

CPSA Conference, June 3, York University

Democracy vs. Capitalism in Argentina.

A new politics from 'below'?

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ABSTRACT-

By the end of 2001, the model of capitalist (financial) accumulation imposed in Argentina since the late 1970s and reinforced by the economic and institutional reforms carried out during the 1990s showed its social and political limits as the intensification of market discipline impoverished millions and caused significant social dislocations. To some extent, the Argentinean crisis of 2001 illuminates an unpalatable truth about globalization: the evolution of capitalism into a system of dominance by the few; those who have access to, and control over finance; but who are not accountable either to the rule of law or the democratic institutions. The aim of this paper is to analyze the extent to which this crisis has put into question the overall normative and political conditions of neo-liberal capitalism in Argentina. On the one hand, the project of democratization from 'above' as established in Argentina has reached some serious contradictions as formal liberal democracy has lost its meaning (and legitimacy) for the vast majority of the population. On the other hand, is there a new politics from 'below'?

Democratization from 'above'

The first section will attempt to explore the deep contradiction between market capitalism and democracy in Argentina. Far from being the *necessary* outcome of the *natural* development of the "market forces", neo-liberalism emerged in Argentina as a *political* project of class formation. In the form of a "passive revolution" from "above", the civic-military dictatorship that took power between 1976 and 1983 (supported by the American State and the IMF), created the necessary social conditions –which were far from being "given" at the time– to become more attuned to the growing global integration of trade, investment, production and finance. It is beyond the scope of the present paper to fully address this process (^{Anexo 1}), but it is enough to argue that market discipline did not emerge as an agency of 'true freedom' and democracy considering state terrorism was a fundamental condition for its existence; and the very same 'historic bloc' that sustained market discipline within an authoritarian context would

later on lead the democratization process. This raises significant questions as to the nature of the democratization process itself.

On the one hand, the process of democratization that evolved in Argentina since 1983 onward was “structurally” constrained by debt crisis, structural adjustment, growing impoverishment and social polarization –overall, by a deep process of social exclusion defined by an increasing dissociation between economic growth and social welfare. As market capitalism intensifies, so does the increasing privatization of key aspects of social reproduction: health, education, food access, etc., therefore exacerbating “a growing contradiction between the extended power of capital and the capacities for social reproduction” (McMichael, 2004). Some numbers regarding income distribution and poverty may illustrate this overall process of exclusion.

Before 1974, income distribution in Argentina was similar to many developed countries. Available data from the EPH (Encuesta Permanente de Hogares –INDEC) shows that in the area of Great Buenos Aires alone, in 1974, the share of the top 10% richest was 12,7 times more than that of the 10% poorest. As the market-led strategy of growth evolved, this gap widened: in 1991, it was 22,1; by 1999, it was 32,9 and by 2001 the share of the 10% richest was 51,9 times more than that of the 10% poorest. While in 1991, 16% of the population was below the poverty line, by 2002, it reached a peak of 54,3%, which means that more than half of the Argentinean population fell below the poverty line (Svampa: 2005).

On the other hand, the project of democratization established in Argentina was one in which economic modernization came to prevail over any other social question. During the period 1983-2001, the threat of a military coup progressively vanished but democracy seems to have been increasingly “consolidated” upon the premise of de-naturalizing its social content as originally envisaged in 1983 and ultimately casting out more substantive or popular versions of democracy. In a country where economic modernization (and market liberalization) emerged as a project of class formation from “above”, it is not surprising that to some extent, the democratization process has been directed, even domesticated, precisely by taming and tailoring the concept itself.¹ In fact, the normative commitment contained in the institutional project of democratization that became hegemonic in Argentina, was that of building democracy within certain limits. By the time of transition, there was a pervasive belief, shared by political elites and development scholars, that popular mobilizations represented a threat for democratic transitions if they failed to moderate their demands and behavior. This “moderation argument” (Bermeo: 1997) gave way to an extensive body of knowledge aimed at justifying the institutionalization of formal liberal democracy on the grounds of a “threat from below” or a “fear of the masses”.

In fact, the transition literature –particularly hegemonized by the elite-centered approach as popularized by O’Donnell and Schmitter (1986)- provided a great deal of studies supporting the idea that popular demands would actually become an *obstacle* for the consolidation of democracy. In the terms of the authors, building democracy involved “taming the popular sectors” (1986: 56). In this view then, democratization meant limiting the politicization of popular movements as a way to exorcise new authoritarian breakdowns. This led to a contradictory (an almost ridiculous) prognosis: limiting the participation of popular sectors was supposed to strengthen democratic institutions. It was this precise sense of the term that came to be supported by the “guardians of order”, while blocking it in another more popular.

10 This is not exclusive to Argentina. In fact, this is a rather general tendency within globalization and democratization of that part of the world once thought of as comprising the “Third World”. A deeper analysis of this idea for the case of South African democratic transition can be found in John Saul (1994).

Indeed, overestimating the formal aspects of democratization and conversely underestimating the social ones through an excessive emphasis on electoral procedures –what Dahl popularized as “polyarchy”, that is secret balloting, universal adult suffrage, regular elections, open competition, associational recognition and access and accountability- not only left aside from the definition of democracy other significant values as equality or social justice but it also tended to eliminate social participation from political institutions. The implications of this are no less paradoxical: as market discipline evolves, how are the institutional mechanisms of formal liberal democracy going to “process conflict” when social inequalities enlarge and institutions, according to this view, are not aimed at transforming socio-economic inequalities; and more to the point, how can conflict be “processed” by excluding social participation?

As the Argentinean society reaches its highest levels of social polarization and poverty, elections have proved to be insufficient to “process conflict”, and as formal democracy has proved to be incapable of reducing poverty and inequality, democratic institutions have gradually eroded their social legitimacy. Despite of the insistence on “institutional legitimacy”, the actual historical process in Argentina proves the limits and contradictions of this view. On the one hand, Argentinean democracy has constantly appealed to repressive responses to the growing number of social demands and protests. On the other hand, the “civil society” has been increasingly disaffected from politics as bureaucrats and politicians become more and more “institutional managers” completely detached from social (popular) subjects.

As a result, Argentinean democracy exists under a fundamental contradiction: while the formal institutional appearance survives, the mechanisms of formal democracy have lost their meaning for the vast majority. To put it differently, as market discipline reaches its limits (recession since 1998; social, political and financial crisis in 2001, default in 2002), it becomes evident the deeper tension between the structural power of capital and institutional democracy: as the privatization of the social reproduction of capital intensifies exclusion from public goods, institutions become meaningless for the majority because they prove unable to deliver what people expects from democracy –i.e. social goods, justice and equality.

A survey in 1999, right before elections, provides some supporting evidence regarding political “disaffection” in the city of Buenos Aires –traditionally, the most politicized area of the country with the highest levels of political participation. 75% of people surveyed, admitted not to have been participated in any political activity of any kind –from which 82% had between 26 and 31 years old. And only 4% seemed to believe that politicians had in fact any real intention to deliver what they promise during campaigns (Braslavsky, 1999).

From an institutionalist perspective, most scholars have tended to interpret such phenomena as a “crisis of politics”, a “crisis of representation”, “a crisis of the political system”, a “crisis of citizenship as a product of the crisis of the Welfare State”, “a crisis or deficit of the republican aspect” and so on and so forth (Novaro, 1995; Paramio, 1993; Lechner, 1996; Portantiero, 1993; O’Donnell, 1993/1996; Przeworski, 1995; Cheresky, 1998). This emphasis on the idea of a “crisis” carries with it the assumption that the gap between structural processes and institutions is merely contingent since it is a problem of institutional adaptation or adjustment, the product of a situation of “transition”, in other words, an anomaly. Some institutionalist views, with their usual anti-structuralist bias, tend to suggest that it’s only a question of “strengthening” or “consolidating” institutions, while supporting market-reforms regardless of any contradiction whatsoever (Przeworski, 1995).²

² One of the key methodological limitations of institutionalism among “democratization studies” is that institutions are not conceived as material expressions of social relations, which erroneously prevent scholar from interpreting structural problems and more complex dynamics within institutions. As John Saul (1994) argues, “transition thinkers have themselves virtually no resources within their chosen framework with which to theorize

But what if such dislocation is not a “crisis” but rather a constitutive aspect of capitalist development in peripheral countries like Argentina? Some scholars (Pucciarelli, 2000) have argued that politics is not in crisis in Argentina, it just changed its functions. In this view, formal liberal democracy represents a new model of politics and therefore a new form of domination as, unlike its predecessor, excluding the *demos* or that other part of politics from “below” (mobilizations, contestation, social demands, etc.) it’s a requirement for social (market) disciplining. Instead of integrating, homogenizing and re-signifying social struggles or demands, it seeks to neglect or inhibit them thus producing impotence within popular sectors. In this case, what has emerged is a new and quite efficient form of creating consensus by omission, resignation, impotence or even indifference (Ibid: 106). This new model of social domination is partly captured in Diamond’s expression: “democracy ...demands that citizens care about politics, but not so much”.³

To some extent, it can be argued that the tendency to concentrate political power within an elite that controls and manipulates democratic institutions while excluding the vast majority is reproducing (if not “institutionalizing”) the social and economic concentration-exclusion of and from wealth. It is in this sense that the lack of social meaning in democratic institutions is not an “anomy” but a condition for market freedom. This raises fundamental questions as to the nature of “freedom” expected from “market freedom”: as the Argentinean process of market-led development points, it seems to be the freedom of impoverishment.

Democracy from ‘below’?

The problem is that the limited version of democracy can domesticate the popular version only partially and transitory since the “hidden” face of democracy persists or is always present in the form of strikes, demonstrations, occupations, picket lines, town insurrections, social organizations and movements, and other forms of direct expressions and demands for equal rights that from time to time burst through the constraints of polyarchy (John Saul, 1994). Most social and political expressions that evolved in the shadows of neo-liberalism and against it, took anti-institutional forms – through a process of (re)politicization from “below” (i.e. autonomously from political parties or traditional channels of political mediation), excluded sectors have tended to protest against the formal institutions of polyarchy.

Overall, from mid-1990s to 2001: generalized state of protests and new social movements, new and alternative forms of action, mostly seeking for autonomy from traditional politics and against the state (Piqueteros movement, Puebladas, CTA-independent unions, new urban social movements such as human rights movements, new agrarian movement of women MML -Movimiento de Mujeres Agropecuarias- and the Peasant Movements. A state of resistance that reached momentum in December of 2001.

Piqueteros

Let’s take a look at the example of the unemployed movement, better known as Piqueteros. The structural adjustment policies that involved the opening and de-regulation of

the implications for them of the power relations of the new global economy; their response is, by and large, simply to ignore the issue and get on with the further thinning out of their definition of democracy” (189).

³ In John Saul, 1994: 174.

the economy, the privatization of public utilities, the flexibilization of labor, a general process of des-industrialization, a huge transference-redistribution of incomes from wage to capitalist sectors and the decline of production in general, broke the traditional model of labor relations that articulated a populist and corporatist link between state, unions and enterprises, thus seriously weakening and disarticulating union organizations. While the process of economic 'rationalization' implied massive discharges both in public and private sectors –raising the unemployment rate to 20%-, the new excluded and unemployed sectors were seriously detached from their historical and traditional patterns of collective action and organization, therefore weakening their capacity to demand labor against the state. It was in this context of 'crisis' of unionism⁴ and the increasing levels of exclusion that new forms of labor protests emerged. Contrasting with the high levels of centralization, institutionalization and 'politicization' of traditional labor union claims –that hitherto used strikes and massive mobilizations to the House of Government- the newly excluded soon imposed a new repertoire of fragmented struggles that spread across the country: the so-called *Puebladas* (truly town insurrections) and *Picket Lines* or road blocks in national highways. ^{Anexo 2}

The process through which the unemployed named and thus identified themselves as 'piqueteros' was crucial to disclose new forms of action: with the picket lines and road blocks, the protesters transformed their exclusion into act by stopping the free circulation of people and commodities with barricades and bonfires, thus giving *visibility* to the situation of *social invisibility* derived from their exclusion. To some extent, the excluded are the new 'disappeared' from the system. This process of political identification allowed them to overcome a structural barrier (unemployment-exclusion) and become political agents; they proudly call themselves 'piqueteros' but never 'unemployed'.

The *piqueteros* rejected the involvement of unions, political parties and any other political leadership, thus opening up the space for new direct political practices, completely autonomous from the traditional channels of political arena. By no means this detachment from formal politics and Peronism meant that this was an a-political movement. On the contrary, they were re-politicizing themselves from 'below', that is, against the traditional clientelistic (Peronist) politicization from 'above'(from the state), as popular sectors had traditionally been. In fact, the *piqueteros* movement emerged in open confrontation with the clientelistic structures of Peronism. This new politics from 'below' was taking shape throughout direct political action and direct and horizontal democratic procedures of decision-making (assemblies), which differed from the traditional vertical and pyramidal structures of decision-making of Peronist Unions. It became clear that the spread of the picket lines expressed, in their demands and new ways of action, the drain of the functional mechanisms by which social conflicts were politically solved, particularly evidenced by the high levels of political (electoral) detachment in the areas where *piqueteros* grew more strongly.

Moreover, it expressed a new form of territorial action: it was no longer the factory but the streets –more specifically, the neighborhood- the new terrain of action and organization. The 'barrio' gave a communitarian sense to the *piqueteros* movement. Fragmented and highly heterogeneous though, this movement grew and organized around the institutionalization of a demand of social programs (mainly, unemployment insurance: 'Planes Trabajar'). The movement increasingly became the channel for a process of politicization of the communitarian experience in the neighborhoods as new forms of self-organization of the social and self-management of certain communitarian needs emerged vis-à-vis the institutional abandonment of these classes by the state. Through the politics of the neighborhood (*barrio*), the excluded experienced alternative and solidarian economies of subsistence in the form of co-operatives, mainly co-operative farms and bakeries. That is, as formal politics became unable to deliver

⁴ Put into question the idea of crisis considering Peronist unions were compliant with the reform process.

social goods, excluded sectors appealed to some sort of compulsive autonomous forms of self-organization of the social. To some extent, this would represent a form of re-collectivize those popular sectors, which were atomized by market discipline.

The crisis of 2001 was a turning point for the emerging new politics from 'below'. On the one hand, this force reached momentum. Indeed, when the economic and financial contradictions of market discipline came to the fore in December of 2001—by freezing and confiscating bank deposits of the population and not of big investors - the emptiness of the institutional apparatus proved to be unable and incapable of processing and channeling conflicts within its own mechanisms. For the first time, then, the elected government was overthrown not by the military but by that suppressed part of society that yield: “Que se vayan todos”. This social explosion (or insurrection, as some have called it) was expressing a massive repudiation not just of corrupt politicians but also of a particular form of articulation between a predatory form of capitalism and institutional democracy. In December of 2001 then, liberal democracy (as an ideology of domination) met popular democracy (as an ideology of resistance and struggle) in some sort of clash between the power from 'below' and the power from 'above'. The Argentinean society massively took the streets in the form of spontaneous self-organization of permanent forms of assemblies in most neighborhoods of Buenos Aires, the self-cooperative organizations of taken factories and the spread of daily-based picket lines and road-blocks throughout the country.

But on the other hand, the new Peronist administrations (both Duhalde and Kirchner's)⁵ that took power after the crisis have been quite effective in demobilizing and co-opting -in something close to what Gramsci called *transformismo*- the forces from 'below', thus seriously jeopardizing their autonomy. State policies since 2002 towards the piqueteros movement are a clear example of a deliberate policy of social control and contention, combining negotiation with confrontation, co-optation with repression and social assistantship with contempt. Through the massification of Planes Trabajar (from 300.000 to 2 million plans), the state not only strengthened the assistance matrix between the state and the popular sectors, but also (and fundamentally) resulted in new links of dependency for the latter towards the former since the social programs provided by the government became the key resource through which the piqueteros movement can sustain themselves and their organizational structures. The crucial question here is how are these programs distributed. The answer is, through new clientelistic links among the piqueteors movement. That is, promoting the distribution of social plans to those organizations that do not openly confront with the administration while blocking it to those more radically opposed. This has created conflict and competition among them for social aid therefore fragmenting even more an already heterogeneous movement by co-opting some sectors while ignoring others, and ultimately taming and disciplining the movement in general. So, what started as a confrontation with traditional forms of politics from 'above' has turned into a new terrain of political clientelism.

The government, the 'organic intellectuals' and some Right forces (although not necessarily in a concerted way) have also been quite effective in disarticulating the forces from 'below' by mobilizing a new politics of fear. During the last years, the media hegemonized the public debates and the public agenda around issues of security-insecurity, thus displacing the

⁵ The administrations that follow from the crisis have been signaled by an acute dispute over the distribution of the costs of the breakdown of the convertibility regime in which the most powerful economic actors have been able to transfer them to the entire society. Just to mention two mechanisms: the devaluation of the currency impacted in an immediate depreciation (when not open confiscation) of salaries; and the pesification of bank deposits mainly favored big local capital to drain their debts.

issues of poverty, unemployment and exclusion that had been put into question in the events of December 2001. This went hand in hand with an increasing process of criminalization of the piqueteros protests, which led not only to the persecution, repression and imprisonment of piqueteros activists but also to an increasing contempt from the middle-classes and working classes towards them. Therefore, if in December of 2001 the unemployed, the excluded, the middle and working classes were gathered together against the devastating effects of the ‘market’, by 2006 they became deeply divided and confronted. This may raise significant questions as to the realistic possibilities of a new politics from ‘below’ that emerged in the interstices of neo-liberalism, gained power through the end of the 1990s, reached momentum in the crisis of 2001 but has recently been co-opted and demobilized. In the light of this experience, one may question to what extent autonomy is a viable way to confront state power.

Anexo 1

The Argentinean dictatorship played a key role in changing the balance of power between social classes (capital/labor) by undermining the “historic bloc” of social forces, which hitherto articulated a populist and corporatist link between state, unions and enterprises known as “developmentalism”. The Argentinean state abandoned the principles of industrialization and “development”, and embraced instead monetary principles that radically changed the pattern of accumulation and created the conditions for the formation of a new dominant class: finance capital/financial corporations (“grupos economicos”). Rather than seeking legitimacy within the existing social and political forces of the “national-popular” bloc, the dictatorship disarticulated and reconfigured them in a more “disciplined” and “trustable” ensemble. As a relative autonomous agency it operated a concrete intervention on society. At the ethico-political level, the military and the liberal oligarchy enforced a pervasive ideological discourse with disciplinary effects by equating the need for eradicating both “communist subversion” and the leading role of the industrial sectors in the economy. Political populism –as the hegemonic mechanism of institutionalization of popular participation- was no longer conceived as the “effective barrier against communism” (as it had used to), but the very cause of social subversion. Hence, disarticulating industrial protectionism came to mean undermining the sources of all kinds of social indiscipline. This way, the “discursive formation” encompassed in the trilogy Industry-Unions-State came to be objectified and violently targeted as part of the same problem and source of “evil”. In this sense, the “passive revolution” of the civic-military dictatorship operated a *political* (rather than strictly “economic”) transformation of the structures of social relations of power.

According to the IMF/World Bank, the shift towards monetary policies in Argentina would “correct” the endemic problems (inflation and deficit) of the ISI model (“stop and go” growth). Inflation was indeed a structural aspect of the industrialization model in Argentina, but –at modest levels- it was hitherto considered to have been a stimulus to growth, with benefits alike for business and organized labor. Yet, in the global context of declining profit margins, inflation came to be perceived by business as inhibiting investment. Business blamed unions for raising wages and government for a cycle of excessive spending. The idea that a revival of economic growth depended on “business confidence” to invest, and that this confidence depended on “discipline” directed at trade unions and government fiscal management, became sacrosanct in Argentina for the next two decades. It was this particular diagnosis of development problems in Argentina rather than that of the endemic external

vulnerability and dependency of the economy due to the so-called “unequal terms of exchange”¹, which came to prevail in policy-making. Inflation came almost unquestionably targeted as *the* problem or obstacle for Argentinean development –in other words, for these development organisms it seemed to have been the symptom instead of the root cause what had to be attacked. Behind this interpretation, there was a key aspect of the new global pattern of accumulation through financial valorization that came to replace more productive forms of capital. In general terms, it expressed the global “failure” of capital to subsume labor to conditions of production (and social reproduction) that could generate high rates of profit without increasing the organic composition of capital. In Argentina, it expressed the difficulties of the national bourgeoisie to cope with the demands of a highly organized labor movement. It was in this context that political violence came to be implicitly or explicitly justified as a requirement of economic progress and development not only for the Argentinean ruling classes but also for the IMF, the World Bank, the US, etc.

Anexo 2 The *puebladas* that spread through the remote provinces of the country during the 1990s were mostly carried out by employees of the public administration sector (both in the provincial and municipal levels) claiming for the late payment of salaries (in some cases almost three months) when not merely having their jobs back. The outrage of the people is clearly the prime mover of these events. They combined mobilizations through the local streets with violent actions against typical symbols of public life, such as pillages and fires on public buildings and direct attack on private properties of local politicians. The paradigmatic case occurred in 1993, known as ‘the day of fury’ or the ‘Santagueñazo’ (meaning the insurrection of the town Santiago del Estero), which was famous because the people not only assaulted the Parliament and the justice Palace but also the house of the Governor, by taking personal belongings, jumping and swimming into his swimming pool, dressing up with the governor’s wife clothes, and burning as much as they could. With a lower degree of planning, spontaneous assemblies at working places prevailed over any unionist attempt. These were, in all the cases, local and episodic events without institutional continuity that would develop in a more stable political movement with clear objectives and identities as Peronism used to have for these working classes. What is remarkable about these outbreaks, sometimes truly town insurrections, is the moral and personal character of the language in which these protests were expressed. But as moral condemnation of the political elites, they had, however, fundamental political meaning. On the one hand, the outbreaks disclosed the limits of the political system to provide effective responses to the social demands. In this sense, the state was ‘broken’ not only in its financial capacity to pay salaries but also to sustain authority, respect or legitimacy. On the other hand, targeting politicians and their private property points to a personalistic comprehension of politics that historically structured power relations in the local sphere through the historical networks of clientelism, which the Peronist Party had effectively constructed for so long.

The *Piquet Lines* or road block protests first emerged in 1997 and spread along the most poor regions of Argentina, particularly in those areas with the highest levels of income concentration. Broadly speaking, they appeared in local communities where the entire economy and population lived upon the resources of one single huge public enterprise, such as YPF (oil companies), now privatized. The protests were mainly composed by heterogeneous groups of unemployed people that hitherto belonged to such companies, although in most cases the road blocks became truly town insurrections since they were supported by multiple social sectors, especially women, young people and local teachers. The protesters defined themselves as *Piqueteros*. Their demands were very specific and concrete, usually involving projects designed by themselves such as the creation of new jobs, subsidies

for unemployment, extensions for the payment of taxes, etc. Ultimately, much more defensive and less organic demands than those of the traditional labor movement. In contrast with the *puebladas*, these groups operated through organized forms of co-operative action, which tended to generate patterns of behavior aimed at gaining cohesion, homogenization and discipline among the group. Armed with precarious weapons like stones and sticks, they were severely repressed, although this strengthened the solidarity links among piqueteros. Their basic-decision making process was the assembly, which in many cases became permanent organizations sustaining new social networks.