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The Political Toll of the Depression in Argentina

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Most analysts knew that devaluing the Argentine peso—tied to the dollar for a decade—would be economically painful. But few except the most pessimistic expected the devaluation to result in a massive economic depression, as indeed happened in Argentina in 2002. The economic statistics from Argentina at mid-year are simply harrowing:

- Argentina's GDP dropped by 15 percent in the first half of 2002; gross domestic investment is expected to drop by more than 40 percent in 2002.

- The average industry is operating at less than 60 percent capacity, the lowest level since 1992; some sectors (automobile and construction) are operating at less than 20 percent (*Ambito Financiero,* June 27, 2002, p. 6).

- The unemployment rate, already high in 2001, continues to grow. Almost 330,000 people lost jobs between January and June 2002, for a total of 3 million unemployed workers, almost 25 percent of the economically active population.

- Those with jobs experienced a 25 percent decline in real wages in the same period (*Clarín*, July 3, 2002, p. 15).

- Lacking cash, consumers have resorted to pre-capitalist forms of exchange by establishing bartering clubs ("*clubes de trueque*"). Lacking credit, firms have begun to lend cash to those firms with which they do business, charging astronomical interest rates ranging from 65 to 85 percent (*Ambito Financiero,* June 26, 2002, p. 5).

- After 9 years of very low, sometimes negative, inflation rates, annual inflation surged to 57 percent, with the possibility of hyperinflation by year end.

As with most depressions, this one has strained the social fabric of Argentina. In the words of President Duhalde on the day of national independence, "Argentina is on the verge of collapse ('*al borde del derrumbe*')." This brief report discusses the toll of the depression on Argentina's politics. It argues that while not every democratic institution in Argentina is in imminent danger, there are signs of trouble coexisting with signs of hope. I make this point by reviewing trends at the level of civil society.

Civil Society: Caceroleros, Piqueteros and Coleros

How has civil society responded to the crisis? Not that badly, argues Enrique Peruzzotti in his paper "Civic engagement in Argentina: From the Human Rights Movement to the Cacerolazos." Peruzzotti makes the compelling argument that the cacerolazos—i.e., the eruption of angry city dwellers who protest by banging pots (*cacerolas*) and which forced the resignation of President Fernando de la Rúa in December 2001—represent a very democratic response to the crisis. They are examples of social accountability at work. The cacerolazos, he argues, cannot be reduced to mere episodes of self-interested savers demanding access to their savings, because these actors demand that all institutions, not just the banks, become more open. They cannot be labeled an old-fashioned *movimientismo populista,* of the kind that in the past provided fertile ground for the rise of caudillos, because the caceroleros are leery of personality cults. For Peruzzotti, the cacerolazos are instead examples of social accountability because participants are distinctively interested, not in destroying institutions, but in correcting their performance deficit, i.e., closing the gap between the actual and the expected performance of institutions.

However compelling, this argument remains a hypothesis to be tested. There is no question that caceroleros are concerned with institutional performance. The problem is that being concerned with institutions is not enough. These groups still fail to engage in practices that are more essential to accountability. The caceroleros and neighborhood associations have focused exclusively on the politics of protest, denunciation, and outrage, but less so on the politics of evaluation. For a group to count as a force of accountability, it must develop more refined evaluative capacities. That is, it must be capable of offering more nuanced evaluations, or grades, if you will, of the different institutions in the country. Clearly, not all institutions are in equal condition. A group that finds all institutions to be equally healthy is too complacent to count as a force for accountability. A group that finds all institutions equally broken is too cynical to count as an accountability-enhancing group. Only groups that are capable of discerning which institutions perform better than others—separating those that ought to be preserved, reformed, and discarded—are truly enhancing accountability. So, when the caceroleros adopt the absolutist banner, *"¡Que se vayan todos!,"* they raise questions about their discerning capacity. Until the caceroleros channel their energy to the construction of organizations capable of exercising that evaluative function, it will be difficult to consider them unequivocally as forces of accountability.

Nevertheless, one point is clear. The caceroleros constitute one of the most significant forces pressing for political renewal in Argentina, and in that sense, they are acting in favor of accountability. In a country where the political class has exhibited a surprising degree of "stickiness" (despite several electoral shocks), it is good to know that society has not remained passive. In a country where the electorate has demonstrated signs of retrenchment (consider the large number of abstentions and null votes in the October 2001 mid-term elections), it is good to know that there are citizens refusing to remain disengaged.

It is also good that these groups have an anti-messianic proclivity, as Peruzzotti rightly indicates. But can one really rule out the possibility that the rise of a functionalist strongman—i.e., one who might mitigate the sources of their grievance, whichever those might be—will not seduce them into passivity? The problem with groups that emerge as a result of a particular grievance is that addressing that grievance carries the risk of expediting the expiration of the group, or at least, compelling them to put aside their concern for institution building. It's too early to tell.

The other reason for pessimism is that the caceroleros, however democratic, are not the only new kids on the block. Two other forms of societal activity have emerged in depression-era Argentina: the piqueteros and the coleros. The democratic contribution of these groups also remains to be seen.

As social movements, the piqueteros are fascinating. These are organized groups of unemployed citizens, which in Argentina comprise quite a large pool of people. The piqueteros became famous because of their protest style—blocking road traffic (*"cortes de ruta"*). They began their activities in 1997, staying mostly in the provinces, away from Buenos Aires. But by 2002, the piqueteros became the central "street actors" in Buenos Aires, perhaps displacing the caceroleros.

The piqueteros are fascinating because, although they reject old-fashion politics, they have adopted forms of self-organization that are reminiscent of the very best organizing tactics of old Peronist unions and communist party cells. Because of their sophisticated organization, they have been able to rise quickly to prominence.

As with most protest social movements, the piqueteros comprise individuals and groups of diverse persuasions and goals (Table 1). And as with the caceroleros, it is unclear whether the piqueteros are pressing for a particular interest (e.g., jobs), a particular political ideology (anarchism, radicalism, anti-globalizationism), or institutional reform. They too adopt the *"¡Que se vayan todos!"* banner. And even more worrisome, they often protest by covering their faces with *pasamontañas* and holding sticks, suggesting preparedness for violence (although piqueteros always claim that violence would only occur in self-defense).

Table 1: The Piqueteros in 2002

Bloque	**Members**	**Political Affiliation**
Confederación de Trabajadores Argentinos (CTA)	Federación de Tierra y Vivienda (FTV)	Frente para el Cambio (former FREPASO)
	Movimiento Barrios de Pie	Patria Libre
Corriente Clasista y Combativa (CCC)	CCC	Partido Comunista Revolucionario
Bloque Piquetero and others	Polo Obrero (PO)	Partido Obrero
	Movimiento Teresa Rodríguez (MTR)	Independent
	Frente Único de Trabajadores Desocupados (Futrade)	Partido Obrero
	Movimiento Territorial de Liberación	Partido Comunista * FJC
	Movimiento Independiente de Jubilados y Pensionados (MIJP)	Former CCC
	Agrupación Tendencia Clasista 29 de Mayo	Partido de la Liberación
	Movimiento sin Trabajo Teresa Vive	Movimiento Social de Trabajadores
	CTD Coordinadora Aníbal Verón	Independiente

Source: Nueva Mayoría; *La Nación*, June 27, 2002.

Following an act of repression at the end of June 2002 (captured in pictures by *Clarín* journalists), the piqueteros made a major effort to demonstrate that they are peacefully minded.

They conducted a series of large protests in Buenos Aires to repudiate the repression—all peaceful. This time, very few participants wore *pasamontañas* or held sticks. This is a positive sign for the stability of the regime. But as is the case with any angry movement in which activists with extremist ideologies participate, the potential for anti-establishment behavior cannot be ruled out.

The second new societal actors are the "*coleros*." These are citizens who camp out overnight outside banks and foreign exchange houses in "the Citi" standing in line ("*haciendo colas*") to buy dollars the following day (or for that matter, outside of embassies to apply for foreign citizenships and visas). Many of them sell their place in line to others in a hurry, an ingenious way of profiting from the crisis. One of the most paradoxical consequences of Argentina's pesification (the forced conversion of dollar deposits and debts into devalued pesos) is that it has boosted the demand for dollars—nobody in Argentina today wants to hold on to pesos. That is why the value of the dollar has surged by a spectacular 250 percent in the first half of 2002. The coleros are representative of this boosted demand for U.S. currency.

The rise of the coleros represents yet another problem at the level of civil society: the profound lack of trust in institutions. Because of repeated lies—Menem promising clean fiscal accounts and leaving instead huge deficits and debts, de la Rúa promising to protect savings and imposing the corralito, Duhalde promising a new exit from the corralito almost every week, only to change his mind the following day—the Argentine public trusts no one. The coleros are symptomatic of the depth of the credibility deficit in Argentina. Nothing that is supposed to stand as authoritative in the land—the monetary unit, the word of government officials, the sanctity of contracts, the rulings of courts, the agreements among politicians, especially between the national government and the provinces—is credible. Some mistrust of government is healthy in democracies. But when mistrust becomes as pervasive as it has become in Argentina, it risks becoming a force for undemocratic practices such as cynicism, civic retrenchment, disobedience of the law, and opportunistic behavior.

Almost everyone agrees that solving credibility deficits is a complicated governance issue. Menem solved the credibility deficit of the 1980s by deploying a hard-line economic policy in 1989-91, often in disregard of democratic institutions. The return of a credibility deficit in Argentina creates the possibility that a future government would be tempted to deliver an encore performance.

The dilemma for the government—and for Argentine politicians in general—is precisely that they must attend to both the populist claims of the piqueteros, which demand compensation for their grievances and sacrifices, as well as the problems underlying the coleros movement, which create the temptation for shocking approaches to the economy.

In short, it is too early to affix labels to the different societal groups that have emerged in Argentina in response to the economic crisis. These groups, as Peruzzotti argues, hold the promise of bringing about much needed political and institutional renewal. But they also carry the potential for destabilizing the regime, each in different ways. The complexity of Argentina's politics at the moment suggests that either path—institutional building or institutional destruction—is equally likely.