Argentina: The End of Kirchnerism?

written by Niall Reddy | July 3, 2014

Scholars have sometimes noted that Argentinian history seems unusually punctuated by periods of booming prosperity followed by dramatic collapse. The most recent manifestation of this was of course the four-year economic crisis that culminated in 2001, in which attempts by successive regimes to apply neoliberal strictures and protect financiers led to a collapse in GDP of more than a quarter, skyrocketing poverty and unemployment, and a period of social upheaval that saw five presidents replaced in just 15 days.

From the flames of the *Argentinazo*—the civil unrest and rioting of 2001—left-Peronist candidate Néstor Kirchner assumed the presidency in 2003 with the lowest percentage of the popular vote ever in the nation's history—just 22.4 percent. The decade-long rule of Kirchner and his wife Christina Fernández Kirchner (CFK), who took over from her husband in 2007, is usually characterized as neo-developmentalism—a combination of consumption-led industrialization underpinned by welfare and rising wages, with windfalls from favorable commodity prices that allowed growth and incomes to rise rapidly and subdued the radicalism that was gripping much of the population. The mid-term elections that took place in October last year saw a collapse in support for the incumbent president and large gains for the center-right and revolutionary left, along with a looming economic slowdown that seemed to herald another inflexion point—one that could have major implications for the process of left resurgence taking place in Latin America.

Argentina's successes in heterodox macro policies following the largest-ever debt default in 2002 have earned the silence or derision of mainstream economic journalism. As much is predictable but less so is the negligible attention it has garnered from international supporters of the post-neoliberal "responsible" leftism, who have lionized Lula's Brazil (at least this is the case in South Africa where the centrist part of the labor movement and its intellectuals are enamored of a so-called "Lula moment"), perhaps because some of the Kirchners' methods seem too unorthodox for this group, even if hardly radical. In any case many of the progressive lineaments of neo-developmentalism seem to run deeper in Argentina than in its northern neighbor. Extreme poverty in Argentina dropped by more than 22 percent between the worst point of the crisis in 2001 and 2010. Part of this was due to a universal (per child) grant system that is relatively more substantial than Brazil's widely praised *Bolsa Familia*. In large part though, as in Brazil, progress on social indicators has been overwhelmingly driven by successes in the labor market. By 2010 unemployment was down 10 percent from ten years prior, settling at 8.0 percent. Inflation was substantial for the decade but was regularly exceeded by wage increases which also had a progressive structure—the ratios between the "top 5" and the "bottom 5" and between the median and the "bottom 5" both dropped.[1] Consequently, workers' share of the total value produced in the economy rose.

It is on the basis of this historic reversal of the social indexes of neoliberalism that the Kirchners have sought a redemption and renewal of the original Peronist program now termed "serious capitalism." Néstor dusted off an old concept on assuming office, telling a meeting of domestic bankers that "it is impossible to build a national project if we do not consolidate a national bourgeoisie".[2]

Peronism's phenomenal durability, through all the permutations and disappointments, remains a compelling social mystery. Peron first swept to power in 1946 riding a wave of proletarian support

that reached deep into the union movement, under a slogan of “Braden or Peron” (Braden was the U.S. ambassador at the time). He used his popular appeal to partially dislodge Argentina from the U.S. orbit, drive inward industrialization with the support of a national bourgeoisie, underpin a substantial welfare system with massive wage increases, and cement his own control, often by direct repression. Contemporary scholarly interpretation, in part influenced by Daniel James’ seminal study in the 1980s, of course emphasizes the need to go beyond a narrow material lens in understanding the evolution of Peronism’s hegemony.

As important as the real changes in living conditions, Peron’s challenge to the naked oligarchism and rigid system of social stratification that marked the *decade infame* (the 1930s), was extremely important in indelibly associating his movement with the identity of the Argentine worker. Peronism appropriated the cultural tokens of class denigration and resignified them into symbols of proletarian pride and patriotic character—perhaps best exemplified by the image of the *descamisado* (“shirtless one”). The formerly anarchist workers rallied to Peronism. By the mid 1950s unsustainable trade deficits created by consumption-led growth generated an economic crisis through which the traditional elite resumed the initiative, exiling Peron and outlawing his movement in a military coup. During the decades out of power, Peronism retained its monopoly as the articulated form of proletarian aspirations, marginalizing the inchoate Communist Party and developing a powerful union bureaucracy, but also inspiring diverse movements by its proud history of resistance and the better memories of its years in power.

By the time of Peron’s return to power in 1973, a spectrum of political groups and parties ranging from left-nationalist to semi-fascist claimed allegiance to the movement that had won the hearts of the Argentine masses. The basis for a developmental model based on class collaboration having been exhausted, Peronism’s brief second-coming to executive office was far less receptive to workers and more openly repressive of the Guevarist, Maoist, and Trotskyist left, leaning in part on the union bureaucrats to achieve this. It was to fail once again to find a means of protecting Argentina from the vicissitudes of global capitalism and fell, contemporaneously with many other Latin America nations, to a vicious military dictatorship that began neoliberal reforms. Indicative of its ideological ductility, it was Peronism under Menem that oversaw the consolidation of this project in the 1990s, culminating in the *Argentinazo*.

Like Peron himself, the Kirchners were successful in creating the perception of accountability and popular responsiveness and restoring some legitimacy to the political class following the *Argentinazo’s* cry of “Que se vayan todos” (Out with them all). Their reckoning with the criminals of the military dictatorship—unique in Latin America—was important in this regard. But whilst aspects of Kirchnerism resonate with early Peronism—an association they’ve sought to amplify—their political project, separated by the better part of a century, is necessarily very different.

For one thing, it is unlikely that Kirchnerism will be able to rely on the same vast cultural resources to achieve the vertical integration with the labor movement that Peron himself managed. Favorable wage and employment trends were initially successful in keeping most workers onside and allowing clientelist operations to secure the support of important sections of an entrenched bureaucracy. This has been coupled with a deliberate campaign of co-option and division aimed against militant *piqueteros*—unemployed workers’ social movements named after their main tactic of blocking roads. But important as union support has been, it hasn’t been quite the bedrock of the Kirchnerist project in the way it was for Peron—under the latter union membership more than doubled whilst recent years have seen a massive expansion of precariousness and little improvement in factory floor organization past the initial recovery.

Allegiances with workers organizations have been more conjunctural and reliant on good economic results creating the space for a certain favorable distribution of value. As of now both of Argentina’s

weighty, heavily bureaucratized union federations, which organize around 36 percent of the workforce, are split into pro- and anti-government factions. CFK was the target of a general strike in November 2012 and another in April 2014, with hundreds of thousands of workers downing tools in protest against the slowing wage increases in the face of substantial inflation. Moreover, government maneuvers and the softening lines of social conflict have no doubt diminished the country's social movements. But they remain a political force and the experiences and efficacy of mass action learned in the *Argentinazo* have not been forgotten. Argentines from all sections of society are quick to mobilize—demonstrated in the ubiquitous 'pop-corn' protests around electricity cuts during the recent heat waves.

The factory occupations that garnered a lot of international attention have also been an important source of struggle experience even if they failed to meet some of the more optimistic expectations of the left. At present only a few more than 100 worker-controlled businesses continue to exist in marginal industries—with little or no expansion past the heat of the crisis in 2002. The occupied firms were ones abandoned by capitalists, which means they were generally less profitable with outdated machinery, and workers quickly felt the pressures of the law of value, combined with general hostility from the capitalist production chains with which they were integrated and other difficulties like tenuous property rights. Many firms quickly closed, others conformed to "normal" modes of doing business based on the supremacy of the bottom-line and lost their connections to the left. Nevertheless, the experiences in self-management of production, the politics and practicalities of takeovers, and indeed the limitations of socialism "in the interstices" are valuable advances and contributions to the radical traditions of the Argentine working class.[3]

The greater degree of social mobilization is crucial in distinguishing Argentinian neo-reformism from its more moderate variant to the North—only now are the managers of PT becoming subject to the same level of popular assertiveness that has been a constant specter for the PJ. The greater degree of social mobilization has at times forced the Kirchner regime into fairly frontal confrontations with capital in order to keep the neo-developmentalist project on a tight course, such as with the (re)nationalization of the energy company YPF. Despite the excoriation of the mainstream press, however, that move was by no means an anti-capitalist impulse. State control of energy is a fairly basic element in any moderate developmentalist canon, and the recent energy crisis shows just how moderate this one is. Any doubts about this should have been dispelled by the $5 billion settlement that the Argentine government has just reached with YPF's previous owners. Other nationalizations have been highly selective—aimed at a coordinated industrial policy and not at impinging on capitalist power.

At this point it is worth mentioning that the progress on social indicators appraised above is certainly diminished when the base year is set before the crisis instead of at its nadir, although progress is still visible. Argentina's social programs, moreover, conform to the neoliberal "safety net" models that have become popular in the region and in no way function as a springboard to the kind of substantive redistribution needed to seriously challenge deeply inscribed inequality. Similarly, macroeconomic indicators look more modest when measured against pre-crisis levels. Indeed, the most unrelenting left critics are unwilling to credit Kirchnerism with anything more than turning the lights back on in existing factories and finding the fairies of international commodity markets. This is mistaken in my view. The boom of Néstor's first years undoubtedly masked the re-ignition of existing capacity but GDP was already at pre-crisis levels by 2005 and between then and 2011 it grew cumulatively by around 60 percent, despite the global downturn. A more important debate concerns the role of soya and mining exports in achieving this. The term "extractivism" is gaining increasing currency in political economic discussion of the region, but although this has merit in drawing attention to the growing weight of mining and destructive agriculture, its use has tended to purvey a certain reductionism. Exports as a percentage of GDP, including agricultural

exports, actually decreased during the boom years of 2002 – 2008 and contributed only 7.6 percentage points to growth for the period, compared with 45.4 for consumption and 26.4 for investment.[4]

Cleaving to neoliberalism during spiraling crises of the early 2000s would have meant ruination for Argentina's ruling classes. The country's successes since then have been the product of sound heterodox economics, which won the acceptance of large sections of capital if only in the interests of self-preservation. Argentina was ostracized by international financial markets following the debt default, which not only protected it from the destabilization that has haunted other developing countries but provided the political space for alternatives. The Kirchners laid a path for wage-led growth but not one insensitive to the demands of the external sector, which was bolstered by high commodity prices. Investment to meet internal demand created by above-productivity wage increases and high government spending was secured by a smart industrial policy involving selective tariffs, promotion of small and medium enterprises, and improved credit access.[5] A carefully managed currency helped to keep exports competitive and encourage some measure of import-substitution. The result was an industrial boom in which the growth of non-traditional sectors like agricultural machinery and electrical equipment exceeded traditional exports.[6] Foreign direct investment had a minimal role to play in all this and minimal participation in international financial markets insulated Argentina somewhat from the worst effects of the global crisis.

The right and the far left have at times converged in dismissing the macroeconomic successes of Kirchnerism as simply the epiphenomena of a commodity boom, centered on soya. But whilst this is misguided, favorable commodity indexes have undoubtedly been important in providing external stability for a financial pariah, and their recent misfortunes are compounding current difficulties. The explosion of the soya sector has had other major political economic impacts. When the administration of Carlos Menem admitted the use of genetically modified (GM) seeds in 1996, soya occupied just six million hectares of arable land. By 2013 it had ballooned to nearly 20 million hectares—over half of the agricultural surface, setting off a major transformation in the rural areas. The soya industry is highly concentrated with just a handful of conglomerates controlling the vast majority of production and most of the bounty in the international value chains accruing to a clique of multinationals associated with processing, including Cargill, Bunge, and Dreyfus.[7] Production is capital intensive and the massive displacement of labor as traditional sectors are steamrolled is fermenting a social crisis in rural areas—one that will intersect with an even deeper ecological one if the GM seeds' environmentalist detractors are to be believed. Added to this, the Gadarene rush for land is causing a spike in brutal conflicts in rural Argentina, with one NGO recording almost 250 incidents in the North in 2011 alone, the overwhelming majority of which were related to land.[8]

The superprofits in the sector are engorging the power and influence of a particularly reactionary, metropolitan-oriented fragment of the bourgeoisie hegemonizing a number of smaller producers and conservative rural populations. This bloc has no love of Kirchnerist dirigisme or the national development project it claims to orchestrate. In 2008 soya barons and CFK faced off when the latter attempted to capture a portion of soya rents for state coffers via a sliding export tax, with the expected revenue intended primarily for foreign debt repayments. The reaction was fierce involving massive protests, hundreds of thousands strong, that succeeded in constricting the flow of agricultural products to urban areas. In the end, CFK was defeated and forced to back down, setting the tax at a fixed rate.

The debacle graphically exposed the limitations of Kirchnerism. Neo-developmentalism's ability to override fractional interests in service to the management of capitalism for the class as a whole depends on some degree of coherence between those interests or a balance of class forces that enforces such a coherence. It's not clear that the notion of a "national bourgeoisie" ever made sense

in anything more than a conjectural sense but in a globalized world it certainly has even less application. As some have noted, developmental projects on which the concept has been premised have tended to be self-liquidating as the sections of capital that grow up under protectionism evolve different interests and fight to retain state sponsorship but resist efforts at planning and coordination. In Argentina, many of the most dynamic sectors are those that are plugging into regional and international markets and value chains where competitiveness is more important than guarding national markets. With the pace of accumulation slowing down, direct confrontations with sections of capital that no longer have use for an energetic state will become more necessary—but winning those confrontations in the face of dissipating elite support would entail involving the streets in ways that Kichnerism could not manage and would not allow. The very reason CFK needed the dollars from the export tax—to repay the restructured debt—belies the timidity of her heterodox program and the growing compulsion to reintegrate into global financial structures under normal conditions. During the rural crisis, which dovetailed with large-scale right-wing protests demonstrating the erosion of CFK's upper-class support, many proclaimed prematurely the death of Kirchnerism.

It survived. But the obituaries are again appearing. Signs of resurfacing debt woes have the business media baying with *Schadenfreude*—eager to prove to a recalcitrant economy that there is no choice but the low-road of neoliberalism and absolute deference to financial markets. As this is being written in March 2014 the Argentinian peso is in a particularly slippery patch having lost over 15 percent of its value in just two months. The peso decline is most immediately related to U.S. Federal Reserve decisions to tighten the tap on quantitative easing which have had the same effect on most "emerging markets;" the Russian and South African currencies are at multi-year lows and Turkish, Brazilian, and Chilean exchange rates have also plummeted. But the storm engulfing the Argentinian economy is larger than the headwinds of global capital flows.

Whilst growth is still above world averages it has plummeted from the "Chinese rates" that predominated over most of the last decade, and investment has tailed with it. CFK's commitment to odious debt repayments and her failure to capture soya rents has led to de facto money printing that has boosted inflation rates well above 20 percent despite systemic misreporting by state agencies. The inflation is beginning to take effect, rendering Argentinian exports less competitive. Added to this, the slowdown in commodity prices with easing of Chinese growth and the worsening outlook of key trade partners like Brazil is putting significant downward pressure on the peso. Attempts to counteract this pressure are draining foreign reserves, which are presently around US$30 billion—down almost a quarter over the course of 2013. In late 2013 a U.S. court ruled that Argentina must repay its debts to international lenders that refused the initial restructuring agreements—the so-called "vulture funds" that deliberately buy bonds at discount rates with the express intention of bringing borrowers to court in international jurisdictions when the inevitable default occurs. Argentina has refused to recognize the authority of these courts but a legal default, however odious its basis, will worsen relations with the financial markets that CFK is fighting so hard to repair. In all of this Argentina's historical predilection for crises is being repeatedly evoked by an indignant business press, spurring the jitters of investors and putting wind in the sails of burgeoning capital flight.

The doom mongering is probably unfounded in the near term at least; past mistakes are unlikely to repeat in the same way. CFK's new finance minister Axel Kiciloff—a former Marxist who wrote his PhD on Marx and Keynes and was instrumental in establishing the Economists of the Left—has already made moves towards a managed devaluation of the peso and the easing of certain capital controls, whilst railing against currency speculators. The devaluation will ease the pressure on foreign reserves and could give a shot in the arm to Argentine exports but could also stoke inflation, worsening the foreign-denominated debt burden and harming the workers and the poor. A raft of

price controls announced last year to prevent the latter outcome contained loopholes that a container ship could fit through and seemed to amount to little more than a populist gambit.

It seems quite possible for Argentina to avoid another hard landing, but it will be much harder to restore the fortunes of the economy when consumption-based growth seems to have run into the familiar territory of an inflationary spiral and the international environment remains sclerotic. Kirchnerism has no vision of socialism—only one of "serious capitalism"—and all the signs suggest that "serious capitalism" in this conjuncture demands rationalization and deflation, squeezing workers to slip through the impasse. But whilst Kiciloff's erstwhile comrades hold little faith that he will rediscover his more radical heritage, his promotion does signify that austerity is not the immediate agenda and that a few more tricks in the post-Keynesian arsenal are still to be tried. Late last year he announced a US$21 billion stimulus program aimed to create 830,000 jobs and US$1.5 billion in government-backed peso-denominated business loans. Whatever the outcome it seems that contemporary Argentina will make an interesting future case study on the fate of Keynesianism in practice.

Incipient signals of an economic turn for the worse and Kirchnerism's diminishing capacity to channel some of the economy's dividends downwards were behind the reversal in CFK's electoral fortunes in the October 2013 mid-terms. Although still the largest electoral formation, her Front for Victory managed only 33 percent of the vote—down more than 20 percent from two years earlier—and conceded the key constituency of Buenos Aires to a right-wing Peronist dissident, Sergio Massa. The far right governor of Buenos Aires, Mauricio Macri, and centrist Socialist Party leader Herman Binner also gained. The results put the handbrake on CFK's attempts to seek a third term through constitutional amendments. In recent months, affected by sickness, she has receded into the political background, maneuvering her Chief of Cabinet, Jorge Capitanich, into effective control of routine administration and setting him up as a potential successor candidate.

The other big winner in the mid-term elections was the Frente de Izquierda Trabajadores (FIT), the Workers Left Front, a coalition of three Trotskyist parties that won around 1.15 million votes—close to 6 percent—giving them three national deputies who will be remunerated at average wages (the rest of the far left added another half million or so votes). The result is a historic breakthrough for the Front, which formed in 2011, and comes on the back of a strong campaign that focused on concrete issues like nationalization and capping pension and income taxes. In certain regions such as Salta and Mendoza, FIT's achievement was even stronger, polling at over 15 percent. Trotskyism has historically been influential in Argentina given Stalinism's disastrous efforts to navigate around Peronism and its complicity in the military dictatorship. The Movemiento al Socialismo led by Nahuel Moreno during the 1980s was at one point probably the largest revolutionary party in the world; two of FIT's smaller parties trace their lineage to it. Today, the constituents of FIT are separated more by traditions, matters of form, and histories of animosity than any theoretical or programmatic questions. All of them retain a degree of orthodoxy uncommon in formations of their size, which has tended to incubate some of the more unfortunate traits of later twentieth-century Troskyism, such as an unbounded optimism of the intellect with a propensity to perceive bourgeois crisis and revolutionary upheaval where neither exist. A certain maximalist politics and sectarianism is concomitant with this.

This is perhaps most visible in their critical view of Chavism and twenty-first century socialism, which they regard as an undistinguished and unremarkable variant of social democracy with all the usual overtones of betrayal and complicity. Their stance bears ample references to revolutionary experience from different historical times and locations, with little attempt to problematize the comparisons or acknowledge complexities, suggesting a dogmatism that will be severely limiting in the current context. FIT parties support a variety of dubious anti-Chavist groups, and in the recent unrest have called for resistance to right-wing violence but without lending any support to the

government, however that is supposed to work. In part this stance is explained by the long shadow of Peronism over Argentine history and the extensive experience of revolutionaries with the dangers and limitations of military caudillos and nationalist populism. No doubt the hard-won lessons from that experience will weigh in the advantage of socialism at a more advanced point of class struggle but it is hard not to think that at present they act to prevent the FIT parties from taking part in the broad left regroupment that will be needed to provide a credible alternative to Kirchnerism or whatever succeeds it. FIT's failure to recognize the genuine anti-imperialism in the Bolivarian movement in Venezuela, or its capacity to open up spaces for socialist advancement, puts it askance of important trajectories in the Latin American left.

Unlike with so many questions of internationalism during times of left weakness, the stakes here are not merely abstract principles. FIT's electoral success was greeted with great enthusiasm by a wide array of forces, some marching under a banner of "New Leftism" that calls for a serious re-appraisal of the "partial conquests" of the last decades and their importance for socialist strategy. Some of these groups called for a supporting vote. The current political landscape—with no credible left alternative to a Kirchnerism in decline—would seem to provide auspicious conditions for growth and indeed FIT activists are highly optimistic. An open-ended approach by FIT leaders, building on the electoral successes, could lay the ground for a serious phase of socialist convergence. But, regrettably, those successes do not seem to have generated the unifying enthusiasm that one would have expected, or even to have ameliorated centrifugal tendencies within the Front. The formation of FIT was in part compelled by changes in election laws that required a certain percentage for participation, and so far genuine unity does not seem to have displaced simple expediency in holding the group together. Each continues to engage in fairly vicious polemic and petty dispute with the other, holding up their own tradition as the authentic custodian of revolutionary politics and the vanguard-in-miniature.

It remains too soon to pronounce on the fate of Kirchnerism (or left Peronism) which has returned more than once from the brink. But whether it manages to reconstitute its support base and retain power in 2015 or whether it is replaced by a dissident right Peronism under Massa or some other coalition of forces (a Socialist Party alliance with the social liberal Radical Civic Union is one contender) may make only slight difference in economic orientation. The national bourgeois project in Argentina is facing far greater difficulties than it has so far faced and without any strong influence of mass forces over its political institutions its likely trajectory, so history would suggest, is a rightwards capitulation and efforts to restore "competitiveness" to the economy. We can hope at least that its demise will fertilize a political movement capable of deepening the post-neoliberal process in Latin America.

Footnotes

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3. Juan Grigera, "Argentina: On Crisis and a Measure for Class Struggle," Historical Materialism, 14 (2006), 221–48.
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5. Christopher Wylde, "State, Society and Markets in Argentina: The Political Economy of Neodesarrollismo under Néstor Kirchner, 2003–2007," Bulletin of Latin American Research, 30 (2011), 436–52.
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7. Claudio Katz, “La Pulseada Por La Renta.”
8. Dario Aranda, “Argentina Profunda: Extractivism and Resistance.”