

SURVEY

THE CURRENT SITUATION IN ARGENTINA

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Successive governments have been overthrown by popular mobilizations since December 2001, and Argentina has now declared default on its foreign debt (the first actual default occurred on 2 January 2002 on a bond payment due to an Italian bank). The following are some points about the different aspects of the current situation.

THE POPULAR MOBILISATION

The most important mobilizations took place on the nights of the 20th and 21st of December 2001, and forced the resignations of economy "Superminister" Domingo Cavallo, and President Fernando de la Rúa, respectively. This was followed a week later by a renewed round of protest and rioting that led to the resignation of provisional president Rodríguez Saa. This survey analyses events that unfolded on 20th/21st of December.

The mobilization of 20/21 December can be separated into two elements:

- A wave of organized looting of supermarkets in a repeat performance of the rioting of 1989
- A massive mobilization of the urban population of Buenos Aires and other centres, leading to intense rioting.

LOOTING

The wave of looting was triggered by the effects of the clumsy implementation of Domingo Cavallo's last economic card: the effective confiscation of the population's bank deposits and the limiting of withdrawals to 250 and then 1000 pesos, in order to avoid the collapse of the banking system. This meant much

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more than just a squeeze on those sections of the population that receive their money through the banking system. The limit on withdrawals and the suspension of cash transactions (the rules allowed only withdrawals from ATM machines and did not allow the cashing of cheques, for example), effectively left large sections of the population that either did not have bank accounts or received payment in cash through the informal economy, out in the cold. Many were left without any money at all. Stores and shopping malls were deserted. The wave of looting took place in the usual places; the suburbs and urban slums of Buenos Aires and Buenos Aires province, Cordoba, Rosario, Santa Fe, etc. In most cases, the looting was fairly well organized, in many cases it was led by community activists and also activists from the "picketers" movement, who began by demanding food handouts from the supermarkets and later led the looting.

The looting led to some 20 deaths over two days. Most of these were people shot by shop owners, security guards and the police.

In a repeat of 1989, there is some evidence of provocation by elements linked to the security forces and/or elements of the Peronist party: groups of people with walkie talkies in expensive cars arriving in poor areas, evidence of money offered by policemen and other such elements as an incentive to loot, the deliberate targeting of Korean and Chinese businesses etc. This seems to be an attempt by some sections of the Peronist Party and the intelligence services to "run" the Radical Party government out of power as in 1989. On the whole, however, the movement was spontaneous, and more politicized than in 1989, due to the experience of the last two-three years of the picket movement in the poorest suburbs.

URBAN POLITICAL MOBILISATION

The wave of looting led both to the resignation of Domingo Cavallo and to the declaration of a state of emergency (which prohibited the assembly of more than 3 people in the streets, among other things) by President de la Rúa. The declaration of the state of emergency in a televised speech by the typically unresponsive and uncharismatic De la Rúa led to a spontaneous and massive outbreak of pot banging from the balconies of Buenos Aires' apartment blocks

(a traditional form of middle class protest not seen for some time), followed by a massive taking to the streets with the slogan "idiot, idiot, you can stick the state of emergency up your ass" (it rhymes in Spanish). Interestingly, the pot banging seems to have started in some of BA's most wealthy middle class areas in the north, where residents also besieged the plush apartment of Cavallo, before spreading to the working class areas of the south of the city.

Middle class residents protesting in BA' Plaza de Mayo were charged repeatedly and brutally by mounted riot police, and a long pitched battle ensued, with protestors repeatedly returning to besiege the Casa Rosada (Argentina has a pink house and not a white house), setting fire to the Finance Ministry, banks, and of course, McDonalds, Blockbuster and other US type businesses.

The following day saw a continued, massive mobilization (with at least 30,000 people in the vicinity of the Plaza and many more around the city). The rioting took on a more organized form as the youth and people associated with the left began to play a greater role. Barricades appeared in the working class areas of San Telmo and Montserrat adjacent to the centre and in many other areas. Ropes were put up to stop cavalry charges, etc. The death toll continued to rise, as the police and bank security guards used live rounds or fired baton rounds at point blank range. Even so, the crowd was able to repeatedly attack government installations.

The trade unions, which were caught completely on the hop by the situation, declared an indefinite general strike to begin the following day. By the end of the evening, De La Rúa had resigned, leading to a simmering down in the rioting.

On an aside, JP Morgan (the agent for many of the US bond holders) informs us that two payments were made on Argentina's foreign debt on the 21st itself, while de la Rúa and co were packing their bags and the streets were in flames.

Interestingly, no politician from any party was able to appear in the Plaza de Mayo or around Congress without being stoned or attacked by the crowd, with the exception of the former Trotskyist Luis Zamora (more on him later). The mobilization is characterized by a visceral hatred of the entire "political class",

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with the most depoliticized elements emphasizing the role of corruption in the crisis. We had already seen a taste of this in the recent congressional elections that saw a massive growth in abstention (including putting photos of Bin Laden in the voting envelopes) and a rapid growth in the "new" left wing parties.

The organized left seemed also to have been taken completely by surprise by the situation, and belated attempts by small left wing groups to lead rioters against important targets such as McDonalds seemed largely irrelevant. Given that the main objective was simply to immediately overthrow first Cavallo and then De La Rúa, the mobilizations had a highly unified political character.

POPULISM AS FARCE I

The presidential mandate then passed to Senate head Ramon de la Puerta, a Peronist who is a millionaire landowner, provincial political boss and arch fixer. Congress then elected Rodriguez Saa, another Peronist of a similar calibre with a mandate to call elections in March. The Peronist party is highly divided, with three important provincial governors (Ruckauf, Buenos Aires, Reutteman, Santa Fe, and De la Sota, Cordoba) hoping to stand as the party's presidential candidate. These divisions meant that no figure of any stature was prepared to accept the presidency pending elections.

Behind the scenes, the radicals of the UCR (de la Rúa's party), and followers of former president Carlos Menem both lobbied hard for the provisional president to stay in power until the scheduled elections of 2003, instead of calling elections immediately. For the UCR this is because of a (wholly justified) fear that they will cease to exist as a party if they have to face the public. The fear of having to find a new job in the event of elections is shared by pretty much every elected politician. For Menem, there is also the additional fear of a prison sentence should an unfriendly regime be elected.

It seems that Rodriguez Saa was sorely tempted by the promise of two years of power. He arrived in the presidential palace with his arms aloft and embracing bussed in followers in the true style of Juan Peron. The two gangster led Peronist union federations immediately declared their unconditional support, while Saa promised the creation of a million jobs, received the Mothers of the

Plaza de Mayo in the Presidential Palace (the first time this has happened for 20 years), planned to restore salaries to their pre austerity levels, and all this without devaluing the peso (and thus decimating the middle classes' – by now largely fictitious - dollar denominated bank deposits). Debts owed to pensioners and salaries of state employees were to be paid for with a new paper currency – the argentino – while the populations' debts were to remain in dollars. The working class was about to face the cost of devaluation through the issue of paper backed supposedly by government buildings, including the presidential palace. To add insult to injury, the new cabinet included Carlos Grosso, a former mayor of BA from the Menem era, who had eventually been forced to resign after repeated corruption scandals. Almost simultaneously, the Supreme Court dropped outstanding charges against Menem, who had been implicated in an arms smuggling ring.

It was not to be. Just a few days after taking power, the pots once again started banging (this once again originated in the middle class areas) and a very large, intensive riot took place, which including the entry of demonstrators into congress and the burning of parts of the building and furniture and a sustained attack on the presidential palace.

The next day, faced with the reluctance of Peronist bigwigs to put their necks on the line for someone who had already broken a behind closed doors deal, and the approximation of demonstrators to scene of the planned meeting, Rodriguez Saa was no more.

CLASS RULE AND IMPERIALISM

One of the interesting features of the current crisis is the effect that the policy of "malign neglect" implemented by the Bush regime seems to have had on the Argentine situation.

The members of Argentina's financial and political elite have survived for much of the last 12 years through their links to Washington.

Intensifying after the Asian and Russian crises, Argentine politics has been one IMF plan after another, with the main criterion for domestic policy being

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"country risk" as defined by JP Morgan's emerging market bond index and its credit rating as defined by the self appointed mandarins of Moodys' and S&P. Even Washington pundits had been uncomfortably murmuring for some time that Argentina, the Fund's "laboratory", was suffering from "reform fatigue".

Bush's policy was very much in the line with his pre Sept 11 initiatives regarding Kyoto and other international forums, and Argentina was told in no uncertain terms that no further financial support or Clinton style bailouts were to be forthcoming. No particular pressure was put on bondholders to take part in negotiations to reduce Argentina's debt to manageable levels. It seems likely that, after the experience of Ecuador, at least some White House policy makers consider that the political fall out from any economic crisis are limited, given the lack of policy alternatives.

This cold wind blowing from Washington had an immediate impact on the political class in Argentina, reducing the figure of Cavallo and others to that of straw men. As the crisis approached, US treasury officials were quietly undermining Argentina's stubborn adherence to the Washington Consensus by suggesting that a default and/or massive devaluation was now inevitable, while publicly still insisting on ever more murderous austerity measures and refusing disbursements of previously agreed bail out plans due to Argentina's failure to meet fiscal target.

As the neo Keynesian economist Paul Krugman says:

[T]he International Monetary Fund - which much of the world, with considerable justification, views as a branch of the U.S. Treasury Department - was utterly unhelpful. I.M.F. staffers have known for months, perhaps years, that the one-peso-one-dollar policy could not be sustained. And the I.M.F. could have offered Argentina guidance on how to escape from its monetary trap, as well as political cover for Argentina's leaders as they did what had to be done. Instead, however, I.M.F. officials — like medieval doctors who insisted on bleeding their patients, and repeated the procedure when the bleeding made them sicker — prescribed austerity and still more austerity, right to the end. (Paul Krugman, *Crying with Argentina*, *New York Times*, Jan 2, 2002)

Ironically, in the final days, while O'Neill was suggesting default, Cavallo was confiscating pension funds to continue paying the debt.

The political impact of the experience of 12 years of IMF experimentation should not be underestimated. As Krugman goes on to argue in the same article:

Most people here may think that this is just another run-of-the-mill Latin American crisis - hey, those people have them all the time, don't they? - but in the eyes of much of the world, Argentina's economic policies had "made in Washington" stamped all over them. The catastrophic failure of those policies is first and foremost a disaster for Argentines, but it is also a disaster for U.S. foreign policy.

While attempts are already being made to rewrite history (see *The Washington Post*, 3 January), very few people outside the political class are willing to renew the former relationship with Washington and the emerging market apparatus. Despite this and the present default, we are sure to see attempts by the new regime to re-establish something like the former relationship (see "IMF says it wants to work "closely" with Argentina" *Clarín*, January 3, 2002) A failure of the political and financial elite to renew its relationship with the financial centre would entail a fundamental shift in the balance of class forces within Argentina, in the same way that the default and crisis of the 1930s prepared the way for the political upheavals of the early '40s and the rise to power of Juan Domingo Peron.

At the same time, it seems that renewing the relationship is far from being a guarantee of stability. The gap between perceptions in the US and those in Argentina and other Latin American countries is gaping. Krugman cites a recent Pew survey of "opinion leaders" that found that 52 percent of the Americans think that the USA is liked because it "does a lot of good"; only 21 percent of foreigners, and 12 percent of Latin Americans, agreed. Within Argentina, the gap between those sectors linked to transnational financial sectors (financial speculation, import of cheap goods, privatized utilities operating with dollar guarantees, traditional primary exporting sectors etc) and the rest of the economy, and between a criminal political elite and the rest of society, could not be wider.

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POPULISM AS FARCE II: THE CURRENT REGIME

The beginning of the New Year (2002) saw the election by the politicians in congress of Eduardo Duhalde as President until 2003, despite the fact that 75% of Argentines say that he has no legitimacy and want immediate elections. The government of national unity, the last card of the political class was finally a reality.

Faced with the prospect of "Anarchy", the politicians had closed ranks at least for the meantime. This included not just the Peronist and Radical parties, but the remnants of the centre left Frepaso, the centre left anti corruption campaigner Elisa Carrio and other weak hearted hangers on. Peronist presidential hopefuls agreed after midnight hour negotiations to put their ambitions on hold until 2003.

Duhalde, former vice president under Menem, former governor of the Province of Buenos Aires (Argentina's most important) losing candidate to De la Rúa in the last presidential elections. Man of the church, man of the gangsterised trade unions, man of a thousand rumoured criminal deals, cover ups, deals made with the military, with the neo fascist junior officers and their civilian supporters. Duhalde was elected president on New Year's Day. His first significant act was to bus-in paid for supporters (football hooligans, Peronist point men, lumpens) from his heartland in the province of Buenos Aires to attack the left outside congress. All are echoes of the past.

How coherent can the current mobilization remain as the apparatus of the left begins to confront the Peronist apparatus of degraded lumpen proletariat in the street? Who will want to be in the street? Significantly, a sustained bout of pot banging, demonstrations, and the burning of tyres met Duhalde's inauguration. But this was hardly reported by the media, in contrast to the virtual romance existing during the last few weeks between the media and the protestors.

Given the complete lack of legitimacy of the politicians in their congressional fortress, it seems likely that the government will have increasing recourse to repression, combined with perhaps a farcical populism that seeks to mobilize the

most brutalized sections of the provincial lower middle class, the trade union gangsters and lumpenaje against the urban opposition.

In the economic sphere there have been few surprises. An attempt to produce a controlled devaluation that leaves dollar denominated debt (and therefore the banking system) intact. A renegotiation of the foreign debt that allows a reestablishment of the relationship with Washington and a write down of around 60-70% of the debt (this is no more than what has already happened on the secondary market). Alongside this are the payment of salaries and pensions in government paper with a deteriorating value, etc.

HOW IS THE POPULATION LIKELY TO RESPOND?

The underlying problem with the mobilization is its lack of coherence. In the mobilization against Rodriguez Saa the most widely heard response as to why people were demonstrating was "against Menem", "against the Supreme Court", "against corruption", "against worthless paper money", "against the politicians", and so on. While many protestors have become politicized during the previous weeks and months, others do not go beyond a desire to defend their precious deposits in dollars. While everyone knows that the current model is unsustainable, most middle class people have been reluctant to confront the consequences of the inevitable devaluation. Some have stubbornly defended Argentina's peg to the dollar to the end. I would argue that these positions reflect a profound sectionalism and ignorance as to the problems faced by the population as a whole, most of who have long been victims of the crisis and do not hold dollars.

In many senses, the mobilization does not go beyond the traditional "permanent refusal" which has come to characterize the state of stalemate that has prevailed in Argentina since 1955. There is no future in this approach.

On the other hand, there has been a series of improvements in the consciousness of the middle classes vis-à-vis the situation in 1976, before the last military coup, or 1989, the last bout of widespread rioting. In contrast to 1976, there is no significant section of the population that favours a military solution. The military itself is demoralized, short of funds, and has been greatly reduced in

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size. Military funding depends on fulfilling the important role of providing soldiers for the United Nations in Cyprus, Bosnia, and other areas.

Significantly, much of the mobilization has been against repression, against the state of emergency etc. The human rights groups have a higher standing than ever, and the transitional government tried to curry favour with this mood by receiving the Mothers group, ordering investigations into the repression of 20/21 Dec, arresting and promising to allow the extradition of criminals from the era of the dictatorship responsible for the murder of foreign citizens, etc. In contrast to 1989, when the middle classes called looters "animals" and supported the state of emergency, this time they were supportive. One of the most poignant mobilizations was the siege of the police station in the neighbourhood of Floresta after a semi retired policeman murdered 3 youths that were applauding protestors outside a gas station.

Electoral intentions and opinion polls seem to point to growing support for new parties linked to the left who are not considered part of the political establishment – there is no major visible support for right wing solutions.

The capacity of the population for mobilization is not to be underestimated. It is unclear whether Duhalde can mobilize more than a couple of thousand lumpens. It also remains unclear as to what extent this can be done while a political coalition in congress remains in place. Compared to the massive mobilizations of the last few weeks, the first confrontation between the apparatus' of the left and the peronists may not have too much significance. Nor is it clear whether Duhalde and Co can put together an economic plan of any coherence. In the current climate, the first wrong move will probably lead to a massive renewal of the protests. The difference now is that there is no one else waiting to take power.

THE LEFT AND THE MOBILISATION

The left has been slow to respond to the crisis, and has been unable to overcome its traditional inability to transform sectional demands (that have little meaning in the middle of a crisis) into demands that can lead the country as a whole.

The left has appeared opportunistic, wooden and unrealistic. In the universities, the different factions discuss whether the events of the 20/21 constitute a revolution, and if so, whether it is a revolution of the February kind etc. On the 1st January, while congress elected Duhalde and reneged on its promise to call elections, the organized left – in the form of Izquierda Unida (ex Stalinists and Trotskyites all together) and the Partido Obrero (still Trotskyist) was outside calling for an electoral ticket of Zamora and IU representative Patricia Walsh. Soon they were involved in a stone-throwing contest with Duhalde's supporters - a rude surprise, indeed. Inside the "desalinized, detroskyized" Zamora was saying that he didn't really want to stand as president, and perhaps elections were not the best idea anyway. Other sections call for a revolutionary government of the left, without having won the minimum of legitimacy or organization among the masses for this to be anything other than a joke.

Zamoras' Autodeterminacion y Libertad group, meanwhile, takes part in endless discussions as to whether organization is actually necessary, while remaining a group that is cohered only by family and affective links to Zamora himself that is unable to respond to the numerous requests by individuals to participate.

The left seems to have imagined, like most of the population, that elections were about to take place, leading to a major advance in the space occupied by its organizations and activists. Faced with the prospect of the government of national unity, the left confronts a large gap between its slogans and the objective situation and its real capacity for organization. Effectively it awaits the next spontaneous mobilization and hopes that at some point, it will be handed power politely by the authorities. Nothing in the Argentine experience suggests that this will be the case.

The left's underlying problem, of course, is its lack of concrete proposals, the weight of its disastrous tradition, and its lack of real organic experience in arguing politics with the masses, outside of its bureaucratized structures and thinking.

It is to be hoped that the left will avoid the temptation to try and substitute for its lack of political insertion by participating in set piece, inorganic confrontations with riot police or with the Peronist apparatus.

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The left needs to take advantage of the current situation to reinvent itself through the new political process that has opened up. For the first time, the possibility of real debate and dialogue exists and the old identities have broken down. I would argue that only an approach that combines both underlying proposals for a new type of society, and concrete proposals to lead the mass of the population out of the current crisis is capable of resolving the present impasse.

REVOLUTION?

It is not by any means clear that revolution is on the agenda, given the current lack of clear political aims. However, it would seem that the crisis in relations with Washington does allow a shift in the balance of class forces, the reconquest of political and economic space by the working class and the establishment of a new model of accumulation with a greater emphasis on the internal aspects of accumulation. This may or may not be the staging ground for more definitive class conflicts in the future. For even this scenario to become a reality, the subjective factor is once again the key. The cycle of Washington led reform is over, as is the era of the financial centre's local representatives. The prospect of a return to populism is no more than an illusion, "a nightmare weighing on the heads of the living." There are no answers as to what is to come, outside of the real process of political struggle.