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# Neo-developmentalism: Beyond Neoliberalism? Capitalist Crisis and Argentina's Development since the 1990s

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## Abstract

Argentina's recent trajectory has provoked several discussions in the last few years. Most of them have centred on the character of the new mode of development presumed to have appeared in the wake of the crisis of neoliberal rule. This article provides an analysis of the changes and continuities in capitalist development in Argentina after the crisis of 2001. We provide extensive evidence regarding changes in the mode of development which, we propose, has shifted towards a neo-developmental alternative. While we argue that this strategy perpetuates capitalist domination, more importantly we stress that it also implies significant changes from the previous pattern of development. Particularly, the new mode of capitalist development creates a new set of public policies that mediate class-conflict in renewed ways.

## Keywords

Argentina, crisis, neoliberalism, neo-developmentalism, class-struggle, public policies

## 1. Introduction

In a recent review-article, Jeffery R. Webber discusses a new contribution to the analysis of neostructuralism<sup>1</sup> in which neostructuralism is described as the ideological and theoretical underpinning of most of the new 'progressive' governments that have been gaining support in several countries in Latin America, as part of the so-called 'pink tide'. We believe that such a discussion is very relevant to understanding the nature of current sociopolitical transformations on the subcontinent, particularly in the midst of the deep crisis of dominant capitalist spaces. As part of this debate we present a contribution that attempts to shed some light on Argentina's conjuncture. We feel that the debate is particularly important in regard to the nature of changes

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1. Webber 2010.

in the process of capitalist development in Argentina and the rôle of social forces in such changes. Clarifying the nature of the debate is of great relevance for all the new radical sociopolitical movements that are working towards social change in the region.

This article is structured as follows. In Section 2 we briefly describe the process of the crisis of neoliberalism in Argentina and the original constitution of neo-developmentalism. In Section 3 we present the main novelties with regard to public policies, discussing neo-developmentalism's ties to structural continuities and changes. In Section 4 we discuss the way in which the contradictions of this new form of capitalist development manifest themselves. Finally, in Section 5 we present some preliminary conclusions.

## **2. From neoliberal crisis to a new form of capitalist development**

After a process of 30 years of restructuring, in early 2002 Argentina leaped forward out of neoliberalism.<sup>2</sup> In consonance with several processes of popular resistance and economic crisis around the periphery (and especially in South America)<sup>3</sup> Argentina abandoned its place as the International Monetary Fund's most brilliant pupil to join the neo-developmental crowd. The official story of this transition is that a new political coalition had been formed and that it represented a radical break with its neoliberal past.<sup>4</sup> The new policies in place represented – again, according to the official record – the rebirth of politics and the stabilisation of a new mode of development of 'serious capitalism' (as against the 'speculative capitalism' of previous decades) based on regained autonomy from financial capital and its representatives.

Neoliberalism in Argentina was a process that began in the 1970s.<sup>5</sup> The violent irruption of a military dictatorship in 1976 was its overt initiation with political repression and not-always-successful attempts at economic

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2. In an attempt to present a preliminary definition of neoliberalism we may say that we understand it as a political project of the dominant classes to restructure society (the economy, politics, the state) in a way that will allow them to recover hegemony over the process of valorisation and capital-accumulation. In a way, it is a project for 'the restoration of capitalist class-power and the accelerated redistribution of wealth from the popular classes to a tiny élite' (Webber 2010, p. 227). This was made possible through the variable combination of political repression, economic crisis, and deregulation and flexibilisation of economic activities. As such, through neoliberalism dominant fractions within capital have been able to reconfigure society in such a way so as to create the conditions for sustained capital-accumulation.

3. See Thwaites Rey 2010.

4. See MEP 2007.

5. While neoliberalism and neo-developmentalism are processes situated within the wider dynamics of the international economy, in this intervention we wish to concentrate our debate

liberalisation.<sup>6</sup> After the recuperation of democracy in 1983, Argentina entered the second stage of the neoliberal period. The stage spanning 1983–9 was a conflictive period of sociopolitical (class) clashes regarding the imposition of new neoliberal rules of production and reproduction of society.<sup>7</sup> However, the dominant classes had to wait until the 1990s for a democratic government (with the election of the Peronist Carlos Menem in 1989) to be able to advance in their full-blown project of International Monetary Fund- and World Bank-inspired structural reforms: the so-called ‘convertibility-plan’.

The convertibility-plan included fixing the nominal exchange-rate to the US dollar, the privatisation of most public companies and public services (including social security), the flexibilisation of labour-market legislation, the deregulation of economic activities (in particular, regarding the participation of foreign capital in the local economy) and the unilateral liberalisation of foreign-trade and financial-capital movements, amongst other reforms. The result was a jump in imports of consumer-goods, the destruction of thousands of small and middle-sized firms, a hike in unemployment and poverty-rates, and the stagnation of wages and nationwide precarisation of labour.<sup>8</sup> If the reforms were highly destructive in terms of social welfare, they simultaneously allowed for the accelerated concentration and centralisation of capital along with the growth of its acquisition by foreign firms and the improvement in industrial productivity (particularly in export-oriented agricultural and mining businesses) with the aid of the import of capital goods.

Until the mid-1990s the advancement of neoliberal reforms was swift.<sup>9</sup> However, political opposition and objective contradictions were also building up. In 1992 several trade-unions within the *Confederación General del Trabajo* [General Confederation of Labour, CGT] parted and created a new confederation, *Central de los Trabajadores de la Argentina* [The Argentine Workers’ Central Union, CTA]; together with a sector that remained within the CGT (led by the truckers’ union) they began to express their concern at the social effects of restructuration. In parallel, university-students, small-business organisations,

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upon the – less-known and understood – local means through which such processes have developed in the setting of Argentina.

6. See, for example, Canitrot 1981. Actually, as a historical fact the process of transformations had its initial milestone in June 1975 with the so-called *Rodrigazo*, an economic programme through which the dominant classes – during the Peronist government of those years – began to pave the way to redesigning the whole process of capital-valorisation in Argentina. See Basualdo 2006.

7. See Bonnet and Glavich 1993.

8. See Lindenboim 2003.

9. See Bonnet 2006.

public employees, retired workers and the unemployed began the ‘political recomposition’<sup>10</sup> of the working class against neoliberal rule.

While political reactions were escalating, neoliberalism in Argentina was also creating its own set of objective contradictions.<sup>11</sup> The most visible elements of concern were a growing trade-deficit and a rising fiscal deficit and foreign-debt expenditures. Behind the scenes, increasing contradictions arising from the capitalist nature of production were placing pressure on capital’s ability to reproduce on an expanded scale. First, a rising organic composition of capital entailed a growing inability of the economy to produce sufficient amounts of surplus-labour compared with capital expenditure. The organic composition of capital – estimated as the ratio between the material substrate of constant capital (real capital-stock) and variable capital (number of hours worked in the economy) – grew 15.8% in Argentina between 1992 and 1998, and then 12.7% between 1998 and 2001.<sup>12</sup> Second, there was a growing disparity between falling unit labour-costs and nominal prices that manifested itself in a tendency towards deflation. These contradictions were displaced in time and space by rising terms of trade until 1997 and a growing world-economy until 1998. Eventually, however, the counteracting forces were unable to avoid adjustment: real GDP fell 7.7% between 1998 and 2000. From mid-1998 onwards, Argentina’s economy entered a process of increasing difficulties with respect to realising profits, accelerated transformation of available surplus-value into its financial form (interest-payments and capital-flight) and – as political turmoil gained momentum – the diminishing ability of capital in general to carry out successful exploitation.<sup>13</sup>

Between late 2001 and early 2002, political and economic contradictions combined to violently disarm neoliberal hegemony.<sup>14</sup> The exit from the crisis seemed to have opened up a Pandora’s box regarding political alternatives. Social opposition to neoliberal rule manifested itself in massive mobilisation and rejection of the political status quo.<sup>15</sup> The interim government elected by Congress (Eduardo Duhalde, from the Peronist Party, was appointed president) set out to regain political control of the situation. In January 2002 the convertibility-plan was abandoned, the local currency devalued, a significant

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10. See Cleaver 1985.

11. See Félix 2011b, 2009 and 2007.

12. See Félix 2011b. The original statistical information is that provided by official sources such as the Ministry of the Economy and Production (MEP), the Ministry of Labour, Employment and Social Security (MTESS), the Ministry of Social Development (MSD) and the National Institute of Statistics and the Census (INDEC), amongst others, and it is readily available from their respective web-sites.

13. See Bonnet 2006.

14. See Bonnet 2006; Carrera 2006.

15. See Dinerstein 2002.

part of public debt entered into default, and a large part of dollar-denominated debts of private debtors were absorbed by the state and turned into public debt, amongst other measures. The immediate effect of these policies was harsh: between 2001 and 2002, real wages fell by 19% on average, the income poverty-rate jumped to 53% of the population in May 2002, real consumption dropped 12.6% during the first trimester of 2002, and the price-index for foodstuffs went up by 48.6% within the first semester of 2002.

This shaped the macroeconomic conditions for renewed capitalist expansion as profit-rates for big corporations hiked and net exports turned positive. However, it had also corresponded to a situation of great political instability, particularly due to the non-institutional struggles of the movements of unemployed workers [*piqueteros*] and sectors of the middle-classes.<sup>16</sup> To combat militant opposition by the *piquetero*-movement, in March 2002 the government implemented an ample income-support programme for unemployed heads of households: Plan Jefes y Jefas de Hogar Desocupados (PJJHD). These social and economic policies, combined with the targeted repression of social conflict, granted Duhalde's government enough political space to manage the initial steps in the transition out of neoliberalism. However, the repression of a *piquetero*-protest on 26 June 2002 that ended with the assassination of two activists by the police obliged the interim government to call for elections for early 2003. The Peronist Néstor Kirchner was elected and assumed office on 25 May 2003 with the objective of consolidating a new process of successful capitalist accumulation in Argentina. This process – which we term 'neo-developmentalism' – was built on the new social hegemony (created during neoliberal rule) by concentrated capital and a renewed political composition of the working classes.<sup>17</sup>

### 3. New policies for a new form of the state

Kirchner's government inherited and perfected a new combination of policies that allowed for the expanded reproduction of capital with a partial recovery of employment-conditions for significant sectors within the labouring classes.

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16. See Dinerstein 2002; Bonnet 2006; Carrera 2006.

17. We understand neo-developmentalism as more than 'discursive innovations that operate *within* the parameters of actually-existing neoliberalism', as Webber 2010, p. 227, sustains. As we will show, neo-developmentalism in Argentina is built on the structural transformations created by neoliberalism, but it implies much more than discursive innovations for it has signified very real changes in state-intervention, class-composition and the general dynamics of capitalist development. That said, neo-developmentalism maintains the main traits exhibited by neoliberalism but represents a whole new level of capitalist development and contradictions.

At a macroeconomic level the orientation of policies can be reduced to five elements.<sup>18</sup> First, the attempt at maintaining a high (competitive) and stable real exchange-rate; second, renegotiation of public debt so as to make it payable in an expansive macroeconomic environment; third, control of public expenditures (especially public employees' wages) and incomes to maintain a fiscal surplus high enough to pay for the service of the renegotiated public debt; fourth, to contain wage-negotiations in the private sector within the limits of middle-run productivity-growth and objectives for the real exchange-rate; fifth, to monetise the surplus of the foreign accounts (accumulation of international reserves) to control the real exchange-rate.

The objective of a high and stable real exchange-rate was the key element in the new macroeconomic policy and it was aimed at maintaining the competitiveness of capital in general. For the most part, all other policies were subordinated to that end. This policy-goal has been proposed as the principal means of 'development'.<sup>19</sup> In fact, as explained by Robert Blecker, maintaining a high real exchange-rate by a combination of higher relative productivity-growth and/or lower relative real wages can be thought of as an efficient way to ensure that oligopolistic capitals in a national space obtain higher profit-rates.<sup>20</sup> From 2002 to 2009 the neo-developmental project in Argentina has been quite successful in respect of this objective: the level of the real exchange-rate has been on average 46.6% higher than during the boom-years of convertibility (1991–8) and 33.7% higher than during the crisis-years (1999–2001). This goal was achieved through the combination of a higher level of productivity (the rate between 2002 and 2009 was 52.7% higher than that between 1991 and 1998) and a level of real average wages that was 9.6% below that for 2001 (on average between 2002 and 2009). Both higher relative productivity and lower relative real wages have been one of the successful achievements of neoliberalism in terms of capital's goals.<sup>21</sup> The result of this macroeconomic policy has been to keep profit-rates for big corporations at high historical levels: the ratio of profits to circulating capital averaged 16.6% in 2006–7 (according to the latest available figures) in contrast with 11.2% at the previous peak (1997).<sup>22</sup>

The post-crisis recomposition of conditions for valorisation of capital allowed for a process of sustained accumulation. From 2002 to 2008 real GDP

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18. See Curia 2007; Frenkel and Rapetti 2004; FGV 2010.

19. See Frenkel and Rapetti 2004.

20. See Blecker 1999.

21. See Félix 2009.

22. The source of the information on big corporations comes from the Survey of Big Business performed by the INDEC. It provides information on the 500 biggest-selling firms.

grew at an average of 8.5% annually while fixed-capital investment jumped from a low 11.3% of GDP in 2002 to top 21.1% in early 2010. Accelerated growth in constant capital was accompanied by a significant increase in variable capital. Employment-levels grew by 3.4 million posts between 2002 and 2009; the unemployment rate fell from 19.7% (of the economically active population) in 2002 to 8.1% in early 2010. While on average lower than during the 1990s, real wages grew by 18.2% between 2002 and 2010 (32.6% for formal workers).<sup>23</sup>

The relative improvement in labour-conditions was a combined result of several elements at work. On the one hand, the previous process of labour-political recomposition gave birth to new forces within the old labour-organisations. During and especially after the crisis there was growing grass-roots agitation in the most important trade-unions. Basic struggles on the shop-floors for immediate economic demands were led by young activists – in some cases tied to political organisations from the Left – and their increasing uneasiness forced trade-union bureaucracies to make active demands for state-intervention.<sup>24</sup> Secondly, the falling unemployment-rate and increasing potential demand for labour-power created better objective conditions for labour's demands to be satisfied. In contrast to the neoliberal stage when capital's restructuration was the norm, neo-developmentalism was built on structural conditions tailor-made for allowing partial improvements in labour-employment at least within the formal sectors of the economy. In fact, collective bargaining gained momentum, as labour-struggles were oriented by the state and by corporations toward formal negotiation and away from direct action. The number of collective agreements went from an average of less than 200 a year between 1991 and 2001 to a peak of close to 950 in 2006.<sup>25</sup> Finally, the state's pressing need for political re-legitimation led it to channel through institutional paths the demands of powerful Peronist private-sector unions, such as the *Camioneros* (the truckers' union in the leadership of the CGT), or the *Unión de Obreros Metalúrgicos* [Union of Metallurgical Workers, UOM] and

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23. The use of the consumer-price index requires further explanation. In early 2007 the government intervened in the INDEC and began tampering with price-statistics (ATE-INDEC 2008). The goal was to reduce the official inflation-record and – hopefully – control the price-wage spiral, amongst other things. Since then, suspicion regarding the official consumer-price index has lead researchers to look for other sources of price-information (private surveys, information from provincial statistical offices, etc.). For that reason, we have used as the 'real' price-index from 2007 to 2010 the information provided by the private think-tank CENDA. While its index is not strictly comparable with the official one, we believe – along with many other researchers in the country – that it provides a more accurate account of actual consumer-inflation.

24. See Etchemendy and Berins Collier 2007.

25. See MTESS 2006.

the industrial workers' union *Sindicato de Mecánicos y Afines del Transporte Automotores* [Union of Automotive Mechanics and Related Professions, SMATA]. This process was made possible mostly through the reactivation of traditional policies: a state-decreed, non-proportional rise in wages, increases in minimum wages, reductions in employee-paid labour-taxes and increases in child-support benefits, all for private-sector registered employees. Regarding informally employed workers and state-employees, proactive policy was much more restricted: in the first case, the incidence of public policies was limited, while in the case of public employees the objective of positive public savings (i.e., a primary fiscal surplus to allow for debt-payments) put a lid on improvements. The CTA – whose mobilisation-base was the public sector's employees and teachers – had little chance to influence the new government which was more inclined to look for political allies in the Peronist CGT.

These policies were key in the neo-developmental régime's search for political stability within a capitalist mode of development based on primary agro-mining and cheap-labour manufacturing exports.<sup>26</sup> Bresser-Pereira, a prime advocate of neo-developmentalism in the region, puts it clearly when he states that, in an age of globalisation, export-led growth is the only viable strategy for developing countries and that it requires a competitive advantage based on a cheap labour-force.<sup>27</sup>

Thus even if it is true that successful accumulation was able to reduce general unemployment, the policy of a high and stable real exchange-rate which allowed this process was based on a simple but fundamental fact: the pervasiveness and persistence of the precariousness of work as a means to put a structural lid on labour's demands.<sup>28</sup> Even today (2010), with the economy at its peak with regards to production (real GDP) – 42.5% higher than its previous peak of 1998 – the incidence of non-registered labour is 44.7% in the private sector, while at least 13% of public employees have 'trash-contracts'. Income-poverty, moreover, reportedly affects more than 17.6% of the working population.<sup>29</sup> The persistence of such situations is indicative of the rôle played by precariousness as a means of keeping down labour-costs in the private sector and maintaining the public sector's fiscal surplus. Indeed, in comparison with registered workers, real wages for non-registered labourers and public employees have grown 23% and 122% less, respectively. This means that while real wages for registered workers have surpassed their 2001 level, in the case of non-registered and public employees they are still 5.4% and 28.9% below that level.

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26. See Félix and López 2010a.

27. Bresser-Pereira 2010, p. 158.

28. See Rameri, Raffo and Lozano 2008; Lindenboim 2008.

29. See Félix and López 2010b; Félix, López and Fernández 2010.



However, while neo-developmentalism in Argentina presents significant changes in macroeconomic and labour-policies, even more significant policy-innovations are evident in the sphere of social policy. As precariousness of labour remains rampant but organically integrated with the reproduction of capital, the political alliances in power since 2002 have had to deal with its political consequences. *Piquetero*-movements became one of the main obstacles to stability from the beginning of this new stage. The key factor in the ousting of neoliberalism and in the 2002 resistance, the *piqueteros* were still sufficiently uncontrollable as to require the dominant classes to adopt major policy-changes.<sup>30</sup>

First of all, as we have explained, in 2002 the government was forced to create a massive social programme (the PJJHD, within the Ministry of Social Development) to cover almost 2 million direct beneficiaries in mid-2003 with a minimum income-subsidy of 40 US dollars per month.<sup>31</sup> Participation in the programme had almost no real prerequisites. Apart from having no formal job, that is, 'being unemployed', the programme required that the beneficiaries participate in community-work in social projects such as 'soup-kitchens', small-scale production of foodstuffs (for example, bread, cheese, etc.) or the building of local infrastructure (such as community-halls); in many cases, however, the beneficiaries were obliged to work for local governments and their political overlords, in a clientelistic fashion. To facilitate the performance of these counterpart-activities, the PJJHD was complemented by the *Plan Manos a la Obra* [Hands-to-Work Plan, PMO] that provided beneficiaries with access to minimum resources to acquire (in collective projects) small means of production or tools. The PJJHD was meant to weaken the social base of *piquetero*-organisations that in the 1990s and through direct action (road-blockades) had been able to gain from the state the control of several thousand income-benefits.<sup>32</sup> While the almost universal access to the PJJHD reduced the political clout of the movements of the unemployed, it did not, however, completely neutralise them. Progressively minimum wages grew in real terms and the benefits of the PJJHD remained fixed in nominal (and fell in real) terms. Since its creation in 2002, the nominal value of the benefits of the PJJHD has remained at 150 pesos, while the legal minimum wage has gone from 200 pesos to 1,500 pesos. Thus, employment-growth – even if precarious – tended to divert some of the beneficiaries away from the PJJHD.

By 2003 the government decided to go deeper into a new model of social policies put in place by the PMO: access to benefits subsequently required the

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30. See Svampa and Pereyra 2003; Dinerstein, Contartese and Deledicque 2010.

31. See Féliz 2011a.

32. See Golbert 2004.

active participation of those in need.<sup>33</sup> The ‘poor’ were expected to prove their merit in order to become beneficiaries. They were compelled to show their willingness to actively participate in socially worthwhile deeds, and the state would be the judge of such social value. These programmes were very much in line with the World Bank’s proposals for second-generation social policies. In fact, from the beginning this institution provided the government with financial assistance to implement many of these programmes. This was the case, for example, when the national government created the *Plan Familias para la Inclusión Social* [Family-Plan for Social Inclusion, ‘Plan Familias’] and the *Programa de Capacitación y Empleo* [Programme of Employment and Training, PCE].<sup>34</sup> Designed to gradually replace the PJJHD, the Plan Familias was oriented toward those deemed unemployable (for example, single mothers with children) while the PCE was oriented to the employable (for example, men).<sup>35</sup> The only condition for participation in the Plan Familias was that beneficiaries send their children to school and medical controls, whereas in the case of the PCE beneficiaries needed to participate in training programmes and search for work. The monetary benefits of the Plan Familias and the PCE were respectively about 100 US dollars and 70 US dollars, so that progressively the beneficiaries of the PJJHD transferred to these new programmes or obtained formal employment. Together with falling unemployment, the individualisation of the benefits and segmentation of the beneficiaries meant a slow but persistent erosion of the social base of the *piquetero*-movements.

However, while the creation of the programmes weakened these disruptive organisations, their influence remained important as they privileged direct action and non-institutional intervention. Taking this into account, the newly elected government proposed in 2003 to introduce a new paradigm in policies for social infrastructure.<sup>36</sup> Modelled on the PMO, the *Plan Federal de Emergencia Habitacional* [Federal Plan for Housing Emergency, PFEH] or the *Plan Agua + Trabajo* [Programme for Water plus Work, PA+T] came into action. These lines of action (which included several sub-programmes) had the objective of attacking huge deficits in housing (in quantity and quality) and water-supply and sewage by paying the future beneficiaries to work on these programmes as cheap labour. As a model for further actions, participation in these programmes required that beneficiaries group together in formal cooperatives and in most cases also included the mediation of local governments. The battle for participation in these programmes required Piquetero and other social

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33. See Dinerstein, Contartese and Deledicque 2010.

34. See Félix 2011a.

35. See Félix and Pérez 2010.

36. See Dinerstein, Contartese and Deledicque 2010.

movements to get involved in formal bureaucratic procedures that tended to partially contain disruptive actions. In addition, the government made active use of these programmes to favour allied social organisations, such as the *Federación de Tierra y Vivienda* [Federation of Land and Housing, FTV].<sup>37</sup> Such organisations were willing to accept resources in exchange for ceasing mobilisation and direct action as a means of negotiation, and generally lowered the tone of their critical interventions. Coupled with selective repression (different to the widespread repression of social mobilisation during the 1990s) cooptation acted as an effective means for social control. Conflictive normalisation of social struggles became the rule in neo-developmentalism.<sup>38</sup>

The successful combination of new macroeconomic policies, rehabilitation of traditional interventions in trade-unions, and novel social policies are key to understanding the particular characteristics of the new form of state constitutive of ‘neo-developmentalism’.

#### 4. A new ‘model’ comes with new contradictions

The new form of development in Argentina (neo-developmentalism) appears to have been able to channel its contradictions in a productive way (for capital) and stabilise a new development-path.<sup>39</sup> However, we will argue that it has only temporarily displaced some of the old contradictions, while creating a series of new ones.

In neoliberal Argentina – particularly during the 1990s – one of the main contradictions appeared to be the opposition between ‘productive’ and ‘financial’ capital. This was evident, for example, in the privatisation of social security for the elderly with the creation of private pension-funds and the growing weight of public and private debt. Since 2002, we have witnessed a process of rolling back from such overt domination of finance without, however, making it disappear. There has been a reduction of public debt that included a cessation in payments on a significant portion for several years and a process of debt-reduction at the creditor’s cost.<sup>40</sup> This, however, has only meant that the weight of public debt has gone back in 2009 to the 1998 levels of about 50% of GDP and interest-payments to 2.5% of GDP. Private foreign debt, meanwhile, remains at close to \$US 45 billion. We must not forget that it was the process of exiting convertibility that transferred most of the private sector’s

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37. Ibid.

38. See Dinerstein, Contartese and Deledicque 2010.

39. See MEP 2007.

40. See Damill, Frenkel and Maurizio 2007.

foreign-dollar debt to the state and turned debt-default into an unavoidable outcome. Before the debt-restructuring of 2005, public debt (mainly external, denominated in international currency) had on average reached 137% of GDP between 2002 and 2004. This amounted to almost 10% of GDP in terms of interest-payments, something clearly unsustainable in social, political and even economic terms, since it represented about half of the surplus-value available for accumulation between 2001 and 2002. Debt-restructuring only performed the needed devaluation of financial capital that would allow for the interests of capital as a whole to be realised within Argentine capitalism. In 2008 (during the presidency of Kirchner's wife, Cristina Fernández, who followed him in office) the government took the decision of recovering for the state the control of the pension-funds created in 1993 and also the flow of labour-taxes that had been directed towards those funds since then. While this was in itself seen as a positive – even radical – decision it was actually mandated by the need to increase fiscal receipts to maintain the primary fiscal surplus of the national state to pay for the remaining public debt. This decision, therefore, was mainly oriented toward satisfying the need to remain a solvent debtor.

A second severe restriction of the 1990s was the reliance on foreign capital to finance an increasing deficit in the current account of the balance of payments that topped 4.8% in 1998. The economic exit of January 2002, which led to devaluation, also created the conditions for a radical reduction of the need for foreign savings. The jump in net exports was coupled with the sudden fall in consumption and debt-default, creating a gigantic surplus in the current account equal to 8.4% of GDP. The actual forces that led to the devaluation are related to the process of neoliberal restructuring and not simply to policy-decisions taken in the aftermath of its crisis. As shown elsewhere,<sup>41</sup> the real exchange-rate devaluation was forced by falling relative real unit labour-costs for most relevant capitals during the 1990s. This resulted in a growing trade-surplus for big corporations even while it seemed that the real exchange-rate was basically uncompetitive or over-appreciated for the economy as a whole.<sup>42</sup> During the 1990s big corporations held a positive trade-balance even when the economy taken as a whole presented a significant deficit. Whilst during that decade unit-costs fell considerably for industrial enterprises, the exit from the neoliberal stage meant a further reduction that allowed all sectors (even relatively uncompetitive industrial branches) to swing into trade-surplus. Together with a hike in terms of trade in the early 2000s, the current account turned structurally positive, eliminating the need for financial flows to

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41. See Féliz 2007, 2009.

42. See Frenkel 2003; Bonnet 2006.

equilibrate the balance of payments. The current account has remained in surplus since 2002, averaging 4% of GDP up to 2009. The new competitiveness seemed to have gradually eliminated the need for permanent foreign financial aid. Argentina moved from a debt-led to an export-led growth-model. Chronic excess-demand for foreign currency has been displaced by persistent accumulation of international reserves, which rose by 360% between 2002 and 2009 when they reached \$US 48 billion.

Thirdly, while the situation of structural external surplus appears to have displaced the external restriction and its immanent contradictions, the new situation has created a new set of problems. On the one hand, a persistently high real exchange-rate and terms of trade have recreated the imbalanced nature of Argentina's productive base, boiling down to a traditional rent-producing primary sector coupled with a structurally uncompetitive industrial sector. The primary sector (agriculture and, more recently, mining) and basic manufactures are the main source of exports and hard currency while industrial branches not tied to the former have a structural deficit only countered by the high real exchange-rate policy.<sup>43</sup> Even if higher competitiveness for the economy as a whole is – as we have explained – tied to higher relative productivity gained during the last stage of the neoliberal period, for the most backward branches in the economy competitiveness still relies on deep wage-devaluation and employment-precarisation.

This dichotomy within the dominant classes creates a significant tension inside the neo-developmental project. In 2002 taxes on crop and fuel-exports were established to redirect a portion of rent from natural resources towards the industrial fractions and ease the fiscal position of the state. These transfers have become increasingly important, as the state has had to accommodate pressures from unions for improving wages and by social movements for greater social benefits.

This points to a fourth central contradiction of neo-developmentalism. Relative productivity has stagnated and in the context of growing wages (especially amongst formal, unionised workers), unit-costs have begun to rise. This has put pressure on competitiveness, especially for the backward fractions of industrial capital.<sup>44</sup> The resulting tensions were transferred to market-prices by price-setting capitals as an attempt to maintain profitability. While rising prices may be an adequate short-run solution for individual capitals to displace the impact of higher costs, for the capitalist class as a whole this may have a negative impact on international competitiveness as the real exchange-rate

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43. See Azpiazu and Schorr 2010.

44. *Ibid.*

tends to fall as inflation rises. For this reason, as wage-pressures got stronger in 2005–6 the government intervened to aid corporations setting wage-ceilings. Since in the early stages of neo-developmentalism (2003–6) higher wage-demands came hand in hand with grass-roots agitation,<sup>45</sup> the government had to rely this time on a combination of bureaucratic control of union-membership (mainly through the CGT leadership), the Ministry of Labour's intervention, and targeted repression of relevant conflicts (for example, Buenos Aires' floating casino, Kraft Foods, the synthetic-fibres manufacturer Mafissa, etc.). This strategy was successful in stealing control of the political initiative away from grass-roots movements and allowed bureaucracies to channel demands within 'rational' boundaries. However, as the presidential elections of 2007 neared and inflationary pressures increased – pushed by commodity-speculation in world-markets – wage-demands also surged. Unable to halt declining competitiveness, the government reformed statistical price-information to hide actual inflation.<sup>46</sup> However, in the year following Cristina Fernández's 2007 election as president as part of the same political alliance of Nestor Kirchner, in an attempt to curb increasing prices in foodstuffs the government proposed to increase the rate of export-taxes. This generated an unforeseen protest from rural producers and exporters, which included roadblocks and massive mobilisations.<sup>47</sup> Three months later Congress rejected the export-tax hike, with the vice-president of the governing coalition and acting president of the Senate voting against his own government. In mid-2008, the world-crisis hit Argentina's economy. While the impact on trade was substantial and growth fell to almost zero, a controlled nominal devaluation of the currency along with higher unemployment helped to control wage-demands; average real wages stagnated for the next two years, putting a limit to falling competitiveness. By 2010, the economy recovered its impetus and was growing at a nine-percent annual rate. The aforementioned tensions continue to characterise a process that has nonetheless shown itself to be quite strong and politically stable.<sup>48</sup>

### 5. Neo-developmentalism: beyond neoliberalism?

In the previous sections we have discussed the novelties, continuities and contradictions surrounding a new stage of capitalist development in Argentina:

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45. See Antón, Cresto, Rebón and Salgado 2010.

46. See ATE-INDEC 2008.

47. See Grigera 2009; Sartelli, Harari, Kabat, Kornblihtt, Baudino, Dachevsky and Sanz Cerbino 2008.

48. In October 2010 Néstor Kirchner unexpectedly died. In the short-run, this is arguably the main sign of difficulties for the continuation of the neo-developmental project.

neo-developmentalism. However, in what sense, if any, can neo-developmentalism be called post-neoliberal? In what ways does it surpass the neoliberal project? To answer this question we need to acknowledge that neoliberalism was a class-project led by dominant classes around the world to impose the restructuring of capitalist relations of production and reproduction so as to overcome the conditions that led to the capitalist crisis in the 1960s and 1970s.<sup>49</sup> In South America – and particularly in Argentina – first military dictatorships and, later, elected governments were the means for such transformations to come to pass.<sup>50</sup> As such, the neoliberal project was successful in its class-goals.<sup>51</sup> During the 1990s, in Argentina – as in many other countries of South and Central America – social upheavals led by old and new social movements in the context of economic contradictions led to the displacement of the neoliberal impetus for reform. In many ways this meant – as we have seen for Argentina – the formation of new political alliances that have been able to redirect the form of capitalist development in new directions.<sup>52</sup>

Neo-developmentalism has implied a new form of state-intervention, a different composition of the working classes (that includes new forms of political intervention), and renewed conditions for capital-accumulation. In contrast with the structural adjustment of the crisis-ridden neoliberal stage, neo-developmentalism in Argentina seems to profile a new historical process of capitalist development dominated by expanded reproduction of capital in the context of peripheral transnationalisation and the structural precariousness of living conditions, but with some room for relative improvements led by new forms of labour-struggle. The main difference between the two models is that while neoliberalism was a historical process led by the strategy of the dominant classes for structural change, neo-developmentalism is a process built on the success of such a strategy for the constitution of a renewed base for capitalist development. This difference does not manifest itself so much in the economic structure (put in place during the neoliberal stage) but in the new forms and results of the sociopolitical intervention of class-actors – in, through and beyond the state.

The structural (economic and political) bases for this new form of development were put in place during the neoliberal process and particularly during the 1990s, above all through the convertibility-strategy. In this sense, neo-developmentalism was born out of the transformations brought forth by

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49. See Harvey 2009.

50. See Bonnet and Glavich 1993.

51. See Webber 2010.

52. By contrast, in the 'developed' countries the possibilities for working people to successfully confront the neoliberal project are still in doubt, as events in recent years seem to indicate.

neoliberalism. Argentina's economy is now much more globalised than ever before. This can be seen in the internationalisation of local capital and the penetration of transnational capital in every form of capital: mercantile (international commerce grew from 16.2% of GDP in 1993 to more than 24.2% in 1998 and – after the crisis of 2001 – to 23.8% in 2004), financial (foreign debt went from US\$ 87.5 billion in 1994 to more than US\$ 147.6 billion in 1998, reaching US\$ 128.2 billion in 2008 – even after the debt-restructuring of 2005) and productive (foreign-owned enterprises went from representing 32% of the top 500 firms in 1993 to more than 48% in 1998 and 66% in 2007).

In this framework, the state in the periphery, while limited by the heritage of the neoliberal period, has had to find new ways to create conditions for successful accumulation after the fall of the neoliberal age. The state still faces the contradiction between the generalisation of the law of value (transnationalisation being its latest form) that tends to erase national borders, and the very real exigency of gaining political legitimacy to allow for the reproduction of a particular social formation within a particular national value-space.<sup>53</sup> The idea of a neo-developmental state refers to a state-form that recognises the power of the working class as a subject within capital and thus the need to orient this power to productive use (for capital).<sup>54</sup>

Neo-developmentalism is more than just 'a tactical response of the ruling classes to adjust to the social contradictions generated by the implementation of neoliberalism'.<sup>55</sup> In a way, it is a new process of capitalist development that includes the recomposition of the labour-classes in old and new forms of organisation. From the recognition of these changes comes the granting of several 'concessions' to workers, concessions that are accompanied by a more direct intervention of the governmental apparatus in the regulation of economic activity and the promotion of capitalist development.

However, unlike the developmentalist experience of the 1950s and 1960s (associated with so-called Fordism), the neo-developmental state operates in the framework set by a post-neoliberal society characterised by the predominance of a wider domination of capitalist relations and transnational capital. This limits the character of the state's intervention and makes it very difficult to reintroduce traditional developmentalism. In fact, while the state appears to have more clout in the economy than before, the boundaries for welfare-policies and for directing the general orientation of capitalist development have been strictly narrowed.<sup>56</sup> Argentina, as we have discussed,

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53. See Thwaites Rey 2010; Burnham 1997; Panitch and Gindin 2005.

54. See Cleaver 1985.

55. Webber 2010, p. 227.

56. See Thwaites Rey and Castillo 2008.



is a prime example of this. In the Argentine case, neo-developmentalism is a work-in-progress,<sup>57</sup> an attempt – so far successful – of the dominant classes to maintain their hegemonic control.

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57. See Katz 2010.

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