

Neo-liberalism and South American Democracy in the 1990s

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In 1980 most South American nations were subjected to dictatorships; scarcely one decade later these regimes had given way to democratic openings. Even Paraguay's General Stroessner—the continent's longest lasting dictator— had been overthrown to give way to an elected government. The resurgence of democracy in South America in the last decade or so came as a surprise to many who saw the continent as producing conditions which favored only the exercise of tyranny. Still, as John Markoff (1997) wrote, South American democracy will indeed remain surprising to those who think of democracy as a single, fixed ideal which nations at one time or another more or less attain. If we ask questions about what kind of democracy has developed and in whose interests, about the constraints on democracy in the nation-state of trans-national capitalism, then it may be possible to see that what it really amounts to is a periodic exercise of the vote. Perhaps the masses are permitted democracy only when the alternatives for the elite seem worse, or when prospects for change are remote. If so, then the possibility of a fuller democratic system seems grim indeed.

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In fact, development over the past few years indicates that democracy in South America is being severely limited due to the increase in repressive components to buttress unpopular economic reforms that have, up to now, produced a radical redistribution of income upwards. At the same time, these imitations in the democratic systems of the area have transformed the forms of doing politics reinforcing elite control over political parties. A result of this situation has been that protest and opposition, unable to obtain redress, has been channeled outside institutional means possibly creating serious legitimacy problems for governments in the area. The dialectics between elite-inspired economic policy and popular participation in politics has been such that the contents of institutional democracy have been changed over the past decade. As such, the region has also given way to dialectics of repression and resistance that seems to lead towards increases in the levels of violence, new forms of authoritarianism and crisis, rather than to a consolidation of democratic processes.

In the early 1970s, many observers were predicting a poor future for democracy in Latin America. Two of the more influential analysts were the Argentine sociologists Guillermo O'Donnell (1978) and Juan Carlos Portantiero (1973). O'Donnell argued that under contemporary Third World circumstances, capitalist development would have corrosive effects on the democratic gains of the past. He contended that specific patterns of industrialization emerging in the more economically developed countries of South America had by the 1950s created a coalition of industrialists, technocrats and foreign bankers committed to capital-intensive producer goods, a course of action diametrically opposed to the interests of labor as well as other beneficiaries of "populist" policies that had emerged in previous decades around strategies of consumer oriented industrialization through import substitution. The new coalition, sought to eject labor from the political arena by closing down democracy.

Portantiero agreed with O'Donnell from a different perspective. Applying Gramsci to South American politics he posited that there was an

organic crisis resulting from the emergence of populism in the 1930s and 1940s. The broadening of the franchise implied that there was a disjuncture between economic and political power. The elite were not in control, and parliament became a resonance box for wage earner demands. The ruling class had no hegemony and thus no legitimacy in the eyes of the ruled; thus the crisis. Unable to win an election, and since the democratic process became an obstacle to capital accumulation, the ruling class favored authoritarian regimes that would be immune to the interests of the majority.

Notice several premises behind their hypothesis. First, that democracy is intimately linked to popular interests and participation. Second, that there is a linkage between patterns of capital accumulation and democracy. Third, this linkage effectively happens through the actions of interest groups. Finally, that democracy is something perfectible.

Most theorists and politicians in South America today would disagree with this assessment: believing that democracy is an imperfect system, but the only one acceptable considering the imperfection of human beings. Thus, Hobbes, rather than Rousseau, is the guiding light, giving the old notions of Lockean republicanism a particularly negative (and repressive) bent.

My main premise is that O'Donnell was fundamentally correct twenty five years ahead of time, for the new "democracies" have an ever increasing authoritarian component. At the same time, new forms of resistance have been emerging that were unthinkable three decades earlier. Considered, overall, as a historical process we can say that the trends observed by O'Donnell and Portantiero in 1970 were deepened by the dictatorial regimes of the 1970s and 1980s, which in turn transformed the contents and practice of democracy in the 1990s.

This is a complicated issue. South America is a contradictory place in terms of democracy. Nations like Paraguay seem on the verge of a return to authoritarianism through electoral means. General Lino Oviedo almost won the presidency in the 1998 elections by combining a nationalist

discourse of opposition to free market reforms, a challenge to an inefficient and corrupt government, and an appeal to an authoritarian past. At the same time, in spite of the fact that the government was elected and retains some measure of popular support, Peru is clearly one of the most corrupt and least democratic governments in the region since President Alberto Fujimori's palace coup in 1992. Bolivia has been beset by numerous social conflicts with both peasants and wage earners. In Colombia the state has suffered a breakdown due to the challenge by guerrillas and drug lords, on the one hand, and inefficiency and corruption on the other, to the point where the Army seems to be the institution that is holding it together. Venezuela, formerly an example of economic growth and democracy has erupted in conflict over neo-liberal reforms since the 1992 Caracazo, with an upsurge by nationalist Army officers. In Ecuador, two Presidents, Abdala Bucaram and Jamil Mahuad, were forced to resign by mass opposition to free-market reforms in 1997 and 1999. And there is a worrying tendency towards abridging democratic guarantees through doubtful constitutional reforms that enshrine the reelection of presidents in Argentina, Brazil, and Peru.

I would like to briefly consider three different aspects of all of the above. First, the Chilean case, considered the most successful model for political and economic free market reforms. Second, we will consider the case of Uruguay, as a focus for institutional democratic alternatives. Third, I will deal with the case of the Brazilian Landless Movement (MST), as a type of new socio-political resistance movement outside institutional channels. And finally, I would like to deal in depth with Argentina as a complex case exemplifying all of the above trends.

We pointed out earlier that one of the premises in O'Donnell's argument was that there arose new forms of capital accumulation that clashed with the old Welfare State structures and interest groups. In terms of economic strategy, the old argument between interventionists and free-marketeers seems to have been won convincingly by the neo-liberals. The result has been the effective dismantling of the Welfare State, with

changes in social relations, patterns of capital accumulation, and in the way of doing politics. The model for South American free market democracies is Chile. On the one hand the end of the dictatorship left the nation with a constitutional reform that enshrined what could be termed a “restricted democracy”. On the other, all Chilean political parties have established a consensus around the market reforms begun early in the 1980 and continued after the democratic opening of 1989. Since 1990, Pinochet-style policies have been applied almost without modifications, although there were some marginal tax increases, the revenue from which was to be devoted to fight poverty. In the words of Alejandro Foxley, Finance Minister between 1990 and 1994 and chairman of the Christian Democratic Party: “We opposition [to the Pinochet regime] economists, who were very critical of the economic policies implemented by the military, especially during the first ten years of this experience, have also learnt positive lessons from it, in particular during its most recent phase”.(Hojman, 1995)

The success of the free-marketeers has as much to do with the irreversibility of the reforms achieved by General Augusto Pinochet as with their success. The fact that the 1980 Constitution removed the military and security forces from civilian control (as witnessed by the Stange affair), together with the emergence of a trans-nationalized economic elite (with linkages both to the US and Asian markets), make it very difficult for the elected representatives to revert these reforms even if they were convinced that it was the thing to do. In addition, most view Chile as an economic success story with an average growth rate of 6 to 7% yearly over the past decade, and a 27% share of GDP in investment in 1993.(Hojman, 1995) In fact Chile, enjoys one of the largest shares of direct foreign investment to GDP in South America. The other side of the coin has been that, though those who enjoy the benefits of fast growth are doing extremely well, there is a sizeable plurality that has been left out altogether. Witness to this is the fact that the elected governments since 1989 have targeted poverty as one of their main problems. Concrete anti-

poverty initiatives in areas such as basic education, primary health care, nutrition, housing, urban improvement, and land distribution to poor peasants have been attempted by the different administrations. Unfortunately, their emphasis and methods clash with the free market philosophy in fashion, so that it is not qualitatively very different from those observed before 1990. Thus, most political parties consider that the fight against poverty comes and will continue to come from economic growth. One of the results is that, for instance, there is a massive emigration of poor Chileans to southern and western Argentina. Another result is that the Concertación (headed by Christian Democrats, the Socialists, and the Party for Democracy) has seen its legitimacy slowly eroded. Chile is, in this sense, following a general trend whereby mass political parties are giving way to parties organized more as electoral machines and personality based contests. The rate of abstention has increased to between 8 and 10% of the electorate, as have the number of null or blank ballots. According to analysts Alan Angell and Benny Pollack “an election which arouses relatively little mass involvement, but also a high electoral turnout [by US standards] could be interpreted as a lack of ideological cleavage but also an affirmation of belief in democracy and a general sense of satisfaction with the performance of the government”.(Angell and Pollack, 1995) For others, such as Hobart Spalding or James Petras, this is a result of the dearth of viable institutional alternatives, and implies future problems for what is termed a “limited democracy”. (Petras, 1997)

In contrast to Chile we have what is perhaps one of the most underreported South American nations in the English-speaking world. Uruguay is a nation where both resistance to the dominant ideology of “market reforms”, and democracy have proved strongest. (Rankin, 1995) The strength of the Uruguayan left is indeed in its old fashioned resilience, its refusal to accept what many regard as the inevitable trappings of modernity: privatization and the irreversible decline of the welfare state. And this strategy appears to be working. In the November 1994 elections,

the candidate of the Encuentro Progresista (whose main force is the Broad Front or Frente Amplio) polled 30.1% of the vote; and they have retained control of the city of Montevideo, with almost one half the national population, for the past three mayoral elections. At the same time, the winning presidential candidate, the Colorado Julio María Sanguinetti won by campaigning against the neo-liberal reforms.

It is interesting to consider that the left has led this resistance by taking advantage of legality, on the one hand, and popular mobilization, on the other. Combining neighborhood organization and participation with plebiscites and voter pressure, the left has channeled popular opposition to free market reforms through a fairly traditional leftist discourse. Thus, though the language of resistance seems old fashioned, the left has introduced Uruguayans to a different style of politics that is community-based and decentralized. This was instrumental in channeling protest through institutional means. In a referendum of December 1992, 72% of Uruguayans voted to overturn a law that would have permitted the privatization of the most important public utilities. This has also meant that, unlike other nations in the region, voter turnout has not gone down significantly. Uruguay, then, remains a country of paradox. Its most traditional political forces advocate radical economic change and communicate with the voters in an unfamiliar neo-liberal tongue. The left, meanwhile, expands its electoral appeal through a mixture of “social movement” politics and the defense of traditional values. It is symptomatic of the difference that two deputies from the Movimiento de Liberación Nacional, better known as the Tupamaros guerrilla, have been elected to congress to carry the banner of the Frente Amplio’s far left. Their acceptance as a political party represents a successful broadening of democratic participation. Finally, Uruguay not only retains an acceptable rate of growth (2 to 4% yearly) but, in terms of the population, it maintains relatively good levels of housing, health, and education for what is, after all, a very small and undeveloped South American nation. This

contrasts heavily with other nations such as Colombia, Peru, or even Brazil and Argentina.

Brazil represents one of the more interesting, and challenging, cases of repression, resistance, and new forms of democracy in South America. It is clearly the behemoth of the region. It has a powerful industrial base and an enterprising capitalist class. But, at the same time, it has been beset by myriad social and political problems. Perhaps the most noticeable aspect, in foreign newspapers, is the high level of crime in Brazilian cities and the breakdown of the national state in the favelas (shanty towns) and in whole areas of the countryside. But much more important are the phenomena happening on a political and social level. On the one hand, Brazil boasts the only case in the area where a President was indicted and forced to resign for practices of corruption and political fraud, which are commonplace in other nations in the region. President Collor de Mello's impeachment sent ripples throughout the South American political elite, and presaged the Ecuadorean President's Abdala Bucaram's resignation early in 1997, six months after being elected.

But at the same time Brazil has innovated in politics with the Workers' Party (PT), as new type of left-laborite party, which emerged in the early 1980s. The PT arose out of democratic unions in the Paulista region, to form a political party that allows the coexistence of ideologically diverse tendencies within it. This has permitted it to include from Trotskyists to liberals in its ranks. At the same time, it has become a new form of institutionalized democratic participation for the opposition to free-market reforms, and a resilient party particularly at the local level.

Perhaps, even more important for South America is that Brazil has seen the emergence of a new type of socio-political movement that organized those left out by the economic reforms of the past decade. The Movimento Rural Sem Terra (MST) is a mass movement that, outside institutional channels, has been challenging property relations in the Brazilian countryside throughout the 1990s.

The MST has organized over half a million rural workers and peasants. It started as a rural movement closely linked to the Catholic Church as a form to organize a long-term struggle for land and to transform property relations and, in the last instance, the socio-economic system. Its main tactic is to occupy unused land and distribute it amongst landless peasants. For instance, in 1996, it led 47,000 families in land occupations throughout Brazil. (Petras, 1998)

It is interesting to consider that most of the original activist and leaders of the MST came from Brazil's southeastern region. Most belonged to smallholding Italian, Portuguese, and German immigrant families who had too many children to be able to subdivide the land. Since the economic reforms of the 1990s closed off most sources of viable urban employment many of the children of these families turned to land occupation. Though poor, many of these activists had a high level of literacy, and a tradition of Church activism. Their linkages to the community, knowledge of local lore and customs, permitted them to reach out to thousands like them, and obtain the support of local institutions such as parishes, shopkeepers, and small farmers associations. In addition, they found ready allies in the local mayors belonging to the PT, and in white-collar workers unions (teachers, public employees, and health workers). Thus, the movement grew in a capillary fashion, from municipality to municipality and, by 1994, it had become national in scope.

The response of the large landowners has been to organize paramilitary groups who have been responsible for several massacres of landless peasants. At the same time, the national State has been surpassed in its efforts to maintain order. On the one hand, the MST is challenging legally guaranteed property relations. On the other, it represents hundreds of thousands of peasants making it both hard and politically inexpedient to repress them. The result has been a new type of resistance movement, and a dramatic increase in violence in the Brazilian countryside, that could become an effective challenge to elite-dominated economic reforms.

These are some of the trends in South America. Now let us consider, in depth, the dialectics between democracy, resistance, and repression in Argentina.

In March 1997, as summer was ending, Argentina exploded in a bout of social conflict and popular upheaval that was unexpected to the average observer and lasted until October. Throughout those six months townships rioted, such as Cutral C6 and Neuqu6n in Patagonia, Tartagal and Jujuy in the Northwest, and La Plata and Buenos Aires on the coast. In addition, pickets blockaded national highways, students demonstrated and confronted the police, workers struck as did farmers, and the colla Amerindian community in Salta province besieged a huge tract of land bought by a U.S. corporation. Incredibly enough, while all of this was going on, foreign capital flow into Argentina was at a record high, and then President Carlos Menem spent more time traveling than dealing with social unrest. It was emblematic that, visiting Argentina in October 1997, U.S. President Bill Clinton praised the Menem Administration while, outside, police went on a rampage beating up demonstrators and onlookers alike.

The contradiction is too flagrant to be ignored. Socially Argentina has all the characteristics of an unsafe haven for any kind of investment (whether productive or speculative), and yet it continues to grow. In a trans-nationalized world local, or even regional, social upheaval seems to have little impact on both government and investment policy. However, the puebladas such as the ones of Cutral C6 and of Tartagal had an effect on popular imagination and on the Left, which felt reinvigorated. Each new conflict helped to set off others. Innovations in modes of struggle spread from one to the next, suggesting both informal networks of communication and a willingness to confront neo-liberal state policies.

Over the past decade social scientists and political analysts have suggested that Argentina's working classes had undergone a process of fragmentation as a result of both the 1976-1983 dictatorship and of the free market policies of the Carlos Menem government. In addition, social

disorganization had led to cultural and political changes including a distancing from the “leftism” of the 1960s and 1970s, and the rise of a “democratic” culture (see, e.g. Hintze, 1991; Lesser, 1991; Ranis, 1992; Campione, 1994). The upheavals of 1997 bring into question these conclusions and, especially, suggest that Argentina’s democratic system has promoted the disenfranchisement and marginalization of broad sectors of the population.

Clearly the social upheavals that began in March 1997 were not the first ones of the new neo-liberal Argentina. In 1989 the people in the Patagonian province of Chubut mobilized for a week to get rid of a governor (Paniquelli and Sancci, 1993). Later, in June of that year, thousands of persons in Buenos Aires and Rosario rioted, sacking supermarkets and grocery stores (Serulnikov, 1994). Over the next two years neighbors in different cities and towns took to the streets several times: in Venado Tuerto to protest the appointment of a parish priest guilty of human rights violations; in Catamarca to demand justice for a raped and murdered teenager; in the town of Pilar and in Buenos Aires Province to protest police brutality. By 1993 the riots had turned more violent, with people attacking (and burning down) the government house in Northwestern Santiago del Estero province, as well as in Jujuy, La Rioja, Chaco, Tucumán, and Corrientes. The main characteristic of these riots was the unexpectedness, the fact that they happened quickly lasting rarely more than a day, and left no visible forms of organization. In a sense, they were more a catharsis over accumulated anger and frustration than a new form of struggle. Though violent and pervasive, they were relatively easy to control. In all cases the Government attempted to ignore the upheaval, hoping it would die down, and when it didn’t its response included repression by security forces. The result has been an increase in collective violence. For instance, elderly retirees have carried out numerous demonstrations, and had several very violent clashes with the police over the low level of pensions (on the average U\$150 a month); and

strikes, numbering in the hundreds over the past four years, have often turned into battle royal with the security forces and company guards.

This type of struggle, limited as it is, expresses and causes changes. The experience of popular participation and power gives a heady feeling and raises new questions and needs in peoples' minds. Perhaps the most noticeable thing that resulted from both, 1996 and 1997, conflicts at Cutral C6 is that the experience and forms of struggle were quickly spread throughout Argentina. Just like the townspeople learned from the teachers that blockading a highway was an effective means of generating government response, others learned from them. From Buenos Aires, to the North, and to Patagonia, people blockaded dozens of highways demanding relief and government attention.

One of the main elements that forced the State to negotiate with rioters and blockaders is their collective willingness to confront security forces. In most upheavals people, when faced with repression, instead of backing down have fought the police. Thus, the police armed the Rio Negro Province government members in late March 1997 to "insure their protection from social danger" (Clarín, March 27, 1997). An example of this "social danger" happened across the river from Rio Negro, in the city of Neuquén, on October 9, 1997. That day the provincial legislature voted to reduce the salaries of public employees and provincial teachers. Called out by their respective labor unions, 600 demonstrators vented their anger in front of the legislature by throwing stones, breaking a few windows, and shouting epithets. The police intervened to clear the streets and chased the demonstrators into the center of town where several hundred persons joined them. Workers and neighbors charged the police. While the battle was going on, groups of unemployed sacked a supermarket and a store owned by Daniel Scioli, a prominent Buenos Aires Peronist politician. The result was over 50 arrests plus a score of wounded policemen (Clarín, October 10, 1997).

Though the spark that sets off the upheavals has been very varied (from an unsolved murder and police repression to wage reduction and

cutbacks), underneath they have been felt as a political protest and as a challenge to free market policies. For instance, in 1993, a demonstration by public employees in the northwestern city of Santiago del Estero became a riot and people burned down the government house and sacked the homes of prominent local politicians. They were clearly the product of free-market economic policies, and of a limited democracy. The most immediate causes are hunger, unemployment, marginality, the impossibility to obtain redress from elected representatives, and the lack of a viable justice system. As James Petras pointed out, this does not represent the failure of free market policies, but rather its success: they are a product contemplated by the ruling class (Petras, 1994). This is why, though the increase in social conflict was there to be seen, the government chose to increase its security forces, rather than modify any aspect of its social and economic policies. This does not imply that President Carlos Menem or his successor Fernando de la Rúa, and their advisors desire social conflict, but rather that they believe it is an expression of dysfunctional sectors of society who have been unable to readjust to the new Argentina. In their eyes, the Government is carrying out a necessary transformation; and in all transformations some sacrifices are necessary. Any other government in Argentine history, faced with riots throughout the nation in a few short months, would be ready to introduce changes in its socio-economic policies. On the contrary, neither Presidents De la Rúa or Menem nor the opposition made more than a rhetorical response: all continue to adhere to neo-liberal economic policies. This is the result of political changes in Argentina over the past two decades, which have succeeded in de-linking (or insulating) government policy from voter pressure.

The 1989 election was heralded as the definitive return to democracy in Argentina. The Peronist candidate, Carlos Menem, handily won the Presidency promising a "productive revolution", a big wage increase, and support for labor's demands. Once the election was over, these promises were not carried out. The new Minister of the Economy, an executive of

the Bunge and Born trans-national grain corporation, began an economic program that would find its counterpart on the social, political, and diplomatic levels. These policies implemented by the Menem government bear a remarkable resemblance to those of the 1976 dictatorship; between both they have succeeded in changing Argentina forever.

Economically the Menem government, like many others in Argentina's history, considered that the problem centered on three aspects. First, that protectionism had generated an inefficient industry with high labor costs. Second, that a large State sector constituted a drain on national resources since, because it was not subjected to free market competition, it was also inefficient and the main source of corruption. And third, it believed that Argentina had to modify its role within the international division of labor. Thus, rather than attempt to reindustrialize it should focus on those economic areas to which it was particularly suited: agricultural industry and agribusiness (see Dorfman, 1992; Pozzi and Schneider, 1994).

The effects of these criteria were immediately felt. On the one hand, credit for small and middle industrial concerns was reduced, while the nation was opened to imports. Those small and middle businesses that had survived the harsh policies of the 1976 Dictatorship, now began going under. Wages, already low (they were about 60% of 1975 values) were reduced even further; first through inflation and later, once inflation was under control, by a wage freeze. This also reduced the amount of domestic demand at a time when supply increased, because imports were freed.

At the same time, the Menem administration decided to combine economic criteria with need, and began selling off many State-owned enterprises. These enterprises could be bought either with cash (through various forms of financing) or with Argentine foreign debt bonds to be redeemed at face value (though their market price was about 25 based on par 100). Between 1990 and 1992 most money making State-owned enterprises were sold to either the private sector or to foreign State-owned corporations. Altogether the government obtained 23 billion dollars this way; of which 13 billion were foreign debt bonds. Those State-owned

service or industrial sectors that found no buyers, like passenger railroad lines, were shut down.

Socially the overall effects of these policies have been devastating. By 1994, the neo-liberal, free market policies, had led to a drop in real wages, and an increase in unemployment rates. According to the Instituto Nacional de Estadística y Censos (Argentine Census Institute: INDEC), at least 25% of the population was considered to be below the poverty line of "basic unsatisfied necessities". In December 1995, unemployment was calculated at 18.3% of the population, with another 20% being under-employed. Nobody has calculated the percentage of those who have dropped out of the labor market altogether. In addition, many Argentines hold more than one job, and the eight-hour work day has literally disappeared with most workers fighting for overtime to make ends meet. Whole areas of Argentina have become quickly impoverished, such as the Northwest, with hunger, malnutrition, and infant mortality increasing to rates unheard of since the 1930s. Health has also suffered. Sickesses such as cholera, polio, and tuberculosis, which had disappeared by 1960, have reached epidemic proportions. The elimination of "inefficient" rail lines, and the reduction of airline flights, has filled areas of the country with ghost towns. For instance, the town of Trelew (pop. 80,000) had, until 1992, 5,000 garment and textile workers. Only 900 remained employed in 1995; and five families a week emigrated from the area, while the city was surrounded by shanty towns (villas de emergencia).

This process of transformation had been almost completed by mid 1995, and problems were emerging. In spite of GNP growth –fueled mostly by the service and financial sectors of the economy– a recession seemed to begin. Industry had a negative rate of growth, bankruptcies increased, unemployment shot up, and the rate of investment slowed down. Though productivity had gone up significantly, and production costs had decreased (especially through wage reductions), consumer sales slowed considerably and were maintained through extensive credit. Thus, personal indebtedness had skyrocketed between 1991 and 1995. The

recession had an unusual electoral effect: Carlos Menem played on fears of a renewed bout of inflation and was reelected in May 1995. Most analysts agree that, in spite of widespread criticism and discontent, the amount of debt in dollars was a key factor in the plurality that cast their ballots for Menem and stability. Indebtedness was one factor in Menem's re-election. Another was that lay-offs in Argentina were ruled, until 1993, by a law that forced the employer to pay a sizeable severance (three months for the first year worked, and another month for each year thereafter), instead of unemployment insurance. In addition, a series of "voluntary retirement" programs were set up with World Bank funds. This implied that there was an initial cushion to unemployment, as well as a short-term cash influx into the economy. Unable to find other employment, laid-off workers set up numerous small businesses such as newspaper stands, vegetable and grocery stores, and taxicabs. For instance, between 1988 and 1994 the number of taxicabs in Buenos Aires increased from 36,000 to 55,000. These businesses were short-lived, for demand dropped, at the same time, precipitously. A year after a worker had been laid-off the severance pay had been spent, and the standard of living dropped. Thus, the full impact of the recession was felt after the May 1995 election.

The net result of all this has been social dislocation with a lot of conflict, which has been so atomized, so unorganized, that it has had a reduced political impact and slight or no capacity to stop the downslide in workers' living standards. But this has not only affected the working class. The middle class has been hard hit also. Traditionally State employment has been the channel for middle class social mobility in Argentina. Cutbacks in State employment have reduced significantly middle class opportunities and unleashed a previously unseen cannibalism. Many State employees were fired, hiring freezes applied, wages reduced, and a few privileged employees saw their salaries increase significantly. For instance, one third of national university professors were laid-off, while their salaries were redistributed amongst the remaining two thirds. In

addition, education as a road to better employment was severely curtailed. Since the 19th Century, Argentine university education was free and, generally, of high standards, with few low-quality private universities. After 1991 tuition was charged at several national universities (for instance the National University of Córdoba). This affected primarily the children of worker and lower middle class families. In addition, entrance exams were instituted (National University of Cuyo) which favored those students who went to the wealthier secondary schools. The number of university students dropped 12% between 1992 and 1994.

By 1997 the social and economic situation expressed the new Argentina. Menem's reforms succeeded in generating changes and some economic growth. The industrial index went up 8.1% in the first seven months of 1997, capping a sixteen-month increase, while the GNP went up 4.4% (Clarín, August 21, 1997). The aluminum exporter ALUAR reported yearly profits of 120 million dollars and a 30% productivity increase. ALUAR also reported generating 70 new jobs in 1996, after laying off 350 workers in 1994. The profits announced implied a 35% yearly rate of return on the corporation's investment. (Clarín, May 26, 1997). Between 1994 and April 1997, 22,229.5 million dollars in foreign investment flowed into Argentina (Página/12, 24 April 1997) mostly to take advantage of opportunities that had opened up with privatization. The lion's share of foreign investment in Argentina went to the service sector (12.5 billion dollars) (Página/12, April 27, 1997). Most of it came to Argentina either to take advantage of the opportunities opened up by the Mercosur or to hedge bets in terms of the much more considerable investments in Brazil.

One of the key results of the above-mentioned investment is that the Argentine economy, and corporations, has become trans-nationalized. Eight out of the ten main corporations in Argentina are subsidiaries of multinationals, as are nine of the ten major banks. Foreign corporations were involved in almost 60% of all goods bought and sold in Argentina in 1995 (Clarín, August 10, 1997). If Argentina was always dependent on the

world economy, due to its agricultural export oriented economy, now this dependency has increased through the trans-nationalization of its economy: it has literally become a subsidiary economic system.

Though this situation increases the vulnerability of the Argentine economy to external cycles, most economists and businessmen have expressed boundless optimism. The Menem government has done what was needed, and “the numbers close”; meaning the economic indicators are on the increase. However, these numbers not only belie a vulnerable economy, but there is some questioning as to whether they indicate real growth or not. According to the Ministry of Interior, Argentina grew 18.3% between 1991 and 1995. These statistics take 1980 as a base year; had they used 1975=100 the results would be vastly different as all data indicates that the economy has not recovered from the decline begun that year. In addition, economist Daniel Muchnik points out that government statistics on industrial growth do not take population growth into account. Had they done so, instead of a 7% growth rate over 25 years, there would be an 18% decrease (Clarín, March 10, 1997). This is why, in May 1997, Moody’s and other investment analysts gave Argentina a rating below that of Rumania, Panama, the Philippines, and South Africa (Página/12, April 27, 1997).

Argentine businessmen have made record profits over the past decade. This has implied a deep shift in the distribution of the national income away from the wage earning sectors. The extremes of poverty and wealth have grown enormously over the past few years. While the number of shanty towns have increased, so have the number of fortified neighborhoods for the very rich. According to official Argentine Government statistics only 5.7% of all Argentines earn more than 800 dollars a month, 14.3% have no reported income, and 32.9% earn between three and 163 dollars. This is gross income; net income after taxes is 17% less. The average monthly income for an Argentine is 605 dollars. Considering that the INDEC reports that 1605 dollars a month are needed to cover basic needs for a family of four, this means that 85% of all

Argentines are technically poor even if both spouses earn a salary, and that 54.7% do not make ends meet even if both children are employed (statistics in Clarín, February 10 and June 11, 1997). As a result job stability and safety have deteriorated while unemployment, underemployment, and over-employment have increased. According to the Ministry of Labor 80% of all new jobs are unstable, 38.1% of all wage earners are employed off the books without any type of coverage, 2.8 million people (50% of all employed wage earners) are searching for new jobs, and 29.3% of the EAP is under and unemployed (Clarín, April 11, May 18, July 19, 1997). The INDEC has estimated that some 3,200,000 persons in the Greater Buenos Aires area (the wealthier area of the country) are below the poverty line; of that total 1,429,00 are considered to be in a critical situation (Clarín, June 10, 1997). This is compounded by the fact that 97% of all employers do not abide by safety and health regulations, increasing job accidents to one thousand a day. In response to this situation the Menem government created the Plan Trabajar that created 378,000 jobs, at 150 dollars a month.

Clearly, the effect of these changes has amounted to a social earthquake, generating anger and frustration. The massiveness of the effects of neo-liberal policies and the general lowering in the standard of living has both increased individualism and had a homogenizing experience. In spite of the pressure to break up social groups into individuals, the fact that people can only survive through collective responses has been a barrier to fragmentation. In addition, the durability of some cultural notions reinforces natural conditions to generate a solidary, community-wide response. James Petras studied the relationship between working class culture and resistance in the 1976 dictatorship (Petras, 1981). Though with some variations, that amount to resignifications, this culture still subsists (Pozzi, Schneider and Wlosko, 1996).

At the same time racism and class hatred have increased significantly. There are a myriad of jokes, comments, aggressions, and discrimination against the more recent immigrants from neighboring countries and those

from South Korea. This racism is also expressed in notions that the *chilotes* (Chileans) and *boliguayos* (Bolivian-Paraguayan) were lazy, backward, thieving people who were here to steal jobs from Argentines. The Confederación General del Trabajo (General Confederation of Labor: CGT) and the Unión Obrera de la Construcción de la República Argentina (Construction Workers Union: UOCRA) have carried out campaigns demanding laws that should stop their coming to Argentina or at the very least restrict their employment. Though racism has always been a feature of Argentine society, recent research demonstrates that it has increased over the last decade (Wlosko, 1996; and Courtis, 2000).

Social and economic transformation also had a deep impact on national politics. Argentina has had what could be termed an organic crisis since 1955 (when Peron was overthrown), where no social sector had the power or consensus to impose its objectives on the direction of the nation. The elite, and the Menem government, solved this, not by founding a new consensus but by de-linking politics from its mass electoral base. Rather than establish a political party that would express its interests, the highly concentrated businessmen have succeeded in co-opting the two traditional mass parties (UCR and Peronism) to their policies. Elections have stopped being issue- or program-oriented and have become a question of polls, slogans, publicity, and marketing. All mainstream politicians agree with free-market economic policies, and only attempt to differentiate themselves in terms of "efficiency" or "honesty". To win an election a party has to obtain the support of economic groups that will provide it with resources, and media, to mobilize the voters. Once an election is won, daily politics have little or nothing to do with the electors, and is responsive to lobbies. Thus, though over 100,000 workers came to Buenos Aires, from all over the country, to protest the new economic policies, in July 1994, they had little impact on a government more concerned with maintaining the goodwill of the U.S. embassy and of big business. The result has been telling. The prestige of democratic institutions has plummeted over the past few years. According to different polls,

politicians are commonly seen as lying and corrupt. In addition, voting trends are down all over the country: while an average 90% of the electorate voted between 1946 and 1991, in the 1993 by-elections 25% of the voters abstained, while another 6% cast blank ballots (a constitutional right meaning "none of the above"); and in the 1995 Presidential elections only 76% of those registered bothered to vote in spite of the fact that voting is obligatory in Argentina. This tendency was maintained in the 1997 by-elections and in the 1999 national elections. In addition, party affiliation has dropped, and most local party structures are in crisis. However, since mass struggles seem to have little impact on government policy, people retain some hope in the electoral process. This has implied significant setbacks in the creation of a political alternative to neo-liberalism. Workers will struggle, bravely face the police and the security forces, challenge labor bureaucrats, and defy employers, and then they will try to get a congressman or a senator involved, pass a law, or get a subsidy helping them out. This means that the mainstream political parties can (for the moment) afford to remain unresponsive to popular needs without losing too many votes.

Perhaps the biggest political impact has been on the working class. Though many workers, and especially the older ones, remain Peronistas de corazón (Peronists in their hearts) their political loyalty has been severely shaken. What has replaced it, for the moment, is politics based on clientelism and possibilism. For a neighborhood to vote against the provincial or municipal power structure, can be very costly: subsidies can be curtailed, bus lines can be rerouted, housing projects can be stopped, the police can be given a free hand in the area turning it into a free-fire zone. People live this as "so-and-so does things for our neighborhood", and rarely as electoral blackmail. However, when the opposition accumulates enough strength in a neighborhood (from neighborhood associations and soccer clubs, through labor unions and municipal councilmen), there is a noticeable electoral shift that can only

be interpreted as the costs of bucking the power structure have gone down or become acceptable.

Overall, then, popular politics in Argentina are marked by two major characteristics. The first one is that politics, in general, have been menemized. This means, essentially, that most parties have de-linked themselves from the electoral base in order to seek the support of different economic power groups. The net result of this has been a level of corruption and unaccountability unseen in Argentine history since the 1930s (the so called Infamous Decade). Both the Judicial and Legislative branches of government have become appendixes of the Executive. Though there have been a myriad cases of corruption registered, not one single person has been imprisoned as a result.

The second major characteristic of popular politics is the crisis of the Left. Though it grew significantly between 1983 and 1986, the Left suffered the effects of the 1976-1983 repression, the collapse of the Soviet Union, and the overall international situation. The disappearance without a whimper of the USSR demoralized many activists, including those who had traditionally criticized Stalinism. In addition, to many people it implied that socialism was not any more on the agenda, if it had ever been. This opened up a whole range of possibilist options, including several social-democratic variants, which ultimately implied reaching an accommodation with capitalism in an attempt to humanize its worst trends. The road to socialism suddenly became, not revolution, but rather an evolution of ever increasing democratic spaces to be obtained through electoral participation. In addition, placed on the defensive, the Left tended to accept many of the criteria and style of the traditional parties.

Beneath the organized Left there is a broad, but very atomized, resistance movement. The combination of popular expectations in parliamentary politics and the weakness, and confusion, of the Left implies that most of these struggles do not come together into anything even remotely resembling a political alternative. However, these movements are slowly and hesitantly developing new forms of

organization and struggle. Over the past seven years a myriad of women's groups, unemployed committees, student organizations, and gay groups have either come into being or become more active. It is interesting to note that cultural and sports activities have become transformed as a vehicle for social and political organizing. Local radios and theater groups have served as a channel for community protest or for just keeping people together. An example of this is neighborhood football clubs in the working class suburbs of Buenos Aires. Parents organize these clubs as a means to keep their children away from drugs and gangs. The clubs quickly develop commissions that are elected by the members and whose role is to organize matches, obtain or build a clubhouse, get rights to a piece of land for a playing field. The commissions serve as a locus of neighborhood organizing and, eventually, for political activity such as petitioning local authorities. Some of these clubs have become increasingly politicized and serve as a basis for organizing the opposition to government policies in the neighborhood.

The most important of these new forms of organization is the Congreso de los Trabajadores Argentinos (Congress of Argentine Workers: CTA) (Rauber, 1997). Organized by the State employees (ATE), the teachers' union (CTERA), as well several smaller unions, and other union locals, the CTA is trying to develop a new form of trade unionism more in tune with what Kim Moody has called "social-movement unionism" (Moody, 1997). The main changes applied by the CTA deal with organization. Workers can now affiliate directly with the confederation without belonging to a specific union, or even without having employment. In addition, CTA leaders are elected by the vote of the members, and not of the affiliated union representatives. Finally, the CTA perceives of union activism as something that links both on the job and neighborhood organizing, together with coordination with unions in the nations of Latin America's southern cone. Hesitantly, the CTA has become an opposition pole to neo-liberalism in Argentina, and an alternative to the pro government CGT.

Another interesting development is the increased organization and participation of Argentina's small Native American community. There were several demonstrations by the mapuche community between 1992 and 1996 repudiating Amerindian massacres, their exclusion from national history textbooks, and demanding things such as the return of community lands. In the province of Salta, the colla community carried out a struggle in 1997, over several months, in defense of their lands. In 1989 the provincial governor granted these lands to the collas. However, a few years later, the Seabort Corporation bought, from the former owners, the rights to 79,000 hectares of these lands and applied to the government to expel the collas. In late June 1997, the community blockaded the highways and effectively besieged the Seabort employees sent to take over the land. Between July and October the provincial police made several unsuccessful violent efforts to open the highways and expel the collas, who resisted (Clarín, July 1, 1997). The actions by the mapuches and the collas have surprised the government both because of the level of organization and because of their politicization.

Altogether, between March and October 1997 the Argentine press reported several dozen labor actions, some fifty instances of rioting (albeit some very minor), close to one hundred highways being blockaded, two strikes by farmers, two nationwide strikes by teachers, the general strike carried out by the CTA, and 21 cases of violent confrontations between demonstrators and the police and Gendarmery resulting in hundreds of arrests, many wounded and one dead person.

All of these actions are a far cry from constituting an alternative to the present free market policies. However, this resistance is sufficient to worry the government. By the end of May 1997, Government officials were asking business to help out with the social situation. But most of the businessmen remained clearly unconcerned; stated the management of the privatized YPF company: "unemployment is the government's problem, not ours" (Clarín, May 16, 1997). A supermarket chain ratified what YPF stated and backed it with actions: it instituted a practice whereas once a

week one of their employees was chosen through a lottery system and then was laid-off (Clarín, April 11, 1997). Perhaps because of this, the Catholic Church has sounded the alarm stating that the current social situation is giving rise to violence and to the danger of having the State lose its legitimacy. Faced with an increasingly violent social situation, on the one hand, and with employer intransigence, on the other, Argentina's political leadership have no other recourse than repression. The Left has been accused of trying to destabilize Argentina. To accept this notion not only implies granting these organizations a size and influence which they clearly do not have, but it also implies a level of coordination between different conflicts that has escaped most analysts. But this has been the rationale behind the Government's spending increasing quantities of funds to improve and enlarge the security forces. According to the daily Clarín, by December 1995 the only area of government that had increased its overall number of employees was the security and Armed Forces, which reached a total of 60% of all State employees (Clarín, December 9, 1995). It should be pointed out that this number represents the "public" members of the security forces. If we take into account the numerous members of the intelligence community as well as the undercover security teams and police informers, the overall percentage goes up. The Ministry of Economics Informe (1996: 56) reported that employment in "Public administration, Defense, and Social Services" had increased 15.5%, the second highest after "Agriculture". The then Chief of the General Staff, General Martín Balza specified at a conference in the Universidad de Palermo (23 October 1997) that the "new mission" of the Army included opening up blockaded highways, in a clear reference to the continued role of the Armed Forces as an element of social control. Harassment and persecution of opposition activists has increased significantly over the past three years, as has government surveillance over the population in general. In addition, the economic program is already showing signs that its transnationalization has made it more, not less, vulnerable to economic cycles. Of course this does not imply that a political alternative will emerge. As

stated before the Left is in disarray, while the Right has joined Menemism. What it does mean is that Argentine politics are in a state of flux and transition.

Is all of the above a measure of success or of failure of South America's newly found democratic system? Blank ballots and the abstention rate remain high throughout the region, increasing with every new election. Still, voting shows a desire to participate and make your voice heard. Riots, blockades, land occupations, strikes, blank ballots and voting for the opposition all seem to be forms of political participation in the search of a political alternative to neo-liberalism. But at the same time trans-nationalization of the economy has made the elite less, and not more, responsive to social upheaval. In addition, the changes in the political system reflect these new realities giving birth to an electoral system that is scarcely democratic. In this sense it is likely that popular political participation in South America will increasingly be channeled through many different, and often violent, forms of expression.

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