

# ARGENTINA'S QUARTER CENTURY EXPERIMENT WITH NEOLIBERALISM: FROM DICTATORSHIP TO DEPRESSION\*

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**ABSTRACT** Argentina set a new historical mark in 2002, having experienced the largest debt default by any country ever. In order to understand how Argentina could go from one of the most developed countries of the Third World, to experiencing the crisis of 2001 and then enter a depression in 2002 with over half the population living in poverty, requires an evaluation of the last quarter century of economic policies in Argentina. The shift toward neoliberalism began during the dictatorship of 1976, deepened during the Menem administration, and was supported throughout by the IMF. This paper aims to identify why the crisis occurred when it did, but also to understand how the underlying shifts in the political economy of Argentina over more than two decades led to two waves of deindustrialization, an explosion of foreign debt and such a marked decline in the standard of living for the majority of Argentinians.

**Key words:** neoliberalism, development, foreign debt, IMF

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## **EXPERIMENTO DE UM QUARTO DE SÉCULO DE NEOLIBERALISMO NA ARGENTINA: DA DITADURA À DEPRESSÃO**

**RESUMO** Em 2002, a Argentina atingiu um novo marco histórico, ao experimentar o maior *default* da dívida externa, não somente pela sua própria história, mas também do mundo. Para compreender como a Argentina deixou de ser um país mais desenvolvido de terceiro mundo até experimentar a crise de 2001, entrando depois numa depressão em 2002, com mais da metade da população abaixo da linha de pobreza, precisamos fazer uma avaliação das políticas econômicas durante o último quarto de século na Argentina. A virada ao neoliberalismo começou durante a ditadura no ano 1976, tendo se aprofundado no governo Menem e sempre apoiada pelo FMI. Este trabalho tentará identificar porque a crise ocorreu naquele momento, e também, compreender as mudanças subjacentes na economia política durante duas décadas na Argentina, as quais que desencadearam duas ondas de desindustrialização, uma explosão da dívida externa e uma deterioração bem marcante no padrão de vida para a maioria dos argentinos.

**Palavras-chave:** neoliberalismo, desenvolvimento, dívida externa, FMI

## INTRODUCTION

After experiencing the worst economic crisis in its history with the hyperinflation and recession of 1989, Argentina has now set yet a new historical mark not only for its own history, but for the world’s, having experienced the largest debt default by any country ever in 2002.<sup>1</sup> The experience of Argentina provides a rather sobering evaluation of neoliberal policies for two reasons. First, Argentina has pursued neoliberal policies longer than most other countries in Latin America, having been one of the earliest neoliberal experiments during the early 1970s, compared to most other countries that did not embark on the neoliberal trajectory until the second half of the 1980s. Secondly, Argentina was recognized as having the highest standard of living and income *per capita* in Latin America for several decades,<sup>2</sup> but as a result of neoliberal policies implemented through the last quarter century, it entered a depression such that over 50% of the population was living below the official poverty line, and almost one quarter of all Argentinians were in a state of indigence.

In order to understand how Argentina could go from being one of the most “developed” countries of the Third World, and a poster child for neoliberalism, to reaching the crisis of 2001 and entering a depression in 2002, a historical perspective of the last quarter century in Argentina is required. This paper will attempt to identify why the crisis occurred when it did, but also to understand how the underlying shifts in the political economy of Argentina over more than two decades led to the possibility of such a crisis.

Despite mainstream economists being in denial, the drive toward a neoliberal economic model, as advocated by both the Argentinian elite and the IMF, has had a clear class bias and thus led to a marked decline in the standard of living for the majority of Argentinians. The particular type of neoliberalism, which Argentina pursued, promoted agro-industry and finance at the expense of manufacturing, and thus produced two waves of deindustrialization and therefore a greater vulnerability of the Argentinian economy to globalization in the 1990s.

This paper will first evaluate the period of the dictatorship from 1976-1983 and the drive by the IMF and the military junta for the implementation of neoliberal policies. Secondly, the transition to democracy and the more heterodox economic policies of Alfonsín are considered, followed by the

crisis of hyperinflation. The latter led to the support for Menem and the eventual “Convertibility Plan”, pegging the peso to the US dollar. The period of the 1990s, with renewed emphasis on neoliberal policies under the Menem and De la Rúa administrations, are then examined. The paper then presents the overall impact of a quarter century of neoliberal policies on Argentinian workers. This is followed by a detailed look at the period preceding the outbreak of the crisis at the end of December 2001. The next to last section assesses the role of the Argentinian elite and the IMF over the last quarter century, and in particular the latter, given the track record of recent years with the string of financial crises worldwide, not just in Argentina. Lastly, the paper summarizes the failed neoliberal experiment of the last quarter century and presents an overview of recent economic and political developments as Argentina emerged out of the depression of 2002.

### **1. THE DICTATORSHIP OF THE 70S, THE IMF AND THE SHIFT TO NEOLIBERALISM**

In 1975-1976, Argentina was enduring a period of chaos and uncertainty, in large part derived from the economic and political instability after Perón's return to power in 1973, followed by his death in 1974. There were serious divisions within Peronism: the neo-fascist AAA on the right and the Montoneros guerilla movement on the left. Some degree of class peace was achieved between the Peronist labor unions and the national bourgeoisie, but only temporarily. After Perón passed away in July 1974, Isabel Perón inherited a crisis which reached its worst point in June 1975, when the Economics Minister Rodrigo attempted an IMF-style shock treatment to try and rein in inflation. After failing to achieve the desired outcome, the government then allowed an adjustment of 140% for nominal wages and inflation subsequently spiraled into hyperinflation.<sup>3</sup>

It was at this point that Isabel Perón's government was negotiating for an IMF payment as reserves were in need of replenishment, given the country's economic crisis. The IMF would not come through with a previously arranged tranche despite efforts and several trips by her economic team to Washington. It is evident that at the height of the crisis period, the IMF should have helped to provide some stability and pushed Argentina to have new elections, as opposed to supporting a military coup.

Just one week after the military coup of March 1976, and without having to negotiate or send a delegation, the Argentinian junta was able to obtain over US \$100 million from the IMF. In addition to this show of support for a government willing to implement and impose neoliberal policies with an iron hand, the IMF came through with the largest loan ever to a Latin American country (US \$260 million), just five months later (Schvarzer, 1986: 45-46).

During the period between 1930 and 1976, Argentina, as well as a number of other countries, pursued the economic policies known as import substitution industrialization (ISI). This approach is associated with policies designed to protect nascent industry through tariffs and other trade or investment regulations, and to promote diversification into both light and heavy manufacturing, as opposed to just exporting agricultural products. From the middle of the 1960s, Argentina was experiencing a new phenomena — the growth of industrial manufacturing exports. In fact, they had reached over two thirds of all exports in 1973 (Kosacoff and Azpiazu, 1989: 109). However, when the military junta came to power in March 1976, the new government had a change of plans, and the importance of Argentinian industry would never be the same. This was evident in the economic policies implemented by the junta with its new Economics Minister, Martinez de Hoz. These neoliberal policies reflected a shift toward a laissez-faire approach, and were strongly associated with economists from the University of Chicago, such as Milton Friedman and Robert Lucas.<sup>4</sup> The dictatorship carried out a transformation called the Process of National Reorganization (*El Proceso de Reorganización Nacional*), which was a reactionary political and economic agenda.

The junta intended to shift support away from manufacturing industry and towards agro-industry. They argued that the rent from agriculture, primarily beef and grains, was no longer going to be used as a subsidy for industry, but rather for the development of other value-added agro-industry. There are three key factors which explain this approach by the junta. One represented a shift toward agro-industry as opposed to industrial manufacturing. The junta was being more supportive of the landowning oligarchy as opposed to the manufacturing industry. At an institutional level, this was reflected in the government allying itself more with the Argentinian Rural Society (*Sociedad Rural Argentina*, SRA), which represents the landowning

oligarchy, than with the Industrial Union of Argentina (*Union Industrial de Argentina*, UIA), which represents the industrialists.

The second factor reflected the junta's obsession with stamping out dissent in general, but especially among organized workers. Most notably was the memory of strikes in Rosario and Cordoba in the late 1960s and early 1970s, and especially the *Cordobazo* in 1969.<sup>5</sup> The junta was committed to eliminating the industrial park in Argentina because it was seen as facilitating labor unrest.

The third factor is accommodating multinational capital, since transnational corporations (TNCs) would benefit if Argentina concentrated on producing primary products and agro-industry, thus leaving automobile, steel and heavy manufacturing to imports or to local production by the TNCs.<sup>6</sup>

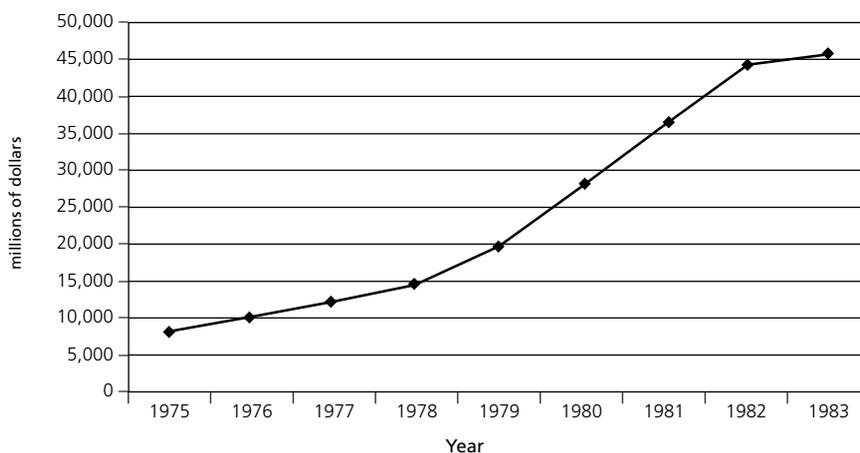
The economic and social policies pursued by the military government had a very negative impact on Argentinian industry, especially manufacturing. Between 1975 and 1981, the manufacturing share of the GDP declined from 29 to 22%, industrial employment declined by more than 36%, and industrial production as a whole went down by 17% (Smith, 1989: 251-253). The result of the neoliberal policies of the junta began the first wave of deindustrialization in Argentina, which would not seem to be in the best interests of the Argentinian bourgeoisie. However, that is based on the idea that the interests of the Argentinian bourgeoisie are strictly tied to the expansion of Argentinian industrial capital. The reality of Argentina is that many individuals of the Argentinian bourgeoisie have more and more of their investment portfolio in finance and agro-industry. The changes in government economic policy tended to benefit the most powerful companies, such as Bunge & Born, Macri, Perez Companac, etc.<sup>7</sup> but evidently the less powerful firms among Argentinian industry were considered expendable.

One of the most important neoliberal policies that Martinez de Hoz implemented was the Financial Reform of 1977 (*Reforma Financiera de 1977*), which abolished control of interest rates and removed many financial regulations regarding credit and investment. This had been strongly pushed by Argentina's financial elite, referred to in Argentina as *la patria financiera*<sup>8</sup> and also supported by the IMF. This financial reform greatly facilitated the shift from industry to finance, promoted financial speculation, and created an atmosphere conducive to lax financial controls and capital flight. In fact,

during the military dictatorship, there was an estimated US\$ 28 billion in capital flight (Minsburg, 2001: 148). Another telling example of both the lack of financial controls and the impunity on the part of the junta was when, during the negotiations with the IMF for a standby agreement, US\$ 10 billion simply vanished from the records out of a total of US\$ 40 billion debt (Smith, 1989: 249). This is also revealing with regards to the IMF’s willingness to look the other way with a military government pursuing the neoliberal model, however corrupt they may be. Such an oversight would have produced a scandal with the Alfonsín government, just a couple of years later.

During the mid to late 1970s, the IMF and other international financial institutions were promoting countries to take on debt due to excess petrodollars on the world market. It is not surprising that this is the period when Argentina’s debt first began to increase significantly, growing from US\$ 9.7 billion in 1976 to US\$ 45 billion in 1983. In figure 1, one can see a sharp increase in the growth of debt around 1978, resulting in a 363% increase of foreign debt between 1976 and 1983, the years of the military dictatorship. Although both Brazil and Mexico, like Argentina, saw their foreign debt jump up, increasing by 3.5 and 4 times respectively, this debt led to a growth and expansion of manufacturing in contrast to Argentina’s deindustrialization. Though all three countries had crises in the early 1980s, Brazil and Mexico had crises of growth and expansion, while Argentina had a crisis of

**Figure 1: Argentina’s foreign debt (1975-1983)**



Source: Ministerio de Economía.

shrinkage. It should be pointed out that part of Argentina's debt increase was due to a drastic financial reform implemented by Domingo Cavallo, who was then president of the Central Bank. Within just six months, 40% of the private sector's debt (~US\$ 6 billion) was converted to public debt (Smith, 1989: 247).

It is also important to note the shift that took place after 1982 with regards to the availability of foreign credit. After Mexico's debt crisis in 1982, the IMF and other lending institutions shifted 180 degrees with regards to credit policy for the Third World. In the graph above, this can be seen by the leveling off between 1982 and 1983. This was a manifestation of the shift toward monetarist policies in general, but especially in the US, where interest rates were pushed upwards arguably to control inflation, starting with Paul Volker's appointment to the head of the Federal Reserve under Carter in 1979. After Volker's initial "shock" treatment in 1979, interest rates peaked at 14% in 1981, thus causing major increases for the foreign debt of many countries, Argentina among them.<sup>9</sup>

In addition to the process of deindustrialization and the negative impact on manufacturing, the financial reform and other neoliberal economic policies of the dictatorship led to a much greater economic instability and three-digit inflation in 1982. At a more concrete level, Argentina was experiencing a fiscal crisis of the state, but from a long-term view, this crisis reflected the problems associated with a shift from ISI to a neoliberal accumulation strategy, an economy more dependent on finance and agro-industry than on the manufacturing base of the past. In addition, the working class of Argentina anticipated a clear improvement economically, regaining some of the ground lost during the repressive military regime; however, the capitalist class and the *patria financiera* had no intention of relinquishing their gains of recent years. This was the difficult context that Alfonsín inherited as Argentina transitioned to democracy.

## **2. THE TRANSITION TO DEMOCRACY AND HYPERINFLATION: THE ALFONSÍN PERIOD**

Thus Alfonsín was expected to help right the wrongs of the previous military government and improve Argentina's ailing economy. A major problem was the different expectations by competing social classes regarding the fu-

ture of the economy. After years of social exclusion, the working class was demanding an improvement of real wages, having experienced a major decline in their purchasing power, such that it was below that of the decade of the 1960s. Although GDP in 1983 was roughly equivalent to that of 1970, Argentina’s population had grown by 22%, implying a significant deterioration in *per capita* income. From capital’s viewpoint, fixed investment had fallen more than 30% compared to the average of the 1970s. Ironically, much of this was due to the neoliberal model, which many capitalists had advocated.

The Alfonsín government, feeling confident after the elections, attempted to be more independent from both domestic and outside forces and to forge ahead with an economic solution without having to make concessions to the Peronists, other political parties, or other established institutions, such as the SRA, UIA or CGT.<sup>10</sup> Thus, Alfonsín and his Economics Minister Ricardo Grinspun chose to break from the strict neoliberal orthodox approach and pursue an heterodox variant which would reinvigorate the economy and also allow for a more equitable distribution of income. This was in spite of and counter to the IMF’s calls for economic orthodoxy-growth first, followed by redistribution.

In 1984, Alfonsín took the bold step of suspending all debt payments on the principal and systematically delaying interest payments. The battle of economic policy with the IMF continued through the year, but given the balance of payments crisis, the new government was forced to shift from brinkmanship to conciliation and sign a traditional orthodox adjustment plan with the IMF in September 1984. The resulting IMF austerity plan proscribed real wage increases, eliminated price controls and forced Argentina to liberalize trade restrictions.

In 1985, the annual inflation rate had reached 1,000%, but after introducing the Austral Plan with the new Economics Minister Juan Sourrouille, Argentina finally had a reprieve, as monthly inflation rates dropped from 30% to below 5%. Nevertheless, over the next couple of years, inflation continued to be a growing problem and eventually escalated into the crisis of hyperinflation of 1989. Throughout Alfonsín’s tenure, there had been a rocky relationship with the IMF, as his administration was more willing to assert their preferred set of policies. However, given the continued problems

of a growing debt burden and galloping inflation, time after time, the Alfonsín government had to succumb to the demands of the IMF for neoliberal austerity plans. Although Argentina often did not follow these plans to the letter, the net result was more a set of orthodox policies than heterodox ones, as the government originally advocated.

This resulted in a continuity of neoliberal economic policies as pursued by the dictatorship and Menem. The Alfonsín administration began with the intention of pursuing economic growth with a more equitable distribution of income. However, through the course of the 1980s, due to pressure from both the local elites, as well as the IMF, they came to pursue “anti-inflationary” policies that prevented increases in real wages, not just nominal wages. Alfonsín also attempted to control workers wage demands using the discourse of democratization of the unions as a means of weakening unions. On the one hand, there was an economic incentive to control wage demands, but there were also political motivations, given the strong association between the CGT and the Peronist party, the main opposition to Alfonsín’s Radical party.<sup>11</sup>

Dinerstein presents an analysis of how economic policies even under a democratic government can constitute a weapon of repression against the working classes of a country. She argues that

The transition to democracy was only the political expression of the *other* transition: from economic instability to the legitimisation of the terrorism of money in the form of *stability* in the 1990s. The struggle for and against the legitimization of the terrorism of money over the political took the form of hyperinflation. Hyperinflation became the means of both the valorization of capital and the repression of labour. Faced with the burden of the interests of the external debt, in 1989 the government’s impossible aim of simultaneously satisfying social demands and subjugating itself to the mandate of the IMF, the World Bank and its creditors asserted itself as ‘distrust’ in the national currency and produced a financial crisis. (Dinerstein, 2003a: 12-13).

At the height of the crisis in 1989, the rate of inflation reached four digits (4,923%), the percentage of Argentinians living below the poverty line was approaching 50% and there was overall instability (INDEC, 2003). The result was a period of chaos, with looting, police repression, and fear of a social rebellion. After the elections of 1989, instead of accommodating Alfon-

sín with an interim loan till the president-elect Carlos Menem took office, the IMF pushed for Alfonsín to resign before completing his term in office. The climate of economic instability and particularly hyperinflation produced an atmosphere that allowed Menem to gain the support to further and deepen the neoliberal process of economic transformation begun in 1976.

### **3. NEOLIBERALISM UNDER MENEM AND THE IMPACT OF GLOBALIZATION<sup>12</sup>**

In March 1991, the Menem administration implemented an economic plan known as the *Plan Cavallo*, named after the Economics Minister Domingo Cavallo. This plan bore striking resemblance to that of the economic policies pursued by the dictatorship and Martínez de Hoz back in the 1970s.<sup>13</sup> This is because they were both fundamentally neoliberal, as reflected by their three main elements: financial deregulation, reform of the state, and trade liberalization, not to mention the general pro-capital bias.<sup>14</sup> The Menem administration was committed to an accumulation model with its base in finance and agro-industry, sacrificing manufacturing and thus producing a second wave of deindustrialization.

#### **3.1 Convertibility and Financial Reforms**

The one aspect of the *Plan Cavallo* which was not based on neoliberal ideology was the pegging of the peso to the dollar at a rate of one-to-one, commonly referred to as *convertibilidad* or convertibility.<sup>15</sup> Although inconsistent with a pure laissez-faire orthodoxy, but consistent with how neoliberalism is practiced, convertibility was accepted and supported by the IMF and Washington, right up until 1998. This was seen as a shrewd and successful ploy, by encouraging Argentinians to bring their US dollars “out of the mattresses” and to trust the national currency and banks again. Though risky, it turned out to be extremely effective in ending the hyperinflation of the late 80s and early 90s. There was finally a sense of stability, which had great psychological appeal after the country had endured a period of hyperinflation, as discussed above. The country was desperate for some level of economic stability and thus willing to see if the neoliberal *Plan Cavallo* could work.

The pegging of the peso to the dollar, also known as a currency board, was a clear advantage for foreign investors that did not have to worry about instability or sudden devaluations causing major losses on their investments denominated in pesos. There was an increased confidence in the Argentinian bond market, as well as in the economy as a whole. The down side of convertibility was that Argentinian goods were more expensive on the world market and imports were cheaper for Argentinians, thus contributing to a worsening trade deficit. The impact of convertibility on imports and exports is further discussed in the section on trade liberalization below.

One of the three main neoliberal policies is financial deregulation, implying the elimination of restrictions on foreign investment, and also on the outflow or repatriation of profits, royalties, etc. This clearly facilitated the flight of capital, be it foreign or domestic. Basualdo has estimated total capital flight to be US\$ 115 billion since 1980, and one of his graphs shows a very clear correlation with the expansion of the foreign debt and interest payments (Basualdo, 2001: 37). The problem of capital flight is a clear example of how financial deregulation leads to insufficient control of capital movement for many countries, not just Argentina. Financial deregulation produces an environment that's much more prone to crisis when a certain degree of confidence by international investors is lost.

### **3.2 Privatizations of Public Enterprises**

Another of the three pillars of neoliberalism, privatizations, or the selling off of public enterprises, played a significant role during the 1990s in Argentina. Between 1991-1998, Argentina sold off a total of some US\$ 31 billion worth of public enterprises (Rock, 2002: 68), though the majority of which was sold off between 1991-1995. Although this improved the fiscal balance for those years, this was partially offset due to the debt equity swaps agreed to by the Menem administration. However, this meant that after 1994 there was not only nothing left to sell, but also resources that could have been a steady source of revenue, such as the National Oil Company (YPF),<sup>16</sup> would be providing no future income other than taxes.<sup>17</sup> Besides YPF, the Argentinian government also sold off the national airline, the electric and gas utilities, water, the railroads and many other public enterprises.

Another major concern was the manner in which the privatization process took place, often lacking transparency and clearly favoring the transnational corporations and local conglomerates, as evidenced by the majority of the state enterprises being sold below their worth or involving debt equity swaps (Azpiazu and Schorr, 2004). Although the drive toward privatizations was coming from the Peronist party, the IMF provided a significant external push by strongly advocating these policies and supporting TNCs in subsequent negotiations.<sup>18</sup>

It was during the military dictatorship of 1976-1983 that public enterprises were deliberately undermined, being disproportionately impacted by budget cuts. There had been a growing need for the renovation of physical capital that did not take place, “arguably” because of the level of the state’s indebtedness. Changes in management occurred on a regular basis because of political shifts, causing a lack of continuity in terms of management and leadership, and therefore their ability to serve the public declined and the quality of service worsened. Such an impact is independent of being a public or private enterprise. Instead of privatizing public enterprises, the junta or the Menem government could have made their functioning a greater priority, and given them the infrastructure necessary to perform well, as with any private firm providing services.

Privatizations of state enterprises had a rather significant impact on unemployment in Argentina, especially in the provinces. A total of over 110,000 workers were laid off between 1990-1993 (Duarte, 2002: 76). This increase in unemployment had the greatest impact in the poorer provinces.<sup>19</sup> It should come as no surprise that, after the wave of privatizations, these provinces were having greater problems with their budgets. Additional impacts of neoliberal policies on workers are discussed below in section 5.

### **3.3 Privatization of Social Security**

Another neoliberal policy supported by — but not as strongly demanded by the IMF — is the privatization of social security programs. Unfortunately for Argentina, the Menem administration, with support from the World Bank, partially privatized its Social Security system in 1994. Payroll taxes that had previously gone to the government for the Social Security system were instead diverted to private accounts. This resulted in a significant re-

duction in tax revenue. According to the IMF (IMF, 1998) the reduction of revenues corresponded to roughly 1.0 percent of annual GDP, which would result in a total of roughly US\$ 18 billion for the years 1994–2000.<sup>20</sup> However, other research has included additional revenue shifts and estimate that the lack of revenue received by the government between 1994 and 2000 was approximately US\$ 52 billion (Basualdo, 2003: 22 and Damill, Frenkel, Juvenal, 2004: 303).

At the time, the Menem administration tried to ameliorate concerns for the lack of revenue by arguing that the revenues obtained by the privatization of public enterprises would help during the transition period of privatizing Social Security. The reality was that much of the revenue anticipated by the privatizations was lost through debt equity swaps, and thus Argentina had to borrow in order to make up for the lost revenue. This was not an ideal time to have to increase borrowing, as the US Federal Reserve increased interest rates in February 1994, and then came the string of financial crises: Mexico, Southeast Asia, Russia, and Brazil.

It is ironic that one of the policies pushed by the IMF, namely privatization of Social Security, was one of the contributing factors to the fiscal crisis Argentina was experiencing during 2001, and when needing a loan, the IMF forced them to cut the benefits in its traditional Social Security program by 13% in September 2001. It is yet another example of how the neoliberal policies pushed by the IMF continue to be against the interests of the country they are imposed upon.

### **3.4 Trade Liberalization**

Since the military junta came to power in 1976, there has been a drive for trade liberalization, through the reduction of tariffs and the elimination of non-tariff barriers. These tendencies were extended and deepened as of 1990 under the Menem administration. The tariff structure established as of 1991 was 22% for consumer goods, 15% for inputs and 5% for capital or intermediate goods not produced in Argentina. The goals were initially 20%, 10% and 0% respectively in 1991, as advocated by the IMF and GATT.<sup>21</sup> The objective of reducing the maximum tariff in a period of four years to 20% and eliminating non-tariff barriers — such as quotas, licenses and import restrictions — was practically achieved around the beginning of 1991. Oth-

er trade barriers were completely removed, with the exception of restrictions on auto imports, which not coincidentally, was by far the most dynamic sector during the 1990s.<sup>22</sup>

The result of these trade policies meant more problems for local industry, which now had to compete with much cheaper imports, and no longer with the protection of tariffs, etc. The lowering of tariffs and elimination of trade regulations made the Argentinian economy more vulnerable to the cold shock of global competition. Between 1992 and 1999, Argentina had a trade deficit in every year except for 1995 and 1996, when the “tequila effect” of the Mexican peso crisis forced Argentina to keep imports in line with exports, as shown in table 1.

Despite the frequently used argument that the currency board prevented Argentina’s exports from growing, they basically doubled between the early 1990s and late 1990s.<sup>23</sup> The problem had more to do with the increase of imports, which grew from 4 to 8 billion in the early 1990s to over 30 billion by 1997-1998. This consistent and substantial imbalance between exports and imports resulted in an accumulated trade deficit of over US\$ 18 billion between 1991 and 1999, as seen below (INDEC, 2005). This is arguably due to the combination of trade liberalization and the currency board, not just convertibility. In the section below, we examine the shift away from manufacturing toward agro-industry and how, after two waves of deindustrialization, Argentina was increasingly vulnerable to a more competitive world economy.

**Table 1: Argentina’s trade balance (millions of US\$)**

Year	Exports	Imports	Net Exports
1991	11,978	8,275	3,703
1992	12,235	14,872	-2,637
1993	13,118	16,784	-3,666
1994	15,839	21,590	-5,751
1995	20,963	20,122	841
1996	23,811	23,762	49
1997	26,434	31,377	-4,944
1999	23,309	25,508	-2,200
<b>Total</b>	<b>174,117</b>	<b>192,740</b>	<b>-18,623</b>

Source: INDEC, 2005.

### 3.5 Deindustrialization Revisited

As mentioned above, prior to 1976, industrial manufacturing exports had reached over two thirds of all Argentinian exports. However, with the two waves of deindustrialization, one under the military junta and the other under Menem, the role of manufacturing in the Argentinian economy experienced a significant decline. For example, during the Menem years, manufacturing as a share of GDP went from 30.9% in 1989 down to 17.1% in 1998 (Rapoport, 2000: 1026). Estimates based on census data show that manufacturing jobs declined by 32.6%, from 1,132,499 to 762,992 between 1991 and 2001.

These statistics constitute evidence of the second wave of deindustrialization in Argentina. However, since 1976 there continued to be the emphasis on agro-industry and the lack of a national industrial policy to promote technological change within Argentina. The Menem government, just as the military government, claimed that it was committed to trade liberalization through tariff reduction and the elimination of tariff barriers, in order to force Argentinian industry to be able to compete internationally. This fairy-tale formula rooted in the myth of “free trade” unfortunately held sway during the 1990s in Argentina. The reality is that a few large firms, such as Perez Company and Bunge y Born, were able to weather the storm of imports, but for the majority of Argentina’s manufacturing firms this meant hardships, and in some instances disaster. For firms trying to export, convertibility only exacerbated the problem.

For a quarter century, there has been a serious disarticulation of Argentinian industry, increasing the difficulty for manufacturing to compete in an ever more globalized world market. This is both reflected in the growing dependence on consumer and capital goods imports, and the extent to which Argentina’s exports are dominated by raw materials and agricultural products.

A key problem with an overdependence on agricultural products is they experience more frequent and greater price variations. For example, Argentinian agricultural exports benefited until 1996 with a gradual increase of prices in international markets, which was some compensation for the overvalued peso. However, this tendency began to reverse in 1997, as there was a decline in the prices of agricultural products on world markets, since the

global economy was entering a recession. From that point on, sales of Argentinian products began to stagnate in value terms, although they continued to grow in physical terms (Rapoport, 2000: 999).

In recent years, agricultural production has grown in general, due to a series of transformations for various crops, resulting in increased yields and total area cultivated. In general, the crops that grew the most were destined for export, as were those that introduced technological innovations in production. Such changes have often been employed in order to maintain competitiveness on the world market. It is worth noting that, as of 2003, Argentina was only second to the US with respect to producing genetically modified crops, primarily corn, cotton and soybeans.

Since the early 1980s, seed oils<sup>24</sup> and cereals have been the most important crops in terms of their value of production and export share. In fact, by the end of the twentieth century, they constituted roughly one quarter of Argentina’s exports (INDEC, 2003). In recent years, wheat, corn, sorghum, soybeans and sunflowers have all increased their yields and area cultivated significantly, thus causing a reduction in the area cultivated for other crops. This expansion can be called the “agriculturalization” of Argentina, since this is at the expense of livestock farming. In contrast to the growth and expansion in agriculture, livestock production experienced a general stagnation, with lower growth and a reduction in the number of heads of cattle or other livestock. In the case of beef, there has been a decline in domestic consumption which exports have not been able to compensate.

Another area that deserves attention regarding the impacts of the second wave of deindustrialization is with respect to workers, both in industry as well as agriculture. Rather than considering the impacts of deindustrialization separately, the next section will consider the general impact on workers due to neoliberal policies in Argentina during the 1990s.

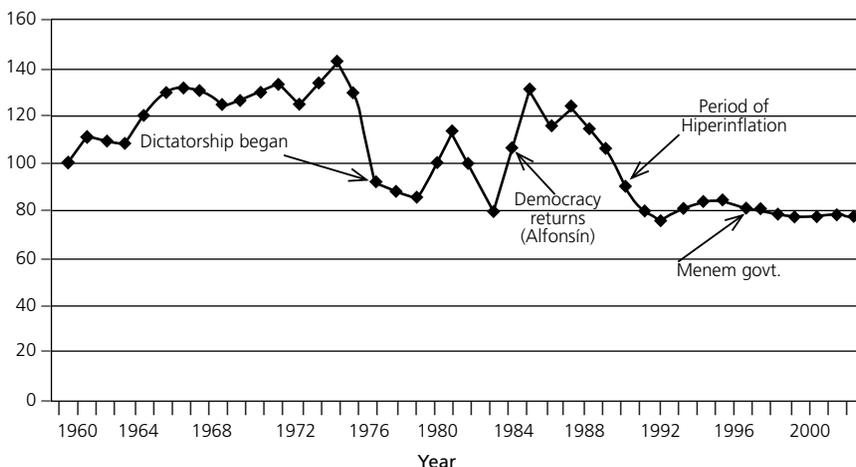
#### **4. NEOLIBERALISM’S IMPACT ON WORKERS**

Given the class bias associated with neoliberal policies, it is imperative to look at the overall impact on the Argentinian working class, especially since Menem became president. First, as mentioned earlier, there were major layoffs, totally more than 110,000, as a result of the privatizations that took place. Secondly, the decline in manufacturing led to a reduction of over

369,000 jobs from 1991-2001, a 33.9% loss in total manufacturing employment.<sup>25</sup> As a result of the two waves of deindustrialization, Argentina went from over 1.5 million manufacturing jobs in 1974 down to roughly 763 thousand jobs in 2001, a loss of 50%. Thirdly, the shift toward more efficient and technologically advanced techniques in agriculture during the 1990s also contributed to an increase in unemployment, although this was balanced out in part due to the increase in agricultural production.

Throughout the decade of the 1990s, as manufacturing jobs were declining, the growth of informal jobs grew significantly. For example, informal work in Buenos Aires and surroundings (*Gran Buenos Aires*) grew to reach 38% of all employment by 1999, and such jobs are estimated to have incomes 45% lower than formal employment (Rapoport, 2000: 1,021). As increased numbers of people competed for fewer jobs and the better-paid manufacturing jobs were being lost, the growth of the informal sector resulted in a decline in real wages for the majority of the Argentinian “working” class. The clearly negative impact on industrial real wages over the last 40 years can be seen in figure 2. Nevertheless, the level to which real wages overall have declined has been even more significant for the reasons just mentioned.

For the decade of the 90s as a whole, unemployment grew from 6% in 1991 to almost 14% in 1999, according to the government’s definition, and 28% when combined with underemployment (Basualdo, 2003: 14). Between real wages dropping significantly during the dictatorship, followed by stagnation and decline in the 1990s, as of 2001 they were not even 84% of the level they had reached in 1976. At the nadir of the depression, unemployment was more than 20%, and combined with underemployment, almost 40% (Svampa and Pereyra, 2004: 90), and real wages had declined at least another 18% through 2002. According to official statistics, over 53% of the population was below the poverty line, and the level of indigence was more than a quarter of the population (INDEC, 2003). Such statistics provide some sense of just how bad things were in Argentina, but they still don’t capture the suffering experienced by the people living through this depression. These statistics are all the more shocking if one is familiar with Argentina, having had one of the highest standards of living within the Third World. Unfortunately, one of the characteristics of many Third World coun-

**Figure 2: Industrial Real Wages 1960-2002 (1960=100)**

Source: Iñigo Carrera, 2000.

tries is that economic crises that lead to depressions, not just recessions, are all too common.<sup>26</sup> Although the underlying cause of such economic crises is rooted in the capitalist system, the more immediate problem has been the growth of foreign debt. Before turning to an examination of the growth of the foreign debt and the specific role of the IMF, a detailed presentation of the events leading up to the crisis in 2001 follows below.

## 5. ARGENTINA AT THE ABYSS

When Fernando De la Rúa took office as president in December 1999, Argentina had already been experiencing a recession for more than a year. Within his first year, he was confronted with an even more difficult task of staving off the impending economic crisis due to a range of factors including a growing trade deficit, in part caused by the currency board,<sup>27</sup> but also the declining prices in world markets for agricultural goods, and the foreign debt which was spiraling out of control.

There had been problems in the third quarter of 2000, as bond rates soared. For better or for worse, the IMF stepped in with an aid package. In early 2001, President De la Rúa reshuffled his cabinet, bringing back Domingo Cavallo<sup>28</sup> as Economics Minister. The arrival of Mr. Cavallo at first cheered investors, given his pro-business stance. However, he tried a range

of both orthodox and heterodox policies to no avail. Through 2001, Argentina's reserves continued to decline as the recession reached its third year.

By mid 2001, unemployment was approaching 20%, and this was a major factor in the continued expansion of the movement of unemployed workers or *piqueteros*,<sup>29</sup> in the provinces and also in Buenos Aires. The *piqueteros* were blocking highways in order to prevent goods from getting to Buenos Aires, be it for local consumption or exports. They were demanding jobs, as many had been laid off due to privatizations, but also due to several years of recession. There had even been several incidents of government office buildings being burned down in provinces where public employees had been laid off or not paid for months. As the year advanced, the pending crisis loomed, much of industry was shut down, and unemployment and poverty continued to increase. Then came a run on the banks, the declining reserves took another drop, and so Cavallo became desperate and instituted the *corralito*,<sup>30</sup> restricting people's access to their bank accounts and thus alienating almost everyone, but especially the Argentinian middle class. The last straw was when the IMF reneged on a payment to Argentina of US\$1.3 billion at the beginning of December 2001. This state of affairs led to the spontaneous street protests of the *cacerolazos* (the banging of pots and pans) and an increase in the highway blockades of the *piquetero* movement in Buenos Aires and across the country. By mid December, there had been a general strike and rioting had occurred throughout Argentina, as popular anger mounted against both Economics Minister Cavallo and President De la Rúa. On December 19<sup>th</sup>, in spite of the declared state of siege, the Plaza de Mayo in Buenos Aires was the culmination of the popular insurrection, and after just ten hours both Cavallo and De la Rúa were forced to resign, escaping in a helicopter in the wee hours of December 20<sup>th</sup>.

The first interim president, Rodriguez Saa, tried to go back on a promise that he would not run in the next presidential election, thus alienating many in the Peronist party. The combination of street protests and infighting within the Peronist party led to his quick demise. After a crazy two weeks of rioting, looting and protests, there were a total of 32 people killed, and five different presidents.

When the dust cleared, Eduardo Duhalde was the provisional president, and despite some initial populist promises about breaking from the neolib-

eral model, he effectively served as the caretaker while Argentina defaulted on its foreign debt, devalued the peso to a fourth of its previous value and entered into a full-fledged depression.

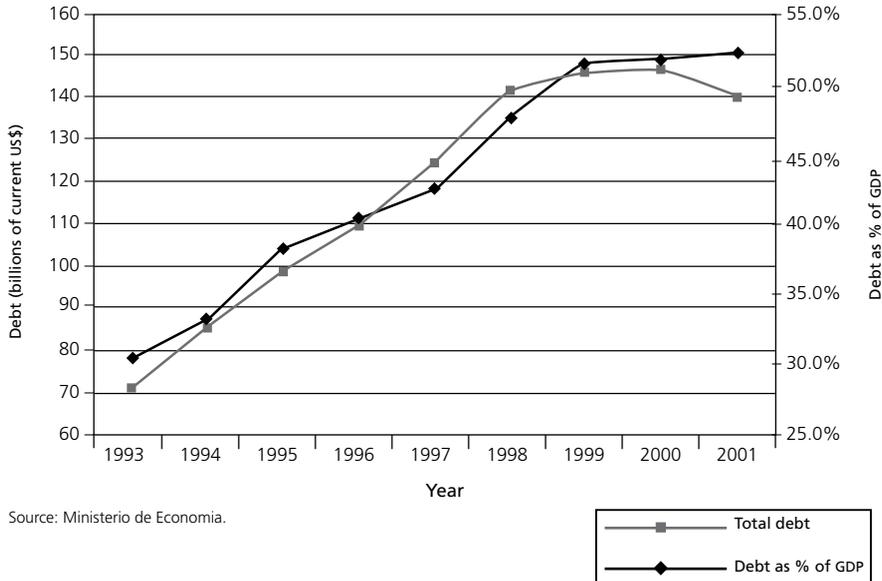
The primary economic mechanism that caused Argentina’s multiyear recession to turn into a depression was a generalized lack of confidence, causing firms, both Argentinian and foreign, to hold off from investment. The increased concern for a coming devaluation reduced the confidence of both investors and consumers. In the case of consumers, no one was willing to buy durable goods, a house, or a car, fearing the loss of a job in the near future, and this exacerbated an already declining demand. The crucial step or catalyst shifting from recession into a depression came from the IMF’s refusal to provide a previously arranged payment, followed by the desperate attempt by Cavallo to limit a run on the banks with the *corralito*, which was a clear signal to Argentinians of an impending devaluation.

During 2002, GNP declined by 11% (Iñigo Carrera, 2004: 65), and at one point more than half of the population was living below the official poverty line (INDEC, 2003). Duhalde succeeded in weathering the storm and preventing another acute social crisis, thus keeping the peace until Argentina signed an “interim” agreement with the IMF in January 2003, and lasted until Nestor Kirchner became president in May 2003.

This has been a brief summary of the unfolding of events during the period leading up to the crisis of December 2001 and the depression that ensued in 2002. The next section presents the case that the explosion of foreign debt during the 1990s was the most significant factor leading up to the crisis of 2001, and that both the Argentinian elite and IMF deserve the blame for the crisis.

## **6. FOREIGN DEBT AND THE ROLE OF THE IMF**

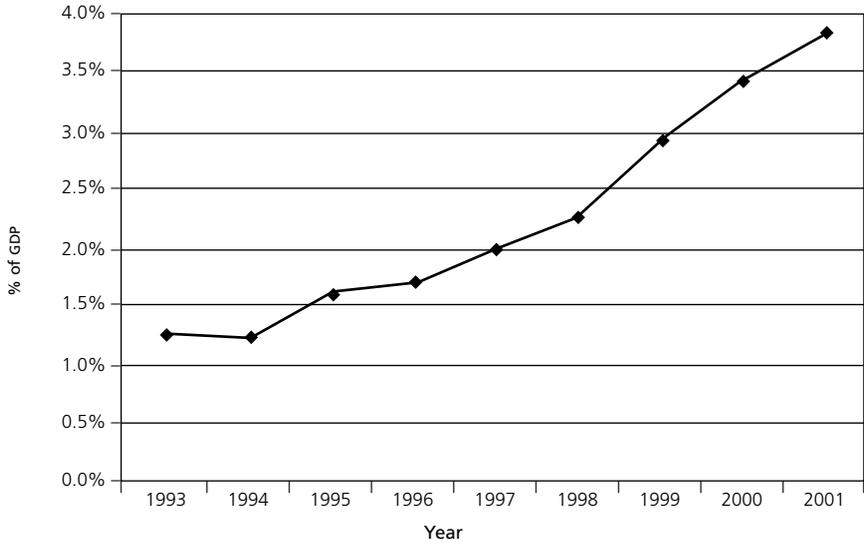
Foreign debt is the component of Argentina’s fiscal budget that has been the most out of control, and the immediate cause of the economic crisis in 2001. It grew at an incredible rate, having been less than US\$ 10 billion in 1976 (figure 1) and then ballooning to US\$ 146 billion in 2000. Most significantly, it more than doubled from 1993 to 2000, going from US\$ 72 billion to US\$ 146 billion (figure 3). The extent to which this was a growing problem for

**Figure 3: Argentina's foreign debt (1993-2001)**

Argentina is further illustrated by considering the foreign debt as a percentage of GDP, which grew from 30.5% to 52%, between 1993 and 2001, also shown in figure 3.

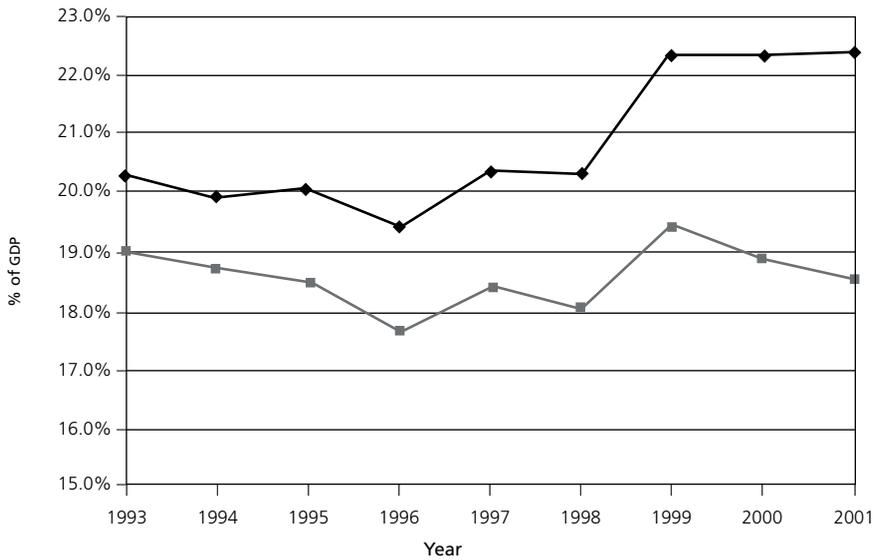
This debt spiral was caused in part by the increase in US interest rates, especially after the US Federal Reserve raised short-term rates in February 1994, which doubled from 3 to 6% during the following year. This also affected Argentina's risk premium, exacerbating the impact of the increase in interest rates. A second major factor in increasing interest rates worldwide and subsequently Argentina's debt was the result of the impact of the Mexican, Asian, Russian and Brazilian financial crises between 1995 and 1999 (Cibils et al., 2002: 1-2). In fact, the interest payments that Argentina made during the 1990s total over US\$ 60 billion, and in 2000 alone were almost US\$ 10 billion (Weisbrot and Baker, 2002: 4). As seen in figure 4, interest payments as a share of the GDP more than doubled, growing from 1.23% in 1993 to 3.4% in 2000. In contrast, government primary spending excluding interest payments as a share of the GDP tended to decline or stay steady through the 1990s, oscillating around 18.5% (figure 5).

**Figure 4: Interest payments as % of GDP (1993-2001)**

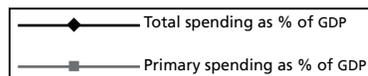


Sources: Ministerio de Economía – Secretaria de Hacienda.

**Figure 5: Government spending as % of GDP (1993-2001)**



Sources: Ministerio de Economía – Secretaria de Hacienda.



Thus the IMF argument that Argentina was being fiscally irresponsible is not supported by the facts, unless fiscally irresponsible corresponds to making good on its debt payments for the IMF. Consider the claim on April 10, 2002 by IMF's Anoop Singh:<sup>31</sup> "In our view, failures in fiscal policy constitute the root cause of the current crisis." (Cibils et al., 2002: 3). Consider figure 5, where one can see that primary spending is going up and down at the end of the 1990s, compared to total spending, which has a clear upward trend. The gap that is growing between primary spending and total spending is by definition due to increases in interest payments on the debt, which has a very marked increase throughout the 1990s, as seen in figure 4. It is rather amazing how the IMF portrays the situation despite such clear evidence to the contrary.

In section 2 above, it was seen how the IMF, by not coming through for Isabel Perón, played a key role in bringing about the end of her administration. The military junta had to struggle less with the IMF because they were strongly committed to implementing neoliberal policies supported by the IMF, and they had no problem using repression to do so. However, once Alfonsín was president in 1983, the IMF expressed displeasure with regards to his economic strategies, which were introducing some variants on the orthodox neoliberal model. Once Alfonsín did the unthinkable and suspended all payments on the debt principal, the IMF flexed its muscles and was able to force Argentina to "return to its senses" and get back on the neoliberal track. At the point when hyperinflation was peaking at almost 5,000% and the country was enveloped in a crisis, the IMF was one of the strongest advocates for Alfonsín to resign and let Menem take over. They did not try to accommodate Argentina with an interim loan and wait a couple of months so as to have a smooth democratic transition to the next president. Instead, they played a clear role in assisting those fomenting chaos and fear to force the Argentinian people to support Menem's orthodox neoliberal approach. The IMF also gave full support for the Menem administration and the currency board through 2001, despite their attempt to deny any responsibility for the current crisis (Cibils et al., 2002: 6).

Despite his campaign claims advocating a shift from neoliberal policies, De la Rúa followed an orthodox economic plan as well from the time he took office in 1999. Even though the De la Rúa's government brought back

the neoliberal guru, Domingo Cavallo, the IMF still let them down at the end of 2001, by renegeing on a payment and thus forcing the immanent crisis. As Argentina was at the abyss, ready to fall into an even deeper crisis and depression, the lender of last resort, namely, the IMF, instead of offering a hand, gave Argentina a push.

As Argentina's foreign debt was spiraling out of control, shouldn't the IMF have been saying no to further loans or suggesting some other policies so that they didn't have to keep coming up with bailouts? It appears that the IMF, just like a good loan shark, is quite content to just keep collecting the interest, even if none of the principal ever gets paid off. The IMF was conceived as the lender of last resort, to help countries avoid financial crises. Based on this criterion, in recent years, the IMF has had a poor track record — a string of financial crises, which they have not been able to prevent. Mexico had its worst economic crisis in 1994-1995, followed by Southeast Asia's financial crisis of 1996-1997, then Russia in 1998, Brazil in 1999, Ecuador in 2000, and now Argentina in 2001-2002 — the largest debt default in world history!

This demonstrates that the IMF model is not working for the countries that depend on it for financial support and that something needs to change internationally. Evidently, despite the rhetoric of the IMF to improve the lives of the majority of the world's population, it operates in the interest of global capital, predominantly First World banks and multinational corporations, and in that regard the IMF model is working. Unfortunately, for the rest of the world, this model is not working, and as Argentina has gone from a dictatorship to a depression, it is a clear example that the neoliberal model has been a failure.

## 7. CONCLUSIONS

The economic and social crisis that Argentina has experienced has a number of causes. Most significant has been the pursuit of neoliberal economic policies for over a quarter century, combined with the impact of globalization. Throughout this period, the Argentinian elite and the IMF have been proactive in pushing this project and thus bear the greatest responsibility for the negative impacts caused by it. It was during the dictatorship of the late 1970s that Argentina began a process of deindustrialization due to both

the neoliberal economic program and the clear shift away from manufacturing toward agro-industry. It is evident that Argentina has become much more vulnerable to the threat of global competition and the oscillations of world market prices, having eliminated the majority of its controls for trade. Similarly, financial deregulation, combined with the pegging of the peso to the dollar, led to a wave of foreign investment, capital flight and an increasingly speculative and unstable environment. These changes caused Argentina to be more susceptible to the ripple effects of financial shocks, such as the Mexican peso crisis, and more prone toward financial crises itself.

The impact of deindustrialization over 25 years, combined with the more recent agriculturization, was seen as contributing to a worsening trade balance as imports were growing increasingly more than exports. By the mid to late 1990s, the growing trade deficit had been identified as significantly contributing to problems with the balance of payments. In order to maintain reserves and keep paying the interest on foreign debt, loans from the IMF were increasing, and combined with US interest rate hikes, resulted in Argentina's debt doubling from US\$ 72 billion to US\$ 146 billion between 1993 and 2000.<sup>32</sup>

Despite there being other factors than the trade deficit which caused Argentina to borrow more, as well as other causes of the trade deficit, many emphasized the currency board as the principle cause of the crisis. It has been argued that Argentina should have delinked the peso from the dollar years earlier, but this is more easily said than done given the memory and fear of hyperinflation and a lack of confidence in the national currency. Menem did not wish to delink the dollar from the peso because the fear of devaluation would have produced a political crisis while he was still in power. Instead he was able to postpone the inevitable and the crisis hit when the opposition, the Radicales, were in power. This reflects Menem's support inside and outside the country, as he was able to shift the burden to the next administration, and the rest is history.

The rebellion of December 19-20<sup>th</sup>, 2001 reflected a general dissatisfaction with almost all established political parties, as expressed in the popular slogan: "Get Rid of them all!" (*¡Que se Vayan Todos!*). During 2002 there was hope for significant political change in the air, between the street protests of the *cacerolazos*, the organized unemployed workers or *piqueteros*, and the

birth of popular assemblies seeking to redefine politics in a new way. There was an increasing level of economic autonomy — between the wave of occupied factories, the growth of barter clubs and the increased role of local and regional currencies — not to mention, at the national level, the fact that Argentina had broken its pact with the IMF.

Nevertheless, Argentina came out of default by signing an interim agreement with the IMF in January 2003, despite a brief default (roughly 9 hours) in September 2003. Having hit bottom in 2002, Argentina's economy inevitably saw improvements thereafter, achieving 9% GNP growth in 2003. The growth that has occurred since the nadir of the depression is still not enough to resolve the serious problems of unemployment and poverty, as they are only improving slowly, and the Argentinian middle class appears permanently reduced.

Although Kirchner has provided a certain amount of hope for Argentinians, his set of economic policies has been a mixed bag. In his discourse, Kirchner has been quite confrontational with the IMF at times and also with certain TNCs, but when it comes to economic fundamentals, he has accommodated the IMF by agreeing to a 3% or greater budget surplus. As Argentina is coming out of a depression, it makes no sense to generate a budget surplus; instead, it is the time that you expect to have a budget deficit in order to bolster the economy through government spending. No First World country would agree to have a budget surplus in such a period. This is not just an issue or problem for Argentina, it is an international issue, and if other countries were more supportive, the IMF's hand could be forced. There had been much hope that the Lula administration would be a clear ally in challenging the IMF, but it is evident that Brazil does not want to rock the boat and is staying on the neoliberal track.

In the political arena, Kirchner has made several positive changes reflecting the sentiment of the population, in regards to the military and police abuses. However, one would hope that the failures of a quarter century of the neoliberal model would resonate among leaders in government, not just among *piqueteros*. Unfortunately, the role of the Argentinian elite and the IMF is still active in attempting to keep this failed model going. The possibility of change resides in the continued strengthening of the new movements of the socially excluded in Argentina, and probably serious mobilizations in

the street will be required in order to bring a proper end to a failed quarter century experiment, with a neoliberalism that has enriched the few, both foreign and domestic elites, at the expense of the majority of Argentinians.

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#### NOTES

1. It is interesting to note that this is not the first time that Argentina suspended payment on its foreign debt. The first time was in 1891, during another period of globalization (see footnote 12 below).
2. Although Argentina’s GNP *per capita* has been in decline since roughly 1914, it was still far ahead of other Latin American countries prior to the dictatorship of 1976.
3. Given the political instability in Argentina, Isabel Perón’s government lacked a clear economic approach, attempting both orthodox and heterodox policies.
4. Although there is a stronger association of Chile with the University of Chicago and the infamous “Chicago boys”, the shift that took place in Argentina was also clearly influenced by Chicago’s conservative economists and advocates of the free market and a minimal role for governments.
5. The *Cordobazo* was a weeklong working class-led rebellion in the major city of Cordoba.
6. Examples of TNCs producing in Argentina during this period are Ford, Renault, Warner Lambert, Philips, Siemens and Brown Boveri.
7. For example, Martínez de Hoz was a member of more than 10 directorates of agrobusiness and industry, and he put into place the plan which had been devised by major companies months before, in planning for the coup (Sevares, 2002: 32).

8. *Patria financiera* (literally translated as financial fatherland) represents the significant links between the grain giants and financial interests.
9. This interest rate “shock” was associated with the 180 degree turn which the IMF took with respect to lending to Third World countries, and was clearly linked to the debt crisis which began with Mexico in 1982.
10. SRA (*Sociedad Rural Argentina*), UIA (*Union Industrial Argentina*) and the CGT (*Confederación General de Trabajadores*, General Workers’ Federation).
11. Alfonsín’s push for the democratization of the Peronist-dominated CGT reflected a political rivalry and not just a concern for transparency within the CGT, which was and still is something necessary for Argentinian workers’ interests.
12. The term globalization refers to the current historical process, more aptly termed neoliberal globalization, in which investment and trade are conducted in an increasingly pro-capital and laissez-faire atmosphere, resulting in a more intense level of global competition, such that the First World TNCs gain an even greater advantage competing against Third World firms, despite the rhetoric about an even playing field. A fuller and necessary discussion of globalization, imperialism and development lies outside the scope of this paper.
13. It should not be such a surprise, given the fact that Domingo Cavallo was the president of the Central Bank during the later years of the dictatorship.
14. As the economic policies laid out by the Menem administration were practically identical to the economic policies pursued by the dictatorship, the influence of Milton Friedman and others, such as Lucas, from the University of Chicago, was reflected in the policies pursued by Argentina.
15. Initially 10,000 australes = 1 dollar, and after Argentina changed its currency, 1 peso = 1 dollar.
16. YPF – *Yacimientos Petroleros Fiscales*; “National Oil Company”.
17. Although it can be argued that taxes paid by the privatized companies provide a source of revenue, it is almost certainly a smaller amount than the potential net revenue generated by a public enterprise.
18. Even in 2005, we see the pressure by Rodrigo Rato of the IMF on the Kirchner government regarding privatized firms and TNCs operating in Argentina.
19. According to Rock (2002: 71), “In the poorest parts of Argentina — the northern provinces of Salta, Jujuy and Formosa — *per capita* income among the poor had fallen to the levels of Bangladesh and Nepal by the late 1990s.”
20. Using the estimation of percentages in table 1 of Baker and Weisbrot, 2002 and the series for GDP from INDEC, an estimate just over US\$ 18 billion was generated.
21. GATT – General Agreement on Trade and Tariffs.
22. There were also other factors related to regional industrial strategy within the context of Mercosur.

23. During the 1990s, between 24-31% of Argentina’s exports were going to Brazil, and the overvaluation of the *real* between 1994 and 1998 did play a role in the growth of Argentina’s exports.
24. Seed oils (*oleaginosas*) include corn, sorghum, soybean, and sunflower oils.
25. This is based on a calculation using data from INDEC, 2005 and Basualdo, 2003.
26. The term depression is often avoided by mainstream economists, and unfortunately many progressives follow suit; however, it is a distortion of the facts to describe what took place in Argentina between 2001-2003 as merely a recession.
27. A currency board refers to pegging a local currency, such as the Argentinian peso, to the US dollar, which was one-to-one for most of the 1990s.
28. Domingo Cavallo served as president of the Central Bank under the dictatorship in the early 1980s and as Economics Minister through most of the 1990s when Menem was in power, and briefly with De la Rúa.
29. There are several different *piquetero* organizations, but they prefer to be referred to as unemployed workers rather than just a reference to a specific strategy they employ, namely, picketing or blockading of highways. For more information on the different organizations, see Dinerstein (2003a, 2003b) or Svampa and Pereyra (2004).
30. The *corralito* was a measure which prevented people from withdrawing more than \$250 a week or \$1000 a month from their bank accounts.
31. Anoop Singh is the IMF Director of Special Operations in Buenos Aires.
32. As referred to above, increases in US interest rates were also due to the financial crises in Mexico, Asia, Russia and Brazil, and secondly, Argentina’s country risk was subsequently impacted, further exacerbating the growth of Argentina’s debt.