condition. The result of the macroeconomic mismanagement and of this unsustainable debt situation in the context of currency overvaluation, was the December 2001 default of foreign debt and the devaluation of peso. The Argentine economy remained in a state of collapse in the year 2002.

During Menem's term, which was the heyday of neoliberalism in Argentina, high inflation was eliminated (at least in the first term) but, balance of payments problems prevailed. Menem was very critical of the former ISI strategy, yet, neoliberal policies did not result in economic growth or development. Neoliberalism is fragile not only because of its own intrinsic limitations but also because the reforms have failed to address the most important shortcomings of ISI (Saad-Filho, 2005: 228). According to Stiglitz (2006), the growth was not sustained or was not sustainable. The growth record of the so-called post-reform era looks no better, and in some countries much worse, than in the widely criticized import-substitution period of the 1950s and 1960s when Latin American countries tried to industrialize by discouraging imports. Indeed, reform critics point out that the burst of growth in the early 1990s was little more than

a "catch-up" that did not even make up for the lost decade of the 1980s. State intervention was often seen as inefficient by neoliberals, and the post-war developmental state was thus, seen as the cause of economic crises, yet state was actually indispensable for rapid growth and promotion of social justice especially in poor countries.

Prebisch's global theory of development suggested that (Prebisch, 1985: 80):

The surplus belongs to the society as a whole and must be used in accordance with ethical principles. As the market is unable to guarantee this, the distribution of the surplus must be 'macroeconomically regulated' (primordial requisite of development). The interests of the developed and developing countries are different. The former do not want the latter to be industrialized but the latter has no chance other than industrialization. The centres were interested in peripheral development only in so far as it served their own interests.

In the neoliberal era, there was a great reliance on the market. If state power is curbed in such a way as to make it unable to deal with social problems, it is sure that these problems will prevail, because the market cannot (and will not) deal with such problems. Neoliberalism attacked the Keynesian welfare state because of high government expenditures and aimed to eliminate it. Former welfare states in the developed world did not become poor as a result of the dismantling of the welfare state, only their economies were liberalized and government expenditures were limited. But in developing countries, welfare state has never existed. The reflection of the welfare state model in the developing countries was the industrialisation attempts and curbing imports by means of state-led developmentalism. The destruction of the developmental state by neoliberalism harmed the already fragile economies of the developing countries and lack of state regulation had made them even more vulnerable to the globalizing world economy. So, the way in which state power has been curbed in poor and/or developing countries harmed both the people and the whole economy.

Using the convenient concept of 'trickle down', neoliberals thought that the increase in economic growth will benefit all. Overall output growth will lead to an improvement in living standards for the whole population, because improved economic

opportunities will ‘trickle down’ even to the poorest (Johnston, 2005: 135). Unfortunately, neoliberal policy reforms can deliver only short term macroeconomic stability and growth. They fail to consider the long term costs of neoliberal policies such as lower growth rates, social and economic costs of unemployment, foreign currency waste in liberalised imports of luxury consumption goods and capital flight and the negative impact of the contraction of industrial base (Saad-Filho, 2005).

It is important to remember that, the rich countries did not become rich by following neoliberal policies; periods of rapid growth in both rich and poor countries have not coincided with neoliberalism.

The international financial institutions have pushed a particular ideology--market fundamentalism--that is both bad economics and bad politics; it is based on premises concerning how markets work that do not hold even for developed countries, much less for developing countries (Stiglitz, 2002).

3.14 Poverty, Distribution and Social Policy Under Neoliberal Agenda

Throughout the history, Latin America has revealed a tendency toward extremely unequal distribution of income and social exclusion. The region has always been rich in terms of natural and human resources and suitable for agriculture. However, centuries of wealth appropriation on the part of rich and strong partly explains huge inequalities in the region. Still, ‘inequality in terms of distribution of income, assets, health, education, and opportunity have never been eliminated in Argentina neither before nor after neoliberal restructuring’ (Sheahan, Iglesias, 1998). Yet, it is appropriate to say that, neoliberalism made matters worse, because it massified the people and deprived them, especially the poor, of the means to voice their demands because they had neither capital nor union power anymore.

In Argentina, like other Latin American countries, there has been a huge gap between haves and have nots. Unequal income distribution and rural poverty are still important problems and although the causes of the problems are rooted in the capital

accumulation strategies that goes back to the 16th century; after the neoliberal turn, the conditions became far worse.

Neoliberalism suggested that the main reason why poor countries remain poor is not because they lack machines, infrastructure or money, but rather, because of misconceived state intervention, corruption, inefficiency and misguided economic incentives (Saad-Filho, 2005: 114). Instead of state intervention, international trade and finance was believed to bring development. However, neoliberal policies do not in any way aim to bring development, they can at most bring economic growth in terms of measured GDP, that might or might not be reflected to income distribution. In reality, economic success means sustainable, equitable and democratic development that focuses on increasing living standards, not just on measured GDP. Income is of course, an important part of living standards, but so too is health, education, and poverty reduction. *'GDP is an important measure of development, but it is not the be-all and end-all of development'* (Stiglitz, 2006: 45).

Economic growth by means of trade liberalization was seen as poverty reducing whereas, trying to attract transnational capital has also contributed to poverty and inequality in Latin America. The contraction of domestic markets, the growth of the informal economy, and austerity programs, have resulted in the informalization of the workforce, mass under- and unemployment, a compression of real wages and a transfer of income from labor to capital (Thomas, 1996: 86). Labor market reforms have focussed on moderating costs of firing and hiring of workers. Given the lack of social safeguard systems, such as job stability, protecting workers from the risks of unemployment, illness and old age were deliberately ignored (Lora, Londono, 1998: 68). These encouraged the use of informal mechanisms and exacerbated unemployment and thus, inequality. Informal sector might be a good way to reduce costs, but it is also the clearest manifestation of poverty.

When evaluating the situation in Argentina, even the World Bank announced that inequality is back on the agenda. But for the Bank, inequality is not a result of liberalisation. It stems from non-economic factors and inequality is detrimental to growth because it can cause social unrest, inappropriate government policy and can restrict the ability of the poor to invest in education or production. Liberalising policies should be at the center of any poverty reduction strategy for the Bank. The overall focus of the Bank should be on making markets do more for poor people. Nevertheless, international institutions did nothing more than offering pro-poor strategies, which reproduced poverty rather than eliminating it. As Saad-Filho (2007) observed, “*They become a tool of poverty management, rather than poverty elimination.*”

During the first years of Menem administration, poverty problem was not that visible, because, according to the World Development Report (2000), poverty rates fell from some 40% in 1990 to 22% in 1994, but since 1995, it has grown as the income distribution has deteriorated, although the economy was growing. This reflects the fact that while overall growth has been positive, and average per capita income has risen, the gains have gone largely to the more skilled and educated in the labor force and not to the poor. The government spent on social programs, yet not all of these programs were designed to reduce poverty.

Health and education appear to be the basic social programs, but spending on higher education was low. Social insurance, unemployment benefits, and pensions were granted, but informal sector received none. Informal sector employees are most unprotected and prone to job losses. Therefore, reformed neoliberal approach as well, was not able to deal with poverty. It is claimed that with greater education and training, lighter regulation and some asset distribution, poor people will participate more effectively in markets. Asset distribution was expected to be sufficient for the poor to earn higher incomes in liberalised markets. But it is both inadequate and poverty reproducing. It was repeatedly said that access to social services is important, but this was never ensured. Access to basic services is surely necessary for poverty

reduction but, it is not sufficient unless there are opportunities for employment or self-employment (Johnston, 2005). This is to say, policies should focus on creating opportunities and sectors that could help people make their living, giving them some money by some targeted assistance programs do not help anyone.

All in all, it is clear that neoliberal turn had brought a devastating effect on unemployment, poverty, social spending and inequality. Its reformed approach on poverty and inequality was of no use as well, because no reform could compensate the contraction of social spending, privatization of social security system, or the emergence of informal sectors. According to the World Bank Poverty Report for Argentina (2000), targetted programs worked well but coverage was the problem. Only 25% of the poor families received direct assistance. The programs could reduce overall poverty only by 4%.

The targetted programs of pro-poor strategies have many other problems. For instance, most of the poor, and especially the elderly did not benefit much and the assistance programs are reduced during economic downturns. Targetted programs and cash transfers are expensive and they are prone to corruption and their allocation is arbitrary (Saad-Filho, 2007: 530). Most importantly, they reproduce poverty. It should have been realized that a successful social policy or poverty reduction cannot be achieved by short term adjustments. The overall welfare cannot be maintained by these solutions.

The poor should be protected from the risks arising from economic downturns. The access to basic services should be guaranteed, spending on education, healthcare and infrastructural services especially in rural areas should be improved. To achieve all these, productivity should have been improved and attempts should have been directed towards a higher level of employment, and productivity growth should have been managed in such a way as to improve the conditions of the poor and to ensure a more equitable distribution of income. In that sense, the social policies of neoliberal populism did not eliminate the problem of poverty and inequality, the social policies

in the neoliberal are can be defined as poverty management rather than poverty elimination.

CHAPTER IV

BEYOND NEOLIBERALISM: RESURGENCE OF POPULISM? NEO-DEVELOPMENTALISM?

This chapter will analyze Nestor Kirchner's national-populist way of economic development in the context of globalization and try to find an answer to the question of whether it is a coherent and sustainable strategy. In the introductory part the 2001 crisis will be described; radical populism and the 'pink tide' will be explained in order to have an idea about this new form of populism. In the first part, the recovery and growth period under Kirchner administration will be elaborated. Secondly, state-society relations under Kirchner administration and the 'neodevelopmentalist' strategy will be investigated. This will shed light on Kirchner's conception of state which will help analyze the similarities with and differences from neoliberalism. Thirdly, social policy of the Kirchner government will be analyzed so as to see the improvements in the socioeconomic structure, because the kind of economic development that this study is concerned is the one that maintains the quality of life of the people. In the concluding part, the 2008 crisis will be discussed in order to see whether it represents the fall of neoliberalism or not.

4.1 2001 Crisis / El Argentinazo

After the return of democracy in 1983, Argentina entered the second stage of the neoliberal period. The period of 1983–9 was marked by class clashes regarding the imposition of new neoliberal rules of production and reproduction of the society.

However, the dominant classes had to wait until the election of Carlos Menem to be able to advance in their interests with the ‘Convertibility Plan’. The result was an increase in imports of consumer-goods, the destruction of thousands of small and middle-sized firms, a hike in unemployment and poverty-rates, and the stagnation of wages and nationwide precarisation of labour (Feliz, 2012: 107).

With the adoption of neoliberalism, gone was the view that national development was best pursued if one removes from the global economy. Gone also was the consensus that state should play an overriding role in the development process (Amann, 2010: 235). In Menem’s Argentina, the reform process was more radical with extensive market deregulation and an active participation of foreign investors. It was because the ground on which the nationalist-populist industrialization had been built, was destroyed by the liberalization process, as the conditions of the lower and middle classes deteriorated. After Menem, political and economic crises proceeded in Argentina.

In congressional elections in 1997, the Radical Party (UCR) and the center-left Frente Pais Solidario ,(FREPASO, Federation for a country in Solidarity) formed an electoral coalition (Alianza) and by mid-1999 their presidential candidate, Fernando de la Rúa (1999-2001) defeated Peronist Duhalde and won the presidency. The Alianza government would soon be undermined by the two legacies of the Menem administration: a rising fiscal deficit and a fixed exchange rate tied to the dollar. By mid 2001, and despite a previous IMF bailout in December 2000 Argentina was experiencing a liquidity and financial crises, government bonds yields tripled, dollar denominated and local currency deposits were draining away from commercial banks, and the government was not strong enough to avert a third consecutive year of recession (Etchemendy and Collier, 2007).

Hence, Argentina went through a deep recession from 1999 to 2001 and devaluation could not stop the economic problems. The 1999-2001 period represents a near total collapse of the economy in Argentina and it was a major challenge to the neoliberal

hegemony. The crisis was also a dramatic crisis of state performance, revealing the weakness of the government. The government could not manage its international economic relations effectively and this had significant domestic economic and political consequences. The 2001 crisis represents a failure of the government in dealing with the economic and social events, and the crisis was just the tip of the iceberg, which had been growing from within since the beginning of the neoliberal restructuring.

But, who was responsible for the crisis? The IMF (for the structural adjustment reforms) or the government (for having failed in implementing the reforms)? The crisis represents the economic and social collapse of a country that had implemented structural adjustment policies since 1976 military coup. Along with the neoliberal agenda, the Convertibility Plan had caused structural changes in the economy and it had contributed to the making of the crisis.

The Convertibility Plan both overvalued the peso and reduced the competitiveness of Argentine exports. These contracted the domestic economy and contributed to its debt. External shocks contributed to the crisis such as a stronger US dollar and a devalued Brazilian real.

In an effort to improve the economic situation, President Fernando de la Rúa invited Cavallo (who was the inventor of the Convertibility Plan) back to office in March 2001. But his new efforts proved ineffective. Unemployment increased. Cavallo launched a zero deficit plan in July and enforced it with cuts in government salaries and pensions of up to 13%. It created financial panic and fearing that peso would be devalued, domestic depositors began to pull their money out of banks, which forced the government to limit cash withdrawals. The policies resulted in mass protests and strikes. The collapse of the financial and banking system in late 2001 led to a political crisis without precedent. On December 1, 2001, Cavallo announced controls and restrictions on foreign exchange transactions and thus the Convertibility regime ended. Nevertheless, the action had been too late to bring good results.

There was a widespread political and economic discontent, and added to all these was the lack of support for de la Rúa in the Congress, since it was dominated by Peronists after the elections of October 2001.

Between 19-21 December 2001, El Argentinazo, a massive popular rebellion overthrew president de la Rúa and Cavallo (he resigned on December 19, 2001, one day before de la Rúa) with the greatest street battles and highest casualties, (38 protesters were assassinated) in recent Argentine history (Petras and Veltmeyer, 2009). The movement was based on an alliance between unemployed workers and a substantial sector of the middle class defrauded of its savings. The rebellion was a serious challenge to the existing political order at least in the short run. There were joint marches of the organised unemployed and sectors of the middle class neighborhood associations. Popular movements and demonstrations lasted from December 2001 to July 2002.

'Que se vayan todos!' (Away with all!) was a popular slogan revealing the hostility towards the policies of the neoliberal era. The uprising of 20/21 December 2001 stands as an important point for future struggles and a warning to US imperialism, the IMF and the ruling class that there are limits to exploitation. Moreover, the methods of extra-parliamentary action clearly were superior in ousting corrupt and abusive rulers than the electoral parliamentary-judicial processes (Petras, Veltmeyer, 2009: 81). Hence, the protests and sharp conflicts within the ruling class weakened the existing system and prepared the ground for a new government.

After de la Rúa, the interim president Adolfo Rodríguez Saa (his presidency lasted for only one week) announced the cessation of payments on external debt. During the chaotic period, from December 21, three presidents were named and resigned in the

course of a week. In the space of fifteen days, the country saw five presidents (Wylde, 2011; Cohen, 2012); the largest debt default the world has ever seen (Robinson, 2008), the abandonment of the ten-year-old currency exchange regime that had

formed the basis of the Argentine economy since 1991 (*Convertibilidad or Convertibility*), and devaluation of the peso. The official unemployment rate increased to over 20% and GDP fell by 12%. Incomes shrunk by 12% in 2002 and the experiment with hyperglobalization had ended in failure (Rodrik, 2011: 187). The macroeconomic consequence of the crisis was a deep recession throughout 2002 and early 2003.

In 2002, Peronist senator Eduardo Duhalde came to power (2002-2003) who initiated a slow but painful process of recovery (O'Toole, 2007: 97; Amann, 2010: 239). Between late 2001 and early 2002, political and economic contradictions combined to dismiss neoliberal hegemony. The Duhalde government tried to regain political control of the situation. Duhalde announced an Economic Emergency Law and it was accepted by the Congress on January 5, 2002 which included freezing all rents and private contracts for 180 days, fixing maximum prices for essential items such as medicines and fuel, devaluation of the peso and establishment of the dual exchange rate (Cohen, 2012: 62). The immediate effect of these policies was harsh: Between 2001 and 2002, real wages fell by 19% on average, the income poverty-rate jumped to 53% of in May 2002 (Feliz, 2012: 109). The Gini coefficient, representing the distribution of income across households increased significantly from 0.48 in 1991 to 0.56 by May 2002 (Cohen, 2012). This increase points to higher inequality which is a result of the structural changes throughout years.

After a process of 30 years of restructuring, in early 2002 Argentina was trying to recover from neoliberalism. The economy was still dependent on financial aid and credits from the international financial institutions. But the IMF had been refusing to make further agreements, due to Argentina's delay in formulating a sustainable plan. Finally the disappointment ended when the economy minister Lavagna announced that Argentina would not pay any of the international organizations until an agreement was reached with the IMF. In January 17, 2003, the agreement had been reached for Argentina to receive a stand by loan until August 31, 2003 to get back to economic growth (Cohen, 2012), but the economic condition was still deteriorating.

There was a rise in food prices and income inequality and poverty rates were climbing.

By the time the agreement with the IMF was reached, the level of poverty and malnutrition was severe in the country. 50% of the children under two years were suffering from anemia. 40% of the population, were not receiving basic nutritional requirements. It had been reported that each day, three children were dying of hunger or of diseases related to poverty. In the province of Tucuman, 359 children had died of malnutrition since the beginning of 2002 (Cohen, 2012). Among the other problems, these incidents contributed to the earlier end of term of President Duhalde. After Duhalde, the crisis conditions and recession continued, although the period of recovery had started. It prevailed until 2004, when the economy returned to growth.

4.2 Kirchner's Rise to Power

As the economic crisis and popular resistance to pro-market policies continued, it became clear that orthodox neoliberal agenda could not be sustained. Consequently, Argentina abandoned its place as the International Monetary Fund's most brilliant pupil to open up a new page with a '*neo-developmental*' agenda. The new policies in place represented the rebirth of politics and the stabilisation of a new mode of development of '*serious capitalism*' or '*normal capitalism*' (as against the '*speculative capitalism*' of previous decades) '*based on regained autonomy from financial capital and its representatives*' (Feliz, 2012).

In May 2003, Peronist Nestor Kirchner (2003-2007) won presidency against Menem who was hoping to make a comeback for a third time. Kirchner was a little known politician from the southern province of Santa Cruz, he came in second behind Menem after the first round of the presidential elections held on April 27, 2003. Yet, before the second round was held, Menem withdrew from the race. Kirchner came to power with the support of three major trade union confederations, human rights

organizations, vast sections of the middle class and many important ‘*piquetero*’ organizations of the unemployed. The elections in May 2003 brought Peronist Nestor Kirchner to presidency seems to have signaled the end of the neoliberal reforms that were begun during the military government from 1976 to 1983 (Brennan, 2009: 49).

He established his own electoral vehicle, the Frente para la Victoria (FpV), which was a faction within the Peronist Party, however, by the time of the 2007 election, the FpV had become an institutionalized party. During the election campaign Kirchner frequently portrayed himself as an outsider and was very critical of former economic policies and existing political institutions (Singer and Fara, 2008, Doyle, 2011).

The leader defined himself as a populist and a Peronist, which helped him gain the support of the people. He aimed to recover Argentina from the effects of the crisis and to achieve economic and social development. In such a country as Argentina, where there exist huge inequalities, it can be argued that promising to improve the conditions of the people has always been an important means to obtain the support of people. Especially in times of a serious economic and political crisis, the support of broad sections of the population can be gained and even a hegemonic rule can be consolidated, if the problems are successfully approached and analyzed by the leader. So, it is no surprise that powerful ‘populist’ leaders come to power with the promise of social and economic development.

Nestor Kirchner’s era is important in terms of analysing the relation between populism and national economic development in the global economic system. Therefore, this part will shed light to Kirchner’s presidency and the extent of changes in the economic and social development strategies in Argentina during the presidency of Nestor Kirchner will be revealed.

It could be said that Kirchner had recovered the economy and returned the country to growth, but was he that successful in his strategy of ‘*neodevelopmentalism*’ or did he

benefit from the global economic system? In his system, statist and pro-market policies existed together, and a national-populist system was aimed in the context of a globalized world. The strategy is interesting because of the coexistence of the statist and market-oriented elements, but not only this strategy has recovered the economy, but also the country returned to growth. Therefore, this new form of political economy will be investigated and it will be discussed whether or not Kirchner's strategy forms a coherent strategy to achieve sustainable economic development.

4.3 Radical Populism and the 'Pink Tide'

The national Peronist social contract in Argentina has a long history rooted in syndicalism and populism. However, '*Menemismo*' in the 1990s, '*El Argentinazo*' in December 2001, and '*Kirchnerismo*' have all served to change the fundamental framework of the Argentine economy, the social underpinnings of that economy and how it intersects with the global economic system (Wylde, 2011).

In Latin America, the crisis of neoliberalism in 2001 challenged both the development and governance strategies. This contributed to the construction of new economic strategies, new ways of governance and new discourses. These new strategies, carried out by the '*pink*' governments, were born as a reaction to neoliberalism. Nestor Kirchner's '*radical populism*' and '*neodesarrollismo*' (neodevelopmentalism) has been the hegemonic strategy since 2003 and this part and the related chapter will try to explain the new strategy and try to discover the circumstances under which it was consolidated. It will be investigated whether it was a leftist turn or a resurgence of populism. This analysis will compare the strategy with the previous populist projects so as to discover the way in which the pendulum swung back to a state-led development model. It will also be argued if it was a major challenge to neoliberalism or was it compatible with neoliberalism? The answers of these questions will prepare the ground for a discussion as to whether national-popular strategies in the age of globalisation can be a sustainable and coherent form of political economy.

The elections in May 2003 brought Peronist Nestor Kirchner to the presidency seems to have signaled the end of the neoliberal reforms that were begun during the military government from 1976 to 1983 (Brennan, 2009: 49). In various countries of Latin America, especially after the 2001 crisis, left-wing governments, often called pink governments, came to power due to the discontent with neoliberalism.

Kirchner's system is often classified as part of the '*Pink Tide*'. Pink Tide refers to the popular electoral victories and mass popular resistance to neoliberalism in Latin America. These pink governments reintroduced redistribution although in a limited form and they are considered as constituting a new post-neoliberal form of the nation state (Robinson, 2008: 294; Webber, 2010; Tsolakis, 2012). Along with Nestor Kirchner, pink tide includes; Chavez in Venezuela (1998), Lula in Brazil (2002), Gutierrez in Ecuador (2002), Lago (2002) and Bachelet (2006) in Chile, Evo Morales in Bolivia (2005), Vasquez in Uruguay (2004), Correa in Ecuador (2006), Ortega in Nicaragua (2006), Lopez Obrador in Mexico (2006), Solis in Costa Rica (2006) and Humala in Peru (2006).

When Kirchner came to power in 2003, Argentina was still trying to recover from the devastating effects of the 2001 crisis. The collapse of the economy in December 2001 revealed that neoliberalism failed to provide equitable and sustainable development and this crisis represented a turning point for new economic and political strategies. Kirchner administration was a successful new project and shortly after his administration began, Argentina witnessed a successful economic recovery. The post-crisis administration of Kirchner saw a further redefinition of the social contract, containing important elements of the historical forms of political economy but also some characteristics unique to the history of Argentine political economy.

The question as to whether this pink tide represents a leftist turn in Latin America or was it a resurgence of populism, is a very much debated issue. Some scholars defined Kirchner's way as a '*leftist turn*' (Castañeda, 2006; Lynch, 2007; Leiras, 2007). Some scholars defined as a resurgence of populism (Acemoğlu, Egorov, Sonin, 2010;

Cardoso, 2006; Paramio, 2008). In the Argentine case, it was not the re-emergence of classical populism; nor was it a sharp shift towards the left; rather, it is better to classify it as a new form of populism, that brought an 'eclectical' style of ruling, that benefits both from neoliberalism/globalization and from statism/developmentalism.

It would be more appropriate to say that populism is reappearing in new forms.

President Kirchner is a Peronist in a country where most important politicians still claim to be the political heirs of Juan Peron. Peronism, however, does not comprise a coherent set of policies. If anything, Peronists are not die-hard leftists. Followed by a wobbly return to democracy in the 1980s and 1990s, populism seems to be gaining ground in certain countries in the region, now bearing leftist colors rather than the traditional conservative colors (Cardoso, 2006).

Key distinguishing features of classical populism were the lack of specificity and the unpredictable nature of the movement (Laclau, 1977). Yet, the radical populism in the age of globalization seeks to mobilize subordinate groups and to bring about structural transformations short of revolutionary change, drawing on radical or populist discourse (Robinson, 2008: 289). According to Laclau, Kirchner administration represents a populist rupture, although a populist crystallisation as prominent as in the Peronist era cannot be observed. A society without antagonisms is not possible, but unlike the Peronist era, the society was not divided into two camps during Kirchner administration. For Laclau, utilizing the antagonism in the society in such a way as to accumulate power and to establish hegemony is both interesting and significant, because it is populism in a Latin American way, so as to resist globalisation. Kirchner's populism is often referred to as '*radical populism*' (Laclau, 2004).

Kirchner's populism has several names, such as, '*radical populism*' (Laclau, 2004; Robinson, 2008; Petras and Veltmeyer, 2009), '*welfare populism*' (Petras and Veltmeyer, 2009) and '*export-oriented populism*' (Richardson, 2009). According to Petras and Veltmeyer (2009), welfare or radical populism is based more on discourse and regime rhetoric than a class analysis of actual political practise.

Radical populism concentrates too much on the style of leadership and on the force of charismatic authority than on the character of the leader's support base. Such simplistic analysis is a methodologically individualist 'big man' approach to social change that depicts the oppressed as temperamental, politically naive and easily manipulated, unable to engage in their own self-interested collective agency (Laclau, 2004).

The system is also defined as '*macroeconomic populism*' (Dornbush and Edwards, 1991) or '*facilismo economico*' (Ocampo, 2004) which refers to the use of statist macroeconomic policy to achieve distributive goals has been associated with failed experiences likely to end in inflationary disasters and economic collapse (Ardanaz, Scartascini, Tommasi, 2010) and even '*failure, sorrow and frustration.*' These policies are claimed to have failed to benefit the poorest sectors of the population in the past. So, these policies could be of little use especially in the context of an increasingly globalized economic system (Dornbusch, Edwards, 1991; Cardoso, Helwege, 1991; Kaufman and Stallings, 1991).

Therefore, the system resembles neither to Peron's national-populist developmentalism, nor Menem's neo-populist, orthodox neoliberalism. Rather, Kirchner administration represents a '*bending and moulding*' (Panizza, 2005: 15) of previous social contracts in Argentina, based on neoliberal social safety nets and social policies towards attacking poverty, 'segmented neo-corporatism' (Etchemendy and Collier, 2007: 366), the genuine participation of the business sector and the establishment of a nationalist/statist project.

Kirchnerismo is often labelled as twenty-first century Peronism for a globalising world. It is Peronist because of the key socio-economic bases for its support, maintained through Kirchner's rhetoric. It is twenty-first century because of the changing nature of Peronism throughout Argentine history and its ability to adapt to changing circumstances. This is partially due to elements of continuity with Menemismo, and also due to the adoption of policies that come from Peronismo (Wylde, 2011: 449).

Therefore, it was neither a developmentalist state, nor a limited state. It was a system which combined elements of statism and elements of neoliberalism. The new strategy is called '*normal capitalism*' or '*serious capitalism*' based on regained autonomy from financial capital and its representatives (Feliz, 2012). Or as Riggiozzi (2009) terms it, it was an '*open economy nationalism*', a fusion of market-friendly economics and a nationalistic political project. Grugel and Riggiozzi (2007) suggested the term '*neodesarrollismo*' (neodevelopmentalism) which is constituted fundamentally in

principles of statist development. Such a political economy was based on a set of national and international relationships that fused populism with neoliberalism to create a form of *neodesarrollismo*.

The ground on which *neodesarrollismo* was founded had been prepared by the sovereign debt crisis in 2001. First of all, there was the resurgence of political activism after many years of disarticulation. Secondly, the role of the state was changed into the main agent of economic development and social integration. Thirdly, the economic, social and political reforms were made in an attempt to 'revert neoliberalism' (Riggiozzi, 2008) and implant alternative strategies.

The cornerstone of *Kirchnerismo* and neodevelopmentalism rests on the development of Argentina's export economy. Argentina took advantage of the primary commodity boom in the 2000s so as to repay its debt and return the country to growth. Hence, markets seemed to be the answer as a way to accelerate economic growth under the guidance of the state (Tussie and Heidrich, 2007: 9). This means that, Kirchner administration tried to strengthen the national economy and at the same time, national economy was integrated with the global economy.

As a result of this new strategy as a path to crisis resolution and sustained economic growth, Argentina's external relationships were different from both the ISI of Peronismo and *desarrollismo* (developmentalism), and the era of *Convertibilidad* (Convertibility) under Menemismo. A major difference from Peronismo was that

Peronismo rested on ISI and remained closed to the external economic forces. Furthermore, Kirchnerismo that emerged in the aftermath of the crisis, had a style of statism that was tough in negotiation with local and external actors, but pursued conservative monetary and fiscal policies along with open market competition. The open market nationalism resembles the past desarrollismo in a new fashion (Grugel and Riggirozzi, 2007). Yet, Kirchnerismo is for a globalising world since the role of globalisation in shaping domestic policies through the imperatives of competitiveness and free markets is recognized.

The answer to the question as to what Kirchnerismo implies in terms of governance combines some similarities with the past populist strategies. Like Peronismo in the 1940s and Menemismo in the 1990s, Kirchner concentrated executive authority and took bold initiatives even at the cost of weakening political institutions. It seems that political personalism and hyper-presidentialism have re-emerged as a part of the new political project that defined governance after the crisis.

The new populist order was founded in an attempt to re-legitimize and re-institutionalize new political strategies towards a new post-crisis governance that used a powerful populist discursive tool that supported new alliances and helped regaining legitimate authority (Riggirozzi, 2008). The resulting post-crisis leadership that politicizes the discourse of populism, rather than polarizing the society, was capable of social integration and reaching the political consensus that is needed to sustain an alternative order.

In this sense, the new administration was to translate conflicts over policy and policy-making into arguments about national belonging and identity (Itzigsohn and vom Hau, 2006: 204). From the beginning of the Kirchner administration, it was aimed to consolidate an alternative model to neoliberalism that favors the working class and other socially excluded fractions of the population. Therefore, there was an “*emphasis on the role of political mobilisation and a ‘re-politicization’ of discourses that, brought back a serious discussion on the role of the state, the quality of democracy and revived class confrontation around distributive policies*” (Riggirozzi, 2008). Kirchner’s populist

project emphasizes nationalism and statism in terms both of development and governance, which was lost in the neoliberal years. He was also successful in re-organizing the economy in the global economic system, which brought recovery and growth to Argentina.

However, opponents of Kirchner's strategy claim that Kirchner benefited from the internationalisation of the domestic economy and that the new strategy is rooted in neoliberal economic policies. His strategy combined statist and pro-market elements, which Kirchner called 'normal capitalism', while according to Petras and Veltmeyer (2009), it is 'pragmatic neoliberalism'. They claim that 'the state has become more powerful and active, but its neoliberal character remained unchanged.

It is undeniable that effective and well-targeted policies with a populist rhetoric captured the society and helped relieve the impacts of the crisis. Yet, effective policies for crisis resolution does not necessarily lead to sustainability in the long run. The cornerstone of Kirchner's normal capitalism, which is exportation of primary products is also a matter of debate because whether this strategy is sustainable or not is uncertain.

Nevertheless, when the majority of the population is vulnerable because of economic and political problems, they can easily be articulated to a populist ideology, after all, populism has historically been part of the political game in Argentina. The masses demanded from the new governments, social and cultural change, economic improvement and political citizenship and the pink governments recognized their demands and gave them some benefits. The pink governments had combined two opposing strategies. On the one hand, they articulated state-capitalist and anti-neoliberal discourses; on the other hand, they consolidated their hegemonic power within the society by means of the social contradictions inherent in neoliberalism and globalisation. This may seem as contradictory at first glance, but by means of the new populist strategy, Kirchner achieved to articulate different/opposing concepts in such

a way as to neutralize the conflict in the society and recovered the political and economic crisis conditions and this was exactly what made Kirchner hegemonic.

4.4 Recovery and Growth

Kirchner claimed that he was a radical enemy of neoliberalism, but this did not mean that he would not benefit from neoliberalism. He created an economic project which was more qualified than his predecessors. Menem made much of his faith in the market mechanism as a solution to Argentina's deep rooted problems. Kirchner administration's handling of Argentina's debt obligations is considerable, at least, he aimed to break away from the dictates of the international financial institutions. This was not an easy task to achieve, because, following the departure of de la Rúa in late 2001, Argentina defaulted on its 80 billion dollars foreign debt (Cohen, 2012), representing the largest sovereign default in history.

From late 2002 to the second quarter of 2004, the recovery of the economy was led by domestic demand (Cohen, 2012: 88). During the period, domestic production and demand grew rapidly. Inflation began to slow down. Along with the economic problems, Kirchner managed public expectations carefully and consolidated his hegemonic power.

The first year of Kirchner was a period of expectations. He achieved interest rate cuts, longer terms for repayment, and a reduction of the debt. Toward the end of 2004, the economy started to reveal signs of recovery. Kirchner implemented price controls aimed at managing inflation and providing relief to the poor.

“Stop extorting the Argentinian people!” demanded the president Nestor Kirchner of the country's two largest supermarket chains after establishing price controls to ameliorate inflation. Price freezes were imposed mostly in utilities (which made public services among the cheapest in Latin America) , natural gas and food. Beef and wheat exports were banned which forced producers to sell these goods in the

domestic market at prices set by the government in order to fight inflation (Flores-Macias, 2012).

In the meantime, the economy exceeded pre-crisis levels within a year of the start of his administration. The economy continued to grow extremely robustly and was 25 per cent larger by the end of 2007 than its pre-crisis peak in 1998 (CEPAL, 2008: 105). Besides the commodity boom, the policies that achieved this growth can be grouped under two main themes: macroeconomic policy and industrial policy. At a macroeconomic level the orientation of policies can be reduced to five elements:

First, the attempt at maintaining a high (competitive) and stable real exchange-rate (SCRER). Second, the renegotiation of public debt so as to make it payable in an expansive macroeconomic environment. Third control of public expenditures (especially public employees' wages) and incomes to maintain a fiscal surplus high enough to pay for the service of the renegotiated public debt. Fourth, to contain wage-negotiations in the private sector within the limits of middle-run productivity-growth and objectives for the real exchange rate. Fifth, to monetise the surplus of the foreign accounts (accumulation of international reserves) to control the real exchange-rate (Frenkel and Rapetti, 2004).

Not only has this policy fostered economic growth across sectors in the Argentine economy but it has also facilitated the accumulation of large foreign exchange reserves, as well as providing large tax revenues that have swelled the government coffers (Wylde, 2011). This has allowed both to stabilise the Argentine peso and help decrease national debt, founding a stable macroeconomic environment in which Argentine business can operate, providing revenue for the government to spend on anti-poverty programmes, government infrastructural spending and an active industrial policy favouring export.

For Kirchner, domestic needs had priority over paying the external debt. Argentina owed 12.5 billion dollars to the IMF but Kirchner refused to pay on the grounds that

Argentina did not have the funds to do so, and in any case, any available funds would be used for social needs at home. On September 10, 2003, the IMF finally accepted the government's offer not to cancel the debt, but to reschedule the payment. This was viewed as a great victory of the new president.

When countries cannot pay what they owe, there are three alternatives: debt forgiveness, debt restructuring (that is when payments are postponed) and default (the borrower simply does not pay). Argentina chose debt restructuring, after announcing that it would pay only a fraction of what was owed, it negotiated with the creditors that something is better than nothing. In the end, Argentina prevailed, in March 2005, 76% of its creditors agreed to a settlement of approximately 34 cents on the dollar (Stiglitz, 2006).

Although Kirchner announced in August 2004 that Argentina was to suspend its agreements with the IMF, subsequently, payments have resumed. The victory went further in 2005, when the government announced its intention to pre-pay its total outstanding debt to the IMF amounting to about 9.7 billion US dollars (Cohen, 2012: 91). This was taken as a declaration of independence from the IMF. Hence, in the Argentine case, the largest default of sovereign debt in history, became quite a success: the country secured greatly favorable terms for repayment and has gained partial access to credit markets.

What's interesting in the case of Argentina is that it was willing to pay a price for refusing to deal further with the IMF. Argentina is basically saying the price it was paying for intervention from the IMF was greater than the value of the lower interest rate...(It was done well, because) if Argentina had caved into the IMF, it would have gotten a much worse deal in the debt negotiations. Now, if by populism one means worrying about how the bottom two-thirds of the population fares, then populism is not a bad thing. Obviously, it is of concern if these new leaders in Latin America pretend there are no laws of economics. If they say, "I can deliver the goods" without the resources, that is a problem. But the question is whether the IMF strictures are the only ones consistent with good economics. The answer to that is a resounding no (Stiglitz, 2006).

The pre-payment of the debt could mean a degree of independence in economic policy making, yet this does not mean that a completely independent economic agenda was followed. Nestor Kirchner complied with most of the IMF commitments but rejected at some points; “such as the increases in budget surpluses, more flexible exchange rate and higher payments to private bondholders, thus, keeping the international financial institutions at bay while creating the popular image of independence from the IMF” (Petras and Veltmeyer, 2009: 58).

The early repayment of the entire debt facility increased Kirchner’s influence, because it was viewed as if he defeated the IMF, which is an institution shaping Argentine international relations since the end of Peron’s first administration. In fact, Kirchner’s strategy was not a total rupture with the international community. While he engaged in hard negotiations with international creditors, a restructuring agreement covering the vast majority of owners of defaulted debt was achieved (Wylde, 2011).

4.5 Export-Orientation

As of 2003, Argentina has experienced a steady economic recovery with rates of growth around 8-9% annually, ending thereby one of the deepest economic crises in the country’s history (ECLAC, 2010). This growth was led by the primarization of exports especially of oil and soybeans which was fostered by the deep devaluation and by the world demand. Kirchner government followed a monetary policy focussed on sustaining the exchange rate at three pesos per US dollar in order to maintain the competitiveness of the domestic industry and agricultural exports (Gallo, 2010: 47). As a result, the economy started to show signs of improvement.

Soybean prices were peaked in 2004, and that profited Argentina. In 2006, world commodity prices for wheat, soya and oil had reached to record levels. As the economy recovered and grew, foreign direct investments followed (Cohen, 2012),

although it had once been feared that the distance between Argentina and the international financial institutions could disrupt foreign investment. With the record high prices for primary commodities, the greater the weight of primary commodities in exports, the higher the rate of growth. Thus, “Argentina and Peru with around 70 to 85 percent of their exports in primary commodities have achieved growth rates of 8-9 percent sustained for five years (Petras and Veltmeyer, 2009: 5).

Therefore, changes in agricultural production created the conditions for Kirchner’s “export-oriented populism.” During the period of classical populism, export-orientation was unthinkable and it could have harmed the domestic economy and thus, could have left devastating effects on the majority of the population. It is because, Argentina’s main exports, beef and wheat, were also the primary consumption goods of urban workers. Scholars such as Guillermo O’Donnell (1973) and Collier and Collier (1991) have argued that this linkage in the era of classical populism increased rural-urban conflict, resulting in shifting coalitions and crises. Redistribution to urban workers involved restricting exports, thereby increasing the domestic supply of these “wage goods,” yet reducing rural income and exacerbating the trade imbalance. Traditional populists attempted redistribution and printing more money; the former intensified elite opposition and the latter caused inflation.

As put by Cardoso (2006), “*In the past, populist policies in Latin America have led to disaster: inflation, more poverty inequality and authoritarian reactions by the military to sort it all out.*” Yet, Kirchner’s redistributive programs took place while the government achieved economic growth and avoided hyper-inflation and balance-of-payments crises. This success contrasts with Argentina’s past experience with populism, which was responsible for political instability, economic crises, and military coups during the postwar period.

In Kirchner’s term, soybeans have replaced beef and wheat as the country’s leading export. Since soybeans are not wage goods, Kirchner could both promote and tax their export, financing populist programs while not harming the real wages of urban

workers or causing a balance-of-payments crisis. Export orientation thus prepared the ground for a new era of Argentine populism (Richardson, 2009: 228) and made major a contribution to the recovery and growth of the economy. Since the 1970s, Argentina's agricultural productivity and soybean cultivation has expanded, replacing beef and wheat as the country's leading export commodity.

In the early 2000s, soybeans and their derivatives have generated three times greater export revenue than have beef and wheat products. The Kirchner government exploited this situation, devalued the currency to increase exports, then taxed the soy exports (which brought surplus income for the government) to subsidize the domestic consumption of wage goods, such as beef and wheat which reduced the tension between increasing urban wages and avoiding financial crisis. The resulting system—“*export-oriented populism*”—eliminated sources of political and economic instability that had been seen in Argentine populism (Richardson, 2009: 230).

Alier and Clements (2007) explained that commodity based revenues in Latin America rose by an average of about 4.75 percentage points of GDP between 2002 and 2006 and that most of this growth was due to the terms of trade factor. Argentina, Chile and Venezuela with 68.4-89 percent of their exports in primary commodity form, from 2004 to 2007 recorded rates of annual growth from 7.4 to 8.5 percent.

Nevertheless, the economic recovery and growth does not seem to be representing a success story created solely by the Kirchner government. It was also because of the favorable internal and external economic conditions, i.e. the major devaluation that fostered exports and commodity boom, (a huge world demand for primary products). It is better to say that Kirchner managed the period successfully by profiting from the internal and external conditions. Taking advantage of import constraints, national bourgeoisie has been revitalized. Taking advantage of the unemployed, production grew by exploiting low paid labor without any significant new investments or technology. Thus, the recovery has also taken place through the activation of unused

existing capacity. When it was combined with the growing world demand for primary products and thus high prices for them, economic growth followed.

Therefore, economic growth since 2004 is based both on favorable internal and external conditions and structural changes or specific policy reforms. The prices for most of Argentina's agro-mineral exports were at record highs in 2003 to mid-March 2004—meat, grains, soybean, providing a trade surplus of 5% (Lozano, Rameri and Raffo, 2007). This in turn, allowed the regime to meet the 3% surplus requirement of the IMF and to finance the economic recovery.

Previously, the populist alliance was grounded on an overvalued exchange rate with industrial subsidies. The Kirchner alliance however, relied on undervalued exchange rate with wage goods subsidies (Richardson, 2009: 239). So, although the old populism rested on export restriction to grant benefits, new populism relied on commodity exporting. Because of this, the increase in soybean production and exportation in Argentina allowed populist redistribution policies while not harming the ties to the global economy. During Kirchner's period, there was a productive alliance between the mobilized poor, resurgent bourgeoisie and center-left. Kirchner aimed to reconstruct 'national capitalism' and therefore, he wanted to revitalise the national bourgeoisie. He said: "*It is impossible to construct a national economy, without a national bourgeoisie*" (Chibber, 2004).

The economy grew with the primary sector in the world market and some benefits and social welfare were distributed to the poor to pacify their mass base while big business gained serious support from the government. Although having an anti-neoliberal sentiment and support for the working class at the discourse level, the Kirchner regime, could survive only if the demands of the agro-business oligarchs were satisfied. Indeed, the lion's share of economic growth benefits have accrued to a small part of large enterprises (Lozano, Rameri and Raffo, 2007).

The driving force of political regime change from the neoliberal right to the center-left was the deep economic crises prepared by the unregulated market, financial speculation and great concentration of wealth in the time of crisis. The annually averaged economic growth between 1990 and 2003 was 1.3%. Between 2004 and 2007, it increased to some 7.4% (Petras and Veltmeyer, 2009). Yet, it is the popular electoral base that have benefited least from the economic recovery, commodity boom, and the relatively high growth rates. Therefore, despite the remarkable success of the the strategy, Kirchner's populism was criticised in terms both on social and economic front:

Economic production within the capitalist system is a profoundly social process, dependent on the cooperation of all sorts of producers and workers, but these producers and workers, who by virtue of their labor create the marketed value of the social product, are increasingly dispossessed from their means of production and in the process alienated from the product of their labor. The owners of the increasingly concentrated means of production, which under capitalism are converted into private property, end up appropriating the social product, profiting from the labor of others.

Thus, the rich and powerful tend to become more so and the more the workers produce, the worse off they are (Petras and Veltmeyer, 2009)

There was a freeze on the wages and salaries of the public sector workers until May 2004. So, there occurred a fall in the purchasing power of the middle and lower classes during recovery. Moreover, the economic growth did not lead to a serious improvement in the living conditions of the working classes. For instance no significant increase in employment was observed. The export growth sectors were capital intensive and employed a very small number of workers. Thus, most of the income went to a very small number of foreign capitalists and local agro-oligarchs, who transferred most of their income abroad, lessening the so-called multiplier effect on the rest of the economy.

It can be argued that it is the formerly discredited economic elite, which has recovered its high rate of profits and managed to consolidate its possession of privatized assets to benefit from the recovery and growth. The fact is that, the economy in the new millennium is led by the private sector, which also means that leading elements of

this sector (the multinationals and agrobusiness sector) have appropriated most of the revenue gains of economic growth. Thus, not only had the local elite profited from the process, but foreign investors and companies were also the beneficiaries. This might seem contradictory when considering Kirchner's negative attitude towards multinationals and transnationals, but Kirchner did not aim a total de-linking from the global economic system or from its actors, rather the aim was to restructure the Argentine economy and to gain independence from the international financial institutions and achieve development, but all these was to be done within the global economic system.

The primary commodity boom that resulted in a substantial economic growth in Argentina should be taken as a success story, since the right policy measures were used at the right time, taking advantage of both domestic and international conditions. Yet, it would not be true to say that the system was capable of changing and improving the socioeconomic structure. Hence, the improvement seems to be more of a survival strategy in the time of a serious crisis, than the effect of a deliberate development policy. High growth rates did not result in a substantial improvement on the social front. The middle class has been squeezed and the situation of the working class has been deteriorated.

Despite the problems on the social front, Nestor Kirchner's export-oriented populism is also economically vulnerable. The policies are weak, not only because of the vulnerabilities in the system but also because of the dependence on international economy. That is to say, the economic wellbeing of Argentina is embarked on exportation of agricultural products, just like in the 19th century, and this system is not likely to survive in the 21st century without scientific and technological innovations.

The policies of Nestor Kirchner are weak because of four main reasons, firstly, the composition of exports is outdated and needs to be broadened by means of a scientific and technological redefinition. Prebisch- Singer thesis suggests that there is a

structural tendency for the terms of trade of developing countries to deteriorate because of the concentration of exports in primary commodities. According to Engel's Law, demand for primary goods expands less rapidly than demand for industrial goods due to a lower income elasticity. That is to say, a 10% increase in world income does not necessarily raise demand for an agricultural good by 10%.

Secondly, Argentina profits from agricultural exports but it is not certain how long it would continue. It is not that hard to find those goods elsewhere which can make the demand vanish easily. Primary commodity markets are unstable and the concentration of exports in primary goods is risky. Good harvests worldwide can lead to a collapse of agricultural prices. Comparative advantage fails to take into account the dynamic nature of resource endowments. Developing countries are capital poor but capital is not a natural endowment, it is accumulated through market relations (Cardoso and Helwege, 1995). The technological superiority of the developed countries enable them to profit from innovation and develop synthetic substitutes for primary commodities. So, the developing countries such as Argentina, cannot and should not rely on their so-called comparative advantage forever.

Thirdly, especially after 2008, we live in a world of shifting commodity prices, which means a serious fall in world prices could damage the entire system. According to Richardson (2009: 252), export-oriented populism is also vulnerable to international prices. Historically, a price increase would promote instability, but today, a serious fall in soybean prices would be dangerous for the whole system. If the demand for agricultural products decreases, the Argentine economy will be affected badly. In the 1950s Prebisch and Singer suggested that, a country cannot develop by exporting raw materials and agricultural products, since they can easily be substituted and the demand for the products can easily decrease. If this was a valid criticism even at that time, does it not make sense in the globalized world of the 21st century?

The fact is that globalization is a reality. And this makes most leaders today realize that populist illusions can't be sustained before they collapse into stagnation and leave their political supporters deeply disillusioned. You can't

inflate away your troubles or allow mountains of debt to build up if, as a country you have to make your living in a globally competitive environment. For those who try, it will be tragic. Building prosperity requires caution and patience. It requires time. Populism is a shortcut that doesn't work (Cardoso, 2006).

Kirchner created a complex set of market interventions to support his policies, but the breakdown of any of these programs could harm the system and cause new kinds of instability. Undervaluation for instance, which was a major component of the system, transfers resources to the export sector and through export taxes, subsidies are given to the working class. Yet booming soy exports make upward pressure on the peso, which would be deadly for the export sector (Richardson, 2009: 250).

Finally, high export taxes brought more revenues, yet at the same time, reactions from the producers, which harmed the 'productive alliance' and caused instability. In 2008, rural sector mobilized against the increasing export tax burden imposed on them. Besides the reactions from the producers, working class may react as well, because, export-orientation brought almost nothing beneficial to the working class and disappointed them, despite that Kirchner gained the support of organized labor by promising collective bargaining and nominal wage increases. Hence, the alliance would have been under double threat coming both from the producers and from the workers.

Due to the rise of a large informal sector, unionized workers comprised less than half of the working class; which is defined as '*segmented corporatism*' or more specifically, '*segmented neo-corporatism*'. This is defined (Etchemendy and Collier, 2007: 366) as 'a pattern of peak level negotiation in which monopolistic unions, business associations, and the government coordinate on inflation-targeted, sector-wide wage agreements and minimum wage floors, which apply to a substantial minority of the labour force'. It is corporatist because of the tripartite nature of the relationship (government, organised labour and business), it is 'neo' because of the redefinition of this relationship, and it is segmented because the agreements reached only applied to a minority of the workforce (formally employed, organised labour).

This is important since, the smaller the size of the formal sector, the less inflationary potential of granting nominal wage increases will be. Therefore, the government could maintain the support of organized labor with less risk of economic crisis.

As a result of demand-led, export-oriented recovery and growth, Argentina experienced significant rates of economic growth; but there were substantial continuities on the socioeconomic structures and policies which have had a minimal impact on the class structure. Serious obstacles to a sustainable and equitable economic development remained untouched (Lozano, Rameri and Raffo, 2007). It seems that export-orientation resulted in the rebourgeoisification of Argentine politics rather than achieving economic and social development. This is not to say that the policies implemented are not significant: On the contrary, recovery and growth in the course of 4 years is very important; but the 19th century way of economic development -exportation of primary commodities- does not seem to be sustainable in the context of a globalized world.

The development strategy of Kirchner cannot be proceeded without changing the socioeconomic structure and institutions that are linked to the past. Argentine economy was able to keep its growth rate high in the short run thanks to agricultural goods and oil exports and the partial revitalization of its industry. Yet, as long as the existing ideological and structural foundations prevail, a sustainable economic growth and development is unlikely.

Having mentioned the weaknesses of Kirchner's populism, it is important to point to the strategy as a successful survival strategy in the time of a serious crisis. It should be said that the strategy has helped Argentina recover the crisis and achieve growth, but this does not mean that the strategy can be sustained forever. So, it would be mistaken to expect success stories that last forever from populist strategies, what needs to be done is to take advantage of the favorable conditions that populism brings and to utilize the resources in such a way as to develop one step further, as Nestor Kirchner had done. The previous populist strategies had failed to efficiently utilize

the resources and therefore could not achieve industrial and technological development. Kirchner had been successful to take advantage of the favorable conditions and recovered the crisis conditions, but in the age of globalisation, the strategy should be deepened and redefined if it is to be successful in the long run. In that sense, Kirchner's populism is neither an absolute success story nor a failure. It has its advantages and disadvantages but it should be accepted that this strategy has led the way out of the biggest crisis that Argentina has ever experienced and returned the country to growth and also it helped neutralize the conflict in the society and maintain peace on the social front.

The strategy is indeed successful but rather than relying on the strategy as it is, what needs to be done is to keep the advantages and resources and develop the strategy so that it can adapt to the contemporary world and survive. Because, contrary to the common belief, a successful populist order does not stay in power by relying on mass support; but it combines different ideologies and reunites the society under a populist umbrella and creates an hegemonic order. In that sense, Kirchner achieved to create a new form of populism by benefiting both from globalisation and state-led developmentalism. He successfully ruled during his term and if the weaknesses of his strategy can be eliminated and the strategy can be redefined in accordance with the necessities of the time, the populist neodevelopmentalist strategy can survive and bring new success stories.

4.6 State-Society Relations in Kirchner Period:

Political Transformation under Kirchner Administration

When Kirchner came to power, he made important changes in the judicial, military and law enforcement institutions. He successfully replaced the corrupt automatic majority of the Supreme Court justices, appointed in Menem's term. He also repealed the amnesty granted by Menem and Alfonsín to the generals involved in the mass murder of 30.000 people during the dirty war. He repeatedly emphasized the importance of human rights.

Kirchner also made changes in top personnel in military, judiciary and police, yet, rules and context of operation of the officials remained the same. Significant changes were made, but he did not aim to make changes in terms of structural linkages between state and society. The changes did not challenge the existing system or the dynamics of class struggle.

During his administration, Kirchner combined a complex set of policies, but he did not attempt to change the existing structure of the society, only made some improvements and policy changes where and when necessary. At the core of his strategy, there laid neoliberal economic policies, respect for human rights and widespread but minimalist welfare policies. His strategy was pluralist, combining statist and pro-market elements together. Kirchner called his strategy as 'normal capitalism', while according to Petras and Veltmeyer (2009), it is 'pragmatic neoliberalism.' With the political, judicial and military reforms, Kirchner wanted the state to turn into such a form as to be in harmony with 'normal capitalism'. The state was to be more powerful and active. But the state's capitalist and neoliberal character remained unchanged.

4.7 Resurgence of the State

Under the rule of Kirchner, the limited role of state as the guarantor of the wellbeing of free markets, has been changed into state as the regulator of markets. He was very critical of the limited state of the neoliberal era and thus, wanted to construct a state that is capable of solving the social, economic and political problems. He was also critical of the market orthodoxy of the neoliberal era and aimed to achieve the '*state as regulator of markets*'. He was against the separation of the state from the society and the contraction of the state in the neoliberal era.

If an ideology is adopted that explicitly limits the role of the state, it should not be surprising that state performance is not as powerful in affecting economic and social outcomes as it might otherwise be. If the state's role is limited, then there is little reason

to build and sustain institutional capacity to identify and solve the problems (Cohen, 2012).

Nestor Kirchner was for a 'present state', '*active and intelligent state*' to deal with the problems. Presence of the state meant; active use of policy instruments, public expenditures, restructuring of institutions such as the Supreme Court. The state should act as protector of human rights. For the economy, strengthening of the state helped achieve key development objectives including promoting economic growth and investment, reducing unemployment and poverty rate, targeting pro-poor social expenditures and substantially increasing educational expenditures as a share of GDP (Cohen, 2012: 131). In Kirchner's term, Argentina experienced a 'return of the state' for the wellfunctioning of markets and society. Kirchner wanted an '*active state*' which would reveal his will and capacity to resolve economic and social problems of his country (Paramio, 2008: 3). For Stiglitz (2006) his case shows the hidden capacity of a developing country, that is undermined by the IMF, to sustain economic growth and development in the face of pressures from global economy.

A powerful and active state was needed for managing the recovery period and returning country to growth. His active state and particular development strategy in turn helped him exercise hegemonic power over the society. He was careful not to disrupt any of the actors in the society. In that sense, with his widespread but limited social spending and targeted assistance programmes, he passified the mass base of the working class and poorer sectors and thus, achieved to be supported by them. Public expenditures for the poor was a key element in strengthening the role of the state itself. The government tried to increase the quality (social security, health benefits, job safety, job stability, recognition of collective bargaining agreements) and quantity of employment, (if unemployment decreases, piquetero movements can be stopped) allowed upward salary adjustments. Similarly, domestic business was subsidized and their demands were taken into consideration in order not to face their reaction.

Despite his attack on the neoliberal conception of the state and desire for a 'present state', the reaction toward neoliberalism was mixed during Nestor Kirchner's administration. It was both statist and pro-market. On the one hand, he supported

nationalizations, default on the foreign debt, establishing price controls on utilities and food. On the other hand, he adhered to market orthodoxy by maintaining tax rates and substantially increasing government fiscal surpluses as a proportion of GDP (Flores-Macias, 2012: 42).

Kirchner's attitude towards privatization was mixed. He was not a radical opponent of privatization, yet he was against the 'privatization of the Argentine state' that began in Menem's term. According to Petras and Veltmeyer (2009), Kirchner had been a supporter of the privatization of the oil company (YPF) and a close ally of the Spanish multinational owners, the Repsol Petroleum Company. The petroleum and gas industries are among the major foreign exchange sources of the Argentine economy and their privatization brought high amounts of revenue. But he also reversed the privatization trend of the 1990s in some critical sectors by creating new state-owned enterprises and by nationalizing existing ones. Two state-owned corporations in the airline and energy industries were founded. In August 2003, the Lineas Aereas Federales, a state-owned airline that would nationalize two private airlines LAPA and Dinar. In 2004, he created Energia Argentina Sociedad Anonima (Enarsa) for the exploitation of oil and natural gas and generation of electricity. In May 2003, the government nationalized the postal service. A few months before leaving office, he issued a decree nationalizing the navy shipyard Talleres Darsena Norte (Tandanor) in the name of national security (Flores-Macias, 2012).

In contrast to the changes in the statist direction in these areas, the administration remained neutral regarding tax rates and poverty alleviation programmes. The government maintained personal and corporate income taxes unchanged. His administration preserved the country's maximum marginal income tax rates for individuals and corporations at 35% (World Bank, 2011). Therefore Kirchner combined statist and pro-market elements together in policy making and benefited from both globalization and a new kind of developmentalism (neo-developmentalism) without changing the order of the society.

But in what ways have the state-society relations changed during the period of Kirchner? In order to understand what has been changed and what remained the same, the Kirchner period should be compared and contrasted with previous forms of political economy in Argentine history. This will help understand Kirchner's policies in relation to Peronism and Menemism.

Peron's economic policy had three core objectives (Torre and Riz, 1991: 78):

1. the expansion of public spending, giving the state a stronger role in production and distribution
2. the alteration of prices for a more egalitarian distribution of income
3. the progressive accumulation of a system of incentives orientated towards the internal market and discouraged production for international markets.

Peronism's fundamental political appeal therefore lay in its ability to redefine the notion of citizenship within a broader, and ultimately social, context (Di Tella, 1983: 15). Despite using rhetoric that echoes this link between citizenship and social welfare, Kirchner has not engaged in widespread social programmes, instead he preferred to target specific social groups. The state-society relationship under *Kirchnerismo* is not based on social welfare; rather, they have much more in common with neoliberal-style safety-net models of social welfare, designed to 'catch' individuals and prevent them from falling into complete poverty and destitution (Wylde, 2011).

A second change concerns the role of corporatist practices. This has led Etchemendy and Collier to term Kirchner's distinct approach as 'segmented neocorporatism'. The relations between the government and business has changed: 'genuine participation of business' (Etchemendy and Collier, 2007: 382) in these tripartite negotiations stands in contrast to the governments of Peron, where the genuine involvement of business participation in tripartite negotiations was rare. Systematic negotiation and agreements with both organised labour and domestic business have been part of Kirchner's greater goal of economic development, because of the need to control inflation and avoid excessive wage increases. The traditional Peronist and

desarrollismo policies in Argentina led to sustained wage increases that were ultimately eroded as a result of systemic inflation.

Third, for Peronism, state intervention was about control over the key sectors of the economy and to engage in social programmes. *Kirchnerismo*, on the other hand, was a strategy for growth based on selective protectionism and targeted state intervention in order to facilitate macroeconomic stability and economic growth by means of an export industry.

Although being critical of Menem and neoliberalism; Kirchner's conception of state was not in contrast with some reforms of Menemismo. According to Wylde (2011):

1. During Menem's administration, trade liberalisation was pursued, which culminated in the creation of MERCOSUR in 1991 (Argentina, Brazil, Paraguay and Uruguay). During this time Argentina removed many of its remaining tariff and non-tariff barriers, thus opening its economy to international markets and competition.
2. Policies of financial liberalisation involving liberalisation of cross-border capital movements and domestic bank deregulation to promote greater integration into the international capital market were introduced.
3. Labour reforms to introduce 'flexibility' so as to lower the cost of labour were implemented (Grugel and Ruggirozzi, 2007: 91). These reforms helped to deregulate the labour market, and increase the flexibility of the labour force (Cortes, 2009: 57). Although Kirchner had not acted in such a way as to depress the conditions of the workers; in times of harsh economic conditions, it was the working class that is harmed the most. Moreover, due to relatively high unemployment and the growing informal sector, Kirchner did not really need such labour reforms, since the cost of labour was already low.
4. Kirchnerismo's approach to poverty reflects a continuation of the Menem era (Petras, 2006: 283) as 'welfare essentially remains in the safety-net model of neoliberalism which can at best only ameliorate some of the worst manifestations of poverty.

State–society relations in the 1990s under Menem were often considered to be distant and this was manifested in removal of social safety nets and the deregulation of the labour market. Kirchner did not engage in policies involving redistributive taxation; inequalities increased or simply stayed the same depending upon the sector, and the structures of socio-economic power stayed in place.

Despite the similarities, there are a number of differences (Wylde, 2011):

1. There was an emphasis under Menem on stability, through controlling inflation via the *Convertibilidad* regime, and increasing efficiency through policies of liberalisation of the economy and privatisation.
2. Another point was the separation of the state from society, and thus the erosion of the link between the working classes and the Peronist party as represented by *Menemismo*. *Kirchnerismo*, 'has forged a relationship based more on nationalist/statist development'.
3. Genuine cooperation and negotiation between the business community and organised labour under *Kirchnerismo* was not present in the Menem years, because of the nature of his relationship with the societal actors.
4. The cornerstone of *Kirchnerismo* rests on the development of export economy. This is in contrast with the Peronist model. This is also in contrast to the Menem years, where the maintenance of an overvalued real exchange rate through the Convertibility regime choked the competitiveness of Argentina's export industry.

In short, unlike Peronism, there was not a clear link between citizenship and social welfare in Kirchnerism; it was closer to Menemism and neoliberal social safety nets. Kirchnerism's relationships with both business and trade unions were qualitatively different from both Peronism and Menemism. Addingly, the stress on neodevelopmentalism through a strategy of growth based on selective protectionism and targeted state intervention to achieve macroeconomic stability and economic growth contrasted with Peronism's developmentalist policies of state intervention through ISI. Furthermore, this contrasted with Menemism, which emphasized stability through controlling inflation via Convertibility, as well as reducing the role of the state in the economy through neoliberal policies such as privatisation.

As it is seen, Kirchner's conception of state-society relations had various similarities with and differences from those of Peron and Menem. However, the system resembles neither Peron's national-populist developmentalism, nor Menem's neo-populist, orthodox neoliberalism. The efficacy of the state in the period 2003-2007 was significant for the Argentine political history, since a present state was needed to achieve national goals. Also, strengthening of the state helped achieve economic recovery and growth objectives and led to more investment. In short, it was neither a developmentalist state, nor a limited state. Grugel and Riggirozzi (2007) suggested a characterisation of a form of *neodesarrollismo*, (neodevelopmentalism) which is constituted fundamentally in principles of statist development. Or as Riggirozzi (2009) terms it, it was an '*open economy nationalism*', a blend of market-friendly

economics and a nationalistic political project to help structure state–society relations.

4.8 Kirchner’s ‘Normal Capitalism’ and ‘Neo-Developmentalism’

Previous social contracts under Peron were based on the provision of economic rights and social inclusion, grounded in a form of developmentalism based on Import Substituting Industrialisation (ISI). Under Menem, the dismantling of social safety nets and the deregulation of the labour market are among the basic characteristics of neoliberal restructuring of the society. The post-crisis administration of Kirchner saw a redefinition of the social contract, containing important elements of both of the historical forms of political economy but also some characteristics unique to the history of Argentine political economy. Elements of populism and elements of neoliberalism were interwoven to create a form of *neodesarrollismo*.

Neoliberalism came to Argentina with important costs for lower and middle classes. Entire industries (developed in the ISI period) disappeared. Narrowing down of state bureaucracy increased the ranks of informality and unemployment. Firms had to decrease their production costs in order to compete, often at the expense of workers’ social security contributions. This system eventually resulted in increased inequality in the society (Huber and Solt, 2004) about which Kirchner was very critical and promised improvement by means of an active state and a ‘normal capitalism’.

After neoliberalism, both Kirchner’s effort and the people’s support for him is understandable. After the dismal economic record of neoliberal hegemony, the experience of 1950s and 60s has gained respectability. Despite its end, Peron’s developmentalist era was more successful than its successor on various measures. So, Nestor Kirchner announced his intention to rescue the Argentine economy from the ruins of neoliberalism. Therefore the revival of state-led development (neodevelopmentalism as adapted to the global system) is not that surprising. Yet, the

internal contradictions of state-led developmentalism must be taken into account since they also contributed to the model's eventual disintegration.

The weaknesses of the developmentalist model during the term of Peron can be explained by the kind of political alliance that was hoped to support it. The main expectation was that, because they derive their profits from domestic market, national capitalists have an interest in the expansion of domestic economy. National bourgeoisie was inevitably contrasted with local 'compradors', who, because of their links with metropolitan firms, were seen as tied to imperial interests (Chibber, 2004: 2). But in time, national bourgeoisie refused to cooperate too, because of their safety behind protective barriers. After all, inflationary domestic market was more profitable for them. So, the question is, if developmentalist era was state-led, what explains these states' weakness leading to the collapse of developmentalism, and its replacement by neoliberalism?

The strategy in ISI was to oversee a transformation of the industrial structure, and to change the composition of exports from primary goods to manufactures. But because of their inability to discipline capital, states failed in this ambition (Chibber, 2004: 11- 12). In Argentina, not only had the economic system collapsed and neoliberal restructuring had taken place, but also a politically and socially chaotic environment had been created by the military dictatorship of 1976. Therefore, neodevelopmentalist model can also fail if the factors that led to the collapse of developmentalism are not taken into account. Nestor Kirchner had been careful not to disrupt any side of the productive alliance of his system, but his policies, directed towards national development in a globalized world, is hard to be sustained. It was based on a complex set of policies, combining different elements together, and is therefore vulnerable to internal and external problems. Especially when the crisis periods are not managed successfully, there might occur significant problems, as seen in the examples of 2004 energy crisis and the global economic crisis of 2008.

Kirchner's pursuit of normal national capitalist development has revealed its structural weakness in the face of the energy, gas and electrical crises provoked by the foreign owned MNCs. The MNCs created an artificially acute shortage of energy blaming the government regulations. The original privatization contracts gave them 54% retention of petrol and gas to dispose as they wish resulting in overseas export trade deals, but they further limited the supply to Argentine industrial and household consumers. So, price increases followed. The energy crisis of 2004 represents a triple threat to his project of 'normal capitalism' (Petras and Veltmeyer, 2009).

1. Higher charges for energy is inflationary, unpopular and would lower the competitiveness by raising the cost of production.
2. The energy crisis undermined Kirchner's normal capitalism based on the alliance between agricultural and energy exporters and the industrial national bourgeoisie.
3. The energy crisis generated conflict with Argentina's neighbors, Chile, Uruguay and Bolivia, as Kirchner reduced the export of gas in order to supply local industries and consumers.

During the crisis, big business demanded higher profits and this was impossible without sacrificing the living standards of the working class and increasing the costs for the local producers. The regime continued to implement policies which increase profitability for the firms even at the cost of living standards of the working class.

There occurred protests at the headquarters of Repsol-YPF expressing reaction against the increases in fuel prices and demanding a social price for tank of household cooking gas. So, the support base that Kirchner gained after 2001 (El Argentinazo), was about to turn into a major threat for his system. As a result of the protests, Kirchner temporarily froze the prices for energy, electricity and other public services to passify the movements. However, neither did he stop implementing policies that increase the profitability for the firms; nor he tried to reverse the privatization of Repsol-YPF. In that way, the problem was temporarily solved without dealing with its internal characteristics. The basic objective of Kirchner when dealing with the reactions coming from the people had been simply to passify the movements by giving some benefits to them.

To take an example, there occurred massive factory takeovers in 2001-2002 by some 10.000 factory workers operating in 100 enterprises. Kirchner was not involved in any violent solution contrary to what Duhalde had attempted before, and beginning from Kirchner's period, these factories now function as subcontractors for private firms under onerous work conditions under the tutelage of the state. The workers, who once occupied their factories for their rights, no longer act as part of the movement, nor see themselves as part of the class struggle. So, by means of his hegemonic power over the society, Kirchner could both passify the movements and strengthened 'normal capitalism' by separating the societal actors from their fundamental class character.

Is there a '*normal capitalism*' and if so what normal capitalism is, remain open to discussion, what is sure is that Kirchner wanted to preserve market reforms in order to survive in the global economic system, while compensating with redistributive policies so as not to disrupt the poorer sectors. He aimed a capitalist system that works well and no sector of the society reacts to his rule when trying to achieve national goals. Genuine participation of the business and widespread but limited welfare policies were the core principles of his normal capitalism. However, it is undeniable that the system possesses a neoliberal character. Even the social policies directed towards maintaining the conditions of the poor, were the (pro-poor) social policies offered by neoliberalism. In that sense, rather than 'normal capitalism', as Nestor Kirchner himself defined, it is often defined as '*pragmatic neoliberalism*' by Petras and Veltmeyer (2009) or '*open economy nationalism*' by Riggirozzi (2009).

At this point, it is important to note that, the rise of the left to power in the region was not a unified movement with coherent economic policies. Economic policies are made to cover a large part of the economic spectrum. In that sense, not all the leftist movements in the region are opposed to the Washington Consensus or neoliberal economic policies. So, '*economic pluralism is the currency of the leftist governments in the region*' (Flores-Macias, 2012: 4). For instance, markedly statist policies can successfully be complemented with pro-market policies. As it can be seen in the

Argentine case, in the search for a ‘normal capitalism’, the priority of the market was successfully masked by ‘statism’ and some redistributive policies. This is called ‘bending and moulding of previous social contracts’ (Panizza, 2005: 15) in Argentina, based on neoliberal social-safety nets and policies towards tackling poverty, segmented neo-corporatism, the genuine participation of business, and the construction of a consensus around the principles of nationalist/statist development.

In Kirchner’s case, neo-developmentalism emerged under the name of normal capitalism as a reaction to neoliberalism. But, can neo-developmentalism be called post-neoliberal? Or does neo-developmentalism surpass neoliberalism?

First of all, it should be remembered that neoliberalism is a class project led by dominant classes around the world that restructures the capitalist relations of production and reproduction so as to overcome the conditions that led to the capitalist crisis in the 1970s. Neo-developmentalism, on the other hand, has implied a new form of state-intervention, a different composition of the working classes and renewed conditions for capital-accumulation. In contrast with the structural adjustment of the crisis-ridden neoliberal restructuring, neo-developmentalism in Argentina has introduced a new historical process without changing the capitalist character of the system. What emerged was a new phase in capitalist development dominated by expanded reproduction of capital.

The main difference between the two models is that while neoliberalism was a historical process led by the strategy of the dominant classes for structural change, neodevelopmental-ism is a process built on the success of such a strategy for the constitution of a renewed base for capitalist development. *“This difference does not manifest itself so much in the economic structure but in the new forms and results of the sociopolitical intervention of class-actors – in, through and beyond the state.”* (Feliz, 2012).

The idea of a neo-developmental state refers to a state-form that recognises the power of the working class as a subject within capital and thus the need to orient this power to productive use (Cleaver 1985, Webber 2010: 227). The neo-developmental state operates in the framework set by a post-neoliberal society characterised by the predominance of a wider domination of capitalist relations and transnational capital. In fact, while the state appears to have more clout in the economy than before, the boundaries for welfare-policies and for directing the general orientation of capitalist development have been strictly narrowed (Feliz, 2012: 120).

Neo-developmentalism represents a new form of state intervention and new forms of capital accumulation. Like neoliberalism, neo-developmentalism is a strategy that necessitates expanded reproduction of capital, and neodevelopmentalism is founded on the constitution of a renewed base for capitalist development. But still, neo-developmentalism in Argentina is a work in progress.

4.9 Poverty, Distribution and Social Policy Under Kirchner Administration

Like all countries in Latin America, income inequality has been a serious problem in Argentina. The country's comparative advantage in terms of raw materials and agricultural products has become a curse for the majority of the people. It resulted in a high concentration of income of a tiny ruling elite that had no interest in delivering such basic services as education and health to the poor or in creating institutions of government accountable to the great majority of people. Therefore, the economics of initial comparative advantage generated a political dynamic that in turn undermined the region's longrun economic potential and slowed the emergence of accountable and responsive democracies (Birdsall, Lustig, Mcleod, 2011: 1). The situation has worsened with neoliberalism's dismantling of the state which left the vulnerable sectors of the society unprotected and it got even worse with the crisis of 2001.

Acemoglu et al. (2010) see the rise of left populist governments with charismatic leaders and left of median voter policies “as a response of electorates that are convinced that corruption and existing checks and balances allow elites to capture governments thereby preventing promised redistribution toward the middle class: voters choose radical populist leaders because they promise to dismantle traditional checks and balances”.

Income inequality has resulted in low growth, high poverty rates, poor education and healthcare services, macroeconomic volatility and political instability. But, research has shown that inequality in Argentina began to fall since Nestor Kirchner took office in 2003 (Salama, 2012). Income distribution has been less unequal, poverty has decreased, employment has grown, informal jobs are losing ground, and the balance of trade shows a trade surplus. The rise in the share of agricultural products and raw materials in exports helped Argentina recover the crisis and achieve high growth rates and as the country recovered and stabilized, Nestor Kirchner reintroduced the state’s role in providing basic services and fighting poverty and inequality. Because, for Kirchner, only a powerful state could solve social problems like poverty and unemployment, social policies by themselves are not capable of solving these problems.

In Kirchner’s term, social and welfare spending have grown without affecting major macroeconomic balances. According to ECLAC, there has been a reduction in both poverty depth and inequality among the poor: ultimately a good economic and social assessment, in global terms, despite significant inflationary risks (ECLAC, 2010).

In Kirchner’s term, there has been changes in social policy, including social spending. Cornia (2010), suggests that a wide range of social and redistributive policies, ranging from social spending to minimum wage increases, have contributed to the reduction of inequality. Household surveys verify that education expenditures and conditional cash transfer programs have reduced inequality and poverty.

Previous populist distributional measures under Peron has eventually led Argentina to crisis because the main export goods, beef and wheat were at the same time consumption goods at the domestic market which made impossible to encourage their exportation. As the domestic consumption continued, exports of those goods decreased which caused the revenues of the government to fall and the government not only became unable to finance distributional measures, but also falling revenues had contributed to the dismantling of the Peronist system. Menem's social policy on the other hand, did not involve distributional measures, it was more like poverty management and did not decrease social inequality.

It is now clear that Washington Consensus and neoliberal social policy had no considerable effect on reducing inequality, but in the early 2000s the decline has been substantial in economic terms in such countries as Argentina, Bolivia, Brazil, Chile, El Salvador, Mexico, Peru and Bolivia. Inequality declined in Argentina which enjoyed high growth thanks to benign external environment with higher commodity prices and lower interest rates (Birdsall, Lustig, Mcleod, 2011: 5). But, does Kirchner's social policy surpass neoliberal social policies?

Thanks to the recovery period since 2003, Nestor Kirchner's policies helped poverty reduction and more equal distribution of income, job creation, wage increases which in turn pulled growth further. The president faced poverty levels of 54% and 26% unemployment when he took office in 2003 (World Bank, 2011). He took advantage of the record high prices of primary products and achieved 8% annual growth for the next four years. Social policies, such as subsidies, pension raises and unemployment benefits continued with the improved economy. However, after 2009, this new system was threatened by a strong inflationary wave (Salama, 2012). Inflation caused real wages to decrease as it lowers the purchasing power of the people.

High degrees of poverty that were created in the 1990s as a result of structural reforms, neoliberal globalisation and greater international competition have remained, with individual poverty and indigence at 20.6 and 5.9 per cent respectively

in 2007 (Wylde, 2011). This poverty was not systematically addressed by Kirchner's administration. Such policies would perhaps require a more fundamental shift in political economy, and *Kirchnerismo* is characterised by a strategy of 'bending and moulding' the existing political institutions and economic model rather than changing it altogether (Panizza, 2005: 15). Thus, Kirchner's social policy did not challenge neoliberal social policies and his policies represent a continuation of neoliberal social policies, despite the new policies covered a greater portion of the society as a result of the general economic improvement.

The Kirchner administration remained neutral regarding tax rates and poverty alleviation programmes. The government maintained personal and corporate income taxes unchanged. His administration preserved the country's maximum marginal income tax rates for individuals and corporations at 35% (World Bank, 2011).

After the crisis of 2001, Argentina has experienced extremely high rates of poverty and some measures were already taken before Kirchner came to power, such as conditional cash transfers and providing jobs to the unemployed households. In 2002, Plan Jefes y Jefas de Familia (Heads of Households Plan) was implemented, its purpose was to reduce the poverty rate because between 2001 and 2002 poverty rate increased from 38.5% to 53% which meant more than half of the population could not afford their basic needs. This plan provided jobs for the unemployed heads of households and also encouraged the women to join the program and women accounted for 64% of the participants (Gonzalez, 2015). During Kirchner's term, '*Jefes y Jefas de Familia Plan*' was replaced with '*Plan Familias*', which actually was the continuation of the old version of the plan.

Both versions of the plan were based on occasional budgets, unlike social security and social insurance policies. They target only vulnerable families who are unemployed and are unable to meet basic needs. These plans are designed as targeted assistance to the poor and also aimed at training, job creation and formalizing the informal sector (Cohen, 2012: 112), but they offer very low paying jobs, so most of

the people had to work in informal sector to meet their needs. So, in terms of poverty alleviation, Kirchner administration remains neutral when Plan Jefes y Jefas and Plan Familias are compared. The decrease in poverty rate during Kirchner administration seems more to do with the general economic improvement than with the social policies implemented.

In Argentina, the Universal Child Allowance for Social Protection (Asignación Universal por Hijo para la Protección Social) and the Pregnancy Allowance for Social Protection (Asignación por Embarazo para Protección Social) have been designed in connection with the contributory system, just like retirements and pensions. The Universal Child Allowance for Social Protection was added to the existing Law of contributory Family Allowances (Ley de Asignaciones Familiares) in 2009. It expanded family allowances to unemployed workers, informal workers earning an income below the minimum living wage, and domestic employees (Gonzalez 2015).

These policies reveal a greater re-distribution of resources and provision of basic needs by the state, but they did not result from a structural change in social policy. They have partly improved the conditions of the most vulnerable families, but they did not surpass the neoliberal social policies. The policies were targeted at the most vulnerable sectors of the society, therefore despite a considerable decrease in the general poverty rate, it did not represent a change in the structure of the society, for instance the middle class was also badly affected both from the neoliberal era and the crisis of 2001, but these policies did not really help the middle class. In that sense, just like the targeted assistance programmes of the neoliberal era, the social policies of Kirchner can also be defined as “*a tool of poverty management rather than poverty elimination*” (Saad Filho, 2007).

Despite that fighting inequality and poverty has been the most important means for populist leaders to obtain the support of the people, Kirchner’s path cannot be considered as a rupture from neoliberal social policy measures. Only the most vulnerable sectors of the society benefited from the social policies of Kirchner and

thus, they did not represent a general improvement on the social front. Although inequality and poverty fell in Argentina in early 2000s, this resulted more from favorable terms of trade and good luck than from good policy measures.

In short, Argentina has achieved high rates of growth thanks to the commodity boom and could finance redistributive programmes, but these policies can no longer be sustained in case of unfavorable terms of trade. Therefore, despite being significant measures, Kirchner's policies do not represent a structural change in social policy mainly because they did not involve distributional measures and were more like neoliberal social policies. They do not target all sectors of the society and also because these policies are financially contingent. The improvement seems to be more of a statistical artifice than the effect of a deliberate development policy. High growth rates did not result in a substantial improvement on the social front. The middle class has

been squeezed and the situation of the working class has been deteriorated (Petras and Veltmeyer, 2009). It seems that the decline in inequality in Argentina has been more to do with good luck in terms of trade and general economic improvement than with good policy.

Despite the improvement in the early 2000s, thanks to the general economic improvement, Kirchner's social policy was not much different from that of Menem's. While Menem's neoliberal populism was based on an orthodox neoliberal discourse promising a 'trickle-down' effect of market-led development, Kirchner's populism was a response to the failure of the neoliberal promises for the majority of the people (Castorina, 2009: 20). After the crisis of 2001, the situation in the economic and social front had been so devastating that the general economic improvement shortly after 2003 had resulted in an improvement in the conditions of the people. With the initial success of his system, Kirchner's main achievement was that he managed to turn the failed promises of neoliberalism into the basis of an effective re-construction of state power. In this sense, poverty and inequality has been productive in the case of

Argentina in reproducing populism and social policy has been an important means for populist governments to consolidate their rule.

4.10 Farming Conflict in 2008 and Protests From Agro-Business

Agricultural production has been the most important factor in Argentina's economic recovery and growth during the period from 2003 to 2007. Nestor Kirchner has taken the advantage of the world demand for agricultural products and raw materials and benefited from the record high prices for them. The revenues helped Argentina recover the crisis and also provided the funds for the welfare policies of the government. The government facilitated and promoted agricultural production because it collects taxes from the export of agricultural commodities. This could be regarded as a successful strategy, since it increases the availability of economic resources needed to carry out social programmes that provide a considerable portion of the political support needed to reproduce its own political power. However, this may be a short-lived strategy since, in the future, the state itself will have to face the social and economic costs caused by the model (Caceres, 2014).

Indeed, the system was seriously shaken because of the farming conflict in 2008, when president Cristina Fernandez de Kirchner has introduced a new tax policy imposed on agricultural exports. The rate at which agricultural exports are taxed raised from 35% to 44%. This tax would mean extra revenues of about 2.3 billion dollars to the government (Richardson, 2008). Argentina has been growing since 2003 due to record high prices in agricultural products, and although the exportation of agricultural products and raw materials allowed the government to sustain welfare programmes, high taxation on these products caused reactions both from the producers and from the workers.

The aim of the tax increase was to raise tax surpluses, but the result was mass protests by workers and producers, less production and thus, economic slowdown. Following the increase in taxes, the four institutions that represent the farming sector – the

agrarian federation, rural Argentine confederations, the rural Argentina society and coninagro – all got together to raise their voices in protests that blocked 300 stretches of road around the country (Lopez, Arizpe, 2010). Thus, instead of increasing tax revenues, the result was scarcity of food, increased prices for basic needs and lower tax collection. Adding to the economic slowdown, the farming conflict had revealed that the entire system Nestor Kirchner had founded, was under double threat from the workers and producers.

Nestor Kirchner had taken advantage of the domestic and international factors so as to implant a successful political and economic strategy, yet especially after 2008, the conjectural factors faced by Cristina Fernandez de Kirchner's presidency have been less favourable than that of the previous term of her husband. With the objective of overcoming the crisis conditions and returning the country to growth, president Cristina Fernandez de Kirchner concentrated executive authority and created a space to govern. Foundation of a new political economy needs greater autonomy of the state but the sustainability of that strategy is a matter of debate because this brings about lack of political participation in decision making which would limit the power of the opposition groups. This in turn might result in an authoritarian regime and a failure not only in the economic strategies, but threaten the sustainability of the whole system.

CONCLUSIONS

Populism is not an expression of the ideological backwardness of a dominated class but on the contrary an expression of the moment when the articulating power of this class imposes itself hegemonically on the rest of the society (Laclau, 1979).

This thesis tried to analyse populism as a political logic. The compatibility of populism and economic and development in the case of Argentina was questioned by comparing three different populist eras in Argentine history. The aim of the study was to investigate the relation between populism and economic development in the light of Peronism, Menemism and Kirchnerism. Therefore, one of the objectives was to understand populism as a ‘political logic’ and reveal that populism can appear under various divergent contexts and can embrace different development strategies.

The case of Argentina is a perfect example to illustrate that there is no single path to populism. Contrary to the common belief that populism is unique to Peronism and ISI in Argentina, this thesis argued that populism can be articulated to different strategies at different time periods depending on the crisis resulting in a particular populist rule.

In this sense, populism cannot be placed in a certain stage of development in the transition from traditional to modern, but as a strategy based on an antagonistic confrontation between the people and the bloc in power. Populism is about the reconstruction of a new system when the existing system is shaken and the power bloc is deeply divided. The dissatisfaction with the existing system and the popular democratic demands of the class or a fraction constitutes the basis on which populist state power is re-constructed. Thus, this study tried to explain how each populist rule

emerged, which policies and development paradigms they embraced and how successful they were in achieving such aims as economic and social equality in the society.

A populist experience is historically linked to a crisis in the power bloc and in the dominant ideology which is part of a general social crisis. It was argued that all the three populist experiences in Argentina appeared as a response to a serious crisis in the power bloc and all the populist governments that this thesis is concerned claimed to put an end to the particular crisis that the people were suffering from. Thus, the reason why the compatibility of populism and economic development was investigated was that social and economic inequality has been a serious problem in Argentina and all the powerful populist leaders used such problems as inequality and poverty as the basis on which to re-construct state power and obtained mass support by promising social and economic improvement.

It was revealed in each chapter that the particular crisis shaped each populist rule and determined the economic strategy they were articulated to. Peronist populism emerged as a response to the fall of export-orientation following the Great Depression and therefore it was articulated to a state-led development model. Menemist populism was the result of the fall of state-led developmentalism in Argentina and neoliberalism was presented as the remedy to the crisis. After the crisis of 2001, not only Argentina but also the rest of the world experienced a crisis of neoliberalism and the resulting Kirchnerist populism combined statist policies with market oriented policies.

What is common in all these regimes and what makes them populist is that these movements obtained support and asserted hegemony by presenting themselves as a remedy to the crisis and their rule was sustained as long as they recovered the crisis conditions and achieved social and economic improvement and thus neutralized the conflict in the society. The existence of different populist rules at different periods in Argentina shows that, even the case of Argentina by itself can refute the functionalist

conceptions of state, such as the modernisation theory, which relates populism; to a state placed in the transition period from traditional to modern, to a backward society and to an economic model attempted at rapid industrialisation.

Therefore, populism is about the reconstruction of the society whenever the existing system is in crisis. Populism is not tied to a specific social class or to a certain stage of development, nor is it an expression of underdevelopment. Populism can appear whenever the existing system is in crisis and a particular class or classes impose themselves hegemonically on the rest of the society. The particular crisis and the antagonism in the society shapes the degree of populism and its economic strategies.

What the Argentine experience with populism reveals is that, populism emerges at the point where there is a crisis in the power bloc and the old system is dying and a class or classes impose their power hegemonically over the rest of the society. In that sense, populism can be regarded as a means to neutralize the conflict in the society. So, populism uses its mediating capacity to assert its hegemony. The character of the populist rule depends on the conflict between the people and the power bloc.

Therefore, a populist rule can embrace a state-oriented or a market-oriented strategy or it can be left-wing as in the case of Kirchnerism or right-wing as Menemism. Populism does not have a clearly defined framework, nor does it have certain limitations that determines its social, political or economic strategies. Populism does not represent a transition period nor is it a sign of ideological backwardness, it is rather born out of conflict and crisis by promising a way out of that particular crisis. This is why the degree of populism depends on the antagonism between people and the bloc in power. What shapes a populist rule and determines its strategy is the crisis and the antagonism in the society.

Populism can be articulated to a statist ideology as in the case of Peronism, or it can embrace a market-oriented strategy and neoliberalism as in the case of Menem or create a new model combining a neoliberal social base and statist elements in the age

of globalisation as in the case of Kirchner. As populist rules emerge from crises, popular democratic demands and the remedies for the crises shapes the populist regime and to the extent that the populist regimes recovers the crises and provide solutions to the economic and social difficulties in the society, the populist regime continues to rule.

Throughout the study, the continuities and differences between Peronism, Menemism and Kirchnerism were discussed so as to see why populism is a political logic. The fact that they applied different governance strategies does not mean that they cannot be classified as populist. Populism is usually identified with Peronism because both the power bloc and the society was deeply divided at the time and Peron's rule radically changed the Argentine society. His attempts at industrialisation, the importance given to the domestic market and above all, the distributive policies were the reasons why Peronism was seen as the most crystallised form of populism in Argentina. Menem's and Kirchner's populist models on the other hand were accused of being populist mostly on rhetoric. Yet, this thesis argued that, although a populist crystallisation as prominent as in the Peronist era cannot be observed, all these populist rules utilized the antagonism in the society in such a way as to accumulate power and to establish its hegemony. This is the reason why it is possible to call all the three eras simultaneously as populist.

Crisis and conflict in the society had resulted in these populist ruptures and such promises as recovery, growth and equality were the means by which they achieved political recomposition. Menem's populism was often seen as a populism mostly on rhetoric and as a means to obtain mass support. But, his populism can be best understood as a consequence of the erosion of trust in the institutions. The distrust to the existing political institutions and their inability of responding to the demands of the people caused Menem to establish a populist rule and with the initial success of neoliberal governance, he consolidated his populist regime.

Kirchner's populism on the other hand, was born out of a deep economic crisis and a serious conflict in the society. He promised to recover the crisis conditions and to sustain economic growth and thus, to reduce the inequality and poverty in the society. That he managed to keep all his promises and returned the country to growth had brought about mass support to his system. Addingly, he did not sacrificed his crisis resolution and economic growth programme before the interests of the global financial powers which helped him consolidate his populist rule.

Therefore, the three populist eras in Argentina reveals that populism has appeared and can appear whenever the existing system is in crisis. The resilience of populism in Argentina has been rooted in the persistent inequalities in the society and the concentration of income in the hands of a tiny ruling elite. Given the crisis conditions and the divisions in the power bloc, powerful populist leaders have come to power with the promise of social and economic improvement. So, there has always been a ground for populism in Argentina. Even though there is no direct correlation between populism and economic development, the promise of economic development has made populism possible and reproduced it at different time periods and under different names.

However, the fact that populist systems has always gained ground in Argentina does not mean that populist systems are always sustainable or they are always articulated to sustainable development strategies. In fact, neither of the three populist rules in Argentina that this thesis was concerned could offer sustainable solutions to the problems dating back to centuries.

Peron's populism came to an end when state-led developmentalism and ISI had come to its limits and failed to deal with the problems and to neutralize the conflict in the society. Menem's system on which he grounded his populist rule was seen at first as a success story, but as neoliberalism encountered a serious crisis not only in Argentina but in the rest of the world, the system became weak and unable to sustain its hegemony. Kirchner's governing strategy can be defined as an alternative to those

policies applied in the 1990s to pull Argentina out of the crisis. The sustainability of the governance was facilitated by recovery and growth. But in time, the new phase of economic expansion seemed to reproduce neoliberal social bases of the 1990s in an even more effective combination of income concentration, social inequality and old politics (Castorina, 2009: 13). As it was seen in the case of president Cristina Fernandez de Kirchner, whenever the system encounters a crisis and fails to keep the promises they made to the society, the populist rules are imperiled.

All these populist rules remained in power to the extent that they offered solutions to the crises they were born out of, and they got weakened as they failed to sustain the solutions they offered and to fight the existing and/or new crises that the society was suffering from. But, a populist rule is not to be understood as a system offering to solve the problems permanently, in fact, they survive for as long as they solve the problems. The mediating capacity of populism helps it reconstruct the society, yet as it loses its mediating capacity, their rule cannot be sustained. New crises can cause populist rules to end, however, crises are also the reason why a new populist rule emerges. Therefore, populism can constantly be reproduced because of crises, and such problems as inequality and poverty. In that sense, populism is a politically productive system and a populist rule in Argentina can always reappear as long as inequality and poverty in the society continues.

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APPENDICES

APPENDIX A TURKISH SUMMARY / TÜRKGÇE ÖZET

POPÜLİZMİN EKONOMİ POLİTİĞİ: ARJANTİN DOSYASI

Bu çalışma, popülizmi bir ‘siyasi mantık’ olarak Arjantin özelinde incelemektedir. Çalışmada Arjantin tarihindeki 3 ana popülist dönem ele alınmaktadır. Bu 3 dönem, Juan Domingo Peron liderliğindeki klasik popülizm, Carlos Menem liderliğindeki neoliberal popülizm ve Nestor Kirchner liderliğindeki radikal popülizm olarak tanımlanabilir. Popülizm, bu çalışmada, iktidar bloğunda ve toplumda oluşan krizlerden ortaya çıkan ve siyasi düzeni yeniden inşa etmeyi amaçlayan bir kavram olarak analiz edilmektedir. Popülist yönetimler, içinden doğdukları krizlere çözüm bulma vaadiyle iktidara gelir ve toplumun özellikle önceki yönetimde dışlanmış hisseden kesimlerinin koşullarını iyileştirme sözü verir. Bu sebeple, bu çalışma Arjantin’deki popülist yönetimler ile ekonomik kalkınma arasındaki ilişkiyi incelemeyi hedeflemektedir.

Çalışmada, Ernesto Laclau’nun analizinden yola çıkılarak, popülizm bir siyasi hareket ya da ideoloji olarak değil, bir siyasi mantık olarak incelenmiştir. Bu bağlamda, popülizmi belirsiz bir siyasi kavram olarak tanımlamakla kalmaktan ziyade, Arjantin özelindeki 3 popülist dönemin bir karşılaştırması yapılarak popülizmi bir siyaset yapma biçimi olarak ele almak amaçlanmıştır.

Popülizmin belirsizlikler içeren bir kavram olup, tanımlanmasının zor olduğu inkar edilemez, ancak popülizmin hangi sosyal gerçekliğin bir yansıması olarak ortaya çıktığı incelendiğinde, bütünsel bir popülizm anlayışı ortaya konulabilir. Bu yüzden, bu çalışma, ele aldığı 3 dönemi sadece kendi içlerinde tanımlamayı değil, karşılaştırmalı bir analiz ortaya koyarak, farklılıklarına rağmen neden bu 3 dönemin de popülist olarak değerlendirilebileceğini, popülizmin siyasi bir mantık olması üzerinden tartışmıştır.

Arjantin tarihindeki en önemli 3 popülist dönem olarak ele alınan Peron, Menem ve Kirchner yönetimleri, toplum, siyaset ve ekonomiye bakışlarındaki farklılıklara rağmen popülist olarak değerlendirilmektedir. Bu yönetimlerin ortak özellikleri, Arjantin tarihindeki önemli kırılma noktalarından ortaya çıkmış olmaları ve bağdaştırıcı olmaları sebebiyle toplum düzenini yeniden kurmayı başarabilmeleridir.

Her bir popülist dönemin siyasi duruşu, eklemlendikleri ekonomik stratejiler büyük farklılıklar göstermektedir; ancak bu farklılıklar, bu yönetimlerin bazılarının popülist, bazılarının popülist olmadığı gibi bir sonuca götürmez. Bu 3 dönemde gözlemlenen devamlılıklar kadar, farklılıklar da neden her birinin popülist olduğunu, popülizmin bir siyasi mantık olması ile açıklar. Çünkü popülizme giden tek bir yol yoktur, çok farklı dönemlerde çok farklı ideolojilere eklemlenebilir. Bu da tarihsel süreçte popülizmin bir çok kez karşımıza çıkmasına imkan verir.

Bu yüzden ki bu çalışma, farklı dönemlerde ortaya çıkmış popülist yönetimlerin neden ve nasıl ortaya çıktığını inceleyerek popülizmi bir siyaset yapma biçimi olarak ele almayı amaçlamıştır. Böylece, farklı dönemlerde görülen popülist yönetimlerin ortaya çıktığı koşullara bakılarak, hangi stratejilere neden eklemlendikleri anlatılmaya çalışılmıştır. Tezin giriş ve sonuç bölümlerinin arasında kalan 3 ana bölümün her biri 3 farklı popülist dönemi detaylı biçimde ele alarak Arjantin özelinde bir popülizm tartışması yapmıştır.

Her bir bölümde görülebileceği gibi, popülizm krizlerden ve toplumun içindeki antagonizmadan ortaya çıkar. Bir siyasi sistemin, krizler sonucunda toplumun ya da toplumun bir kısmının taleplerine cevap verememesi durumunda popülizm yeni bir toplumsal düzenin kurulmasını sağlar. Toplum ve popüler demokratik talepler, popülizmin olmazsa olmazlarıdır. Bu demokratik talepler, mevcut sistemin karşısında duracak olan kesimi ortaya çıkarır ve iktidar bloğu ile karşıt kesimin çatışması, popülizmi doğurur. Bu sebeple, popülizm mevcut sistemin sarsılması ve iktidar bloğunun bölünmesi durumunda yeni bir sistemin yapılandırılmasını sağlar. Bu da, popülizmin, tarihsel olarak iktidar bloğundaki ve egemen ideolojideki krizlere bağlı olduğunu gösterir.

Toplumdaki ve iktidar bloğundaki krizlere bir çözüm önerisi olarak ortaya çıkan popülist hareketlerde, toplumsal antagonizmalar, bir ya da birden çok sınıfın söylemine eklenmiş olabilir. Popülizm, sınıf ya da sınıfların demokratik taleplerinden doğar. Bu yüzden belli bir sınıfın taleplerinin bir yansıması ya da farklı sınıfların taleplerini birleştiren bir karaktere sahip olabilir. Bu yüzden popülizm, bir sınıf hareketi değildir. Ancak buradan yola çıkarak, popülizmin sınıf tartışmasını reddettiği ya da sınıflarüstü bir hareket olduğu sonucu da çıkarılamaz. Aksine, sınıf çatışmasını reddederek popülizm kavramını anlamak mümkün değildir, çünkü iktidar bloğu ile halk arasındaki çatışma sınıflar olmadan açıklanamaz.

İktidar bloğu ile halk arasındaki çatışma, popülizmin derecesini belirler. Laclau'ya göre, bu çatışma ne kadar radikalse, popülizmin ortaya çıkma olasılığı da o kadar yüksektir, çünkü bu radikal cepheleşmeler kendi hegemonyalarını kurmak için popülizme ihtiyaç duyarlar (Laclau, 1979:196). Bu bağlamda, popülizm, bir tek ideolojiyi empoze etmek yerine, farklı ideolojileri, toplumdaki çatışma ortamını yatıştırarak şekilde eklemeye muktedirdir. Popülizmi hegemonik yapan da budur.

Popülizm tartışmasını yaparken, Laclau (1979), 4 farklı görüşü eleştirmiştir. Bunlardan ilki, popülizmi bir sınıf hareketi olarak alan görüştür. Fakat, popülizm

farklı sınıfların ideolojilerine de eklenilebilir. Eđer popülizm bir sınıf hareketi olsaydı, Peron popülizmini ya bir işçi sınıfı hareketi, ya da burjuva hareketi olarak sınıflandırmamız gerekirdi, halbuki Peron popülizmi hegemonyasını bu iki sınıfın ortak çıkarlarını gözetmek üzerine kurmuştur. Menem ve Kirchner dönemlerindeki popülist hareketi ise belli bir sınıfsal temele oturtmak çok daha zordur, bunlar tamamen toplumdaki krizlere bir çözüm arayışı olarak toplum düzenini yeniden inşa etmeyi amaçlayan hareketler olarak ortaya çıkmışlardır.

İkinci görüş, popülizm kavramını, sınıf bağlantılarını kurmanın zorluğu nedeniyle reddeder. Bu görüşe göre popülizm, belirsiz, irrasyonel bir kavramdır ve içerikten yoksundur. Ancak, sınıf temelli bir hareket olmaması, popülizm kavramının yok sayılması için yeterli bir sebep değildir. Tanımlanması zor bir kavram olduğu doğrudur, ancak popülizm bir sosyal gerçekliğin ifadesi olarak ortaya çıkar.

Üçüncü görüş, popülizmi açıklamak için basmakalıp tanımlamalar yapar ve kavrama çeşitli özellikler atfeder. Bu görüşe göre, popülist hareketler, belli karakteristik özellikler sağlandığında ortaya çıkar. Bu tip analizler, sınıf tartışmasını reddeder, sınırlı ve tanımlamalara dayalı sonuçlara varır.

Dördüncü görüş, modernizasyon teorisinin popülizm analizidir. Bu teoriye göre, popülizm ancak geleneksel toplumdaki modern topluma geçiş döneminde görülebilecek bir harekettir. Latin Amerika'da popülizmin özellikle 1940'lı yıllarda görülmesini, bu toplumların geri kalmışlığıyla ve modern dünyayla iletişim eksiklikleriyle açıklarlar (Germani, 1965). Toplum, gelenekselden moderne doğru evrildikçe popülist hareketlerin kaybolduğunu savunurlar. Fakat bu tip bir analiz, popülizmin gelenekselden moderne geçişin tam olarak hangi evresinde ortaya çıktığını açıklayamamaktadır. Aslında bu teoride, geleneksel ve modern kavramları bile teorik olarak yapılandırılmış kavramlar değildir. Toplumların gelenekselden moderne evrilmeden önce deneyimledikleri bir geçiş dönemi hareketi değildir popülizm, öyle olsaydı, sanayileşmiş bütün toplumların geçmişte popülist bir dönem yaşamış olması gerekirdi. Ayrıca bu teori, günümüz dünyasında görülen popülist

hareketleri de açıklayamaz, çünkü, bu teoriye göre, modernleşme öncesinde popülizmin zaten kaybolmuş olması gerekirdi.

Bütün bu görüşlerden yola çıkılarak bu çalışma, tartışmasını şu sonuçlar üzerinden yürütmüştür; popülizm bir sınıf hareketi değildir. İrrasyonel bir hareketi ya da ideolojik geri kalmışlığı temsil etmez. Belli bir gelişmişlik (ya da gelişmemişlik) düzeyine oturtulamaz, belli ekonomik ve sosyal koşullara bağlı değildir. Çalışmanın takip eden bölümlerinde açıklandığı gibi, popülizm birçok farklı koşuldan doğabilir. Çalışmanın ilerleyen üç bölümünde, Peron, Menem ve Kirchner dönemleri sırasıyla tartışılmış ve bu dönemlerin karşılaştırması yapıp, devamlılıklar ve farklılıklar açıklanarak neden bu üç dönemin de popülist olarak tartışıldığı gösterilmiştir.

Çalışmanın ilk bölümü, Peron dönemi popülizmine ayrılmıştır. Bu dönem, klasik popülizm olarak da adlandırılır. Peron dönemi, tüm dünyada en önemli popülist dönemlerden birini temsil etmektedir, çünkü daha önce hiçbir popülist model bu kadar farklı talepleri bağdaştırmamış, kitlesel bir demokratik harekete dönüşmemiş ve bu kadar farklı sınıfların söylemlerini eklemlenmiştir (Laclau, 1977: 176).

1929 yılında yaşanan Büyük Buhran'ın ardından ihracata dayalı kalkınma stratejisi çökmeye başlamıştır. 1930'lu yıllar, tüm dünya için olduğu gibi Arjantin için de ciddi bir kriz dönemine denk gelir. Tarım ürünleri ve ham madde ihracatı yaparak o yıllara kadar zengin bir ülke olarak devam eden Arjantin için, bu sistemin çökmesi büyük bir krize neden olmuştur.

Tarım ürünleri ve hammadde ihracatına dayalı ekonomik sistemin çökmesi ile birlikte, özellikle İkinci Dünya Savaşı'nı takip eden dönemde, Arjantin'de ekonomik ve sosyal bir kriz ortamı doğmuş ve iç pazarın korunmasına yönelik ulusal bir ekonomik sistem kurma çabası hakim olmuştur. Savaş sonlarına doğru, 1943 yılında yapılan askeri darbe ile işbaşına gelen general Juan Domingo Peron, popülist hareketi, ulusal kalkınma stratejisine eklemlenmiştir. İşçi sınıfı ve ulusal burjuvazi,

Peron popülizminin destek tabanını oluşturmuş, aynı zamanda da ulusal kalkınma stratejisine hizmet etmiştir.

İhracat odaklı kalkınma ve liberal hegemonyanın çöktüğü bir ortamda Peron popülizmi radikal sınıf çatışmalarını başarılı bir şekilde yatıştırmıştır. 1930'lu yıllarda oligarşik hegemonya çökmüş ve iktidar bloğunda kırılmalar meydana gelmeye başlamıştır (Cammack, 2000: 159). İktidar bloğunda kriz meydana gelmiş, dünyadaki ve Arjantin'deki ekonomik kriz ortamı toprak sahiplerinin oluşturduğu oligarşi ve yeni yeni ortaya çıkmakta olan sanayi sektörü arasındaki çatışmayı doğuracak olan ithal ikameci sistemi gündeme getirmiştir.

1929 yılındaki Büyük Buhran sonrasında, popüler demokratik talepler, oligarşik iktidar bloğuna güçlü bir muhalefet oluşturacak şekilde birleşmiştir. Bu taleplerin birleştiği nokta, liberalizme meydan okuyan bir duruş sergilemeleridir. Bu bağlamda, Peronist sistem, liberalizm ile demokrasi arasındaki bağı kopararak, liberalizmi oligarşik sınıf çıkarlarına hizmet etmekle suçlamıştır.

Dolayısıyla, 1930'lu ve 1940'lı yıllarda, Arjantin'de, oligarşik hegemonyadaki krizden dolayı iktidar bloğu bölünmüş durumdadır ve Peronist hareket, popüler demokratik talepleri, ulusal bağımsız kapitalizm hedefinde birleştirerek kitlelerden destek bulmaya çalışmış ve başarılı olmuştur. 1955 yılında, Peron iktidarını deviren darbeye kadar Peron popülizmi toplumdaki çatışmayı yatıştırarak, bağdaştırıcı güç olma rolünü başarıyla yürütmüştür.

Bu dönemde takip edilen ekonomik strateji ithal ikamecilik olmuştur. Dış ticaret sınırlandırılmış, iç pazarı korumaya yönelik önlemler alınmıştır. Hükümet harcamaları ve çalışanların ücretleri, tüketimi canlandırmak amacıyla arttırılmıştır. Peron'un ekonomik sistemi; devlet müdahalesi, sanayileşme, gelir dağıtımı ve ekonominin önemli sektörlerinin kamulaştırılması üzerine kurulmuştur. İthalatı kısıtlayan bir sistem olduğundan, eğer bir ürüne ihtiyaç ve talep varsa içeride

üretilmesi gerekmiştir ve talep arttıkça sanayileşme ilerlemiş ve iç pazar büyümüştür.

Böylece Arjantin, 1946-47 yıllarında ithal ikameci dönemin altın yıllarını yaşamış, fakat sanayileşmede yeterli derinleşme sağlanamayıp, temel endüstrilerle sınırlı kalındığından ekonomik durum kötüleşmeye başlamıştır. Özellikle 1950'li yıllarda ekonomik büyüme durmuş ve kaynak yaratmak amacıyla daha önceleri reddedilen yabancı sermayenin ülkeye çekilmesi için çaba sarf edilmiştir. Ekonominin kötüye gitmeye başlamasıyla birlikte tarım ve sanayi sektörleri arasındaki çatışma da doğru yönetilememiş, sistemin farklı sınıfları bağdaştıran yönü zayıflamış ve tüm bunlar Peron'un popülist sistemine zarar vermiştir. Peron'un iktidarı 1955 yılındaki askeri darbe ile sonlandırılmıştır.

Peron 1973 yılında tekrar iktidara döndüğünde, kendisinin daha önce kurmuş olduğu ulusal kalkınma stratejisi, ara dönemdeki askeri iktidarların etkisiyle çökertilmiş, dolayısıyla Peron hareketinin artık popüler demokratik talepleri bağdaştırıcı yönü zayıflatılmıştır (Laclau, 1979: 193). Zaten, baskıcı askeri iktidarlar toplumda demokratik taleplere de yer bırakmamıştır. Bu koşullar altında toplumda, popülizme evrilmeyi sağlayacak antagonizmalar mevcut değildir ve bu da Peronist hareketin sonunu ve yeni bir askeri darbeyi getirmiştir. 1976 yılındaki bu askeri darbe, görünüşte siyasi ve ekonomik istikrarı geri getirmeyi amaçlamış, ancak aslında Peron'un kurmuş olduğu siyasi ve ekonomik yapıyı tamamen yıkmayı ve küresel ekonomik trendlerin dayattığı neoliberal sistemin temelini atmayı amaçlamıştır.

Çalışmanın ikinci bölümünde Carlos Menem dönemi, dolayısıyla neoliberalizm ve o döneme verilen adıyla, neo-popülizm ele alınmıştır. Menem liderliğindeki neo-popülist dönemde, ulusal kalkınmacı devlet stratejisinin çökmesi ile beraber, popülizme neoliberal ekonomik strateji eklenmiştir.

Böylece, Arjantin'de neoliberal popülizm ya da neo-popülizm denen bir kavram ortaya çıkmıştır. Neoliberal popülizm, temelini ekonomiye devlet müdahalesinin

oluşturduğu ithal ikameci sistemi yok etmeye çalışan neoliberal politikalarla birlikte var olması bakımından klasik popülizmden ayrılır (Öniş, 2004). Menem dönemi, klasik popülizmin devleti büyüme ve kalkınmanın motoru olarak gören anlayışına son vermiştir. Neoliberal anlayışa uygun olarak, bu dönemde yaşanmakta olan krizden ve ekonomik sıkıntılardan, ekonomiye devlet müdahalesini ve dolayısıyla ekonominin verimsiz yönetilmesini sorumlu tutar. Peron ve Menem dönemlerindeki popülist iktidarların farklı stratejiler izlemesi, iki dönemdeki ideolojik farklılıklardan çok, iki dönem arasındaki ekonomik zorunluluklardaki farklılıklardan kaynaklanmaktadır. Yani, Menem'in sistemine, ulusal kalkınmacı stratejiyi reddettiği ve neoliberalizmi benimsediği için popülist değildir demek doğru olmaz.

Menem dönemi, başlangıçta bir başarı hikayesi olarak görülmüştür, çünkü Menem 1989 yılında iktidara geldiğinde, Arjantin'de ekonomik ve siyasi kriz ortamı hakimdir ve yaşanmakta olan krize çözüm olarak neoliberal strateji uygulanmaya başlamıştır. Ödemeler dengesi problemleri devam etse de, erken döneminde bu strateji özellikle enflasyonla mücadelede başarılı olmuştur. Menem, devlet merkezli ithal ikameci stratejiyi yaşanan krizin sorumlusu olarak görmüştür, ancak neoliberal deneyim de Arjantin'e ekonomik büyüme ve kalkınma getirmemiştir. Bu, hem neoliberalizme ilişkin problemlerden ve sınırlamalardan, hem de ithal ikameci sistemin zayıf yönlerini alt etmeye yönelik reformlar yapılmamasından kaynaklanmaktadır (Saad-Filho, 2005: 228). Stiglitz'e göre (2002), neoliberal dönemde, "büyüme sürdürülememiştir ya da sürdürülebilir değildir". Reformlar sonrasındaki büyüme oranları daha iyi değildir, hatta bazı ülkelerde, çok eleştirilen ithal ikameci dönemin yaşandığı 1950'li ve 1960'lı yıllara kıyasla çok daha kötüdür. Aslında, 1990'lı yılların başında kaydedilen ekonomik büyüme, kayıp bir on yılı temsil eden 1980'lerdeki kötü koşulları telafi etmekten öteye gidememiştir.

Kalkınmacı devletin neoliberalizm tarafından yok edilmesi ile, zaten kırılan durumdaki gelişmekte olan ülke ekonomileri zarar görmüş ve devlet düzenlemesinin eksikliği, küreselleşen dünya ekonomisinde onları çok daha zayıf bir konuma düşürmüştür (Saad-Filho, 2005: 114). Bu yüzden, devletin ekonomideki elinin

çektirilmesi ve devlet müdahalesinin sınırlandırılması, Arjantin gibi gelişmekte olan ülkelerde, hem halka hem de ekonomiye zarar vermiştir.

Neopopülizm genel olarak, mevcut kurumlara olan güvenin sarsılmasının bir sonucu olarak da anlaşılabilir. Krizlerle birlikte mevcut kurumların halkın taleplerine cevap verememesi ve kapsayıcı politikalar uygulayamaması, kurumlara olan güveni zayıflatmış ve popülist hareketlerin ortaya çıkması için zemin hazırlamıştır.

Paul Cammack, klasik popülizm sonrası görülen popülist rejimlerin, kapitalist ilişkilerin yeniden yapılandırılması yönündeki çabalar olarak anlaşılması gerektiğini savunur (Cammack, 2000: 150-151). Kapitalist bir sistemde siyasi kurumların rolü, yöneten ve yönetilenleri bağdaştırmak ise, popülizm, mevcut sistemin bunu yapamadığı durumlarda kapitalizmi yeniden üretmeye yardımcı olacak şekilde bu rolü üstlenir (Cammack, 2000: 155). Bu bağlamda, hem Peron hem de Menem popülist olarak değerlendirilebilir, çünkü bu iki lider iki farklı söylemi değil, iki farklı konjonktürü temsil eder. İki dönemde de kapitalizmin sürdürülebilmesi için dönemin gereklerine uygun farklı stratejiler uygulanmıştır. Bu yüzdendir ki, Peron popülizmi ekonomik liberalizm ve oligarşik sisteme tepki olarak doğmuşken, Menem popülizmi neoliberal dönüşüm esnasında, neoliberal programı uygulayabilmek adına ortaya çıkmıştır ve popülizmi başarılı bir şekilde neoliberalizme eklemiştir.

Menem yönetimi, başlangıçtaki başarısına rağmen, ekonomik büyümeyi sürdüremediği ölçüde zayıflamaya başlamıştır. Ekonomideki genel kötüleşme ile birlikte, neoliberal programın çözmekte başarılı olamadığı işsizlik ve yoksulluk gibi sorunlar da tekrar ortaya çıkmaya başlamıştır, bu da neoliberalizm ve neopopülizm arasındaki bağın kopmasına ve hem ekonominin hem de neopopülizmin çöküşüne ortam hazırlamıştır. Menem dönemi 1999 yılında bittiğinde ise Arjantin’de ekonomik kriz ortamı hakimdir, ülkenin dış borcu artık yönetilemeyecek durumdadır ve bu da Aralık 2001’de yaşanan borç krizini getirmiştir. Ülkede, iyileşme sürecine girdiği Nestor Kirchner dönemine kadar kriz koşulları devam etmiştir.

Çalışmanın üçüncü bölümü, Nestor Kirchner döneminde ortaya çıkan ‘*radikal popülizm*’i (Laclau, 2004) konu almaktadır. Kirchner dönemi, popülizmin yeniden ortaya çıkması ile önemli olduğu kadar, Arjantin’deki yaklaşık 30 yılı kapsayan ve yıkımdan başka bir sonuç getirmeyen neoliberal dönüşümün yaralarını sarmaya çalışması yönünden de önemlidir. Bu amaçla bu dönemde, hem devletçi, hem de küresel ekonomik sistemle uyum içinde çalışabilecek bir kalkınma modeli üzerinde çalışılmıştır.

Kirchner popülizmi kimilerine göre sol bir hareketi (Castañeda, 2006; Lynch, 2007; Leiras, 2007); kimilerine göre de popülizmin geri dönüşünü (Acemoğlu, Egorov, Sonin, 2010; Cardoso, 2006; Paramio, 2008) ifade eder. Ancak bu çalışma, Kirchner popülizmini ne keskin bir sol hareket, ne de klasik popülizmin geri dönüşü olarak görür. Bu dönemde ortaya çıkan sistem, popülizmin yeni bir formudur ve hem kalkınmacılıktan hem de küreselleşmeden beslenir. Bu yüzden, Kirchner dönemi diğer popülist dönemlerle karşılaştırılarak, kalkınmacı devlet politikasına nasıl geri dönüldüğü ve bu stratejinin popülizme nasıl eklenildiği tartışılmıştır.

Ekonomik kriz ve piyasa merkezli politikalara tepkiler oluştuğunda, neoliberal programın daha fazla devam ettirilemeyeceği anlaşılmış ve Arjantin’de Kirchner dönemi ile birlikte ‘yeni kalkınmacılık’ programı başlatılmıştır. Bu dönem, küresel ekonomik sistemde, ulusal ekonomik kalkınma ve popülizmi aynı anda gündeme getirmiştir.

Nestor Kirchner yönetimi, 2001 krizi sonrasında ekonomiyi iyileştirmiş aynı zamanda da ekonomik büyüme sağlamıştır. Bu dönemde, devletçi politikalar ve piyasa merkezli politikalar birleştirilerek küresel ekonomik sistem ile uyumlu çalışabilecek bir sistem kurulmaya çalışılmıştır. Bu sistem, gerçekten bu kadar başarılı mıdır, yoksa Kirchner küresel ekonomik koşullardan faydalanarak geçici bir başarı mı elde etmiştir sorusu çok tartışılan bir konudur ve bu bölüm, dönemi inceleyerek bu soruya Kirchner’in kurmuş olduğu popülist sistem çerçevesinde yanıt aramaya çalışmıştır.

2001 yılının Aralık ayında Arjantin’de yaşanan ekonomik çöküş, neoliberalizmin eşitlikçi ve sürdürülebilir bir kalkınma anlayışından yoksun olduğunu gözler önüne sermiş ve bu kriz yeni ekonomik ve siyasi stratejileri ortaya çıkarmıştır. Kirchner dönemini temsil eden yeni kalkınmacılık ve radikal popülizm böyle bir kriz ortamından doğmuştur.

Laclau (1977)’ya göre, klasik popülizmin en ayırt edici özellikleri belirsiz ve tahmin edilemez bir hareket olmasıydı. Ancak Kirchner dönemi, küresel sistem çerçevesinde, popülist söylemi kullanarak madun sınıfları mobilize edip yapısal dönüşümler gerçekleştirmeyi hedeflemiştir (Robinson, 2008: 289). Bu anlamda, Peron dönemi kadar belirgin bir popülist hareket olmamakla beraber, Kirchner dönemi de popülist bir hareketi temsil eder. Çünkü, toplumdaki çatışmayı kendi hegemonyasını kurma yönünde kullanmış ve bu şekilde küreselleşmeye direnmiştir (Laclau, 2004).

Kirchner’in popülizmi ve yeni kalkınmacılık anlayışı, Arjantin’in ihracat kapasitesine dayanır. Kirchner, 2000’li yıllarda tarım ürünleri ve hammadde fiyatlarının artmasını, bu ürünlerin ihracatı yoluyla dış borcu kapatıp ekonomik büyümeyi tekrar sağlama yönünde başarılı şekilde kullanmıştır. Yeni kalkınmacılık düzeninde devlet denetimi altındaki piyasalar, ekonomik büyümenin itici gücü haline gelmiştir. Böylece, hem ekonomiye devlet müdahalesi geri gelmiş hem de küresel ekonomiyle bağlantılı bir düzen sağlanmıştır.

Kirchner döneminde tarım ürünlerine dayalı bir strateji geliştirilmesi, bu dönemdeki popülizmin ihracat odaklı popülizm (Richardson, 2008) olarak da adlandırılmasına neden olmuştur. Bu dönem, popülizm açısından sıklıkla Peron dönemiyle karşılaştırılmış ve ihracat odaklı bir ekonomik sistemin Peron zamanında düşünülemez olduğu tartışılmıştır. Ancak, eskiden Arjantin’in ihraç ettiği temel ürünler olan et ve buğday, aynı zamanda iç pazarda en çok tüketilen ürünlerdi ve bu yüzden bu ürünlerin ihracatı iç pazara zarar veriyordu.

Kirchner döneminde ise, soya fasülyesi, en önemli ihracat ürünü haline gelmiştir. Soya fasülyesi iç pazardaki bir tüketim maddesi olmadığından Kirchner, bu ürünün ihracatını hem teşvik edebilmiş hem de vergilendirebilmiştir. Böylece de popülist sosyal politikaları finanse edebilmiştir. Bu strateji, krizden kurtulma ve ekonomik büyümeyi sağlama açısından önemli katkı sağlamıştır ama, küreselleşen dünyada sadece tarım ürünü ihracatı ile sürdürülebilir bir büyüme ve kalkınma sağlanamayacağı da bir gerçektir.

Kirchner'in kurduğu ihracata dayalı sistem, ekonomik iyileşme ve büyümeyi getirmiştir ancak, sosyo-ekonomik yapıda önemli bir değişiklik sağlamamıştır. İşsizlik ve yoksulluk hala önemli problemler olarak kalmıştır. Ancak tüm bunlar Kirchner sisteminin başarısız ya da uygulanan politikaların önemsiz olduğu anlamına gelmez, aksine, 4 yılda sağlanan ekonomik büyüme çok önemlidir, fakat 19. yüzyıldan kalma bir kalkınma stratejisi olan tarım ürünleri ihracatı ile küresel ekonomide sürdürülebilir bir ekonomik düzen oturtulması zor görünmektedir. Nitekim, 2008'de tarım sektörü ile yaşanan krizin yaşattığı olumsuz sonuçlar da göstermiştir ki, sadece tarım ürünlerinin ihracatına dayalı bir ekonomik yapı sürdürülebilir olmaktan çok kırılgan olacaktır.

Sonuç olarak, bu çalışma popülizmi bir siyasi mantık olarak anlamaya çalışmıştır. Peron, Menem ve Kirchner dönemleri incelenerek, bu dönemler arasındaki devamlılıklar ve farklılıklara işaret edilip, neden hepsinin popülist hareketler olduğu, popülizmin bir siyasi mantık olduğu çerçevesinde açıklanmaya çalışılmıştır. Bu dönemlerde farklı stratejiler uygulanmasının ideolojik farklılıklardan çok konjonktürel gerekliliklerden ileri geldiği, her birinin popülizmi, toplumdaki çatışma ortamını yatıştırarak bağdaştırıcı güç olarak kullandığı ve bu yüzden de her birinin popülist olduğu savunulmuştur.

Popülizm sıklıkla Peron dönemi ile özdeşleştirilmiştir çünkü, Peron döneminde, ekonomik ve siyasi kriz ortamı hakimdir, toplum ciddi şekilde bölünmüş durumdadır

ve Peron iktidarı toplumda köklü deęişiklikler yaratmıştır. Peron dönemindeki; toplumsal çatışmaların yatıştırılması, sanayileşme ve ulusal ekonomik kalkınma çabası, iç pazara verilen önem, ekonomideki devlet müdahalesi ve hepsinden önemlisi dağıtımcı sosyal politikalar, Peronizmi, Arjantin’de popülizmin en kristalize formu haline getirmiştir. Bunlardan yola çıkılarak, Menem ve Kirchner dönemlerindeki popülist hareketler, sadece söylem düzeyinde popülist olmakla itham edilmiştir. Fakat bu çalışma, Peron döneminde olduğu gibi belirgin bir popülist kristalleşme olmasa da, Menem ve Kirchner iktidarlarının da toplumdaki çatışmaları başarılı bir şekilde yatıştırarak hegemonyalarını kurmayı başardığını ve bu yüzden popülist hareketler olduklarını savunmuştur. Bu yönetimlerin hepsi, içinde buldukları krizlere çözüm getirme vaadiyle destek bulmuş ve sorunları çözebildikleri sürece iktidarda kalmışlardır. Bu sebeple, popülist hareketlerin sürdürülebilir ekonomik kalkınma ile direkt bir bağlantısı olmadığı, popülist yönetimlerin bağdaştırıcı güçleri ile çatışmaları yatıştırıp, farklı sınıf çıkarlarını aynı çatı altında birleştirmeye ve krizlere çözüm bulmaya muktedir olduğu ve bu gücünü kaybettiğinde popülist hareketlerin sarsıldığı tartışılmıştır.

APPENDIX B
TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü

Sosyal Bilimler Enstitüsü

Uygulamalı Matematik Enstitüsü

Enformatik Enstitüsü

Deniz Bilimleri Enstitüsü

YAZARIN

Soyadı : KURT
Adı : TUĞÇE
Bölümü : LATİN VE KUZEY AMERİKA ÇALIŞMALARI

TEZİN ADI (İngilizce) : Political Economy of Populism:
The Case of Argentina

TEZİN TÜRÜ : Yüksek Lisans Doktora

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.
3. Tezimden bir bir (1) yıl süreyle fotokopi alınamaz.

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: