

Limits and Barriers of Neodevelopmentalism: Lessons from the Argentinean Experience, 2003-2011

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Abstract

Neodevelopmentalism has become Argentina's hegemonic development project after neoliberalism. While it has been able to bring back economic growth, the development of its inner contradictions is creating growing barriers to the possibility of further expansion within the same project of development, particularly as the world economy enters into crisis. I analyze the constitution of the hegemonic project and the main barriers it faces.

JEL Classifications: O11, O2, N16

Keywords

neodevelopmentalism, development, crisis, Argentina

I. Introduction

After the crisis of the neoliberal project (1998-2001) and the violent transition following it (2001-2002), capitalism in Argentina seems to have regained coherence, and dominant classes seem to have renewed their confidence in the “thesis of impossibility” regarding economic crisis.¹ A historically exceptional process of strong economic growth since 2002 has led many analysts to believe that, no matter what happens at an international level, Argentina is protected against all odds.² The local impact of the first wave of capitalist crisis in the core capitalist countries (2007-2008) was in fact mild: growth stalled in 2009 but recovery was fast. The most recent downturn

¹During the 1990s, Argentinean dominant classes and their theoretical representatives (neoclassical economists) were sure that a generalized crisis was impossible (see Naszewski 1996). At the most, as deflation and recession became evident after 1998, they believed that slight adjustments might have to be made.

²GDP growth between 2002 and 2012 averaged 7.6 percent (see Table 1, column 2), the highest rhythm on record. According to IMF estimates, the world's GDP growth averaged 5 percent in the period.

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in capitalism at the center (2010–2012) has begun to impact on exports and industrial production but in mid-2012, while capitalist growth slowed down significantly, overt crisis (*e.g.* uncontrolled capital devaluation) does not appear on the horizon.

However, this process is not without problems. Contradictions, barriers, and even limits to the hegemonic capitalist development project in Argentina are mounting: inflation remains high and steady, wages have stagnated in real terms, and twin fiscal and external surpluses keep deteriorating. Structural limits of Argentina's capitalist structure seem to be ever more present: dependency on primary exports and limited potential for "re-industrialization," manufacturing competitiveness based on super-exploitation of labor and nature, and regressive income distribution.

In this paper, I study the development of contradictions, barriers, and limits in Argentina's new post-neoliberal hegemonic project: neodevelopmentalism. In the following section, I will briefly describe the constitution and basic foundations of this new process. I will show how neodevelopmentalism has worked as an attempt by dominant fractions of capital to take advantage of the neoliberal legacy and to surpass its limitations. Later on, I present the basic contradictions and barriers of this new project as they manifest themselves as forms of class struggle. Moreover, I will discuss how neodevelopmentalism in Argentina manages the impact of the first crisis in world capitalism in the 21st century. Finally I present some conclusions.

2. The Political Economy of Neodevelopmentalism in Argentina

In line with recent changes in South America, in 2002 Argentina jumped from neoliberal rule into a new form of capitalist development in the periphery: neodevelopmentalism (Thwaites Rey 2010; Leiva 2008; Féliz 2012).³

Ever since its inception, neodevelopmentalism (ND) has been a project of the dominant classes to regain an expansive path of capitalist development after years of instability, stagnation, and recurrent crisis (Féliz and Pérez 2004). Through almost three decades of struggle, foreign and local corporations of transnational scope were able to gain hegemonic control within the local capitalist class, leaving small- and medium-sized national capitals in a subordinate position.⁴ From 2002 onwards, their aim has been to capitalize structural transformations produced during the neoliberal restructuring (1975–2001) while at the same time containing and disarming the popular upheaval that had turned the (economic) crisis of the neoliberal *Plan de Convertibilidad* (1991–2001), in Gramscian words, into an organic crisis of Argentinian capitalism (Féliz and López 2012).⁵

³While there are similarities between the national post-neoliberal projects in South America, there are also marked differences. In a nutshell, Venezuela, Bolivia, and Ecuador have followed a more radical path of transformation (with evident limits but, arguably, in a post-capitalist direction); the founding members of the Mercosur (Argentina, Brazil, Uruguay, and Paraguay) have shown greater continuities with the previous capitalist development path but also significant political and policy changes; while Chile, Peru, and Colombia are showing a much more clear neoliberal line of continuity.

⁴The hegemony of small and medium national capitalists was the objective base for the historical national-popular project (NPP) of capitalism in the periphery, especially in the so-called import-substitution (developmentalist) period between the 1940s and the early 1970s. After neoliberalism, the displacement of this national bourgeoisie from the objective control of the process of valorization and accumulation of capital seems to have made the NPP into a project without class, that is, without its leading subject, the national bourgeoisie (Féliz 2013).

⁵The *Plan de Convertibilidad* (Convertibility Plan) was the expression, in Argentina, of the Washington Consensus during the nineties. After the monetarist approach in the 1970s and the heterodox approaches in the 1980s, the Convertibility Plan acted as the latest tactical device to advance neoliberal capitalist restructuring. This program included the convertibility of the local currency (peso) to the dollar, the privatization of most public enterprises, the deregulation of the economy (particularly the labor market), and the opening up of the current account. See Basualdo (2006).

For this reason, I do not understand neodevelopmentalism in Argentina as just a new “economic model,” as many researchers suggest (for example, Curia 2007). ND is a sociopolitical project of the new ruling classes (transnationalized capital) with the objective of constituting a new stable, controlled pattern of capitalist development meant to replace the growingly unsustainable neoliberal strategy. In the case of Argentina, the objective of ND has been to take the social bases created by neoliberal structural reforms (inspired – in the nineties – by the Washington Consensus) and channel the productive forces thus available toward a new phase of successful valorization and accumulation of capital. In a sense, ND might be understood as the sociopolitical strategy whose goal is to conform to a new “social structure of accumulation” (Gordon, Edwards, and Reich 1994).

The structural bases for the articulation of this new development strategy were created through neoliberalism and include the ample centralization, concentration, and transnationalization of capital; the structural precariousness and political decomposition of the labor-force; and the consolidation of a new set of market-based socio-economic regulations, amongst other elements that became the legacy of the neoliberal period. First, the neoliberal rule in Argentina gave place to the transnationalization of capital in its financial, commercial, and productive forms. Total foreign debt grew to 146 billion in 2000 (in contrast with 27 billion in 1980; Kulfas and Schorr 2003), foreign trade increased to 25.3 percent of GDP in 2004 (from 7.8 percent in 1975; Ferreres 2005), and foreign ownership of productive capital went from controlling 33.8 percent of value added by big corporations in 1993 to controlling 73.6 percent in 2001.⁶ Second, productivity of labor in industrial manufacturing increased 67.3 percent between 1991 and 2001 (Féliz 2007). Finally, transformations in the labor market led to the structural precariousness of the labor-force (for example, non-registered wage employment went from 33.4 percent to 43.7 percent of the wage labor-force in the private sector between May 1990 and October 2001; Neffa *et al.* 2010) and the reduction in popular income (in 1998 real wages were 16.2 percent lower than in 1988).⁷

Contrary to the official narrative that asserts that ND is the absolute negation of neoliberalism, I understand that the neodevelopmentalist project grew as the dialectical supersession of the neoliberal one. This means that it did not obliterate its neoliberal origins but took its legacy as new foundations. ND became the necessary alternative for dominant classes to regain their debilitated hegemony over society.

Since 1998 the Argentinian economy had been stumbling on a downward movement that alternated between stagnation and outright recession (Féliz 2007). After advancing with force in the early nineties, neoliberal rule had lost momentum as economic and social contradictions turned increasingly difficult to manage (Bonnet 2006; Féliz 2007). The tactical advantage of the Convertibility Plan wore off as the barriers that it created manifested as increasingly unmanageable conflicts: debt-led growth turned into a debt explosion and fiscal crisis as economic growth tumbled (Damill and Frenkel 2003); growing organic composition of capital manifested in deflationary tendencies and falling profitability (Féliz 2011); progressive political re-composition of labor that turned pervasive unemployment and job precariousness into increasing social and political unrest (Féliz 2011; Bonnet 2006).

Throughout the 1990s, accelerated capital restructuring increased labor productivity, “modernized” the productive structure (changing the social/technical division of labor/capital), consolidated the precariousness of labor as a source of absolute surplus value, and created new sources for the formation and appropriation of surplus value based on land rent (especially in mining and agribusiness).⁸ Besides, 30 years of neoliberal rule transformed the political composition of capital. The national bourgeoisie was completely displaced by locally concentrated

⁶Estimates of foreign ownership of capital are based on data from the Encuesta Nacional a Grandes Empresas (ENGE, National Survey of Big Enterprises) that includes the biggest 500 non-financial corporations.

⁷All data presented along the article are my own estimations based on original information provided by official statistical offices of Argentina (such as the National Institute of Statistics and the Census (INDEC), or the Ministry of Economy), unless noted otherwise.

⁸On this process, see more in Basualdo (2006), Neffa (1998), Azpiazu and Schorr (2010), and Féliz (2007).

capitals of transnational tendency (Basualdo 2006). By the mid-nineties, this new hegemonic fraction within the capitalist class was ready to lead, and control, Argentina's capitalist development. Within the working class, structural changes led to its political re-composition in the late nineties. While formal fractions of the labor-force remained significant (particularly in political terms), the more precarious segments of the working people (including the unemployed, autonomous workers, and small non-capitalist employers) gained political force, demanding the termination of never-ending adjustment (Bonnet 2006).

In early 2002, the dominant sectors were able to force changes in public policies to speed up the resolution of a crisis that had already been going on for too long and at a growing cost (Féliz 2007); between 1998 and 2001 GDP had fallen by 8.4 percent, international reserves had decreased by 43.2 percent as capital flight reached 11.99 billion dollars in 2001, profitability of big corporations fell 39.6 percent in real terms, and country risk topped 4,438 points in December 2001.⁹ Within this context, as a political strategy, the ND attempted to put to productive use for capital the demands of the different sociopolitical actors toward the constitution of a new hegemonic project. As an economic strategy, neodevelopmentalism looks forward to put to good use the valorization potential embedded in the new economic structure created through the neoliberal years.

During the first three months of 2002, several steps were taken to opt-out of the Convertibility Plan into an unknown but already unavoidable future: (1) abandonment of currency convertibility and its devaluation, (2) "asymmetric pesoification" of debts and deposits (every dollarized bank account and debt was turned into the national currency), (3) part of the dollarized public debt was defaulted, (4) dollar-denominated tariffs for privatized services were pesoified and remained fixed, (5) public employees' wages were effectively frozen, and (6) a tax on selected primary exports was created.¹⁰ These measures were meant to alter basic macroeconomic relations to create "fairer" terms for capital. They forced the needed devaluation of capital in its different forms (variable and constant, productive and finance, etc.) required to jumpstart valorization and accumulation (growth) of capital, allowed for an increase in its profitability (Table 3, column 2), and the improvement in both external and fiscal balances (Table 1, columns 3-5).

The differential class impact of the initial policy changes was clear. First, currency devaluation and its effect on local prices reduced wage costs (in real and dollar terms) favoring productive capital against labor. Second, since the "asymmetric pesoification" implied the conversion of dollar deposits into pesos at an exchange rate of 1.4 pesos per dollar while most credits were converted at a 1 to 1 exchange rate (favoring debtors, particularly exporting companies), the differential cost for the banking system was absorbed by the state through the emission of public dollarized debt that was handed over to banks and depositors.¹¹ Third, while helped by devaluation, a fraction of exporters (especially those selling soya, wheat, and oil) were heavily taxed helping the state recover its revenues. This, together with the freezing of public employees' wages, allowed it to continue paying its non-defaulted debt.

It is important to acknowledge that macroeconomic policy changes did not create the structural conditions for accumulation but altered value relations and created a new institutional framework allowing those conditions to be successfully exploited by dominant fractions of capital. In fact, increased competitiveness during the nineties (due to higher productivity of labor and lowering relative real unit labor costs; Féliz 2007) could not translate into a higher real exchange rate and improved profitability without exiting the "corset" of the convertibility. Through currency devaluation, nominal demand for domestic production was expanded at the same time that

⁹Salvia (2012) analyzes the position of dominant fractions of capital through the crisis of the latest stage of neoliberalism in Argentina (the convertibility).

¹⁰For a detailed account of the transition see Schorr (2005) and Féliz (2012).

¹¹The cost of this decision was eventually borne by tax-payers that (in an intrinsically regressive tax system) were the lot of the working class.

Table I. Selected macroeconomic data. Argentina, 1993-2011.

Period	Real GDP growth (annual rate)	Current account (percent of GDP)	Primary fiscal result (percent of GDP)	Financial fiscal result (percent of GDP)	Real exchange rate (average, 1993-1998=100)	International foreign reserves (average, million dollars)
1993	n/a	-3.5%	2.4%	1.2%	99.6	14173
1994	5.8%	-4.3%	1.2%	0.0%	98.0	17114
1995	-2.8%	-2.0%	1.1%	-0.5%	97.5	13699
1996	5.5%	-2.5%	-0.3%	-2.0%	100.3	19269
1997	8.1%	-4.1%	0.5%	-1.5%	102.0	26237
1998	3.9%	-4.8%	0.9%	-1.4%	102.6	30753
1999	-3.4%	-4.2%	1.2%	-1.7%	106.2	31880
2000	-0.8%	-3.2%	1.0%	-2.4%	110.8	32243
2001	-4.4%	-1.4%	0.5%	-3.2%	115.2	24385
2002	-10.9%	8.4%	0.7%	-1.5%	287.5	10883
2003	8.8%	6.4%	2.3%	0.5%	250.9	12136
2004	9.0%	2.1%	3.9%	2.6%	243.5	17198
2005	9.2%	2.9%	3.7%	1.8%	219.4	23704
2006	8.5%	3.6%	3.5%	1.8%	215.5	25578
2007	8.7%	2.8%	3.2%	1.1%	189.2	41013
2008	6.8%	2.1%	3.1%	1.4%	157.0	47741
2009	0.9%	3.6%	1.5%	-0.6%	160.6	46435
2010	9.2%	0.8%	1.7%	0.2%	139.4	49847
2011	8.9%	-0.1%	0.3%	-1.7%	132.3	50205

Source: My own elaboration from data provided by the National Institute of Statistics and the Census (Instituto Nacional de Estadísticas y Censos / INDEC) and the Central Bank of Argentina. n/a: not available.

labor costs were reduced further, thus creating demand and cost incentives for renewed growth. At the same time, the weight of the web created by debt-led growth together with the impact of the convertibility's highly dollarized local financial system could not be undone through deflation and bankruptcies, as neoliberal wisdom expected, without explosive social tensions and political havoc. Debt default and restructuring of the financial system was unavoidable for any viable solution. Public finances could not be corrected in a recessionary context through fiscal crunch.¹² Eventually, the new government found a politically workable solution to the conundrum in real wage devaluation (through currency devaluation) and a new tax on growing nominal rents.¹³

After the crisis of convertibility, the creation of the new export tax, the devaluation of real wages for state employees, and the moratorium and renegotiation of public debt turned the public deficit into a significant surplus (1.8 percent of GDP as early as 2005). At the same time, a current account deficit of 3.2 percent of GDP in 2000 turned into a sizable surplus of 8.4 percent of GDP in 2002. This was the combined effect of a reduced share of consumption in GDP and the increased competitiveness of exports (Félic and Pérez 2007). In all, these policies allowed capitalist growth to return in the third quarter of 2002 after 17 quarters of falling real GDP.

¹²In fact, the government of President De la Rúa (December 1999 - December 2001) learned this the painful way. Several attempts to contract public expenditure and/or increase taxation, through nominal wage deflation for public employees and tax hikes on traditional tax bases, contributed to deepening recession and to heightened political struggles (Salvia 2012).

¹³Of course, this came at a great cost for the working class. This solution was only one of the alternatives discussed at the time, and expressed the political triumph of dominant fractions of capital.

Table 2. Selected labor market data. Argentina, 1993-2011.

Period	Inflation rate (consumer price index, annual average)*	Urban unemployment rate (annual average)	Urban employment growth	Real wages (4th trimester 2011=100)			
				Formal workers	Informal workers	Public employees	Total labor force
1993	n/a	9.6%	1.0%	n/a	n/a	n/a	n/a
1994	4.2%	11.4%	-0.7%	n/a	n/a	n/a	n/a
1995	3.4%	17.5%	-3.1%	n/a	n/a	n/a	n/a
1996	0.2%	17.2%	0.6%	n/a	n/a	n/a	n/a
1997	0.5%	14.9%	6.2%	n/a	n/a	n/a	n/a
1998	0.9%	12.9%	4.0%	n/a	n/a	n/a	n/a
1999	-1.2%	14.3%	0.8%	n/a	n/a	n/a	n/a
2000	-0.9%	15.1%	0.3%	n/a	n/a	n/a	n/a
2001	-1.1%	17.4%	-1.3%	100.0	100.0	100.0	100.0
2002	25.9%	19.7%	-1.9%	85.4	76.4	79.6	81.9
2003	13.4%	17.2%	9.1%	90.3	68.2	73.9	81.0
2004	4.4%	13.5%	6.6%	98.6	74.5	73.0	86.2
2005	9.6%	11.5%	3.3%	106.0	75.3	73.5	90.2
2006	10.9%	10.1%	3.4%	115.4	80.7	73.2	95.9
2007	18.3%	8.4%	1.9%	115.9	83.3	77.0	97.8
2008	27.1%	7.8%	1.5%	107.7	87.3	76.0	94.2
2009	14.6%	8.6%	0.9%	111.5	97.6	76.1	98.2
2010	23.1%	7.8%	1.4%	113.1	95.6	73.2	97.7
2011	23.4%	7.2%	2.7%	121.1	100.4	68.0	101.1

Source: My own elaboration from data provided by the National Institute of Statistics and the Census (Instituto Nacional de Estadísticas y Censos / INDEC) and the Central Bank of Argentina. * From 2007 on, the inflation rate has been estimated using CIFRA database. n/a: not available.

The other side of these changes was an 18.1 percent reduction in real wages and the 6 percent fall in employment in 2002 in comparison with 2001. This was accompanied by an increase in poverty rates: in 2002, 52 percent of Argentina's urban population was statistically income-poor. A decade later, economic and social indicators have improved significantly (Table 2). However, in general, improvement of social standards has stagnated at the better values of the early nineties, but a long way from the historical marks of the early seventies (Féliz and López 2012; Rougier and Schorr 2012; Fernández and González 2011); while in 1974 the participation of labor in income reached 49.7 percent, in 2010 it remained at 37.8 percent. In parallel with this, income poverty was under the 9 percent rate in 1974 while in 2010 it still included around 25 percent of the population (ATE-INDEC 2012).

Successful capitalist expansion after 2002 has been led by a combination of innovations in macroeconomic and labor policies, designed with the goal of enhancing and maintaining competitiveness of capital. Devalued currency, low real interest rates, and expansive fiscal policy were the main components of macroeconomic policy with the aim of guaranteeing economic growth (Curia 2007). These policies were combined with a wide array of subsidies to manufacturing corporations, a program of public infrastructure, and public debt restructuring, to favor sustained economic growth by attempting to provide capital with a secure horizon for

profitability and global demand.¹⁴ As an important complement, labor policies were oriented to regaining socio-political stability while trying to keep labor costs under control. As a result of these policies, the profitability of capital has remained significantly higher than during the nineties: the profit rate on circulating capital for big corporations jumped from 5.9 percent in 2001 to 14 percent in 2002, averaging 14.4 percent between 2003 and 2010.¹⁵ Meanwhile, even as real wages recovered slowly and unevenly, the combined impact of regained growth and a new set of social policies had a positive effect on the political hegemony of the political force in government and the state as a whole.¹⁶ From the massive repudiation of “the political” in late 2001 (Dinerstein 2002), by early 2003 the traditional political forces – in and through the state – had regained their hegemony (Féliz and López 2010).¹⁷

The structural strength of this process of capital valorization and accumulation has been heavily debated (Amico 2008; Curia 2007; Katz 2005; Féliz 2008). The general consensus is that the implied goal of macroeconomic policy has been to keep the real exchange rate devalued and stable (“high and stable,” according to Frenkel 2004) to provide the conditions for sustained investment and thus employment creation, which has been a key element in the political strategy for consensus building,¹⁸ with urban unemployment reaching 21.5 percent of the labor force in May 2002, employment creation (no matter how precarious or poorly paid) was of upmost political importance. The new macroeconomic policy set (high real exchange rate, low real interest rates, fiscal surplus) created the framework for the new hegemonic fractions of capital to lead a renewed process of accumulation: value added in manufacturing grew at an annual rate of 8.4 percent between 2002 and 2011, while value added in production of goods grew 7.5 percent annually, and in the production of services grew 7.1 percent in the same time period.

Amico (2008) proposes that, while the real exchange rate policy was important, one of the main novelties of the current development strategy has been the place of state-driven aggregate demand growth. According to him, during the ‘90s, growth was expected to come from increasing direct capital profitability, mainly through economic liberalization and flexibilization of labor relations. On the contrary, in the current stage, growing state expenditures (especially in public investment and social security) and the expansion of nominal wages (under state tutelage) became the main thrust for aggregate demand and – through the “accelerator mechanism” – the main incentive for growing private investment and growth (Amico 2008). While public expenditure did become a significant pull for aggregate demand (Table 4; Table 5, columns 2-3), I think that it was the combination of the increment in profit rates together with the growth in net exports and sumptuary private consumption (Table 3, columns 1, 3-5) that created the main thrust for increased profitability and growth (Table 3, column 2; Table 1, column 2). New macroeconomic

¹⁴Changes at the international level were also important (Arceo 2010). However, I would like to emphasize here the role played by local policy changes, even if many of them were successful or even possible due to more general changes at a regional or international scale.

¹⁵This is my own estimation based on data from the Encuesta Nacional a Grandes Empresas (ENGE, National Survey of Big Enterprises). Michelena (2010) and Manzanelli (2010) show, for different estimates, a similar evolution in profit rates.

¹⁶While wages and employment have improved from the low levels of 2002, precarious labor and low real wages remain a generalized problem in Argentina (Rameri *et al.* 2008). For a detailed analysis of the new social policies in Argentina see Pérez and Féliz (2010), Dinerstein, Deledicque, and Contartese (2010), and Féliz (2012).

¹⁷In particular, the Peronist party (behind the new leadership of Néstor Kirchner and his wife Cristina Fernández) regained majority control of state institutions. Kirchner was president between 2003 and 2007 while Cristina Fernández was elected for the period 2007-2011 and again reelected for 2011-2015. The Peronist party, with the leadership of neoliberal President Menem, had also ruled between 1989 and 1999.

¹⁸Curia (2007) presents the “official” argument regarding the current macroeconomic policy.

Table 3. Selected data on capital. Argentina, 1993-2011.

Period	Profitability of big capital (percent of circulating capital, average)	Hourly labor productivity (industrial manufacturing, 203=100)	Capitalist consumption (percent of GDP)	Fixed investment (percent of GDP)	Net exports (percent of GDP)	Public deficit (percent of GDP)	Aggregate profits (percent of GDP)
1993	8.6%	n/a	27.4%	19.1%	-2.4%	-2.4%	41.6%
1994	10.7%	n/a	32.2%	19.9%	-3.1%	-1.2%	47.9%
1995	9.9%	n/a	33.2%	17.9%	-0.4%	-1.1%	49.7%
1996	10.7%	n/a	35.9%	18.1%	-0.6%	0.3%	53.6%
1997	11.2%	85.5	37.1%	19.4%	-2.2%	-0.5%	53.8%
1998	9.5%	89.4	36.5%	19.9%	-2.5%	-0.9%	53.1%
1999	6.8%	88.9	36.2%	18.0%	-1.7%	-1.2%	51.3%
2000	7.9%	94.7	36.0%	16.2%	-0.6%	-1.0%	50.5%
2001	5.9%	93.7	34.8%	14.2%	1.3%	-0.5%	49.7%
2002	14.0%	95.5	34.8%	12.0%	15.0%	-0.7%	61.1%
2003	10.4%	100.0	35.3%	15.1%	11.2%	-2.3%	59.3%
2004	13.6%	102.1	32.2%	19.2%	7.3%	-3.9%	54.8%
2005	15.7%	104.8	28.9%	21.5%	5.9%	-3.7%	52.6%
2006	17.2%	110.3	25.6%	23.4%	5.5%	-3.5%	51.0%
2007	16.0%	114.8	26.0%	24.2%	4.3%	-3.2%	51.3%
2008	12.9%	120.1	24.3%	23.3%	3.8%	-3.1%	48.2%
2009	14.3%	127.9	24.9%	20.9%	5.3%	-1.5%	49.7%
2010	15.1%	138.5	26.7%	22.0%	3.3%	-1.7%	50.3%
2011	n/a	150.1	26.2%	22.6%	2.3%	-0.3%	50.8%

Source: My own elaboration from data provided by the National Institute of Statistics and the Census (Instituto Nacional de Estadísticas y Censos / INDEC) and the Central Bank of Argentina. n/a: not available.

policy allowed the unleashing of the profit potential available at a microeconomic level while, at the same time, displacing the macroeconomic distribution of value to create an adequate demand configuration based on a new structure of expenditure that was the counterpart of increased profitability (basically, net exports, sumptuary consumption, and investment; Kalecki 1977).

The early relative success of the new economic strategy has allowed Argentina to take advantage of the position gained by dominant capital as global supplier of food and raw materials (Arceo 2010). In the context of high international prices and sustained world demand, Argentina consolidated as an important exporter of soya derivatives (from beans to oil and flour) and raw minerals (such as gold): in 2010 22 percent of total exports were primary commodities (food and minerals included), 33 percent were manufactures of agricultural products, 9 percent were petroleum and its derivatives, and almost 1/10 of exports of industrial manufactures was related to basic manufactures of precious minerals. This place in the international division of labor allowed Argentina's capitalist class to appropriate a sizable portion of international rent of natural resources. Estimations on agrarian rent put its volume at about 9.9 percent of GDP in 2004 (Farina 2005). While, in the past, international rent tended to concentrate mainly in the agricultural fractions of the dominant classes (Arceo 2003), things have changed after neoliberalism and neodevelopmentalism has taken advantage of it. The productive diversification of agrarian capitalists (Basualdo 2006; Arceo E., Basualdo, and Arceo N. 2009), concentration and centralization of capital, and transnationalization of production have created some sort of symbiosis between concentrated agrarian and industrial capitals that allows international rent to be shared between primary producers and producers of basic manufactures of those commodities (Basualdo 2006;

Table 4. Public expenditures. National government. Real terms, 2011 prices. Argentina, 1993-2011.

Finality and function	2003	2007	2011	2007/2003	2011/2007
Central administration	8,195	9,338	29,277	14%	214%
Defense and security	8,913	12,229	24,343	37%	99%
Social services	69,307	120,409	253,977	74%	111%
“Indirect” wages	54,713	88,347	187,818	61%	113%
Other social services	14,594	32,062	66,159	120%	106%
Economic services	10,290	34,509	101,482	235%	194%
Energy subsidies	862	14,009	50,261	1,525%	259%
Transport subsidies	2,402	15,060	39,029	527%	159%
Other economic services	7,025	5,439	12,192	-23%	124%
Public debt (interest)	13,965	24,327	41,470	74%	70%
Total expenditure	110,669	200,812	450,548	81%	124%

Source: My own elaboration from data provided by the Ministry of the Economy of Argentina.

Félic and López 2012).¹⁹ Besides, a high real exchange rate, together with a wide policy of transport and energy subsidies (partially financed with a tax on primary exports), disperses the benefits of international rent more widely (Bona 2012).

The combination of a new policy-set together with structural changes at the local and international levels have created the setting for the strong recovery of economic growth in the first decade of the 21st century.

3. Barriers and Contradictions of Capitalism in Argentina

While macroeconomic performance has been quite successful in maintaining high profitability and facilitating economic growth, contradictions in capitalist relations of production have not ceased to create barriers and even limits to their expanded reproduction within the new hegemonic project.

It is well known that capital, as a social relation, has the goal of reproducing itself at an ever-growing scale. To do so, it has to create and recreate the conditions for its valorization and accumulation. However, this requires the accommodation of the needs of different fractions of capital and labor in a difficult and unstable path. In particular, most pressing contradictions come from the real social opposition between (a) capital and labor in production, (b) productive and finance capital in society as a whole, and (c) productive rent-appropriating capital and productive non-rentist capital.

Regarding the first contradiction, Argentina has historically shown a very strong labor movement that has had the ability to successfully struggle, becoming – arguably – the most powerful labor movement in Latin America. The consolidation of a union system significantly integrated in the state in the 1940s provided workers with resources and economic and legal means for struggle (Félic and Pérez 2004). Even after neoliberalism, in 2005, 37 percent of the salaried workforce in the private sector was affiliated with a union and almost 60 percent of big firms had union delegates (MTESS 2008). In this context, the distributive struggle between capital and labor has been at the center of the political conflict in Argentina’s 20th century history. Since the 1970s, inflationary manifestations of class conflict became rampant particularly after 1975 (Félic and Pérez 2007).

¹⁹According to Arceo *et al.* (2009) the main change in the structure of agricultural capitals is (a) the increasing land renting by big landlords and (b) the increasing weight of non-land owners (such as agrarian pools) as producers on rented land. In the nuclear agricultural lands (pampean region), the number of hectares rented by landlords grew by 25 percent between 1998 and 2002 (the latest figures available) while the number of hectares rented by non-owners of land increased by 49.6 percent in the same period. The fraction of land under let for rent increased from 21.4 percent to 33.4 percent in that same period.

Table 5. Consumption and investment. Argentina, 1993-2011.

Period	Nominal private consumption (annual growth rate)	Nominal public consumption (annual growth rate)	Investment in construction (percent of GDP)	Investment in means of production (percent of GDP)
1993	n/a	n/a	11.7%	7.3%
1994	10.0%	6.2%	11.9%	8.1%
1995	-1.7%	1.5%	11.3%	6.6%
1996	5.4%	-1.2%	11.1%	7.0%
1997	8.9%	3.8%	11.6%	7.8%
1998	1.7%	5.7%	11.9%	8.0%
1999	-3.7%	4.2%	11.1%	6.9%
2000	-0.9%	0.7%	10.2%	6.0%
2001	-6.0%	-2.9%	9.5%	4.7%
2002	4.5%	0.5%	7.4%	4.6%
2003	22.8%	12.4%	9.4%	5.7%
2004	18.4%	15.9%	11.3%	7.9%
2005	16.0%	27.2%	13.0%	8.5%
2006	18.4%	28.2%	14.7%	8.7%
2007	23.2%	29.3%	15.1%	9.1%
2008	25.0%	32.2%	14.5%	8.7%
2009	12.2%	25.3%	13.7%	7.2%
2010	23.9%	23.7%	13.4%	8.6%
2011	25.7%	29.6%	13.1%	9.5%

Source: My own elaboration from data provided by the National Institute of Statistics and the Census (Instituto Nacional de Estadísticas y Censos / INDEC) of Argentina. n/a: not available.

During the 1990s, labor conflict was contained for a while – through structural reforms and, particularly, through the convertibility of the currency, flexibilization of the labor market, and the legal abolition of price and wage indexation – within limits of individual enterprises thus putting a lid on inflationary pressures and labor conflict. After the tumultuous exit from neoliberalism, open labor conflict – even if within the institutional framework – became the rule again.

The contradiction between productive and finance capital had gained relevance through neoliberal rule, becoming a central piece in the dispute on policy and for income. During the 1980s, foreign debt payments created huge fiscal and foreign accounts disequilibria that translated into spiraling inflation since industrial fractions of capital were not willing to pay the tab, which would have included significant reductions in public subsidies to big capitalist corporations (Basualdo 2006). In the 1990s debt renegotiation created a truce between industrial and financial capital through joint participation in privatization of public enterprises. Eventually, the exit from convertibility in the early 2000s included a partial repudiation of public (and private) debt at significant (even if mainly formal) cost for creditors. Public debt renegotiations in 2005 and 2010 eventually settled most of the dispute through a significant reduction in capital and interest payments for the economy as a whole: the interest payments on total foreign debt fell from 4.5 percent of GDP in 2001 to 1.2 percent in 2010.²⁰ At the same time, big corporations were able to reduce their net interest payments on total debt from 5.6 percent of gross value of production in 2001 to 2.3 percent in 2010.

Finally, the contradiction between rentist and non-rentist fractions of capital has always been relevant to Argentinian history (Diamand 1985; Braun and Joy 1968). Traditionally,

²⁰This included the full in-cash payment of Argentina's debt with the IMF of almost 10 billion U.S. dollars in late 2005.

rentist fractions of capital were big landowners that (through mostly extensive use of land for food production) have had control of a significant part of total exports and thus a sort of veto power regarding the use of foreign currency (Arceo and Schorr 2010). Besides, the economic pressure of rent on the real exchange rate (the so-called “curse of natural resources”) has historically been a source of struggle with industrial fractions of capital that require a higher exchange rate to face international competition (Diamand 1985).

These and other contradictions tend to create objectified confrontation in the form of macroeconomic disequilibria and vulnerabilities. The latter are the objectification of the particular way in which real confrontation between socioeconomic actors are mediated and processed. To some observers (Curia 2007), opting-out from neoliberalism seems to have solved many confrontations since fiscal and foreign surpluses plus economic growth appeared solid in the first few years after 2001 (Table 1). However, the “dissolution” of historical contradictions and its effects was only imagined. As soon as ND was gaining some consistency, traditional conflicts began to reappear in the form of growing inflation, increasing public deficit, and falling external surplus.

These tendencies (disequilibria, vulnerabilities) appear as barriers as much as they create difficulties for smooth development but they do not block valorization. All of these tendencies result from the contradicting effort of the different social fractions to advance in their own class objectives and might be surmounted through the actions of social actors and/or public policies. Since barriers can be surpassed dialectically, capital accumulation can continue even at a growing (economic/political) cost. The dialectical overcoming of barriers implies that its negative effects on capital accumulation and valorization are displaced in space and time. Unless its founding contradiction is eliminated, the dislocation of a barrier will only be temporary. A successful hegemonic project should be able to displace and contain its barriers within the framework created by its founding sociopolitical relations. If the dominant classes are not able to manage the contradictions of their strategic project for any reason, barriers might turn into actual limits in some significant dimensions of the hegemonic development project. In that case, only an organic crisis, supersession and reconstitution of the hegemonic alliances, will allow the constitution of a new sociopolitical project of development.

Neodevelopmentalism in Argentina presents several barriers that have so far been successfully processed, contained, or displaced.

4. Three Barriers: High Inflation, Growing Real Exchange Rate Appreciation, and Increasing Fiscal Deficit

First and foremost, the main problem for neodevelopmentalism has been the contradiction between productive capital (especially manufacturing capital) and the formal labor-force (particularly industrial workforce) for the appropriation of added value. In the first years after 2002, the need for growing wages was an accepted fact. It was clear to the dominant classes that the recuperation of conditions for the reproduction of the labor-force was a requirement for the recovery of political stability. After the organic crisis of neoliberalism, socio political distress could no longer be openly repressed; it had to be accepted and channeled in a “productive” way for capital.²¹ At the time, capital willingly (although not gladly) allowed, and the state promoted, increasing wages over price inflation and productivity growth in the case of formal employees

²¹In the latest phase of the neoliberal rule (1990s), overt repression of social conflict was extended. However, after the fall of convertibility, the nature of social confrontation forced repression to become less transparent, more selective, and focalized mainly through intervention to favor political division within social organizations, judicialization of social protests, and a sort of denationalization of open repression now in the hands of provincial police forces and private security forces controlled by capitalist corporations (Svampa 2008).

(Féliz 2012: 7-8). The Ministry of Labor decreed unilateral wage increases and hikes in minimum wages, which were later included in bargaining agreements. Formal labor-capital negotiations that had stalled in the nineties gained momentum after 2002 for at least two main reasons. First, the state promoted institutionally contained agreements to keep social conflict at bay. Second, improving labor market conditions (particularly falling unemployment) favored the bargaining power of traditional unions. The need to create an adequate social climate for investment and growth led dominant fractions of capital to give in to the pressures from organized labor. Average wages grew in real terms by 4.0 percent annually (7.8 percent for registered wage-earners) between 2002 and 2006. However, by 2006, labor policy began to attempt to restrict wage growth to keep it within the limits of productivity growth (Féliz 2011b; Féliz 2012). Even while the government actively promoted wage caps in collective negotiations and productivity growth increased (as the investment rate recovered), capital's response to higher wage demands was to increase inflationary pressure; actual inflation began to exceed 20 percent of the annual rate (Table 2, column 2).²² Real wages began to stagnate even for the more organized fractions of the labor movement (Table 2, columns 5-8). The result was to bring to a halt the re-composition in the participation of labor in income that, since 2007, has only marginally improved. However, while real wages have stagnated and productivity growth has picked up (Table 3, column 3), the inflation rate has remained in the range of 20-30 percent annually.

High and persistent inflation has given place to a second barrier. As I stated before, exchange rate policy has attempted to maintain a high real exchange rate to keep the competitiveness of local capital. In 2002, the structural real exchange rate increased 69 percent (Féliz 2007, 2009). Since then, however, it has been failing to keep up with higher inflation. Each individual capital has attempted to maintain its profitability by pushing its prices up, thus trying to devalue its wage costs and to improve its relative price *vis-à-vis* other capitals. Since the government wishes to control inflationary pressures, the nominal exchange rate was kept fairly stable with a slow drift upward. This asymmetric combination generated a tendency toward the systematic appreciation of the real exchange rate (Féliz 2009), and a growing loss of competitiveness of local capital *vis-à-vis* foreign competitors (Table 1, column 6). This has been particularly problematic for the fractions of industrial capital that are not related to the manufacture of primary commodities, and whose ability to compete without the support of a high exchange rate is very feeble. While manufactures of primary products (such as food) have been able to remain competitive as a whole, the rest of manufacturing capital has been suffering from growing difficulties to compete internationally (Azpiazu and Schorr 2010); in 2007, the trade balance of primary and food producing branches had a surplus of 25 billion dollars while the balance of the rest of the economy showed a 15 billion deficit; in 2011, the figures showed a surplus of 42 billion to a deficit of 32 billion, respectively.

In the nineties, the appreciation of the real exchange rate (RER) came hand-in-hand with a process of increasing competitiveness – falling relative unit labor costs – of dominant manufacturing capitals (Féliz 2007). Contrary to that process, after 2002 RER appreciation was produced together with increasing relative unit labor costs (Féliz 2009). However, this contradiction has been moved in time and space through to the availability of surplus-value (and foreign currency) coming from the new super-competitive rentier (productive, non-financial) fractions of capital.

²²Since 2007 the official source of inflation statistics (INDEC) was intervened by the government. The objective was to “tamper” with the consumer inflation record. This has put a cloud of doubt on the official consumer inflation rate as well as other public statistics (ATE-INDEC 2008). Since then, alternative measures produced by private sector institutions have multiplied. In my analysis from 2007 on follow the estimation made by CIFRA, a research center tied to one confederation of Argentinian workers (Central de los Trabajadores Argentinos, CTA), and by ATE-INDEC, one union of workers at the National Statistical Institute.

While domestic capital (in particular, its industrial fractions) demands state control over wage demands and/or to increase subsidies to capital, the organized labor movement has increased its own demands for income transfers through the state and for free collective bargaining. These included higher wage demands by state employees, and demands for increased social benefits by the working class. However, after the creation of the tax on exports in 2002, no significant changes in the tax structure created through neoliberalism have been made (Nun 2012a, 2012b). For that reason, the tendency to fiscal crisis has, indeed, become the third barrier of ND. Since 2002, public expenditures have increased significantly while revenues have grown at a slower pace. Particularly, subsidies to capitalist corporations and expenditures on the social security system have had a notorious rise (Féliz and López 2012): national expenditures on economic services (subsidies to corporations) increased 886 percent in real terms between 2003 and 2011, and expenditure in social services grew 266 percent in the same period (Table 3). In order to maintain a fiscal surplus high enough to keep paying the interest on public debt while at the same time attempting to satisfy these increasing demands for public expenditure, the government has had to search for additional income sources. In 2008, the restatization of the pension system (privatized in 1993) gave the government a significant windfall income at a time when economic activity and fiscal income were stalling. The decision to regain state control of the pension system came at a great cost to a fraction of financial capital (private pension funds) that was effectively expropriated. This came as the necessary cost of remaining a “good debtor” regarding public debt without creating additional tax pressure. In early 2008, the attempt to increase fiscal revenue through a hike in export taxes (particularly on soya) was confronted and defeated by a wide alliance of a fraction of the middle classes, exporters, and producers of agricultural commodities (Sartelli *et al.* 2008). The fiscal surplus has remained positive but decreasing (Table 1, columns 4-5).

5. World Crisis, Domestic Calm? Displacing Contradictions in Time and Space

Neodevelopmentalism in Argentina has been quite successful in displacing contradictions and sorting out the internal barriers to its development. However, since 2007, the looming crisis in capitalism at a global scale has put the strength of Argentina’s neodevelopmentalist strategy to the test. In general terms, it appears as if domestic conditions have been able to insulate local accumulation from the worldwide expansion of crisis in capitalism: since 2007 economic growth in Argentina has averaged 6.9 percent annually until 2011 (Table 1, column 2). Thus it is particularly important to analyze how has the neodevelopmentalist project deflected, absorbed, and displaced generalized deflationary pressures from abroad.

My hypothesis in this regard is that, with the combination of super-exploitation of labor and nature, neodevelopmentalism in Argentina has been able to create a cushion for surplus-value to stave off the impact of global crisis.

Super-exploitation of labor is a particular strategy of extraction of absolute surplus-value (Marini 1973). “Regular” exploitation is the result of capital’s appropriation of value produced by labor while paying wages that cover the social cost of reproduction of labor-power. Super-exploitation implies paying wages that are below the cost of reproduction, and thus create a source of extraordinary profitability (Marini 1973). When such a process becomes generalized for a significant fraction of the labor-force, it can be said to become a relevant force in accumulation and expanded reproduction of capital. I extend this idea to the use of natural products in an exploitative, non-sustainable way that has become standard practice in today’s capitalism (see, for example, Harvey 2005; Svampa and Sola Álvarez 2010). This process does not conceptually imply strategies of absolute surplus-value extraction (as in the case of labor super-exploitation) but involves the production and appropriation of substantial amounts of so-called ground-rent,

producing additional incentives for accelerated exploitation. Historically, this rent has been found to be a major source of profitability for capital in Argentina (Iñigo Carrera 2007).

In Argentina, the process of successful capitalist accumulation that began in mid-2002 combined low levels of fixed investment with high intensity in the use of living labor: fixed investment on means of production averaged 8.0 percent between 2003 and 2007 (only slightly higher than during 1993-1998) while employment grew by 4.9 percent yearly on average during the same period (compared with 1.3 percent between 1993-1998). After successful devaluation of capital in early 2002, higher exploitation and profitability gave thrust to a process of valorization based on the extensive appropriation of labor or intensive use of absolute surplus-value. This allowed for limited increase in the organic composition of capital and thus displaced in time its inner crisis tendencies: between 2002 and 2006 total employment grew by 24.2 percent while net real capital stock only grew by 9.9 percent in the same period (ARKLEMS+LAND 3.0 2012).²³ Higher profitability of capital has been maintained by the increasing appropriation of living labor through the use of precarious super-exploited employment: in 2010, 35.2 percent of all salaried workers (and over 50 percent of all salaried workers in the private sector) were employed in precarious conditions (with no social security benefits).²⁴ This situation turns into an evident form of super-exploitation: in 2009, 42.3 percent of workers were paid wages below the minimum wage (in 2003 this count reached 32 percent of workers).²⁵ In an analogous form, the existence of rent-appropriating capitals has created a significant mass of excess surplus-value in the current decade. According to Arceo and Rodríguez (2006), the volume of agrarian rent jumped 700 percent, from 1,288 million constant pesos to 9,022 million between the 1991-2001 period and the 2002-2004 period. It has grown even further in the following years as the extension of rent-accruing production has increased (Giarraca and Teubal 2010; Colectivo Voces de Alerta 2011). The land used for Argentina's main agricultural products (*i.e.* soya, wheat, corn) went from 27 million hectares in 1995-2004 to 34.5 million in 2010/2011, while production jumped from 65 million tons to 104 million tons in the same time span (López 2012). At the same time, the number of mining projects jumped from 18 in 2002 to 614 in 2011, and investment in mining went from 541 million dollars in 2002 to 11 billion in 2011 (Secretaría de Minería 2012).

As we stated before, the neoliberal stage allowed for the consolidation of capitals in the production of primary commodities (such as soybeans and minerals). These sectors were able to take advantage of the change in relative prices in favor of primary products that consolidated in the past ten years across the world economy.²⁶ The combination of new technological advances and higher demand by China, India, Brazil, and other economies in the Global South, together with speculation in derivative markets, gave local capitals in Argentina's export sectors the opportunity of taking advantage of its lower absolute costs (Arceo *et al.* 2009).²⁷ The resulting rent has been channeled through direct control by economic groups or through export taxation and public redistribution in the form of subsidies, mainly to favor the top players in each branch of the economy.²⁸

²³From 2006 to 2010, net capital stock grew only 0.2 percent in real terms (ARKLEMS+LAND 3.0 2012). There is no current official information available on capital stock. During the 1990s, growth in organic composition of capital appears as one of the fundamental causes of the crisis (Félic 2007, 2009, 2011).

²⁴See Félic, López, and Fernández (2012). Precariousness of employment includes much more than just the absence of social security benefits.

²⁵Marini (1978) uses minimum wages as an empirical limit for super-exploitation of labor.

²⁶This means that the structural transformation of Argentina's capitalist insertion in the cycle of world capital is previous to the commodity prices boom (2007/2008). This boom has provided an extra boost to Argentina's growth but in no way is the main source of growing profitability. See Arceo *et al.* (2009).

²⁷Exports to Brazil, China, and India represent 31.6 percent of total exports of Argentina in 2010 (only 24.9 percent in 2002). Imports from those countries rose from 32.7 percent in 2002 to 45.8 percent in 2010.

²⁸Data from the ENGE suggest that direct subsidies to big corporations amounted to 17.6 percent of their profits in 2010, up from 10.1 percent in 2003.

Besides, debt restructuring allowed for debt and interest payments to be reduced and changed in their form. Public debt fell to 48.8 percent of GDP in 2008 from 166.4 percent in 2002 while at the same time its structure changed: foreign public debt went down from 57.3 percent of total public debt in 2002 to only 38.2 percent in 2008. At the same time, the exchange rate policy was successful enough to maintain a significant surplus in the current account of the balance of payments, thus helping the state accumulate a sizable amount of foreign currency in the Central Bank.

As the world economy – particularly in core capitalist countries – began to face its first downturn (2007-2009) in this century, the Argentinian economy was well furnished to take the blow: in 2007, international reserves topped 15.7 percent of GDP (from only 9.5 percent in 2003), the current account result was a surplus of 2.8 percent of GDP (down from 6.4 percent in 2003), and the national government's primary fiscal surplus was 3.2 percent of GDP (up from 2.3 percent in 2003). As exports began to fall in late 2008, industrial production stalled. The impact of world crisis reflected in falling international reserves (Table 1, column 7) and a significant deterioration in the (already fragile) fiscal surplus. However, capital profitability was only slightly affected. After falling in 2008, the profit rate on circulating capital for big companies recovered in 2009 and 2010.

For the first time in many years, recession was not accompanied by nationwide conflict and crisis in the main macroeconomic balances (fiscal and balance of payments).²⁹ The government took advantage of the space provided by the structural balances, moving forward with some policy actions that were able to contain possible political conflicts (Pérez and Félix 2010). First, it activated an existing but mostly unused program of subsidies for companies in distress called *Programa de Recuperación Productiva* (Program of Productive Recovery, REPRO, created in 2002) that permitted the government to subsidize the wage toll of almost 200,000 employees of big and medium sized corporations. This allowed companies to suspend workers – instead of firing them – and avoided a sizable political conflict. As stated, big corporations concentrate most union affiliates and shop-floor delegates so controlling conflict through state policies during the downturn was very important. Second, in late 2009, the government created a new social program that unified most existing social programs and extended their coverage. The *Asignación Universal por Hijo* (Universal Child Allowance) gave income support to almost 4 million children in 1.5 million families. Finally, in 2009, the creation of the *Plan Argentina Trabaja* (Argentina Works Program), consisting of about 100,000 jobs in cooperatives, allowed the government to relieve the political pressure that social organizations – with origin in the *Piquetero* movement born in the 1990s – were putting on the streets.

As the world economy recovered in late 2009, the Argentinian economy began to grow again at a strong pace. However, as I explained, the contradictions and barriers of neodevelopmentalism grew higher. Inflation continued to erode the competitive edge of domestic capital and the current account surplus kept decreasing. Growing demands on public expenditure began to bring doubts as to the sustainability of primary surplus (indispensable to clear interest payments on public debt). The government had to get hold of new sources of finance and began to adjust its policies regarding subsidies and the exchange rate. In 2009, the government began a process of softening the Central Bank's limitations for financing state expenditures. The creation of the *Fondo de Desendeudamiento* (Debt Reduction Fund) and the modification of the organic charter of the Central Bank (CB) in early 2012, has given the state greater access to finance from the CB. In late 2011, after Cristina Kirchner won the election for a second presidential term, a process of "fine tuning" (as was dubbed by the president herself) initiated an attempt to curb increasing barriers. Tariffs on public services and subsidies, mostly frozen since 2002, began a progressive adjustment; the nominal exchange rate was pushed on a slow drift upward, and wage

²⁹The exception was the mentioned conflict with soya exporters and producers. This was the most important political conflict of national significance since 2002. The impact was so important that the government decided to move up the parliamentary elections to June 2009 (programmed for October 2009), elections that they eventually lost.

containment policy was hardened. At the same time, in early 2012, steps were taken to control foreign exchange markets with the creation of a series of requisites and cross checks that effectively reduced foreign currency drain (“capital flight”). These contractive measures were confronted with attempts to increase public expenditure through growing BC finance for direct outlays or indirect ones through soft credit.

In this context, as the international crisis in capitalism takes the global economy on a new downturn in 2012, Argentina seems more fragile than on the previous occasion. GDP annual growth in October 2012 was only 2.7 percent, with construction falling 5.3 percent by November 2012 (compared with the previous year), and industrial production dropping 1.4 percent during the 12 months to November 2012. The “fine tuning,” a form of heterodox adjustment, has had significant costs in terms of inflation and employment. Even as growth has slowed and 112,000 salaried jobs have been lost (in the year ending in the 2nd trimester of 2012, according to Instituto IPYPP 2012), inflation has remained over 20 percent annually.

While, during the prior round, Argentina’s government was able to avoid significant devaluation of capital through an expansionary policy, it might not be possible this time. Increasing expenditures is now very much limited in its possibilities and effects by the need to contain limiting barriers and renewed social confrontation.

6. Preliminary Conclusions

Neodevelopmentalism in Argentina has come to represent the new project of dominant classes after neoliberalism. However, as a capitalist process, it produces and reproduces contradictions, barriers, and limits. These social contradictions were the dynamic forces behind most pressing barriers to smooth, successful valorization. Steadily high domestic inflation, pressing demands on fiscal surplus, and falling exchange rate competitiveness became growing difficulties for continuing expansion.

So far, the dominant classes have been able to displace them by timely policy measures. Inflationary rise was put under some control by political control over unions. Fiscal deterioration has been temporarily put off by state appropriation of new income sources. These sources are disappearing because they were a one-time opportunity (*i.e.* restatization of social security) or because they are limited (such as borrowing by the Central Bank). Finally, manufacturing competitiveness has been propped up by sporadic nominal devaluations of the exchange rate and subsidies.

The temporary overcoming of these barriers has allowed continuous growth and political support. As employment (even if precarious) and economic growth continue, the so-called “serious” capitalism will continue to be supported by the general public.³⁰ The local capitalist class has a genuine interest in the continuation of this process. Neodevelopmentalism represents transnational capital with a base in Argentina and, as such, the mentioned barriers do not constitute a limit to its expansion so far. The “national-popular” project has built a substantial socio political support base.

However, limits to neodevelopmentalism seem to be setting in. Lagging competitiveness is the combination of dependent participation in the world markets and insufficient investment. The preeminence of the export-based rent-appropriating sector within the capitalist class is the mirror image of the dependent relation with Brazil and China. Successful accumulation is reliant on permanence of expansion in the Global South, something that is being brought into question as crisis in Northern capitalism spirals. On the other hand, stagnation of major trade partners, such as the mentioned Brazil and China, is already taking its toll on economic growth and thus on political hegemony. As a new recessionary wave hits Argentina’s capitalism (“armored” against foreign and domestic shocks), political agitation and social unrest will put the ability of the neodevelopmentalist strategy to the test again.

³⁰See Cristina Fernández’s speech in this regard (Presidencia de la Nación, 3/11/2011).

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