

# The Neo-Developmentalist Alternative: Capitalist Crisis, Popular Movements, and Economic Development in Argentina since the 1990s

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After the economic meltdown of 2001 Argentina appeared to enter a new period of sustainable economic growth and relative political stability. After the crisis, changes in public policies were so far-reaching that several authors have argued that Argentina underwent a transition from neoliberal rule to an altogether new period of neo-developmentalism.<sup>1</sup> This chapter argues that while neo-developmentalism represents a break with neoliberalism in some respects, the changes in macroeconomic policies also express profound continuities with past neoliberal policies. Furthermore, any changes must be understood as the result of shifts in the correlation of political forces in the broader regional and international context, rather than a conscious policy 'choice' per se.

The chapter is structured as follows. The first section discusses the dynamics of neoliberal rule and its crisis in Argentina between 1991 and 2001. The second section presents the main structural continuities of the current process in relation to earlier periods of neoliberal orthodoxy. The third section analyses the new political foundations of neo-developmentalism, while the following section discusses changes in public policies showing how they manifest the particular articulation of continuity and change. We finish our discussion with a few preliminary conclusions.

## Neoliberal Transformations: Structural Adjustment, Class Struggle and Crisis

Neoliberalism has been a worldwide process meant to restore capitalist class power over society.<sup>2</sup> In this sense, neoliberalism implies a regime shift: a process that puts into action a set of policies intended to alter the balance of

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1 Curia 2007.

2 Harvey 2009.

forces in favour of capital instead of labour.<sup>3</sup> In general terms, the transition into neoliberalism from Fordism (the so-called 'golden years' of capitalism between the 1940s and the 1960s) began to materialise in Chile in 1973, followed by Argentina in 1976, the UK under Thatcher in the late 1970s, and the US under Reagan in the early 1980s.

In Argentina, dominant classes had been trying to regain uncontested social control of production since the 1970s.<sup>4</sup> Since the 1940s, organised labour in Argentina had been able to gain considerable social power as the economy passed through several phases of industrialisation led by a developmentalist ideology.<sup>5</sup> By 1973 industrial GDP had peaked at 24.2 percent of total GDP.<sup>6</sup> Thus, even the dictatorship of 1976–1983 (the first stage of the neoliberal era) was not enough to undermine the power of the labour movement.<sup>7</sup> While the military government kidnapped and killed several thousand political activists, relatively low unemployment levels prevented an all-out attack on labour.<sup>8</sup> Even if political repression weakened the labour movement, low unemployment rates helped it to maintain its structural power and continue the struggle for better working conditions.<sup>9</sup>

All of this changed in the 1980s. During the second stage of neoliberalism, capital fled from production into the financial sector, while advancing in its concentration and centralisation by means of stagnation.<sup>10</sup> According to the *Instituto Nacional de Estadísticas y Censos* (National Institute of Statistics and the Census, INDEC) GDP per capita fell 23 percent between 1980 and 1989.<sup>11</sup> Gross investment in fixed capital fell 1.7 percent per year between 1984 and 1990. Industrial employment fell 26.6 percent between 1984 and 1993.<sup>12</sup> The contribution of industry as a proportion of GDP fell from 27.2 between 1970–1979 to 18.1 percent in 1991.<sup>13</sup> The precarisation of labour also intensified as

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3 Jessop 2010.

4 Féliz and Pérez 2004; James 1990.

5 Basualdo 2006a; Peralta Ramos 2007; Neffa 2008.

6 Ferreres 2005.

7 Pozzi and Schneider 1993; Bonnet and Glavich 1993.

8 Canitrot 1981.

9 See Selwyn this volume for a definition of 'structural power'. See Pozzi 2008; Basualdo, no date, on the Argentine case.

10 Basualdo 2006a; Féliz and Pérez 2004.

11 All data provided in the chapter comes from the National Institute of Statistics and the Census (*Instituto Nacional de Estadísticas y Censos*, INDEC) unless noted otherwise.

12 Azpiazu 1998.

13 Ferreres 2005.

the unemployment rate grew from 2.5 percent in 1980 to 7.6 percent in 1989.<sup>14</sup> Eventually, after two hyperinflationary episodes in 1989 and 1990, capital had set the scene for its final strike: the Convertibility Plan (CP) of April 1991.

The year 1991 was a milestone in the neoliberal structural adjustment of Argentina's capitalist economy. The implementation of the CP, which lasted until early 2002, completed the plan of Argentina's dominant classes for a successful capitalist restructuring of society. The CP was the Washington Consensus translated into policy, which entailed the following measures: fixing the nominal exchange rate to the US dollar through a currency board (the Argentine Currency Board); liberalising both trade and capital accounts of the balance of payments; privatising most public companies and social security, as well as health and education services; deregulating most economic activities; and introducing greater flexibility to the labour market through modifications in labour law.<sup>15</sup>

We must stress that although in terms of the usual standards (i.e. growth, income distribution, social indicators, etc.) the CP might appear as a failure, in terms of the objectives of the dominant classes the plan was highly successful. Most public enterprises, as well as social security were privatised. The labour market was effectively liberalised, as well as most economic activities.<sup>16</sup>

The CP also allowed foreign corporations to gain control over some of the largest firms in the economy, which at first, was to the advantage of local firms. Early privatisation programs required their inclusion, particularly in the formation of public-private partnerships. However, in the late 1990s most local partners were displaced from those partnerships.<sup>17</sup> Big local corporations remained significant but subordinated actors in the economy. Exceptions to this rule were those large local corporations that had been able to succeed in their own transnationalisation, such as the steel producer Techint and the food-stuffs manufacturer Arcor. Of the top 500 corporations in Argentina, in 1993 foreign capital controlled 32 percent, while the figure reached 48 percent in

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14 For some authors, neoliberal rule was led in Argentina by a process of (unproductive) financial valorisation that displaced productive accumulation. For this view, see Basualdo 2006a. While we agree that the growing leverage of financial capital on the economy is important, we understand it as the result of difficulties faced by productive investment. As such, financialisation is an integral component of the final stage of restructuring during the 1990s. Without the participation of financial capital the process of privatisation and in the reorganisation (concentration and centralisation) of capital, both transformations would have been much more difficult to achieve.

15 Lindenboim and Danani 2003.

16 Peralta Ramos 2007.

17 Basualdo 2006a.

1998 and 66 percent in 2007. The CP succeeded in creating a new, more competitive productive structure based on the export of agricultural and mining commodities (both as primary products such as soybeans and as their basic manufactures such as soybean oil).<sup>18</sup> For the first time in many decades, every year since 2002 has shown for Argentina a positive result in the trade balance as well as in the balance of payments. Taken as a whole, the CP represented a frontal attack on labour's rights as well as the consolidation of a new transnational coalition of export-oriented agro-industrial and mining capitals.<sup>19</sup>

This program was pushed forward through the better part of the 1990s by the traditionally labour-oriented Peronist party with the critical support of the government-allied trade unions affiliated with the *Confederación General del Trabajo* (General Labour Confederation, CGT). In a highly corrupt process, many union leaders and congressional members with ties to the labour movement benefited from the privatisation of state-owned enterprises. Unions were given responsibility for the administration of a portion of the shares of the privatised companies thus obtaining economic and political gains for many of their leaders.<sup>20</sup> Unions were also allowed to participate in the newly privatised pension system, as well as in the healthcare and insurance businesses. As Novick puts it, the privatisation process gave birth to a new trade movement with entrepreneurial interests.<sup>21</sup> Without the CGT's support, the CP could not have advanced as it did in its objectives.

While the CP was successful in achieving the objective of the dominant classes to restore profitability, it also created contradictions that led eventually to the economic meltdown of 2001. This crisis became evident in the second half of 1998 and reached its pinnacle in the final quarter of 2001.<sup>22</sup> Rapid GDP growth between 1990 and 1998 – more than 57.9 percent according to the INDEC – was built on an important increase in the ratio of fixed capital stock to living labour, otherwise known as the organic composition of capital (OCC). Between 1992 and 1998, the OCC increased by 16 percent, with a further increase of 12.7 percent by 2001.<sup>23</sup> This ratio expresses two combined

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18 Arceo 2006.

19 Arceo 2006; Basualdo 2006b.

20 Peralta Ramos 2007.

21 Novick 2001.

22 Féliz 2011.

23 Following Saad-Filho's 1993 interpretation, we approximate the OCC as the ratio between real fixed capital stock and total hours worked. See Iñigo Carrera 2007a. Empirically this allows us to analyse changes in the OCC.

processes.<sup>24</sup> On the one hand, at a more fundamental level, the OCC represents the displacement of the source of surplus value (living labour) in relation to dead labour, that is, the replacement of human labour by machines.<sup>25</sup> On the other hand, higher OCC also implies greater labour productivity. In Argentina, labour's productivity in manufacturing jumped 44.5 percent between 1991 and 1998, and a further 16 percent between 1998 and 2001. Indeed, as demonstrated elsewhere<sup>26</sup> the rising OCC is the original source of crisis tendencies in capitalism that were exacerbated by Argentina's CP, for it created the structural forces that led towards the eventual destruction (devalorisation) of capital in all its forms and manifestations (i.e. falling profitability, decreasing investment, lack of demand, excess relative supply).<sup>27</sup> Increasing labour exploitation, growing foreign markets, and rising luxury consumption staved off, at least temporarily, the tendencies posed by the rising OCC.<sup>28</sup> But most importantly, capital's restructuring also implied the flexibilisation of labour and an increase in the rate of exploitation. According to one calculation, between 1990 and 2001 the ratio of exploitation rose by 40 percent.<sup>29</sup>

The process of labour flexibilisation was only possible because Argentina's labour movement had been beaten and/or co-opted into accepting reforms. This co-optation was possible because the main labour unions affiliated with the Peronist CGT adopted a defensive position within the context of the extreme disciplinary effect of hyperinflation and the increasing precariousness of labour due to the restructuring of capitalist relations. According to the National Institute of Statistics and the Census (*Instituto Nacional de Estadísticas y Censos*, INDEC), unemployment had jumped from an average 3.6 percent in the 1970s to 10.5 percent in 1993–1994. Real wages fell by 39.9 percent between 1974 and 1993. The combination of these political transformations and economic reforms created new rules of the game in which

24 Saad-Filho 1993; Weeks 1981.

25 As accumulation progresses this relative displacement tends to limit the possibilities of further expansion. For further discussion on this process see Saad-Filho 2003; Weeks 1981; Mandel 1968; Shaikh 1992; and Moseley 1991.

26 See Félix 2007; Félix 2009a; and Félix 2011.

27 As OCC grows and relative surplus-value production falters, the difficulties for further expanded valorisation of capital tends to appear as devaluation of capital (failing enterprises, growing unused production capacity, falling profitability, etc.). See Weeks 1981.

28 See Weeks 1981.

29 The ratio of exploitation was measured as the ratio of net surplus value and the mass of variable capital. Net surplus value was estimated as gross GDP minus consumed fixed capital and direct and indirect wages while direct and indirect wages were used as equivalent to the mass of variable capital. See Iñigo Carrera 2007a.

workers found it harder to defend their interests vis-à-vis capital. Finally, while neoliberal reforms entailed the shrinking of the domestic market, increasing luxury consumption by dominant classes and growing markets in new centres of accumulation overseas made it possible to displace the contradictions of accumulation into the future, at least temporarily.<sup>30</sup> The participation of non-workers in total income rose from 53.3 percent in 1974 to 64.2 percent in 1997.<sup>31</sup> On the other hand, exports went from 3.5 percent of GDP in 1974 to 10 percent in 1997.

By the late 1990s, however, things began to change. After several years of disorganisation, Argentina's working class began to regain momentum.<sup>32</sup> The CGT no longer had a monopoly on the trade union movement with the establishment of the *Central de los Trabajadores Argentinos* (Central of Argentine Workers, CTA), which was formed when several important unions, such as the national teacher's union *Confederación de Trabajadores de la Educación de la República Argentina* (Confederation of Education Workers of Argentina's Republic, CTERA) and one of the main associations of public employees, *Asociación de Trabajadores del Estado* (Association of State Employees, ATE), left the CGT to create a new organisation in 1992. The new CTA, the growing *piquetero* movement, growing uneasiness within the 'middle classes' (in particular, students, and small entrepreneurs), and even disgruntled sectors within the bureaucratic CGT, all came together to form a multi-pronged movement of opposition to the harsh consequences of the Convertibility Plan. The first *puebladas* (popular uprisings) by the unemployed in Cutral-có and Plaza Huincul (in the southern provinces of the country) broke out in 1996. After two decades of ineffective resistance, the CGT and the CTA organised several general strikes between 1996 and 2001.<sup>33</sup> Direct action protests (local and regional strikes, picket lines, road blocks, mobilisations) by workers also increased significantly.<sup>34</sup> Between 2000 and 2001 the unemployed became the cornerstone of social protests, leading numerous mobilisations that included roadblocks.<sup>35</sup> This progressive re-composition of the working class weakened the possibility of further advancement of the neoliberal project, as the available options for displacing the contradictions inherent in the neoliberal model of accumulation were narrowing.

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30 Félix 2011.

31 Graña 2007.

32 Bonnet 2002; Piva 2001; Lucita 2001.

33 Piva 2006.

34 Gómez 2000.

35 Bonnet 2002.

By 1998 the world market began to contract and international financial conditions turned gloomy. Flagging export demand led to economic stagnation; valorisation and accumulation faltered. The aforementioned contradictions went from being potential constraints for expanded reproduction to actual limits. Capitalist consumption fell as financing grew dearer and expectations for future growth bleaker.<sup>36</sup> With rising levels of public and private debt,<sup>37</sup> surplus value was increasingly channelled towards paying interest rather than productive investment.<sup>38</sup> Profit rates for big corporations plummeted: the profit rate for big firms fell from an average 10 percent from 1993 to 1998 to only 7 percent from 1997 to 2001, while absolute profits fell every year between 1997 and 2001. These structural limits combined with the contraction in the world economy culminated in a devastating economic crisis. The rate of growth of global imports fell from an annual average of 6.4 percent in the period 1991 and 1997 to only 3.1 percent annually between 1997 and 2002 while the price index of Argentina's exports fell 12.3 percent between 1991 and 1997 and 1998 and 2002.

Political conditions worsened for capital as the different branches of the recomposed working class confronted the government's attempts to deepen neoliberal structural adjustment. In the elections of 1998, the strong neoliberal alliance led by the *Peronist* Party, which had governed since 1989, was displaced by a weak coalition called Alliance (*Alianza*) that tried to overcome the mounting crisis by addressing its symptoms rather than its causes. To reduce the public deficit, the government increased taxes on the upper middle classes (its own political base); to cope with the public foreign debt it took measures to refinance but at a much higher interest rate; finally, it reduced public employees' wages and pensions by 13 percent and tried to impose a zero-deficit policy.<sup>39</sup> Eventually, as the crisis reached its final stages in December 2001, the government imposed a strict limit on the extraction of cash from banks in an attempt to stop the staggering reduction in bank deposits: during 2001 bank deposits fell by 20 percent. Social and political opposition to these policies weakened the government's support.<sup>40</sup>

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36 Astarita 2001.

37 Damill, Frenkel, and Rapetti 2005.

38 Duménil and Lévy 2006.

39 Damill, Frenkel, and Maurizio 2003.

40 Bonnet 2002.

Potential over-production became a reality: capacity utilisation in industry fell to 64 percent in 2001, the lowest level since 1989.<sup>41</sup> Under-consumption (the flip side of over-production) became a problem as real wages fell due to policy choices and recession. Capital flight increased as the political situation deteriorated: between December 2000 and December 2001 capital flight reached US\$12 trillion. Deflationary pressures and then the devaluation of the exchange rate were progressively the outcome of a process that had created the conditions for commodity devaluation across the board.<sup>42</sup>

The crisis of the CP appeared to most analysts as a typical stop-go process, perhaps mediated by a sudden stop in capital inflow.<sup>43</sup> However, under the appearance of the archetypical exchange rate crisis produced by the lack of finance for deficit in the external accounts, this time the fleeing capital was nothing more than the paradoxical manifestation of the successful restructuring of capitalist production in Argentina.<sup>44</sup> In fact, financial capital only began to abandon Argentina in late 2000 while, according to the *Centro de Economía Internacional* (Centre of International Economy, CEI), country risk had begun rising as late as the first quarter of 2001. Deflationary tendencies were the partial result of the increasing productivity combined with the parallel contraction of foreign and domestic demand. Given the fact that increases to productivity in Argentina's industry outstripped that of the United States (the country that holds the world currency, the US dollar) and that real wages had also fallen substantially in relative terms to the US between 1991 and 2001, falling unit costs were manifest in pressures for currency devaluation or price deflation in dollar terms.<sup>45</sup> In short, given falling relative unit labour costs and increasing competitive pressures in a situation of falling demand, local prices as measured in US dollars had to fall. They began to do so as between 1998 and 2001 the producer price index fell by 5.3 percent. However, the Argentine Currency Board made these processes extremely complicated. Currency devaluation thus appeared to be the most feasible option to restore profitability given the increasing productivity of local capital and falling relative unit

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41 *Fundación de Investigaciones Económicas Latinoamericanas* (Foundation of Latin American Economic Research, FIEL), available at: <[www.fiel.org](http://www.fiel.org)>.

42 See Félix 2007; Félix 2009a.

43 See Calvo et al. 2003. For example, Kalantzis 2004 explains that flagging exports caused the crisis. While sluggish exports are one of the elements behind the crisis, they are not their cause. See Félix 2007.

44 See Félix 2009a; Félix 2011.

45 See Félix 2009a.



labour costs compared with the rest of the world.<sup>46</sup> The nominal exchange rate was devalued by 40 percent in January 2002 but then entered into an uncontrollable spin, reaching 200 percent nominal devaluation by the end of the first quarter of 2002, after which it stabilised.

### How Neoliberal Restructuring Created the Structural Foundations of Neo-Developmentalism

Without changing Argentina's peripheral position within the circuit of global capital,<sup>47</sup> this process did allow dominant fractions within the capitalist class, such as the export-oriented, transnational, and concentrated capitals in the mining and agricultural sectors, to place themselves in a hegemonic position.<sup>48</sup> This position would allow them to control and orient the process of valorisation and accumulation of capital in the local economy.<sup>49</sup>

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46 See Shaikh 1991; Féliz 2009a. Rising productivity was the other side of the coin of increasing OCC (Féliz 2011) since as Marx explained rising OCC is the expression of such process. See Marx 2000.

47 Argentina's capitalist economy can be characterised as peripheral and dependent. This implies at least two elements. First, the economy has a low level of development of its productive forces in comparison with the main economies (such as those of the G8). Second, the development of capitalist relations in such an economy creates particular relations in production and circulation of value giving way to especially high levels of dependence on foreign capital in different forms. See Marini 1973; 1979.

48 According to Ortiz and Schorr, the leading industrial conglomerates and enterprises organised in the *Unión Industrial Argentina* (Argentine Industrial Union, UIA) began to demand an exit from the CP already by 1998. Together with Basualdo, they stress the fact the UIA with other business groups related to export and import competing activities constituted a bloc within the dominant class. They confronted the privatised enterprises and foreign banks and corporations who preferred the alternative of dollarisation of the economy. While we agree that interests within the dominant classes grew more divergent as the crisis deepened, we think that the resulting alternative (devaluation) was forced by the structural tendencies: falling relative real unit labour costs, fleeing capital, falling demand, and plummeting profitability. The main beneficiaries of the exit from the CP were the same sectors that grew during the neoliberal phase. For more information, see Ortiz and Schorr 2007; Basualdo 2006.

49 In the process that had begun in the seventies, big local and foreign capitals, especially those tied to the agro-industrial and mining export-oriented complex, displaced local, industrial, mid-sized firms from control of the process of capital accumulation. See Basualdo 2006.

The fall of the CP came about as the result of the contradictory tendencies of capitalist development in Argentina. The convergence of the successful model of capital accumulation (GDP growth based upon rising labour productivity and increasing OCC) with political developments (the recomposition of labour) created the material preconditions for the crisis. However, while the crisis of the CP presented itself as the exhaustion of neoliberalism in Argentina,<sup>50</sup> it did not in fact lead to its definitive end but rather its recomposition.<sup>51</sup> From 2002 onwards, neo-developmentalism has allowed the dominant classes to recreate their hegemony by building on the foundations laid during the neoliberal phase.<sup>52</sup> In particular, the neo-developmental project retains two major structural elements of neoliberalism: the plundering of common goods via an extractivist model of development and the super-exploitation of labour.

First, in the post-2002 era, the exploitation and export of primary products from the mining and agricultural sectors became one of the main sources of surplus value in the form of absolute and relative rent.<sup>53</sup> Rent appropriated by landowners jumped from 6,514 million constant pesos in 1991 to 21,600 million constant pesos in 2004. Primary production grew 31 percent between 1993 and 2003, coming to represent 9.9 percent of nominal GDP by 2003. Exports of primary commodities (such as soya bean) and manufactured commodities (such as soya oil) reached 10.8 percent of GDP and 74 percent of total exports that same year, becoming the main source of foreign currency. In particular, soya exports have grown exponentially. Between 2002 and 2010 they averaged 220 percent more tonnes than in 1991–2000, according to the Ministry of Agriculture, Stockbreeding and Fishing (*Ministerio de Agricultura, Ganadería y Pesca*). Total exports grew 123 percent in the same period.

Second, precarious employment remained the source of a significant portion of surplus-extraction. In other words, the new capitalist strategy after the crisis of the CP retained super-exploitation of labour as a means of its valorisation. In 2009, 35 percent of the salaried workforce remained informal

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50 See Lascano 2001.

51 See Castorina in this volume.

52 Azpiazu and Schorr 2010b, p. 229 state that the year 2002 expressed the breaking point of the hegemony of the pre-eminence of financial valorisation and structural adjustment, beginning the transit towards a new, imprecise and uncertain regime of accumulation.

53 See definition of absolute and differential rent in the introduction to this volume, based on Iñigo Carrera 2007a. For further discussion see the review by Campbell 2002 and chapters by Grinbert and Starosta and Purcell in this volume.

workers, more than 20 percent of the working class lived below the poverty line.<sup>54</sup> Average wages have remained at their lowest levels in 30 years.<sup>55</sup>

These two elements of continuity between neoliberalism and neo-developmentalism have produced new economic dynamics in the first decade of the twenty-first century, expressed in higher profit rates and a devalued real exchange rate. On the one hand, the orientation of capital towards production in rent-producing export commodities together with the persistence of historically low levels of wages has meant even higher profit rates. In 2006–2007, for example, profit rates were 16.6 percent compared to 10.4 percent in 1993.<sup>56</sup> Today, profit rates are even higher for export-oriented capital. On the other hand, the combination of a higher level of relative productivity obtained during the 1990s and the persistence of high levels of labour flexibility (and thus low relative real unit labour costs) has allowed for the real exchange rate (RER) to remain at relatively competitive values: the RER was 78.9 percent more competitive (devalued in real terms) during 2009 than in the mid-nineties (1998).<sup>57</sup> In fact, RER competitiveness is the other face of a relatively high ratio of productivity to real wages. Based on these structural conditions capital's ability to expand has remained strong since mid-2002, even if challenged by the dynamics of class struggle.

Neo-developmentalism not only advanced due to changes to the structural conditions at the domestic level but to significant changes in the world market. Two of these changes were particularly important for Argentina. First, China became a major trading partner. In fact, Argentina's trade with China jumped from a yearly average 2.2 percent of total exports between 1990 and 2001 and to 7.7 percent of total exports between 2002 and 2008, while during the same period imports from China surged from an average 3.3 percent of total imports to 8 percent. This evolution was in line with the evolution of China's trade: while China's exports went from 1.8 percent of total world exports in 1990 to 4.3 percent in 2001 and 9.5 percent in 2009, imports to China from the rest of world went from 1.4 percent of total world imports in 1990 to 3.8 percent in 2001 and 8 percent in 2009.<sup>58</sup>

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54 Félix, López and Fernández 2010.

55 We understand super-exploitation of labour in the sense of Marini 1973.

56 Profit rates are estimated as the ratio of net profits of the top 500 corporations to their total circulating capital (total sales minus net profits). See the INDEC's National Survey of Big Enterprises.

57 See Félix 2009a on the higher rate of relative productivity. The RER was estimated as the ratio of the nominal rate for the US dollar (pesos per US dollar) to the ratio between the producer price indexes of both the US and Argentina.

58 CEI.

Second, the growing weight of soya and mineral exports allowed Argentina's capitalist class to profit from growing commodity prices: in 2009 Argentina's terms of trade were 40 percent higher than the average of the period 1990–2001. This change allowed Argentina's economy to find a significant space for exports in the neo-developmental phase: total exports of goods and services grew from 6.9 percent of GDP in 1993 to more than 21.3 percent in 2009, while net exports (exports minus imports) of goods and services went from a deficit of 2.4 percent of GDP in 1993 to a surplus of over 5.3 percent in 2009.

### The Political Foundations of Argentina's Neo-Developmentalism

The transition from neoliberalism to neo-developmentalism in Argentina was no easy task for the dominant classes. During the first months of 2002, it was not at all clear for anyone (not even for the dominant fractions of capital) which direction the development process would take in the context of extreme economic and political uncertainty. The progressive unfolding of a neo-developmental strategy was in fact not the result of a planned transition but rather the outcome of an articulation of the new structural restrictions and political challenges posed by the popular movement. In a sense, in the unfolding of the neo-developmental project dominant classes have recognised the renewed composition of the working class, the need to accommodate, albeit partially, some of its demands, and the limits they pose on their strategic goals. The successful consolidation of the neo-developmental strategy is an indication of the hegemonic construction of the dominant classes.

In the last years of the CP, the succession of misplaced attempts to solve the severe economic and political crisis led to increasing social unrest that resulted in the resignation of the Minister of the Economy on 19 December 2001, followed by the president De la Rúa the next day. The social mobilisation during the second semester of 2001 not only ended the CP but also displaced four presidents in 15 days. The interim president, elected by Congress in January 2002, Peronist Eduardo Duhalde, was able to resolve the financial and exchange rate crisis with little cost to the biggest corporations that were the main beneficiaries of the new policies.<sup>59</sup> The policy package included currency devaluation, imposition of export taxes, partial public debt default, a price freeze on privatised public services, and 'asymmetric pesification'. This last element implied that the dollar debts of big private debtors within the financial system were turned into peso debts (avoiding the cost of devaluation)

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59 IDEF-CTA 2002; Basualdo, Lozano and Schorr 2002.

while at the same time the state compensated the banks for any losses by giving them new public debt bonds.<sup>60</sup>

At the same time, the combination of mild political repression and the creation of new social programs allowed the government to stay a steady course in the midst of unprecedented social mobilisation. Duhalde's government created the most comprehensive income support program in all of Argentina's history: the *Plan Jefes y Jefas de Hogar* (Heads of Household Program, JyJDH).<sup>61</sup> This program extended income support to almost two million direct beneficiaries within the first few months of 2002. A number serves to illustrate the magnitude of the program: in May 2003 the number of beneficiaries represented 81.6 percent of the unemployed.<sup>62</sup> While the amount of the benefit going to each household was extremely low (only about US\$40 a month) it provided a minimum income in a context where real wages had fallen by 20 percent between the last quarter of 2001 and the first quarter of 2002. Unemployment touched 25 percent of the active population, and 40 percent within the youth.

The JyJDH sought to calm down political unrest by dismantling popular organisation and to maintain the Duhalde government's tenuous grip on office.<sup>63</sup> However, the repression of a mobilisation by the *piquetero* movement on 26 June 2002 resulted in the death of two young militants of the *Movimiento de Trabajadores Desocupados Anibal Verón* (Movement of Unemployed Workers Anibal Verón, MTD Anibal Verón) and ended the chances of continuation for Duhalde's government.<sup>64</sup> Presidential elections were called for early 2003; Néstor Kirchner, a member of the same party as Duhalde, the Peronist Justicialist Party was elected. By May 2003 the pieces had been put into place for the implementation of a new regime of accumulation.

The termination of the CP laid the basis for short-run economic growth by adjusting the ratios of variable capital versus constant capital (thus enhancing profitability) and productive capital versus financial capital (thus favouring productive accumulation). Now that economic growth rates had recovered,

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60 LASFRC 2002.

61 Félix and Pérez 2007.

62 Félix and Pérez 2007.

63 Dinerstein et al. 2008.

64 The MTDs were new organizations born in the 1990s. Since traditional labour unions and left-wing parties would not represent the mounting ranks of the unemployed, in the mid-1990s the MTDs multiplied as new organizational forms of struggle. The MTD Anibal Verón was an archetypical organization that employs direct action (roadblocks) as a main means of struggle, base democracy, and class independence. Later in the decade several left-wing parties as well as the CTA decided to include the MTDs in their strategies. See Svampa and Pereyra 2003; Stratta and Barrera 2009.

the newly elected Kirchner government set out to create the conditions for the reproduction and expansion of its political power. In fact, while the Kirchner government always stressed that the recovery of economic growth was as the result of their economic policy, GDP had been rising long before Kirchner was elected. By the first quarter of 2003, GDP was growing at a 5 percent annual rate. This meant that the state-form had to change to allow for a new correlation of social forces that was born during the neoliberal phase.<sup>65</sup>

Kirchner consolidated a political alliance with a fraction of the labour movement bureaucracy (mostly within the CGT, whose new leadership had participated in the struggles against privatisation in the late 1990s) and local capital's hegemonic fractions (of both national and transnational origin). Within the CGT, a new wave of grassroots activism put pressure on the bureaucratic leadership to make demands on the government.<sup>66</sup> This mobilisation also had an important impact on the formation of new grassroots movements. For instance, there was a rise of young activists who were involved in new social movements and organisations that had sprung up all around the country in movements of unemployed workers, movements of women, community radio stations, etc.<sup>67</sup> To gain the CGT's support, the government took steps to partially recover real wages that had been depressed by devaluation's effect on domestic prices (particularly on basic consumption goods). In the first 12 months after devaluation in 2002, consumer prices jumped by 41 percent while food prices went up by 58 percent.<sup>68</sup> The government put forward a new labour policy that promoted the signing of collective agreements and decreed several wage hikes and increases in the minimum wage for formal workers. In 2004, the number of formal collective agreements doubled compared to the average of the previous ten years, and was 20 percent higher than the year before.<sup>69</sup>

The combination of demands from below, and pro-active policies from above, created the conditions for a limited amelioration of working conditions within the formal segment of the labour force.<sup>70</sup> While wages increased significantly from 2002 to 2007, in 2007 real wages for formal-sector workers in the

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65 Poulantzas 1979.

66 Etchemendy and Berins Collier 2007; Basualdo 2010; Prensa de Frente 2005.

67 Lobato and Suriano 2003.

68 To avoid confusion it is important to recall that the devaluation of Argentina's currency implies the increase in the peso price of the US dollar. This means that the domestic prices of all dollar-denominated commodities (such as exported food stuffs and fuels) increase when the domestic currency is devalued.

69 Ministerio de Trabajo, Empleo y Seguridad Social 2005.

70 Neffa 2008.

private sphere were just 6.7 percent over their 2001 levels, while for precarious workers real wages were still 22.4 percent lower and state employees were 28.4 percent below their 2001 levels.<sup>71</sup> The official unemployment rate also fell rapidly between 2002 and 2005, but high levels of informal and precarious work continued to prevail.<sup>72</sup>

Regarding the local bourgeoisie, the government followed an active policy to garner the support of a significant (and politically relevant) portion of the import-competing manufacturing and export-oriented business class.<sup>73</sup> On the one hand, the decision to maintain a high and stable real exchange rate through the central bank's massive purchase of dollars and the unofficial policy of wage ceilings was the main instrument to preserve the profitability of the capitalist class as a whole.<sup>74</sup> Wage ceilings were the main macroeconomic element of the new labour policy and were aimed at containing wage growth within the growth of labour's productivity. The government proposed a limit to wage increases equal to 19 percent for the year 2006 and 16.5 percent for 2007. While the official inflation rate was 9.8 percent in 2006 (down from 12.3 percent in 2005) many observers (including workers within INDEC) claimed actual inflation to be at least twice as much.<sup>75</sup> In 2007, the rapid improvement in labour's income hit a ceiling.<sup>76</sup> The combination of successful repression of non-institutionalised conflicts, tight control (at times violent) by union leaders of grassroots movements, and the difficulties in creating political alternatives constricted the ability of workers to claim a larger share of value added. In 2008 labour's participation in value added stagnated. In addition, the state supported capital's profitability with a combination of direct and indirect subsidies and renewed impetus of public investment in infrastructure projects.<sup>77</sup>

The local bourgeoisie and the CGT were the strongholds of the government's societal coalition. However, Kirchner was elected by only 22 percent of eligible voters; he needed to build a wider support base. He came in second place in the first round of the 2003 elections, after the neoliberal candidate Carlos Menem (another Peronist who served as president from 1989 to 1999). However, since

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71 It is important to clarify that super-exploitation of labour does not imply that wages such stagnate or fall. While wages grew in the neo-developmental phase, the prevalence of labour precarisation meant that many workers were still earning below the minimum wage or even below the poverty line.

72 Rameri et al. 2008.

73 Azpiazu and Schorr 2010b.

74 Ministerio de Economía y Producción 2007; Frenkel 2005.

75 ATE-INDEC 2008.

76 Félix 2008.

77 Ministerio de Economía y Producción 2007.

Menem desisted from participating in the second round, Kirchner was named president on 25 May 2003.<sup>78</sup> In an adequate reading of the political situation, the newly appointed president moved forward on a political program that discursively rejected neoliberalism and allowed him to win additional constituents. In actual policy, the government rolled back some of the policies of the 1990s – particularly, trials for human rights violators during the last dictatorship, and reassertion of state ownership over some of the companies that had been privatised in the 1990s, such as the *Correo Argentino* (Argentine postal service) in 2003, Aguas Argentinas (Argentine Waters, the water and sanitation company of Greater Buenos Aires) in 2006, Aerolíneas Argentinas (Argentine Airlines, the national airline) in 2008, and so on. These changes won the government the support of wide sectors of the middle classes and of some popular organisations, particularly a significant sector of *Madres and Abuelas de Plaza de Mayo* (Mothers and Grandmothers of May Plaza) and some *piquetero* movements such as the *Federación de Tierra y Vivienda* (Federation of Land and Housing, FTV), a member of the CTA.<sup>79</sup>

The final element in the new government's strategy for political survival in turbulent times was to create a new generation of social policies.<sup>80</sup> These policies included the bifurcation of the JyJDH in 2005 into two separate programs aimed at those deemed to be unemployable (generally, single women with children) and to those signalled as potentially employable (married men).<sup>81</sup> Under the *Plan Familias* (Families Plan), beneficiaries would receive a monetary incentive to return home by relinquishing work duties established under the former JyJDH and in return, send their kids to school and submit them to periodic medical check-ups. The other program, *Seguro de Empleo y Formación* (Employment and Training Insurance) paid beneficiaries to learn trades and to look for work. In both cases, the unspoken objective was to dismantle the nationwide network of movements of unemployed workers that had been able to use the former JyJDH as a means of mobilisation and organisation.<sup>82</sup> The MTDS were able to reap economic resources from the government in the form

78 Bruschtein 2003.

79 The *Madres and Abuelas de Plaza de Mayo* are two of the most influential human rights organisations in Argentina. Born during the last dictatorship, they have fought for truth and punishment of those responsible for human rights violations during the period 1976–1983. FTV is one of the most important territorial organisations born in the 1980s in the struggles for living conditions in the neighbourhoods of the greater Buenos Aires. See Stratta and Barrera 2009.

80 Dinerstein et al. 2008.

81 Pérez 2005; Pérez and Félix 2010.

82 Golbert 2004; Castorina in this volume.



of social allowances and financial assistance for socio-economic subsistence projects. These resources allowed the movements not only to improve the living conditions of their members but also worked as organisational means to increase their ability to make effective demands on the state. The JyJDH was the pinnacle of such process. After the assassination of Kosteki and Santillán in 2002, the State began to regain control of the socio-political situation, dividing and co-opting a significant part of the movements of the unemployed.<sup>83</sup>

### **Argentina in the Neo-Developmentalist Stage: Protected Against All Odds?**

The new structure of capital has provided Argentina's economy with the means to respond effectively to changing conditions in the world market. In fact, the aforementioned changes have allowed capital in Argentina to continue its expanded reproduction almost unharmed between 2008 and 2009 in the midst of the greatest crisis in the world's capitalist economy in almost 70 years. While the GDP of developed economies plummeted by 3 percent between 2008 and 2009, and peripheral countries such as Brazil contracted by 0.2 percent in 2009, Argentina's economy grew 6.7 percent in 2008 and 0.9 percent in 2009, recovering in 2010 to a projected 11 percent GDP growth rate.<sup>84</sup>

Several elements have to be brought to bear in order to comprehend these new developments.<sup>85</sup> First, for the first time in many decades Argentina has been able to sustain a significant surplus in its external balance of payments even while growth has been significant: compared to the year before, exports fell by 20 percent in 2009 while imports were reduced by 32 percent. On average, the current account surplus has been equivalent to 4 percent of GDP between 2002 and 2009. This situation has turned the external sector of the economy into a buffer against the contraction of world trade during the initial stages of the crisis from 2008 to 2009. Thus, while exports fell significantly in those years, so did imports, such that the contractive impact of crippling international trade remained moderate as net exports remained stable. Besides, the foreign exchange surplus allowed the Central Bank to accumulate international reserves, which jumped to more than US\$50 billion by 2008. These

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83 Stratta and Barrera 2009; Svampa and Pereyra 2003.

84 Stastics from Economic Commission for Latin America and the Caribbean (ECLAC), various years.

85 Félix and López 2010a, 2010b.

reserves created a cushion to offset any possible outflow of speculative capital in the months of international turmoil during 2009.

Second, the devaluation of all forms of capital during and after the crisis of 2001–2 created ample space for capital's contradictions 'to move', for it created new sources of exploitation, recreated the means for pumping up aggregate demand, and significantly diluted the drainage of surplus value towards financial capital. In 2002 the (international) value of commodity production in Argentina fell by about 30 percent, increasing the international competitiveness of local capital. Meanwhile, through a process of debt default and renegotiation the public and private stock of debt fell significantly, reducing its weight on productive accumulation. Devaluation of variable capital (wages and salaries) between 2001 and 2002 was very important and created a buffer of extraordinary surplus value for the absorption of the effects of the upcoming international crisis.

Third, the state's financial situation improved greatly after 2002 creating the means for a pro-active, counter-cyclical policy in 2008–2009. National public expenditure reached 31 percent of GDP in 2009. This expansion included several infrastructure programs as well as social policy expenditures, which worked directly to enhance profitability, or indirectly to boost domestic aggregate demand in the context falling external sales.

As the world financial and economic crisis quickly progressed, Argentina's dominant sectors demanded that the government promote policies for the improvement of their competitive position.<sup>86</sup> The new president, Cristina Fernández de Kircher (CFK), wife of former president Kirchner and faithful executor of the neo-developmental program, was elected in late 2007. CFK introduced a controlled devaluation of the nominal exchange rate and more explicit caps on wage negotiations.

The main result of this policy was that wages stagnated for the first time since 2002,<sup>87</sup> which halted the falling exchange rate competitiveness (or rising relative real unit labour costs). At the same time, in the midst of the world food crisis in 2008, agricultural sectors of the dominant classes began a series of protests to push the government to reduce export taxes. In May 2008, the government had attempted to raise export taxes to increase fiscal revenue and to absorb the inflationary effect of higher crop prices due to crisis-ridden speculation in world commodities' markets. Crop producers responded with massive demonstrations and roadblocks.<sup>88</sup> After several weeks of protests, the

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86 Félix 2009b.

87 Lozano 2009.

88 Grigera 2009; Sartelli et al. 2008.

government was forced – in a divided vote in Congress – to back down from the increased export taxes.<sup>89</sup> This divided vote reflected the first important fracture in the alliance between the government and the dominant classes, which as a whole still back the current economic strategy.

As the impact of the crisis advanced and with the advancement of exporting fractions of the bourgeoisie, social movements that were born in the process of resistance to neoliberal rule increased their demands for public actions to protect the working people. The creation of the political space (*'Otro camino para superar la crisis'* or *'Another road to overcome the crisis'*) was a step in this direction. Integrated by the *Frente Popular Darío Santillán* (Popular Front Darío Santillán, FPDS), the collective *Economistas de Izquierda* (Economists from the Left, EDI), and the *Bloque Piquetero Nacional* (National Piquetero Block, BPN), amongst other groups, this movement began a series of actions and mobilisations to demand lower consumption taxes, wider income support for the unemployed and higher taxation of export-oriented firms.<sup>90</sup> The CTA also demanded that the working people not pay the cost of the crisis through a series of mobilisations, 'national days of struggle', and strikes.<sup>91</sup>

To maintain political support within this context of increasing political agitation, the changes in macroeconomic policy were coupled with the implementation of several programs to control the negative impact of falling export demand and keep a lid on social unrest.<sup>92</sup> First, the government created the *Programa de Recuperación Productiva* (Program of Productive Recovery, REPRO), which allowed troubled firms to receive subsidies on their payroll if they refrained from firing workers. Under REPRO, a firm could suspend workers, and pay reduced wages, while the state would cover the difference.<sup>93</sup>

Second, the government re-nationalised the pension system that had been privatised in the early 1990s.<sup>94</sup> Nationalisation implied the transfer without

89 *Página/12* 2008a.

90 See Katz et al. 2008; *Página/12* 2008b. For example, see the declaration "*No votes contra el pueblo*" ("Do not vote against the People") by the space "Another path..." that came out before the June 28th elections (Document 1 2009) and the "*Solicitud de audiencia con la Presidenta*" ("Demand for audience with the President") requested by several social movements on 24 July 2009 (*Prensa de Frente* 2009).

91 See, for example, the National Day of Struggle (*Día Nacional de Lucha*) of 22 April 2009 (*CTA de los Trabajadores* 2009a), the National Strike of 27 May 2009 (*Página/12* 2009), the statements by the CTA on 20 July 2009 (*Agencia CTA* 2009) or the National Day of Mobilisation (*Jornada Nacional de Mobilización*) of 7 August 2009 (*CTA de los Trabajadores* 2009b).

92 Pérez and Félix 2010.

93 Lukín 2010.

94 Cufre 2008.

pay out of all the assets of the private pension funds to the state. The state not only appropriated those assets (including stocks in almost fifty of the most important companies in the country and a sizeable share of public debt bonds) but also regained control of the social security taxation that was formerly being directed to pension funds. This move allowed the government to increase domestic demand by raising the incomes of pensioners. In addition, re-nationalisation gave the government fiscal resources to cope with mounting public deficits without having to return to the international debt markets.

Third, in late 2009 the government created the *Asignación Universal a la Niñez* (Universal Benefit for Children) a new, more universal program that provides benefit to adults with children and low-income informal employment (wages under US\$380 per month) or unemployed.<sup>95</sup> As of 2010 the plan serves almost four million families with children. This subsidy was meant to reach those who are ineligible for other social benefits. However, the implementation of the program implied the elimination of several other benefits for poor families (such as the *Plan Familias*), it is not generalised to the whole population and it is not unconditional.<sup>96</sup>

By late-2009, the economy had begun to recover. A few months into 2010, employment levels had recovered to their previous peak.<sup>97</sup> While ten years before Argentina's neoliberal economy was hit hard by worsening international conditions due to its own internal contradictions, neo-developmental-ism seems to have provided the country with a significant cushion to soften the blow of the international crisis. The combination of modified internal structural conditions and a new form of the state – ready to respond to capital's demands but able to adapt politically to a renewed class composition – provided the general conditions for a successful displacement of the contradictions of capital accumulation.<sup>98</sup> Argentina's economy seems to have found a new path of successful capitalist accumulation without abandoning its dependent and peripheral character.

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95 Barrera 2009.

96 Ibid.

97 Ministerio de Trabajo, Empleo y Seguridad Social 2010.

98 External transformations – such as the aforementioned role of China – also have been important to allow Argentina to successfully navigate this crisis. In this article, however, we wish to stress the fundamental role of internal structural transformations.

## Conclusion

Neoliberal rule in Argentina ended abruptly and violently in 2002 giving way to a new mode of reproduction of capitalist social relations. The neo-developmental form of capitalist development emerged as the supersession and paradoxical continuation of the process of capitalist restructuring that began in the 1970s. New political forces in action within a renewed and consolidated structure of the cycle of capital gave birth to a seemingly stable state-form. This new form of the state does not contradict the needs of dominant fractions of capital – to the contrary – but rather absorbs and contains in a conflictive manner the new forces and demands of a working people that has achieved a new political class composition.

Neo-developmentalism repeats two trends of the previous neoliberal stage: the successful (from the point of view of local dominant classes) structural transformation of the economy (transnationalisation based on plundering of common goods), and extreme exploitation of labour as a necessary element for successful capital valorisation. Both these elements were the fundamental bases upon which the main changes that constitute a new phase of capitalist development were introduced: a new form of the state that expresses – mainly through macroeconomic policy – the competitive needs of the leading fractions within the dominant classes and a new set of public policies to contain and channel a new form of social conflict (that resulted from the constitution of a new class composition of labour).

What is most important is that we can no longer speak of neoliberalisation in Argentina as an on-going process. As a political program of the dominant classes looking to establish a new stable pattern of valorisation and accumulation, neoliberalism has triumphed. However, such victory came about with two limitations. First, it did not overcome class conflict but has had to contain it in new ways. Second, neoliberalism did not alter Argentina's peripheral position in the world economy and thus it has not fully met the requirements for 'successful' capitalist development.

Capitalist hegemony in Argentina appears to be stronger now than it was in the mid 1990s – before the crisis of the Convertibility Plan – due to strong and stable conditions for the production and realisation of value. But in order to maintain political stability, capital has had to give in to some of labour's demands, reflected in the reforms to labour and social policies.