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From the Perons to the Kirchners: “Populism” in Argentine Politics

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Social scientists communicate through concepts, Giovanni Sartori acknowledged a while ago.¹ Concepts are the basic unit of thinking in social science inquiry and, as such, they determine the questions one asks and the places one looks for answers. To the extent that concepts slice a complex, chaotic, and otherwise unintelligible reality, they play descriptive and explanatory functions simultaneously. Conceptual precision therefore is a key methodological and theoretical goal. Failure in this realm can be conducive to ambiguity, lack of rigor in the connection between meaning and term, and undenotativeness, looseness in the linkage between meaning and empirical referent. When this happens we are in the domain of conceptual stretching, that is, when existing concepts become vague, either because we alter the definition as we go along, or because the term does not capture the world out there effectively.

Scholars in comparative politics have often spent intellectual energy in correcting conceptual stretching. For example, Philippe Schmitter opened a whole new field of inquiry by rejecting to view “corporatism” in terms of ideology and by redefining the concept as a

¹ “Concept Misformation in Comparative Politics,” *American Political Science Review* 64, 1970.

mechanism for interest intermediation.² Aware of the changing content of “democracy” over time, Robert Dahl proposed to treat it as an ideal, and coined the term “polyarchy,” instead, to capture a political system whose defining attributes are extensive participation and full public contestation.³ To the extent that democracy did not always mean what we mean today, Dahl’s effort was not only semantic, it was about clarification of meaning and, mostly, historical specificity. Similarly, the discussion of neoconservative economics in the southern cone of Latin America suggested a re-examination of the notion of “bureaucratic-authoritarianism,” its historical anchorage, and its decreasing capacity to grasp the new character of military rule in the 1970s.⁴

If any of these efforts at concept formation and refinement was successful, it is only to the extent that they were more or less capable of picturing the world accurately. If so, they have thus facilitated communication and eased the collective process of inquiry. Students of Latin America confront today another, increasingly common, case of conceptual stretching: populism, new populism, neo-populism and other related formulations.⁵ My argument here is that the object to which the term refers in current use today is by no means the same the term referred to when originally formulated. “Populism,” and those we identify as “populists,” has changed so dramatically since the original meaning of the term that continuing to use it has

² “Still the Century of Corporatism?” *Journal of Politics* 36, 1974.

³ *Polyarchy* (New Haven: Yale University Press, 1971).

⁴ Alejandro Foxley, *Latin American Experiments in Neoconservative Economics* (Berkeley: University of California Press, 1983); Joseph Ramos, *Neoconservative Economic in the Southern Cone of Latin America, 1973-86* (Baltimore: Johns Hopkins University Press, 1986); Hector E. Schamis, “Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic-Authoritarianism to Neoconservatism,” *Comparative Politics*, January 1991.

⁵ For a small sample, Kurt Weyland, “Neopopulism and Neoliberalism in Latin America: Unexpected Affinities,” *Studies in Comparative International Development* 32 (Fall 1996): 3-31; and “Neopopulism and Neoliberalism in Latin America: how much affinity?” *Third World Quarterly*, Volume 24, Issue 6, 2003; Kenneth Roberts, “Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case,” *World Politics* 48, 1 (October 1995): 82-116; Alan Knight, “Populism and Neopopulism in Latin America, Especially Mexico,” *Journal of Latin American Studies* 30, 2 (May 1998): 223-248.

become the source of theoretical ambiguity and empirical confusion. Due to the overuse of the concept, we are facing a case of homonymy—the same word for different meanings.

The overuse of populism has meant that we have traveled with it through space, comparing different more or less populist experiences, but we have also traveled through time, stretching also the historical specificity that all concepts, and not just those in the social sciences, must comply with. As such, we have lost the historical anchorage of the term, falling into the trap of empirical vagueness. For concepts are also data containers. Their analytical power also resides in common empirical understandings, namely, in that they tell us, in a simplified way, the type of otherwise complex phenomena we should expect to find. If the historical anchorage of a concept is lost, that is, if there is uncertainty as to the facts to be found, we are forced to define and re-define the term each time we mention it.

Communication becomes difficult at best.

This is exactly what has been going on with populism. Thus, a “biography of the concept”⁶ is necessary to reconstruct its historical specificity. I do so with reference to the ur-case of populism, the political economy of Argentina since 1945. I discuss how populism, in its historical meaning, became exhausted once import-substitution was dismantled. I examine the process of democratization and the transformations of Peronism, a response to the exhaustion of its populist content and a response to a rapidly democratizing society. I conclude with a reflection on the challenges posed by the legacies of populism—“post-populism”—for the future of democracy in Argentina and in Latin America more generally.

⁶ I borrow this notion from Erik Olin Wright, *Classes* (London: Verso, 1985), Ch. 2.

Defining and Historicizing the Concept: The Political Economy of Populism

The concept of populism is intended to define a specific and historically determined political phenomenon that evolved in Latin America largely as a series of responses to the Great Depression and its aftermath. Typically, the emergence of populist forms coincided with the initiation and/or consolidation of the period of effective incorporation of subordinate groups into the political system in a context of rapid economic and social modernization. Its main defining characteristics are as follows.⁷

Movement. Populism is not a party, though it may be. It is not a union, though it is generally based on unions. Populism is fundamentally a national movement, a heterogeneous, fluctuating, and dynamic cluster of mass organizations brought together under the control of state policies and agencies. In the case of populism in Argentina, the Peronist movement was originally organized in sectoral terms, the political branch—which addressed political competition and controlled the territorial party structure—the labor branch—controlled by the state under corporatist mechanisms of intermediation—and the women’s branch—where originally Eva Perón created a structure of patronage along with her charity foundation and fostered the enfranchisement of women.

Pro-industrialization. Populism favors industrialization by import-substitution—ISI.

A legacy of the Depression, populism sought to either initiate or accelerate the process of

⁷ While the literature on populism is too large to be cited in full, my historical political economy approach to the study and definition of populism owes much to the works of Torcuato Di Tella, “Populism and Reform in Latin America,” in Claudio Veliz, ed., *Obstacles to Change in Latin America* (New York: Oxford University Press, 1966); Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979); Ottavio Ianni, *A Formacao do Estado Populista na America Latina* (Rio de Janeiro: Editora Civilizacao Brasileira, 1975); Gino Germani, *Politica y Sociedad en una Epoca de Transicion* (Buenos Aires: Paidos, 1962); Guillermo O’Donnell, *Modernization and Bureaucratic Authoritarianism* (Berkeley: Institute for International Studies, 1973); Ruth Berins Collier and David Collier, *Shaping the Political Arena* (Berkeley: University of California Press, 1991); Paul Drake, *Socialism and Populism in Chile* (Urbana: University of Illinois Press, 1978); Thomas Skidmore, “The Economic Dimensions of Populism in Argentina and Brazil: A Case Study in Comparative Public Policy,” *New Scholar*, vol. 7, nos. 1/2 (1979), 129-166; Michael Conniff, *Populism in Latin America* (University of Alabama Press, 1999).

domestic industrialization through a series of state policies that included tariffs, credit subsidies for industrial production, import controls, real exchange rate appreciation, and heavy public spending and investment. Typically this process had a bias in favor of consumer goods—the “easy phase”—which supported both domestic production and consumption, expanding the internal market but simultaneously leading to recurrent balance of payments and macroeconomic crisis.

These stylized facts fit well with the early Peronist experience of 1946-52 and later in 1976-73. Upon coming to office in 1946, the Perón government issued legislation to increase the interventionist role of the state in the economy, most notably, a five year economic plan and the creation of IAPI, a new state agency that held a monopoly over the foreign exchange originated in the export of agricultural products. This institutional innovation secured the redistribution of the agrarian surplus toward industrialization and the expansion of the state sector. The other key policy components were high tariffs and the exchange rate management. The exchange rate regime was usually one of fixed (but adjustable) rates in order to maintain lower levels of inflation and encourage industrialization. High trade barriers allowed import substitution to be pursued with fixed exchange rates, compensating for real appreciation. A fixed parity pursued to keep a steady price in industrial inputs and capital goods.

However, since Argentina's exports consisted mainly of food products (or "wage goods" in Ricardian terminology) a devaluation would put pressure on industrial wages. Therefore, under ISI a fixed exchange rate was the preferred alternative for industrialists and urban workers, in contrast to the export-oriented agricultural sector, which supported a competitive exchange rate. The periodic overvaluation of the real exchange rate caused by

the fixed nominal parity and the general bias of economic policy toward the protection of industry were meant to provide important disincentives for agriculture.

The limits of ISI recurrently led to balance-of-payment crises and devaluations. The stop-go nature of ISI was accompanied by cycles of repression and loosening in the exchange rate. The acceleration of growth led to decreasing exports (because a larger percentage of the wage goods were consumed internally due to growing incomes) and increasing imports (especially inputs and capital goods to sustain the expansion of the manufacturing sector), generating balance of payment crises when official external reserves reached low levels.⁸ At times, the constraints inherent to the development strategy were magnified by external shocks, and external crisis occurred even if the economy was not necessarily expanding fast. Despite existing capital controls, exchange rate crises during most of this period resulted from the decline in reserves caused by the gradual deterioration of the trade balance, which also fueled inflation.⁹

Multi-Class. Early or delayed, populism is a response to the breakdown of the hegemonic rule of the agro-export elite. As the Depression eroded the basis of the oligarchic mode of domination, a multi-class compromise emerged to foster governability by trying to reconstruct hegemonic domination. To talk about a multi-class coalition entails far more than saying that populist leaders came to office through a very heterogeneous vote—a fact that applies to all political parties, as the goal of winning elections in modern democracies forces them to become “catch all.” The core dimension of populism as a multi-class coalition is that its members obtain material rewards from it. This multi-class coalition—formed by

⁸ Braun, O. and Joy, L. (1967) "A Model of Economic Stagnation: A Case Study of the Argentine Economy," *The Economic Journal*, 1967, 868-887; Diaz-Alejandro, C. (1963) "A Note on the Impact of Devaluation and the Redistributive Effect," *Journal of Political Economy*, 71, 1963.

⁹ Di Tella, G. (1987) "Argentina's Most Recent Inflationary Cycle, 1975-85" in R. Thorp and L. Whitehead, eds., *Latin American Debt and the Adjustment Crisis*. Pittsburgh: University of Pittsburgh Press.

domestic-oriented industry, organized labor, and the new urban middle classes associated with the expansion of the state apparatus—was inherently unstable, however, capable to articulating demands effectively in periods of growth, but prone to political crisis in periods of recession and instability.

As in Argentina's "impossible game,"¹⁰ the political limits of this unstable alliance were set by the nature of the distributional conflict under ISI. Rapid industrialization had contributed to produce autonomous forms of mobilization which surpassed the organizational forms designed from above to control the popular sector. During elected governments, especially Peronist ones, labor's influence tended to increase, generally leading to higher wages. Frequently, this took place in the context of accommodating monetary policies that fueled inflation and created the conditions for the recurrence of balance of payment crises. When the macroeconomic constraint intrinsic to the development strategy converged with growing wage pressures, important industrial groups and part of the middle classes tended to abandon the original ISI coalition. The convergence of balance of payments and inflationary crises recurrently aggravated the three fundamental cleavages of populism: class (labor-capital), sector (industry-agriculture) and region (urban-rural). The resulting political crises created the conditions for a coup, which was often the outcome. Thus, high levels of inflation, international reserves insufficient to sustain normal levels of imports and service the external debt, and growing social unrest, were the reasons often invoked by the military to justify a political intervention that would "reestablish order and clean up public finances."

A paradigmatic illustration of these cycles can be seen in the 1973-76 Peronist government. Its economic program represented the culmination of the ISI strategy of development: it established a fixed exchange rate while at the same time instituted price

¹⁰ Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism*.

controls, increased wages and salaries, and implemented active fiscal and monetary policies to foster industrial activity and employment. This imbalanced mix was helped initially by an important improvement in the terms of trade, which were at an all-time high. During this period the industrial sector reached its largest participation in GDP, real wages climbed to the highest level for the whole half century, and unemployment stood below 4 percent.

By mid-1974, however, political and economic conditions began to deteriorate rapidly. The exchange rate peg continued during the third quarter of 1974, but by 1975 the terms of trade had declined significantly and the economy entered in recession. The government tried stimulative fiscal and monetary policy, but this only fueled inflation, making the real exchange rate decline even further. The deterioration of the external accounts forced sharp adjustments of the exchange rate in the last quarter of 1974 and in the second quarter of 1975, this last one becoming the first of a series of “maxi-devaluations.” In a setting marked by deteriorating economic conditions, political uncertainty, and escalating violence, the Peronist government was toppled by a coup in March 1976. From then onwards there was a steady decline in the participation in industry in GDP, a fall in real wages, and the termination of the entire ISI experience.

Urban. Populism in Latin America is an urban phenomenon. This does not mean that Populism does not enjoy the support of groups in the countryside—in fact, it does. It only, but fundamentally, means that the center of gravity of the movement is in the city, among organized wage earners, industrialists, and the state. As the engine of growth shifted from agriculture to industry, that was accompanied by comprehensive demographic, sociological, and cultural changes. In a nutshell, populism is the political form of internal migration and

rapid urbanization, and it expressed the exploitative and exclusionary nature of that process. Peronism's "aluvión zoológico" is exactly that.

Inclusionary. Populism promotes the incorporation of subordinate groups to the political process. It does so by three complementary mechanisms. First, consumer oriented industrialization expands the domestic market, incorporating a vast number of new groups to the economic process. Second, populism legitimizes and institutionalizes labor organizations—with populism labor unrest is for the first time a policy problem, not only a police problem. Third, populism promotes participation and the enfranchisement of excluded groups—in the first Peron government women were granted political rights and voter turnout grew from 18 to 50 percent of the population. As such populism completes the process of democratization.

Reformist and Redistributive. Populism is not a revolutionary movement, but its emphasis on inclusion and social justice makes it a potent agent of social reform and redistribution. As with the Peronist programs and incomes policies, which expanded the welfare state and promoted a larger participation of wage earners in GDP—up to 50 percent in 1952 and in 1974—this is one of the most distinctive attributes of the populist experience.

Corporatist. The organization of groups on the basis of their occupational categories—corporatism—is populism's favored form of political representation. As an institutional space sanctioned, created, and controlled by the state, corporatism pursued economic policy coordination—which was crucial for accelerated, state-led industrialization—and tri-partite negotiations among labor, capital, and the state—which was an fitting vehicle for the incorporation of labor. Thus corporatism played a role in the redistributive goals, and in the reproduction of the multiclass coalition of support. As with

Peronism throughout history, Populism's elective affinity with corporatism, however, reveals its rather ambiguous approach to political democracy. Its "social contract," in fact, was based on a strong sphere of social rights, redistribution, an instrumentalist approach to the democratic process, where political rights were little more than a tool to gain power, and a historical mistrust of civil rights—to the extent that the liberal component of citizenship does include the right to private property, it is often seen as an instrument to maintain the privileges of the elite and to reproduce existing inequalities.

Nationalist. As Juan Linz has noted, populism does not possess an ideology in the strict sense of the term. At best it holds a series of amorphous mentalities, generally defensive and reactive views of the world.¹¹ Nationalism in populist movements should be seen in this light, though emphasizing that it is a nationalism of an economic character more than a representation of identity. The "who are we" of populism is determined by the conflicts associated with the perennial impossibility of accomplishing national control of economic resources. In this sense, populism can afford to be more or less progressive, as much as it can be more or less reactionary—and it has been. It can also be more or less democratic, as much as more or less authoritarian—and it has been as well. What populism cannot afford, however, is to be cosmopolitan and internationalist. Populism is anti-imperialist, reactive against neo-colonialism, and defensive vis-à-vis the international status quo. Populism pursues autarchic, national development, which as in Peron's narrative, is about declaring "economic independence."

Charismatic Leader. Populist movements are generally led by charismatic figures who used their special qualities to avoid and circumvent institutionalized decision-making.

¹¹ Juan Linz, "An Authoritarian Regime: Spain," in Erik Allard and Yrjö Littunen, eds., Cleavages, Ideologies, and Party Systems (Helsinki: Transactions of the Westermarck Society, 1964).

At a time of internal migration and rapid urbanization, these leaders constitute themselves in heirs of the old caudillos of the countryside. As such, this style of leadership also corresponds to a specific developmental phase of Latin America—the early stages of industrialization.

Populism and its central ingredients could not outlive the 1970s. The indebtedness process and growing financial integration, crowned by the debt crisis of the 1980s, would signal the end of import-substitution as a dominant strategy of development. In this inflation-prone, politically unstable decade growth was based on a strict view of efficiency and a static notion of comparative advantage. As a result, the state would move from serving as the locus for class compromise, to an instrument leading a structural transformation. The military abandoned their concern with state-led development and adopted policies based on the free interplay of market forces and a monetary approach to the balance of payments. Social fragmentation thus accelerated and collective representation suffered. The outcome undermined the base of populism at its root: fewer workers in industry, lower rates of unionization, public enterprise under attack, and more concentrated units of capital. A new chapter in the country's economic history was in the making after 1976.

Dismantling Import-Substitution, Decomposing Populism

At the outset, the March 1976 coup did not seem very different from previous authoritarian experiments that had marked Argentina's turbulent political history. As time went by, however, this new regime revealed its exceptionally coercive nature: political activity was banned, strike rights were withdrawn, and the military forced the disappearance of thousands of dissenters.

What appeared as indiscriminate repression, however, was not irrational—it turned out to be a tool for economic liberalization. At the time, in orthodox economic circles, the political crisis that led to the military takeover was seen as a straightforward consequence of protracted ISI. Allegedly, protectionism in the manufacturing sector had swollen domestic industry, artificially increasing its market power, and thus it had also strengthened unions, artificially increasing their political power. In the process, while firms became more and more inefficient, unions became more and more radical. Protectionism and expansive welfare state policies delivered by populists had encouraged ever increasing demands on state resources. Minister Jose Martinez de Hoz, a prominent member of the agro export and financial elite, thus spent about one-third of his time traveling from barrack to barrack, explaining the rationale of his economic program and convince the armed forces of the need to abandon their long-term concern with state-led industrialization.¹² In the end, tariff reduction was appealing: it would seek not just to allocate resources more efficiently but also to discipline hypermobilized organized groups, decompose the social base of populism, and restore order.¹³

Accordingly, by April 1976, the authorities had devalued the currency, liberalized prices, frozen wages, and reduced export taxes and import tariffs. In June 1977 additional measures deregulated the banking industry by easing the entry of new financial institutions, reducing reserve requirements, freeing interest rates, and redirecting public sector borrowing toward private credit markets. As a result, real interest rates became positive, leading to a considerable slowdown in 1978. Despite the recession, inflation had remained stuck around

¹² David Pion Berlin, "The Fall of Military Rule in Argentina, 1976-1983," *Journal of Interamerican Studies and World Affairs* (Summer 1985).

¹³ Adolfo Canitrot, "La Disciplina como Objetivo de la Política Económica: Un ensayo sobre el Programa Económico del Gobierno Argentino desde 1976," *Estudios CEDES* 2, 6, 1979.

150 percent, prompting the economic authorities to deepen stabilization policies and accelerate the course of liberalization. The government thus launched "The 20th of December 1978 Program," the cornerstone of which was an exchange-rate policy based on an active crawling peg.¹⁴ The tablita, as it came to be known, consisted of a series of pre-announced devaluations based on a declining rate of inflation. With the tablita came the elimination of restrictions on trade and capital accounts. Through these measures, the government expected to bring the economy more in line with international prices and induce a process of reallocation according to Argentina's comparative advantages.¹⁵

The pre-announced exchange rate, set at levels below the rate of inflation so as to reduce inflationary expectations, increased real appreciation. With trade and financial liberalization, this new competitive environment put pressure on manufacturing firms, especially those in the consumer-oriented ISI sector. Domestic real interest rates higher than international ones and the exchange rate risk offset by the tablita generated massive inflows of capital and drove firms into dollar-denominated debt, either to keep their operations afloat or to engage in arbitrage. Characteristic of exchange rate-based stabilization programs, appreciation and the oversupply of foreign credit financed a consumption boom of imports which was instrumental in gathering support among otherwise castigated middle-sectors, precisely during the most coercive phase of the military regime. As a result, private external debt increased from \$4 billion in 1978 to \$9 billion in 1979, leading to a three-fold increase in total (private and public) debt between 1978 and 1981. Most private debt was

¹⁴ Carlos Rodríguez, "El Plan Argentino de Estabilización del 20 de Diciembre," CEMA Documento de Trabajo, 5, 1979.

¹⁵ Exchange-rate based stabilization was pioneered by Argentina, Chile, and Uruguay in the 1970s. In the early 1980s, these countries also experienced similar balance-of-payment crises associated with real appreciation and current account balances unsustainable in the medium term, which produced runs on the currency and drainage of central bank reserves. This issue became a highly debated one in the 1990s, as across the board capital account liberalization contributed to analogous crises in Mexico in 1994, Asia in 1997, Russia in 1998, and Brazil in 1999.

concentrated in large firms and banks: one third of it among ten banks and ten industrial firms.¹⁶ Argentines thus made up the term patria financiera (financial motherland)¹⁷ to refer to the main beneficiary of the liberalization process.

The term also captured that industrialization ceased to be the engine of the economy. Financial intermediation and the service sector more generally had become the cornerstone of the new strategy of development. As in similar programs in the southern cone as a whole, the liberalization of cross-border capital flows opened an entirely new chapter in Argentina's political economy. While under ISI, appreciation generally led to foreign exchange crises due to the accumulation of trade deficits over time, from 1978 on, attacks on the currency through transactions on the capital account could deplete international reserves suddenly. This occurred after 1979, in fact, when the deterioration of the balance of payments conveyed the limits of the pre-determined exchange rate, leading to massive outflows of capital in anticipation of a future devaluation.¹⁸

This inherently vulnerable macroeconomic context was further compounded by changes in the nature of the country's distributional conflict. Under ISI, income struggles among sectors had been based on the distribution of the agrarian surplus, but as commodity prices began to decline in the second half of the 1970s (eventually collapsing in the mid-1980s), economic groups increasingly began to direct demands toward the state. The

¹⁶ A. Humberto Petrei and James Tybout, "Microeconomic Adjustments in Argentina during 1976-1981: The Importance of Changing Levels of Financial Subsidies," World Development 13, 8, August 1985; 949-67.

¹⁷ In the early 1970s, disputes within the peronist movement developed between factions who advocated either a "patria socialista" or a "patria peronista." Later on, and as a consequence of the influence accumulated by labor leaders during the 1973-76 peronist government, the public made references to the "patria sindical." In the late 1970s and early 1980s, allusions to the "patria financiera" conveyed that power was now located in the financial sector.

¹⁸ The ensuing banking crisis prompted the government to take over 59 financial institutions between March 1980 and December 1981 alone. See Luis Giorgio and Silvia Sagari, "Argentina's Financial Crises and Restructuring in the 1980s," in Andrew Sheng, ed., Bank Restructuring: Lessons from the 1980s (Washington DC: The World Bank, 1996); 161-173.

military government responded to these pressures in three ways. First, it revitalized an existing program of sectoral incentives called "regime of industrial promotion," and combined it with tax exemptions for firms relocating in frontier provinces (due to security concerns of the military). Second, it increased public investment in infrastructure, petrochemicals, and the military-industrial complex, generating opportunities for contractors and suppliers of the state who took advantage of old legislation that gave priority to nationally-owned firms in public auctions. And, third, in 1981-82, the central bank enacted a program by which private debtors could transfer their foreign obligations to the state. This scheme of multiple subsidies generated larger deficits—peaking to 16 percent of GDP in 1983—which, when monetized in the context of an open capital account with a fixed exchange rate, also contributed to wipe out foreign exchange reserves rapidly, leading to sharp devaluations and explosive cycles of ever-increasing inflation.

Paradoxically, a military-sponsored liberalization experiment institutionalized Argentina's secular distributional conflict at the level of the fiscal sector. More than ever before, influence over the destination of state resources was the main way to resolve inter- and intra-sector rivalries and, thus, the way alliances among economic groups were built. By the turn of the decade, severe fiscal constraints limited the government's largess in the overall distribution of subsidies, forcing firms to pursue economies of scale in rent seeking, and increased the selectivity of the process, generating incentives for favoritism, overinvoicing, and misappropriation, among other practices. Thus, by the early 1980s a few private groups had accumulated vast amounts of wealth while the economy as a whole was verging on the brink of collapse. In the manufacturing sector, for example, firms able to access industrial promotion and public contracts expanded significantly during the 1976-83 period, while the

sector as a whole declined from 27.5 percent to 22 percent of a negative-on-aggregate GDP. These beneficiaries, in turn, were virtually the same ones who were responsible for 79 percent of the total private external debt that was transferred to the state, but who represented only 5 percent of all private debtors.¹⁹ At this point a new distributional coalition was formed, one not based on the rents of protectionism but on the perks of state contracts. Nicknamed patria contratista (contractor motherland) by the public, but self-identified as "the captains of industry," the success of this group was based on their capacity to access the wielders of political power and their effective control of (mostly family-owned) diversified economic conglomerates through highly centralized decisionmaking structures.²⁰

In the 1980s, therefore, fiscal crisis, indebtedness, and deindustrialization led to the deepest recession since the 1930s—and eventually to the "lost decade." In the process, these events also changed Argentina's social structure in a dramatic fashion, as morphological studies at the time have shown. For example, the proportion of industrial workers on all wage earners declined from 23 percent in 1954 to 13 percent in 1985. The industrial labor force diminished by 33 percent between 1976 and 1983. Between 1947 and 1960 the manufacturing sector absorbed 41 percent of all new entrants in the labor market, but between 1970 and 1980 that proportion had dropped to 7 percent, while finance and the service sector grew from 33 to 86 percent during the same period. Additionally, census data

¹⁹ Data from Jorge Schvarzer, "Estrategia Industrial y Grandes Empresas: El Caso Argentino," Desarrollo Económico 18, 71, Oct-Dec. 1978; 307-351; and "Cambios en el liderazgo Industrial Argentino en el período de Martínez de Hoz," Desarrollo Económico 23, 91, Oct-Dec. 1983; 395-422; Mario Damill and José María Fanelli, "Decisiones de Cartera y Transferencias de Riqueza en un Período de Inestabilidad Macroeconómica," Documento CEDES 12, 1988; Daniel Aspiazu, Eduardo Basualdo, and Miguel Khavisse, El Nuevo Poder Económico en la Argentina de los Años Ochenta (Buenos Aires: Legasa, 1986); Eduardo Basualdo, Deuda Externa y Poder Económico en la Argentina (Buenos Aires: Nueva América, 1987); Eduardo Basualdo and Daniel Aspiazu, Cara y Contracara de los Grupos Económicos: Estado y Promoción Industrial en la Argentina (Buenos Aires: Cántaro, 1991).

²⁰ For detailed studies, see Pierre Ostiguy, Los Capitanes de la Industria: Grandes Empresarios, Política y Economía en la Argentina de los Años 80 (Buenos Aires: Legasa, 1990); and Luis Majul, Los Dueños de la Argentina (Buenos Aires: Sudamericana, 1992).

confirm that the fastest growing occupational category in the city of Buenos Aires was the self-employed, from 11 percent in 1960 to 18 percent in 1980.²¹

These developments would have crucial consequences for the future of populism and for the political process more generally. The class-based political socialization forged by the unions at the workplace was challenged by an increasingly atomized and individualizing occupational structure. As the social changes shaped by deindustrialization eroded class-based bonds of political solidarity, so did the structural power of the labor movement, the main social base of Peronism. Put in a nutshell, if the children of the blue-collar, unionized Peronist workers of the past became cab drivers, it is conceivable that their political choices would vary accordingly. Equally dramatic changes took place among the other main partner of the populist coalition, the import-substituters. While bankruptcies increased steadily, driven by simultaneous trade liberalization and real exchange rate appreciation, those who managed to survive the new competitive environment did so mainly by becoming diversified and integrate financial-contracting conglomerates, a pattern that also signals a clear change of policy preferences, and thus political allegiances. The old national bourgeoisie thus went into extinction, and so their main organizations were dismantled and their leaders sent into exile. As it turned out, for the military government, decomposing populism was as multi-class a phenomenon as populism itself.

By 1982, checked by domestic discontent and internationally isolated after the Falklands-Malvinas war, the military had to execute a quick withdrawal from office, leaving behind a truncated liberalization experiment with a monumental foreign debt, a high

²¹ Data from UN International Labour Office, *Yearbook of Labour Statistics* (Geneva: ILO, 1983); and Hector Palomino, *Cambios Ocupacionales y Sociales en Argentina, 1947-1985* (Buenos Aires: CISEA, 1987). For an analysis of how these structural changes were favorable for the emergence of conservative electoral agendas and coalitions, see Edward Gibson, *Class and Conservative Parties: Argentina in Comparative Perspective* (Baltimore: Johns Hopkins University Press, 1996).

concentration of economic power, and a vacuum of political power. Argentina walked into a democratic transition in the most adverse economic context imaginable.

Democratization and Post-populism

In October 1983, for the first time since its emergence as a political force in 1945, Peronism lost a national election in a free and fair contest. While there were some indications of this shift in a few public opinion polls, the outcome of the election nonetheless took the entire country by surprise, ultimately shocking the Peronist leaders in disbelief. Seen in retrospect, however, that was to be expected. The structural changes spelled out above highlight that the material bases of populism had eroded, and consequently so did Peronism's traditional organizational capabilities. The share of wage earners on national income, which had amounted to about 50 percent under Peronist administrations in 1952 and 1974, shrank to an abysmal 23 percent in 1982. The promise of social justice and redistribution, the core normative dimension of populism, thus became more utopian than ever. Society's values and attitudes also appeared to have shifted in the direction of a revalorization of the procedures and institutions of liberal democracy—that is, a normative context supportive of full political rights but also of individual rights and constitutional guarantees. As a result, in a society victimized by gross human rights violations, the illiberal “social contract” of populism—full political rights and expansive social rights, but often at the expense of civil rights—lost meaning and traction.

With a historical identity forged as “the party of civil liberties” and a candidate who was a founding member of human rights organizations, the UCR and Raul Alfonsín came to office in December 1983. Argentina rediscovered democracy, liberal democracy, that is, and

Alfonsín changed the vocabulary of politics. In that, he was a revolutionary. The problem was that, after defeating Peronism, he soon gave in to the hegemonic temptation and tried to create a "third historic movement," namely, his strategy was to absorb the labor movement (largely Peronist) into a new permanent electoral majority.²² An extensive "deperonization" of the working class, however, depended on prolonging the initial success of the "Austral Plan," the stabilization program launched in mid-1985, but also on the availability of resources to distribute material rewards and divide the labor leadership. Given this coalition-building priorities, the Radical government sought to retain discretionary control over the key macroeconomic variables, thus avoiding structural reforms deemed necessary to make disinflation durable.

Conflicting objectives also characterized the approach vis-à-vis business. On the one hand, the government emphasized the need to increase the overall competitiveness of the economy (via deregulation, export promotion, etc.) in order to put a definitive end to inflation. On the other hand, the capacity of the leading financial and industrial firms to set key prices of the economy compelled the authorities to involve the captains of industry more formally into the policy-making process.²³ This political alliance translated into a more orthodox macroeconomic management (money supply reductions, spending cuts, interest rate increases) but combined with a microeconomic approach that maintained a rather closed trade regime and selective subsidies for firms in the manufacturing sector. The micro soon affected the macro. By 1987-88, outlays for public contracts and the regime of industrial promotion represented 2 percent of GDP and more than half of the non-financial fiscal

²² See Luis Aznar et. al., *Alfonsín: Discursos sobre el Discurso* (Buenos Aires: EUDEBA/FUCADE, 1986).

²³ See Ostiguy, *Los Capitanes de la Industria*, pp. 328-338; and William Smith, "Democracy, Distributional Conflict, and Macroeconomic Policymaking in Argentina, 1983-89," *Journal of Interamerican Studies and World Affairs*, 32, 2, Summer 1990; 1-42.

deficit.²⁴ With a fiscal position already compromised by debt service payments and the collapse of commodity prices, inflation resumed in earnest.

Over this period, especially from 1980 and throughout the democratic transition, the exhaustion of ISI and the subsequent weakening of its material basis of support were paralleled by the erosion of the movement as the main organizational form of the Peronist identity. Organized in a corporatist fashion by sectors, though dominated by labor, the movement was not the best tool for electoral competition, and it was also prone to authoritarian tendencies, particularly in the way candidates were selected. The 1983 and 1985 defeats were humiliating, but they buttressed the approach of those who fostered the idea of a proper political party with democratic mechanisms of participation. The ensuing internal debate and conflict led to the creation of the “Renovación Peronista,” an attempt to democratize Peronism and make it a viable option again.²⁵

Consequently, led by the “renovadores” in the main districts, the Peronists—now, more properly, the Justicialista Party—won by a landslide in the September 1987 congressional and gubernatorial elections. This outcome further impaired the Alfonsín administration's capacity for economic management. The government thus made a last attempt to recover stability in August 1988 through yet another package, the Plan Primavera (Spring Plan).²⁶ The program was based on a series of price agreements with the peak associations of industry (UIA) and commerce (CAC), tighter monetary and fiscal policies, and the adoption of a fixed exchange rate. Yet Argentina's political and macroeconomic context at the time was overly precarious, preventing the government from enforcing

²⁴ World Bank, "Argentina: Public Finance Review, From Insolvency to Growth," Feb. 11, 1993; Report 10827-Ar.

²⁵ For these debates over the years, see the magazine Unidos, from May 1983 to August 1991.

²⁶ By the central bank president during most of this period, see José Luis Machinea, "Stabilization under Alfonsín's Government: A Frustrated Attempt," Documento CEDES 42, 1990.

compliance across society. In fact, agricultural interests exhibited zero tolerance to currency appreciation and labor rejected wage restraint.

By the end of 1988 the credibility deficit of the Plan Primavera was widespread. As long as the government was determined to maintain the nominal anchor and the capital account remained open, the central bank was forced to intervene in currency markets, eroding its reserves. This process accelerated as of January 1989, when the realization that the macroeconomic imbalances were unsustainable led to runs against the currency, flight from money, and other forms of financial adaptation. In early February the situation deteriorated dramatically. Central bank authorities suspended foreign-exchange auctions, unexpectedly ending their commitment to exchange rate stability. The largest corporations responded to this unforeseen decision with a concerted run to the dollar that virtually collapsed the price system in domestic currency. At that point, the attack on the currency had become a political gesture, to the extent that financial media described it as a "market coup."²⁷

The Peronist Comeback and the Making of a New Alliance

February 1989 signaled a new chapter in Argentina's historical political economy. Delivered against the Alfonsín government, the alleged "market coup" was also a warning to the Peronist candidate Carlos Menem, frontrunner in the May 1989 election. Menem acknowledged the message. The populist rhetoric of his campaign--"productive revolution" and massive wage increases (salarioazo)--was abandoned as soon as he was elected, and embraced an agenda defined as "popular liberalism." Menem's sudden conversion, it was said, was a "hyperrealist" and "hyperpragmatic" response to hyperinflation. He reportedly

²⁷ Ambito Financiero, 15 December 1989, pp. 1, 2.

had no option but to "strike a deal" with the captains of industry. In fact, when Menem was inaugurated in July, central bank reserves equaled \$500 million and the monthly inflation rate was 190 percent. The new government needed to prioritize the reconstruction of the fiscal base. The distribution of rents through subsidies and public contracts could not continue, but at the time no government could afford the opposition of the large economic conglomerates, the corporate culture of which had been forged more in the political arena than in the marketplace.

Accordingly, Menem delivered an unambiguous political signal by filling the key economic policy-making positions with top executives of Bunge y Born (Argentina's oldest conglomerate and a staunch adversary of Peronism) and leaders of the Ucede political party (the earliest and most articulate advocate of economic liberalization). With this support, Menem pursued the centralization of authority in his office, a task he deemed essential to overcome the economic crisis and to launch a reform program. On the president's initiative, Congress approved the "State Reform Law" in August, which made virtually all public companies eligible for privatization, and the "Economic Emergency Law" in September, which gave extraordinary powers to the executive to expedite the process. This legal framework set the stage for the elimination of industrial subsidies, the reduction of import restrictions (with some significant sectoral exceptions), cuts in public expenditures and employment, and increases in tax collection.

The announcement of the privatization of politically sensitive SOEs such as the telephone and airline companies, television channels and radio stations, and some railroads, signaled the initiation of the Menem privatization experiment. This way the government reinforced its free-market commitment in order to convince business elites that the Peronist

ideological "conversion" was neither temporary nor instrumental. Aside from a handful of cases, and beyond explicit political effects, the pace of the divestiture process was slow, largely due to resilient inflation which even produced two more hyperinflationary episodes, in August 1990 and February 1991.

The appointment of Domingo Cavallo as minister of the economy in March 1991 signaled a qualitative change in the overall program of reform, and gave a decisive impetus to the privatization process. Cavallo's first task was to launch a new anti-inflation strategy, the "Convertibility Program," which was discussed and approved in Congress. In effect for over a decade, the program pegged the peso one-to-one to the dollar, determined the full convertibility of domestic currency, and transformed the monetary and exchange rate functions of the central bank into a quasi currency board by which the monetary base have to equal liquid international reserves. The program had immediate positive effects, bringing inflation down to one digit in just three months.

Price and exchange rate stability, and what appeared as a commitment to rules, rather than discretion, were considered necessary conditions for a full-fledged privatization, especially given the increase in private sector demand for credit to finance the purchases. After 1991 divestiture operations involved power, gas, water and sewerage, steel, and petroleum, among others, and by 1994, the privatization program extended to the social security area, following a Chilean-style reform program in combination with a public pillar. Since, in general, the divestiture process outlined a payment method that included foreign debt paper, purchasing consortia often included a creditor bank, an international firm operating in the area to be privatized, and a large domestic firm belonging to one of the main economic groups. The case of the telephone system is illustrative: the public monopoly was

privatized as a duopoly, which included Citibank, Telefónica de España, and the local Techint group as one half, and Morgan Bank, France Telecom, and the Pérez Companc group as the other.²⁸

Since the government maximized speed and fiscal proceeds, companies were generally tendered undivided and with monopoly rights, and with less-than-optimal regulation in place.²⁹ As a consequence, contractors and suppliers specialized in certain areas took advantage of their information, experience, and effective access to those organizations, and took over energy, water, petroleum, railroads, and highways, for the most part in association with foreign banks and international operators.³⁰ The result was a pattern of concentration in ownership and in capital markets along with horizontal diversification by which domestic firms participate in ownership of various privatized companies. This context was conducive to rapid gains in the productive efficiency of the privatized firms, the result of tariff increases, the preservation of protected markets, and regulatory flaws.³¹ This occurred not just in the public utility sector, where monopolies tend to prevail due to economies of scale and high barriers of entry, but also in tradables and areas subject to competition, such as oil refineries, air transport, and international telecommunications.

²⁸ See Claudia Herrera, "The Privatization of the Argentine Telephone System," CEPAL Review 47, August 1992; 149-161.

²⁹ This was especially the case in the telephone industry. On the multiple problems of regulation, see Andrea López, et. al., "Nuevas relaciones entre el Estado y los usuarios de servicios públicos en la post-privatización," INAP, Dirección Nacional de Estudios y Documentación, 1997; Alice Hill and Manuel Abdala, "Argentina: The Sequencing of Privatization and Regulation," in Brian Levy and Pablo Spiller, eds., Regulations, Institutions and Commitment: Comparative Studies in Telecommunications (Cambridge: Cambridge University Press, 1996); and Ben Alfa Petrazzini, "Telephone Privatization in a Hurry: Argentina," in Ravi Ramamurti, ed., Privatizing Monopolies (Baltimore: Johns Hopkins University Press, 1996).

³⁰ For a detailed account on the active participation of future beneficiaries in various stages of the legal design of the divestiture process, see Ana Margheritis, "Implementing Structural Adjustment in Argentina: The Politics of Privatization," Ph.D. Diss., University of Toronto, 1997.

³¹ See Pablo Gerchunoff and Guillermo Cánovas, "Privatización en un Contexto de Emergencia Económica," Desarrollo Económico 34, 136, Jan-March 1995; 483-512; and "Privatization: The Argentine Experience," in William Glade, ed., Bigger Economies, Smaller Governments (Boulder: Westview Press, 1996); 191-218.

For the Menem government, reversing the traditional economic policy tenets of Peronism and building unprecedented ties with economic elites entailed to refashion power relations between the peronist party (PJ) and organized labor--the so-called "backbone" of the peronist movement, its traditional, though increasingly alienated, societal basis of support. To this end, the government adopted two distinctive approaches. One was the classic divide-and-conquer strategy, in order to propel pro-reform union leaders to positions of power. At the very least, pro-privatization leaders generally counted on the explicit support of the presidency in their union careers. In other cases, such leaders were rewarded with greater political payoffs, as in the case of the leader of the telephone union, who was appointed under-secretary of telecommunications, and in the case of top leaders of the powerful oil union, who were appointed to the board of directors of the oil company.

The second strategy involved the distribution of material payoffs. Similarly to different varieties of employee-share ownership programs implemented in Chile, Britain, and Hungary, among others, the Menem privatization program adopted the so-called Participatory Property Program (PPP). This program consisted of keeping a percentage of the privatized assets in order to distribute stock among workers, but under administration of the union. In contrast to other versions of people's capitalism, Argentina's PPP was an extremely selective one: unions had to secure and mobilize political support in order to have access to the shares. And even more selectivity, in fact, was displayed in the privatization of social security, as friendly unions were allowed to open their "privately-owned" pension fund, as in the cases of commerce, electricity, automobile, and restaurant unions.³²

³² For a detailed account, see María Victoria Murillo, "Union Politics, Market-Oriented Reforms, and the Reshaping of Argentine Corporatism," in Douglas Chalmers et. al., eds., *The New Politics of Inequality in Latin America* (New York and London: Oxford University Press, 1997); and *Divided Loyalties: Labor Unions and Market Reforms in Latin America* (Cambridge: Cambridge University Press, forthcoming).

Seen in retrospect, therefore, privatization constituted the very political instrument of Menem's reform program. While it allowed the government to navigate the turbulent waters of internal party politics and reshuffle organized labor politics, it was also conducive to finally securing a lasting deal with the captains of industry. The central bank replenished state coffers and the contractors made up for lost rents. In fact, the domestic groups involved in the largest privatization operations--Macri, Techint, Bidas, Pérez Companc, Astra, Soldati, Roggio³³--were also the main beneficiaries of public contracts and the regime of industrial promotion in the 1970s and 1980s, and also among the largest private debtors who transferred their foreign obligations to the state through the subsidy implemented in 1981-82. In sum, throughout the 1990s the captains of industry consolidated their economic leadership and, by constituting themselves in the dominant distributional coalition, thus reaffirmed a political centrality that no government could afford to ignore. As a result, it is no exaggeration to say that, if the military sought to eradicate populism in the 1970s, it was Menem, a Peronist, who signed its death certificate in the 1990s.

³³ Data from INDEC, Anuario Estadístico de la República Argentina (Buenos Aires: Ministerio de Economía y Obras y Servicios Públicos, 1997); pp. 480-498

Economic Collapse and Democratic Crisis: Justicialismo to the Rescue

In 1999, Menem transferred power to Fernando De la Rúa of the Radical Party, who had campaigned in favor of the continuation of the currency board despite its clear signs of exhaustion as a viable economic strategy. That was not a mistaken reading of Argentine society, however. The country had changed dramatically during the Menem decade. After years of high and at times out-of-control inflation as well as an ongoing “dollarization from below,” Argentine voters were demanding stability and rewarding in the ballot box politicians capable of delivering it. Moreover, the electorate’s preferences as between full employment and low inflation began to shift decidedly in favor of the latter, therefore conveying a higher tolerance for recession.

Thus, by 2000 the currency board appeared to be in place to stay, just as it began to show the predictable problems of stabilization based on the use of the nominal exchange rate as anchor. Typically, those programs lead to an appreciation of the real exchange rate and a falling real interest rate, initially feeding a consumption boom of imports, a burst of investment, and a gradual deterioration of the current account. Under an open capital account, inflows of capital can finance the trade deficit in the short term. However, the current account deficit, unsustainable in the medium term, often induces inconsistent fiscal policies, affecting the credibility of the peg. At this point the sustainability of the regime itself comes into question: runs on the currency become widespread, usually with important losses in foreign exchange reserves (as the government tries to defend the parity) and, inevitably, a departure of the fixed exchange rate arrangement with a subsequent devaluation.

Thus, the boom phase of the cycle had begun to dwindle, and the bust was taking shape already by the turn of the decade. Despite the ongoing recession, in the context of the

currency board, the government could not intervene with stimulative policies, weakening its fiscal position even further. Throughout 2001, this dynamic steadily increased Argentina's country risk index, which translated into exorbitant interest-rate increases and worse debt-repayment problems. By December of that year, determined to continue making debt payments, the government did so by using central-bank reserves, which flew in the face of the very foundation of the currency board, and rolled over obligations with the private pension funds, which constituted a de facto expropriation. The rules that had governed the economy since 1991 were thus broken, but to make things even worse, the government also froze bank deposits to prevent a massive run to the dollar—imposing yet another loss of wealth on millions of citizens.

At that point the economy became ungovernable, but it was a long-simmering political crisis that put the finishing touches to both the currency board and the De la Rúa administration. The first symptom of that crisis came early, in October 2000, when the vice president resigned. As of that moment, the coalition in power broke down, but the president also turned his back to his own party and began to surround himself by a clique of unelected, nonpartisan advisors. Among them was Domingo Cavallo, once Menem's economic czar and architect of the currency board, who coming back to office demanded broad autonomy over the conduct of economic policy, just as he had done in the 1990s. Cavallo's autocratic style reinforced a policy making process already based on executive decrees, further marginalized Congress, and devalued the overall process of representation. By the time unrest broke out in the streets toward the end of 2001, with a government that had alienated itself from political society and the party system, the ensuing power vacuum forced the resignation of the president. Menem style politics, that is, discretionary rule, had backfired.

After the collapse of the De la Rúa government, the country devalued the currency and defaulted from its foreign debt, plunging into the worst recession in its entire history. After a series of interim presidents, a joint session of Congress appointed Peronist Senator Eduardo Duhalde as president to weather the crisis. Accordingly, he defined his priorities in terms of trying to regain stability and address widespread poverty through across-the-aisle collaboration. He pictured himself as a “transition president,” whose ultimate goal was to complete De la Rúa’s period and transfer power to a popularly elected president.

In a country governed through presidential decrees for over a decade, Duhalde’s objectives were valuable, as they sought to overhaul the institutional procedures of democracy. Yet he faced too many obstacles to fully accomplish those goals, most notably the erosion of the party system. In fact, while the Radical party became widely discredited after the De la Rúa debacle, Duhalde’s own Peronist party, now suddenly in power, was deeply fragmented along territorial lines, thanks to a structure of regional bosses in control of provincial political systems. As a result, three Peronist candidates competed for the presidency in the April 2003 election, and Duhalde’s handpicked candidate, the left-of-center governor of Santa Cruz province Néstor Kirchner, emerged victorious. Democracy, however bruised, had survived.

A “Left Turn”: They Look Populist, They Sound Populist, They Must be Populist. They are not

A good degree of continuity marked the transition from the Duhalde to the Kirchner administrations. Duhalde stepped down as he had promised, which gave him credibility, but he also retained several of his people in key parliamentary seats and in the cabinet, most

notably Roberto Lavagna, the economy minister. The transition was thus characterized by a good degree of programmatic coherence: to reinvigorate the economy on the basis of a competitive exchange rate, to negotiate rates and fresh investment with the privatized public utility sector, and to restructure the debt in default under conditions that did not affect long term growth and poverty alleviation. This was an atypical political scenario. There was not only continuity of names and ideas, but there was also a tacit political pact between a sitting president and a former president who retained significant levels of influence. To an extent, it seemed more like French cohabitation than anything Argentina had ever seen before.

The new arrangement reinforced stability, and Kirchner found more auspicious domestic and international economic conditions. Argentina restructured its foreign debt, obtaining an unprecedented reduction of 70 percent, and improved its fiscal condition. At the same time, prices for its major exports began to rise again. With a competitive exchange rate, it acquired a large trade surplus that fostered rapid growth and mounting foreign exchange since 2003. Yet that was exactly when the politics began to change, and not necessarily for the better. Riding on the boom, Kirchner sought to cut ties with Duhalde, and the opportunity to do so was the October 2005 midterm election. Emerging victorious from the contest, Kirchner sacked all independent-minded members of his cabinet (including Roberto Lavagna, responsible for the economic recovery), exploited his weakened opposition by co-opting leaders from other parties, played on regional and factional divisions, and blatantly employed the government's fiscal resources to grease the wheels of Peronist party politics. Moreover, he permanently flirted with unconstitutionality by continuously extracting from Congress extraordinary powers to make unilateral decisions regarding such critical matters as foreign-debt negotiations and the budgetary process, among others.

After the 2005 election, it was clear that a Kirchner was going to run for the presidency in 2007—it just remained to be seen whether that was going to be Néstor or his wife, Senator Cristina Kirchner. Until that decision was made, the task was to build up their own electoral instrument, the “Front for Victory.” To that end, the Kirchners sought, first, to take over the structure of the Peronist party in the Buenos Aires province, so that to decompose the once powerful Duhalde machine. Second, they sought to further divide the Peronist party, so that weaker, smaller factions would be subordinated to the presidency. Third, they worked to co-opt the opposition parties, so that they could gain support in districts with little or no organization of their own. With that strategy fully deployed, the nomination of the candidate would take place in due time, once the public opinion polls revealed which of the two Kirchners was more likable. Not that this was the first case of nepotism in Argentina’s political practices, but never had it been so easy to carry it out at such a high level.

As it turned out, Cristina Kirchner got the nomination and won the election in October 2007 with 45 percent of the vote. Argentina has regained stability and its economy has recovered from the deep crisis of 2001. Yet, paradoxically, the issues that were at stake in 2002 have not been fully and satisfactorily addressed. The recovery, in fact, has not been based on a program designed to attract investment and, thus, it is not an upturn that could sustain growth over time. On the contrary, the strong economic performance since 2002 has been driven by a deliberately high exchange rate and favorable international prices. As such, this recovery began to show signs of exhaustion even before the international financial crisis of 2008. Once both variables began to change, as evinced by the real estate bubble and a gradual shrinking of the trade surplus, the less than spectacular performance began to affect

the fiscal base. On this issue, the Kirchners only exacerbated the perennial weakness of Argentina's development: the secular inability, in an open and in a closed economy alike, to design economic policies that moderate, rather than magnify, the effects of the economic cycle.

The political system, in turn, seems to have encountered even more difficulties to recover from the critical days of 2001-02. In a political setting marked by fragile institutions, fragmented political parties, and a development strategy unable to smoothen the effects of the economic cycle, the Kirchners found incentives to continue ruling by decree and, whenever possible, to reduce Congress to a mere appendix of the executive branch. As in the area of foreign policy, always loud and provocative, the government's approach is also confrontational at home—its rhetoric is generally bellicose and nationalistic, and its preferred political space is the street. The Kirchners look in this sense populist and certainly sound populist. Yet in the absence of a strategy of industrialization, without any solid redistributive program to reduce poverty, and unable to organize and institutionalize a multi-class coalition of support, those traits can be explained by the legacies of populism that the Kirchners want to embody, but which are not enough for such a characterization.

If anything, the Kirchners' politics is simply the politics of patronage and concentrated executive authority in a setting marked by political fragmentation.³⁴ It is a form of politics depleted of institutionalized mediations (of which populism had several) and, as such, it can only be a mere reflection of the economic cycle. When the economy grows, whoever is in power stays longer—Menem and, in fact, Kirchner—and when the economy slows down and becomes ungovernable, whoever is in power has to leave early—Alfonsín,

³⁴ A comprehensive account of the transformation of Peronism from labor-based to essentially patron-client party is in Steven Levitsky, *Transforming Labor Based Parties in Latin America: Argentine Peronism in Comparative Perspective* (New York: Cambridge University Press, 2003).

De la Rúa, and to some extent Duhalde himself. This is Argentina's Achilles Heel. In fat years and favorable public opinion polls, this system can be sustainable. But, if history since the return of democracy in 1983 is any guide, in lean years and with societal dissatisfaction, this system only contributes to more instability.

The Kirchners decade is approaching that point of the cycle. To a great extent, the Kirchners' political approach is a reflection of "Menem's mirror"—what is right appears left and vice versa, but otherwise the picture is identical. Whether democratic procedures are circumvented, twisted, and violated "to quickly achieve market efficiency and enter the First World," as in Menem's narrative, or in pursuit of "independence from the U.S. and the IMF," as the Kirchners put it, makes little difference. In terms of the quality of the democratic process, and the prospects for democratic stability, Argentina continues under the long shadow of the 1990s.

The Populist Conundrum and the Future of Democracy in Latin America

In Argentina and elsewhere in Latin America, Populism as a political actor is history—then, we should perhaps use the concept just for historical analysis. Once classic import-substituting industrialization ceased to be a feasible strategy—a result of increasing market integration and financial openness since the mid-1970s—the economic incentives of the multiclass, urban coalitions that had sustained populism disappeared. Without material bases of support, populism's structural foundations vanished. Such strains of "populism" as have come to power since the transitions of the 1980s have been crude imitations of the original, capable of re-creating its rhetoric and rituals but unable to reproduce its substance. The words "new," "neo" or any other adjective we may choose to add to the concept to capture that observable difference does not help analytically either, for naming is important.

The African elephant's DNA is 98.5 percent identical to the woolly mammoth's, yet it is a separate species, not a "neo-mammoth."

As students of Latin American politics, we still have to come to terms with "Post-populism," which is to populism not any more than "Postcommunism" is to communism in East Central Europe. That is to say, as much as the species is extinct, its legacies are not. The essential progressive concerns of populism are as alive as ever. Decades after the end of military rule, longstanding goals such as a welfare state, social justice and political inclusion, substantive equality and dignity for working people, and rights for disadvantaged groups remain unfulfilled and continue to spark mobilization. Political vehicles from the past, however, are no longer viable in their original form. The issues remain the same, but new strategies are needed to address and resolve them.

Populist politicians, however, have been unable, or unwilling, to turn their mass movements into viable political parties. For the most part, these leaders have had difficulty finding a narrative that can contribute to democratic stability in a consistent manner. As such, several of them, like the Kirchners, are stuck in a post-populist framework, where the specter of old-fashioned populism keeps coming back, perhaps as a witness to how incomplete the political incorporation of Latin America's poor remains, and as a painful reminder that the region is still the world's most unequal. The populist conundrum confronts Latin America with the familiar yet complex challenge of promoting substantive democratization while reinforcing the procedures that make up democracy itself. The need to accomplish both tasks continues to present thorny issues in a region where the very word "institution" has long been taken to mean little more than a bag of tricks that ruling elites use to preserve their privileges and to deceive, exclude, and impoverish the people. Frequently, leaders who have come to

power in pursuit of socially just ends did not feel compelled do so following established rules and procedures. In a sad irony, such leaders have ended up weakening the very rights and institutions that the poor and destitute so desperately needed, especially when the economy slows down. As a result, the inequalities that they were supposed to correct worsened.

Righteousness does not make a good recipe for a democratic society. If right-wing Carlos Menem deserves criticism for packing his country's highest court, so does left-wing Hugo Chávez, regardless of their quite dissimilar goals. In a democracy, means are substantive and not merely formal, because rules are the only thing upon which contenders can always agree. Procedures are thus the glue that holds the polity together. This is the ultimate challenge for progressive thinking and practice in Latin America today: to reconcile the substantive goals of inclusion and equality with the goals—the equally substantive goals, I emphasize—of robust procedures and institutions.