State, Economy, and Society in Post-Neoliberalism: Argentina under Cristina Fernandez de Kirchner

Christopher Wylde
Richmond the American International University in London

This article seeks to analyse the concept of post-neoliberalism through state theory, grounded in an understanding of the state as a social relation that possesses relative autonomy. This theoretical exercise is complemented with a discussion of contemporary Argentina under the Presidency of Cristina Fernandez de Kirchner (CFK), demonstrating that focus on social relations reveals underlying tensions in the post-neoliberal model as a result of a desire to 'deepen that model' combined with shifts in the nature of IPE in the wake of the global financial crisis.

Keywords: post neoliberalism, globalisation, social relations, Argentina, Cristina Fernandez de Kirchner

Significant scholarly effort has gone into characterising the alternative models of capital accumulation that have emerged in twenty-first Century Latin America. Dubbed the 'pink tide' this phenomenon has resisted attempts to classify its different aspects. Setting aside the more obvious polemical attempts, such as Castañeda (2006), more balanced approaches have been able to shed further light on the nature of these models. The concept of 'post-neoliberalism' has provided the most convincing framework (see MacDonald and Ruckert, 2009; Grugel and Riggiozzi, 2007; 2011); defined as 'more than simply the return of the state in terms of the economy... it is also a call for a new kind of politics, rooted in, and responsive to, local traditions and communities and an attempt to forge a new pact between society and the state’ (Grugel and Riggiozzi, 2012: 3). It is post neoliberal as neoliberalism itself champions more a night-watchman role for the state in the market (Nozick, 1974), combined with analytical separation of state from society (Radice, 2008). The state is therefore defined in neoliberal theory as the social space that is distinct from civil society, and thus is naturally self-limiting.

As well as new constituencies in the wake of social and structural change, post-neoliberal regimes have had to deal with the realities of globalisation, its characterisation fundamentally within the neoliberal paradigm, and the subsequent realisation that there is little room for an anti-systemic model. The different interests of the new constituencies that constitute the post-neoliberal social contract must be understood not only in the context of domestic crisis and economic change, but also through the lens of globalisation and the interests of different fractions of capital. What is needed to make sense of these different forces is a robust theory of the state. This article will propose an understanding of the state as a social relation, grounded in the concept of relative autonomy. Such a theory is able to simultaneously articulate the changing social relations that underpin the post-neoliberal state and the interaction of that form with the forces of contemporary neoliberal globalisation.
These changes will be explored in the context of one such post-neoliberal experiment: Argentina under the Kirchner’s and the reformulation of the development model in that country after the crisis of 2001-02 from neoliberalism in the 1990s under Carlos Menem to a more state-centric developmentalist model. Downturns frequently destroy equilibria, opening up space for alternative ideas and allow new battles to be fought by their competing domestic and international advocates (MacIntyre, Pempel, and Ravenhill, 2008: 3). Argentina’s rejection of neoliberalism in the post-crisis period did not facilitate a return to old models of development – ISI and populism. Rather, a new model was articulated, one that possesses elements of continuity as well as change with both pre-crisis neoliberalism and more historical forms of political economy. This new model, dubbed *neodesarrollismo*, led to a dramatic economic recovery from 2003 onwards, one that was coupled with poverty reduction and even moderate declines in inequality. As such, it has challenged existing notions of the ‘logic of globalisation’ and hegemony of neoliberal political economy (Nem Singh, 2014: 330).

Nevertheless, this model has not been without its problems and, despite an impressive v-shaped recovery in the wake of the global financial crisis (hereafter GFC), recent events have exposed some tensions within this new model of capital accumulation. These tensions have been the result of a desire on the part of the state to maintain the macroeconomic architecture that was so successful in the post-crisis period in the face of strong international economic and political headwinds, combined with Cristina’s stated intention to ‘deepen the model’ (Kirchner, cited in Telam, 2013) through increased and sustained fiscal outlay in the form of welfare payments and extensions to the minimum wage combined with sustained state intervention to facilitate increasing industrialisation in the economy. This article will argue that these tensions are the product of the interests of certain fractions of Argentine society no longer being represented by the public policy profile of the Argentine post-neoliberal state, some fractions of which internalise and reflect the interests of international capital and forces of neoliberal globalisation.

This exploration of post-neoliberalism will proceed in three parts. The first will examine in detail the concept of post-neoliberalism, generating a framework for understanding the model rooted in concepts of the state as a social relation and relative autonomy. A second section will then outline the nature of the post-neoliberal project under the Kirchner’s, analysing the changing nature of policy between Nestor Kirchner and CFK. A third section will then operationalise the framework outlined in the first section, demonstrating how the changing patterns of socio-economic alliances in Argentina have been the product of a changing suite of state policies. This will demonstrate how the ‘new’ political economy of post-neoliberalism, or *neodesarrollismo*, is the product of underlying
social relations - determined both domestically and internationally - with the state mediating these interests through its relative autonomy.

state, Economy, and Society in Post-Neoliberalism

Post-neoliberalism is constructed on two mutually reinforcing pillars: ‘a set of political aspirations centred on “reclaiming” the authority of the state to oversee the construction of a new social consensus and approach to welfare, and [a] set of economic policies that seeks to enhance or “rebuild” the capacity of the state to manage the market and the export economy in ways that not only ensure growth but are also responsive to social need and citizenship demands’ (Grugel and Riggirozzi, 2012: 3). To call this concept of post-neoliberalism, fundamentally linked to that of neostructuralism (ECLAC, 1990), a new paradigm is somewhat of an overreach; but just calling it a package of simple economic policies is also misleading (Leiva, 2010: 34). As such, the concept of post-neoliberalism attempts to capture the important ways in which Latin America has tried to shift the terms of the development debate away from a narrow embedded neoliberalism (Cerny, 2010), whilst at the same time understanding the relatively limited nature of this shift – especially in the contemporary context of globalisation and the ‘limits of the possible’ (Santiso, 2006; see also Nem Singh, 2014: 336) this creates. Counter-cyclical fiscal policies, industrial policy, and the extension of welfare have created developmental regimes across the continent allowing ‘scholars to speak confidently of “neostructuralism” (Bielschowsky, 2009) or “post-neoliberalism” as something sufficiently distinct from the consensus that reigned in the 1990s [in Latin America]’ (Grugel and Riggirozzi, 2012: 3), as well as across the post-Lehman developed world today (see previous section).

What the concept of post-neoliberalism therefore represents is a simultaneous repositioning of the state both in terms of domestic social contracts and international political economy; a repositioning that manifests itself in a specific public policy profile. This public policy profile can be characterised as developmental, although with characteristics peculiar to each state given their different institutional and historical legacies of previous models of development and political economy – not least neoliberalism. These peculiarities require fine grained, grounded analysis of individual countries in order to establish the mechanisms by which different constellations of public policy emerge. These mechanisms are grounded in the different patterns of socio-economic alliances and social relations of production that underpin the power of the state, and in their totality represent the social contract between the people and the state that facilitates public policy.

This task represents only one side of the coin. The other side is concerned with the contemporary nature of international political economy. To talk of an inexorable logic of neoliberalism is too simplistic a characterisation of contemporary globalisation. Instead, the multiple overlapping processes, ideas, and institutions that collectively constitute globalisation should be
understood as contingent, historically specific, and subject to change in any given national context. In other words, the external pressures of globalisation are interpreted and refracted through the lens of the state; an entity which itself is fundamentally shaped by its own constellation of domestic socio-economic alliances and social relations – historically specific and institutionally grounded.

What then emerges from this complex interaction is a series of ‘fault lines’ in existing domestic and international political structures that facilitates the necessary preconditions for broad-based, paradigmatic structural change. Whether change overall is fundamental and far-reaching enough to talk about paradigmatic change is contingent upon the balance of forces between sets of groups whose actions continue to reinforce existing structural forms and practices and those whose actions generate and reinforce new forms and practices (Cerny, 2010: 17). In reality, what emerges from this process of interaction is a complex set of political relationships from which public policy emerges.

The state therefore becomes the central unit of analysis in any understanding of post-neoliberalism. In order to be able to operationalise this concept the state must be understood as a 'social relation' (Poulantzas, 1969; 1973). That is, 'a form determined condensation of a changing balance of class forces' (Jessop, 2002: 195). The state must be treated as a specific structural ensemble with its own effects on the reproduction of a society-divided-into-classes and that classes have no abstract, unifying consciousness but are constituted as political forces through the state itself (Jessop, 2014). The modern state therefore possesses two fundamental roles: an 'accumulation imperative' and a 'legitimation imperative' (Poulantzas, 1969: 76). The accumulation imperative is represented by specific state apparatus - the government, army, police, tribunals, and administration - and deal with factors such as infrastructure, the rule of law to ensure growth (especially private property), and defence. The legitimation imperative is there to make the whole system legitimate to society as a whole both institutionally - through the welfare state for example - and ideologically - through concepts such as developmentalism and/or redistribution. Following Gramsci, the ideological apparatus of the state are institutions such as the Church, political parties, schools, mass media, and in certain instances the family. The state is therefore 'the instance that maintains the cohesion of a social formation and which reproduces the conditions of production of a social system by maintaining class domination' (Poulantzas, 1969: 77).

Class domination of the state does not simply mean that its form - the institutionalisation of a suite of polices in the form of a public policy profile and the ideological justification underpinning that profile - is a simple reflection of the interests of the dominant class; 'the economic committee of the bourgeoisie'. Rather, the very existence of this domination is made possible by the 'relative autonomy' of the state. That is, state power must be seen in relational terms, i.e. as founded on an
unstable equilibrium of compromise among class forces rather than as a monopoly of one class (fraction) (Poulantzas, 1973: 191-3; see also Jessop, 2014). This power is conceptualised, following Gramsci, as hegemonic leadership, in which prominence is given to the organisation of an ideological and political unity among the classes and fractions of the power bloc, and to the securing of 'active consent' on the part of the dominated classes (Benton, 1984: 149). An essential condition of hegemonic domination over the dominated classes is that they, in turn, have ideological apparatuses - for example, trade unions and political parties - which pursue their interests and thereby achieve concessions (ibid.).

The state is therefore a dynamic and constantly unfolding system. Its specific form at a given moment in time in a particular national setting represents a 'crystallisation of past strategies' which privileges certain strategies and actors over others. As such, 'the state is located within a complex dialectic of structures and strategies' (Hay, 2006: 129). It thus becomes 'a strategic site traversed by class struggles and as a specific institutional ensemble with multiple boundaries, no institutional fixity and no pre-given formal or substantive unity' (Jessop, 1990: 267). The era of the neoliberal state witnessed the separation of the state from the economy, a separation that 'maps out new spaces for the state and the economy by transforming their very elements' (Poulantzas, 1978:18). The problem lies in understanding how the shape of these 'new spaces' and their interrelations are transformed through the historical development of capitalism.

What is needed to solve this problem is an explanatory framework that instantiates the limits placed by capitalist relations of production on the variation in the scope of state action (Radice, 2008: 1161-2). The liberal political hegemony that dominates the intellectual understanding and conceptualisation of the state as a congruence of ideas, interests, and institutions obscures this task as it marginalises the role of class and social relations (ibid.: 1168). An example of such a conceptualisation is Evan's 'embedded autonomy': where the key aspects of a (developmentalist) state are reduced to state bureaucratic links with domestic capital (Evans, 1995). Class according to this theory are not classes in any relational sense, rather a series of 'social groups' with different economic functions (Chang, 2013: 90). Evans et al. (1985) achieved this by putting the state as an independent agent at the centre of analysis, autonomous from classes and class relations. This downplayed the dependence of the state upon capital (or other class) relations (ibid.: 91). Different states act differently because of different 'organisational features' of a state. These are defined as 'a set of organisations through which collectivities of officials may be able to formulate and implement distinctive strategies or policies' (Evans et al., 1985: 20-1). This opened the (theoretical) door to focus on things such as bureaucratic strength - and hence embedded autonomy - and therefore
what matters is not the relation between the state and class relations, but the relations between the state and other groups of collective individuals (Chang, 2013: 92).

The concept of relative autonomy helps overcome this reductionist and constricting approach by ‘bringing class back in’. The state fulfils an adjudicatory role between contradictory interests and is therefore simultaneously autonomous from and embedded in social relations. It is autonomous because the state needs to pursue to ‘true’ interests of the people as a whole, rather than any distinct class (fraction), and it is embedded as it is itself part of the social formation of society. Therefore, the historical emergence of society and associate social entities cannot be separated from the evolution of the state. For example, development often stalls where a state has no relative autonomy from society - with sub-Saharan Africa being a clear example of this as states have often been captured by discrete interests. However, the state is not simply defined as a ‘black box’ where competing social interests form (Palan and Abbott, 1999: 46). Rather, it centralises and concentrates social power so that it can be exercise, executed, and directed. ‘Policy’ is therefore the application of social power, and the policies of the state must be understood in the context of this application.

Amidst this theorisation and conceptualisation of the state is globalisation. Integration of social relations and relative autonomy into the post-neoliberal concept requires an appreciation of the fact that 'long-term, structurally consolidated, class or class-fraction alliances are no longer located purely on the national level' (Jessop, 2002: 190). However, this does not mean that 'foreign' capitals directly participate as autonomous forces in power blocs: 'instead they are represented by certain fractions of the interior bourgeoisie within the power bloc and also have access, through various channels, to the state apparatus' (ibid.). Therefore, the state does not have its own independent power which can either be fused with that of capital or eliminated due to the growing counter power of capital. Instead, state power must be seen in terms of class power; that is, the actions of the state can only be understood as a product of the interaction of social relations of production constituted at a domestic level. Different class fractions that constitute the building blocks of those social relations of production are the product of complex interactions of domestic and international pressures must not be forgotten in the analysis, and through such an approach the role of contemporary neoliberal globalisation can be integrated into a framework for understanding the contemporary (capitalist) state.

In summary, the state must be understood as a social relation - an entity that is the product of a changing balance of class forces. The constitution of those class forces is best conceptualised through the lens of relative autonomy. state power is not therefore a simple reflection of dominant class interests or the monopoly of one class, but rather a complex amalgam and unstable equilibrium
of compromise among class forces. The post-neoliberal state must therefore be understood in these terms. The specific set of compromises that constitutes this state form is quantitatively and qualitatively different from previous forms of state formation present in the historical record, and it is the task of the next section to map the contours of this new form of class compromise in the specific empirical context of contemporary Argentina. This analysis will also demonstrate the inherent unstable nature of this state form, by outlining the shifting nature of this compromise under the Presidency of CFK and the underpinning and underlying power relations present in the social contract of contemporary Argentina.

**Tensions in Post-neoliberalism under CFK: The Beginning of the End, or the End of the Beginning?**

*Peronismo* included both authoritarian and populist components, representing a form of leftist-populist nationalism rooted in an alliance between the working class, domestic bourgeoisie, and the army. Therefore, for Portantiero (1989: 18) ‘[t]he first Peronist administration based its legitimacy on a pact between the trade unions and the armed forces, but its most important axis was the arbitrating figure of Perón as a symbol of the new state’. Perón’s economic model of the late 1940s and 1950s was based on a *desarrollismo* model, and therefore favoured national over foreign capital, and urban wage labour over agro-exporting elites (Vellacott, 2006; see also Gambini, 2007). Torre and Riz (1991: 78) outline Perón’s economic policy as having three core objectives: ‘the expansion of public spending, giving the state a stronger role in production and distribution; the alteration of relative prices to encourage a more egalitarian distribution of national income; and the progressive accumulation of a system of incentives and rewarded activities orientated towards the internal market and discouraged production destined for international markets’.

Peronism’s fundamental political appeal therefore lay in its ability to redefine the notion of citizenship within a broader, and ultimately social, context (Blanksten, 1969: 249; Di Tella, 1983: 15; Gambini, 2007; Portantiero, 1989: 17). Citizenship was not defined in terms of individual rights and relations within political society (Di Tella, 1983: 17). Citizenship, therefore, was more about social equity, rather than the individual pursuit of wealth (Gambini, 2007; Segura-Ubiergo, 2007: 60–61). This social equity, however, was limited to the urban working classes because of the institutional links of the Partido Justicialista (PJ) with the trade unions. As Grugel (2009: 50) puts it, ‘since social policies and labour law during the ISI period had reinforced the links between governments and trade unions and social protection had been mainly directed to the workforce (rather than the poor), the social policy regime had tended to neglect the rural population and the poorest groups in society’. 
Menemismo in the 1990s was very different from traditional Peronismo. Despite being elected on a Peronist platform, as soon as he was in power he initiated a programme of ‘neoliberalism by surprise’ (Stokes, 2001). Consistent with this project, Menem himself expressed the intention to ‘pulverise the crisis’. He warned his fellow citizens to brace themselves for ‘a tough, costly, and severe adjustment’, requiring ‘major surgery without anaesthesia’ (Smith, 1991: 46). Indeed, ‘from a deceptively simple assumption that the state... was to produce development in the 1950s and 1960s, it came itself to be seen as the principal obstacle to development, responsible for both crisis and stagnation’ (Grugel and Riggiorozzi, 2009: 5).

The neoliberal regime installed in Argentina, and Latin America more widely, had a distinct four-point agenda (Munck, 2003: 53). First, trade liberalisation was pursued, which culminated in the creation of MERCOSUR in 1991 (Argentina, Brazil, Paraguay and Uruguay). Second was the promotion of privatisation and a consequent reduction in the role of government. As a result of the legacy of ISI and Peronismo, Argentina at the start of the 1990s was dominated by state-Owned Enterprises (SOEs) (e.g. YPF, Gas del Estado, Ferrocarriles Argentinos, and Empresa Nacional de Telecomunicaciones) and nationalised industrial sectors. Third, labour reforms to introduce ‘flexibility’ so as to lower the cost of labour were implemented. New controls over the labour movement were therefore introduced (Grugel and Riggiorozzi, 2007: 91). Fourth, policies of financial liberalisation involving liberalisation of cross-border capital movements and domestic bank deregulation to promote greater integration into the international capital market were introduced. Therefore, the Argentine economy was further linked to the global economy and was prone, as scholars such as Dinerstein (2002: 21) argue, to speculative flows of financial capital.

To achieve these goals Menem constructed and maintained a coalition between the economic right and the working class, forged through an emphasis on a discourse around the idea of economic emergency. The context of hyperinflation and chronic instability that ensued allowed Menem to persuade these groups that desperate times called for desperate measures (Chudnovsky, 2007: 65; Grugel, 2009: 39). He therefore manipulated politics in order to achieve economic ends. Combined with the generally worsening situation in terms of unemployment, poverty and widening income inequality contributed to the erosion of the traditional bonds between the poor/working class and Peronism. However, these bonds were, whilst reduced, still very much present, and help explain the populist redistribution policies and use of patronage to mitigate some of the costs of labour restructuring and unemployment (Grugel and Riggiorozzi, 2007: 91). Whilst Menemismo contained important populist elements, it also contained distinctive elements that could be characterised as neoliberal. Indeed, state-society relations in the 1990s under Menem were often
considered to be distant and this was manifested in removal of social safety nets and the deregulation of the labour market.

The fundamental reformulation of the social contract in post-crisis Argentina towards post-neoliberalism was initiated by Néstor Kirchner in 2003. This manifested itself in an increasingly interventionist state, both in terms of industrialisation and social policy. However, in its totality this has represented more than just the return of the state to development, it has involved a renegotiation of the relationship between the state and Argentine society (Grugel and Riggirozzi, 2012). This new social contract under *Kirchnerismo*, labelled ‘21st Century Peronism for a globalising world’ (Wylde, 2011: 449), was underpinned by a specific set of relationships among different socio-economic sectors. These sectors and groups can be identified through highlighting those which empower, and are empowered by, the prevailing public policy mix - remembering that public policy must be understood as the application of social power (see previous section). First, the poor and working classes have clearly benefited from both expanding welfare combined with expanding employment opportunities. In addition, substantial increases in the minimum wage have complemented these trends. Second, trade union groups have formed part of the alliance, although not as central a role as under former models of capital accumulation such as *Peronismo*. This is due to the fact that welfare provision has moved beyond formal unionised sectors of society and into family life, thus reducing the influence of clientelistic links present between the state and the trade union movement present under *Peronismo* (Grugel and Riggirozzi, 2012). Third, middle-class elements were brought into the regime. The stabilisation of the macroeconomic environment from 2003 onwards combined an exchange rate policy that favoured domestic bourgeoisie elements (and especially exporters) brought these elements into the *Kirchnerismo* model. Furthermore, the consumer boom that such policies facilitated fed into underlying middle-class support, ensuring that the state brought widespread benefits across different class fractions rather than simply representing any one discreet class or class fraction. Finally, stimulation of exports also favoured agro-industrialists. Given that the agro-industry in Argentina is dominated by TNCs (especially soy) this policy also brought these interests of international capital into the model.

This post-neoliberal model of political economy in Argentina can be summarised as a desire to re-install the productivist pact between labour and capital as seen under *Peronismo*, with the state acting as the key arbiter of those interests (Grugel and Riggirozzi, 2012: 5). Although, with some key differences in terms of more antagonistic relations with labour and a less fractious relationship with business (Etchemendy and Collier, 2007). This model has not been without its problems. Underlying issues have manifested themselves into a number of strain points during the tenure of CFK. This rest of this section will seek to characterise these tensions, placing them in the
context of the post-neoliberal regime and the social relations that have underpinned it. Such an exercise will allow for a sober assessment of *Kirchnerismo*, seeking to demonstrate how an analysis of class relations within the framework of conceptualising the state as a social relation that possesses relative autonomy sheds light upon the post-neoliberal project in contemporary Argentina. Not only will this generate greater understanding of Argentina but also offer an entry point into wider debates concerning the post-crisis political economy of development and the nature of post-neoliberal regimes across Latin America.

The first area of tension has been concerning relations with domestic rural oligarchs, agricultural TNCs, and the state. In 2008 there was widespread social unrest as farmers all over the country blocked major routes and roads to ports and cities, preventing the passing of trucks transporting agricultural commodities. This was in response to the governments extension of *retenciones* on soyabean products, greatly affecting those oligarch’s and TNC’s economic interests. Second, there have been those creditors who did not agree to the debt swap and haircut in 2005 (and in 2010 after a second deal was struck by CFK with 93 percent of the holdouts from 2005), or at least the vulture funds (such as Elliott Management) who bought the outstanding debt on secondary markets. These firms have been using legal systems in friendly countries to try to force Argentina to repay on defaulted debt in full, including accrued interest. Third, there has been widespread unrest from September 2012 across the country, including rioting and looting in December 2012 (Economist, 2012: 47; Economist, 2013: 32).

The rioters have been a mix, involving middle classes protesting against foreign exchange restrictions, curbs on imported goods, and high inflation making it impossible to save (Economist, 2012: 47). Also present have been organised labour movements protesting against lower real wages as a result of high inflation, demanding further extensions in welfare provision, and wanting greater involvement in the creation of state policy like they did in under previous regimes such as those of Péron (Ibid: 48). Finally, the part nationalisation of YPF exacerbated relations with Spain in particular and international capital in general. An investment strike in place since Néstor Kirchner froze public utility tariffs in the aftermath of the 2001-02 crisis created key bottlenecks in Argentina’s fast growing economy. These gaps were filled with imported energy, resulting in Argentina becoming a net importer of energy in 2011 – the first time this has happened since 1984. This import bill amounted to $9.4 billion (Economist, 2013a: 48), which greatly affected Argentina’s current account balance. A compulsory purchase of 51 percent of YPF by the Argentine government (at a price determined by an independent committee) in early 2012 provoked outrage in the ranks of the right-wing PP (*Partido Popular*) government in Spain as well as those elements of international capital affected by the purchase.
The collapse of international demand that followed the GFC hit Argentine exports hard. A key cornerstone of Argentine political economy post 2001 has been the rise in exports. As well as the direct impact on exports of a manufacturing origin, this dynamic has also served to restrict the revenues gained from agricultural exports due to an associated declining terms of trade. This was exacerbated in 2012 by severe drought which affected yields. In turn, this has impacted on Argentina’s public finances. Since export taxes (retenciones) were reintroduced in 2002 they have become an important source of state income, representing an average of 12 percent of budget revenues (INDEC, 2010). The increase in retenciones by CFK in 2008 can be seen as a direct response to these changing international dynamics, coupled with a desire to maintain fiscal surpluses in the face of declining revenues. This served to create a backlash amongst rural oligarchs and TNCs that dominate Argentine agro-industry (especially in soy and soy derivatives production) (Rivera-Quiñones, 2014).

The drop in international demand for Argentina’s exports has also facilitated downward pressure on its nominal exchange rate. This trend was further exacerbated by the need to import increasing amounts of energy to fuel Argentina’s rapid economic expansion in the absence of domestic investment in energy production. In turn, this has eroded Argentina’s current account surplus. A drop in the nominal exchange rate has combined with increasing inflation to increase Argentina’s Real Exchange Rate, further eroding export competitiveness and thus further eroding the current account surplus. This erosion of the current account surplus (to near zero by 2012) threatens to undermine one of the key cornerstones of Kirchnerismo. Persistent current account deficits in the 1990s during neoliberal restructuring led to excessive foreign debt accumulation, mounting on top of an already significant debt accrued during the bureaucratic-authoritarian period. Ultimately this helped precipitate economic meltdown in 2001-02 and the associated dislocation of Argentine politics and society (Svampa, 2014).

Simultaneously, there is an associated steady appreciation of the Real Exchange Rate. Historically, sustained RER appreciation has had a negative effect on industrial employment and output. Typically, this led to the destruction of firms and employment, human and organisational capital, vertical and horizontal linkages and access to foreign markets (Frenkel and Rapetti, 2011: 9). This represents a clear challenge to the post-crisis Kirchnerismo model, with a number of CFKs policies designed to prevent this from happening again. However, the problem is not necessarily as bad as it was in the 1990s. Whilst the bi-lateral RER between the Argentine peso and the US dollar has appreciated significantly in recent years, Argentina’s REER (a more accurate representation of the competitiveness of the Argentine peso) has been more muted. This has largely been due to Argentina’s currency appreciation being offset by currency appreciation in Argentina’s main trading...
partners, especially Brazil (Frenkel and Rapetti, 2011: 11; see also CEPAL, 2010: 98). Furthermore, diversification of Argentine exports – both geographically away from the US and sectorally with a sharp increase in exports of a manufactured origin from 2003 onwards – has given the economy the strength and capacity to deal with large negative external shocks (Wylde, 2012: 200-203).

A number of CFK’s policies can therefore be interpreted as attempts to correct these pressures on the current account balance. A series of foreign exchange restrictions to prevent domestic US dollar hoarding has facilitated tensions with middle class elements of Argentine society as foreign travel and holidays become more expensive. In addition, a number of import restrictions, as well as measures to require businesses that import to also export goods, have widened these tensions to domestic bourgeois elements of the middle classes. The renationalisation of YPF in an attempt to reignite energy investment and thus reduce the levels of imported energy (which in turn will help relieve pressure on the current account balance) also created tensions with elements of international capital.

These underlying trends were exacerbated by relatively high inflation. Inflation was high in this period for a number of reasons. First, expansionary fiscal policy. Under Nestor Kirchner Argentina witnessed increased state spending, although as a percentage of GDP it remained fairly constant and the regime was able to maintain a significant fiscal surplus throughout his tenure. Under CFK the general fiscal stance has been more expansionary. This started in 2009 with a large fiscal stimulus in the wake of the global financial crisis, but has continued despite a shrinking fiscal surplus. Other expansionary measures have included an extension of the social safety net through the Asignación Universal por Hijo (AUH), initiated in 2010. This programme provides approximately 200 Argentine pesos a month for nearly 4 million children and families (Grugel and Riggirozzi, 2012: 9). This has been complemented by the creation of a minimum wage for non-unionised workers in 2008 (Ibid.), which once again extends policy first constructed under her husband’s regime. Second, the regime’s maintenance of its SCRER policy has led to some inflation being imported, especially from Brazil. This problem represents the classic ‘trilemma’ or ‘impossible trinity’ where in the absence of capital controls and a policy of a fixed exchange rate regime, governments give up sovereignty of monetary policy. The solution therefore for a number of analysts is for the central bank to concentrate more on price stability by raising interest rates and letting the peso appreciate (Frenkel and Rapetti, 2006: 21).

In the aftermath of the crisis, Argentina was able to deal with this dilemma from the currency side of the equation (i.e. preventing real appreciation of the peso) through using its fiscal surplus to buy foreign exchange generated by the trade surplus and using it to pay foreign debt or accumulate foreign exchange reserves (Mercado, 2007: 11). The inflation issue, however, is more
difficult in the context of high GDP and decreasing spare capacity. From the supply side the relatively low investment levels, especially in the energy sector, has reduced the elasticity of supply over time (Mercado, 2007: 12). Cristina’s policy of nationalising YPF could be read in this light: i.e. an attempt to overcome key energy investment bottlenecks to help relieve inflationary pressures, as well as current account pressures as a result of significant increases in energy imports. A third source of inflation in Argentina has been from the demand side. Increases in consumption and investment associated with accelerated growth, as well as the continuing trade surplus, have all put short run pressures on the rate of inflation (D’Amato, Garegnani, Paladino, 2007: 7; Mercado, 2007: 12).

The traditional levers of inflation dampening, increasing interest rates or an appreciation of the exchange rate, are unavailable to Argentina given its stated policies of a low RER – the result of the unholy trinity issue. Instead, monetary policy involved sterilisation efforts to limit the growth of monetary aggregates (Frenkel and Rapetti, 2006: 22) and limited capital controls introduced in June 2005, inspired by Chile’s policies in the mid-1990s to discourage short-term capital inflows. These capital controls have been revised and extended by Cristina as the macroeconomic situation has deteriorated in Argentina in recent years.

This inflationary trend has caused further tensions amongst different socio-economic groups in Argentine society. The middle classes, once again, have been hit through difficulties in saving given the level of inflation in the economy; especially when combined with the foreign exchange restrictions that make it difficult to use the US dollar as a more inflation proof store of value. The working classes and trade unions have been hit as a result of the erosion of real wages that this has begun to facilitate. Whilst there has been some redistribution to these elements of Argentine society as a result of the state taking responsibility for economic growth, these have begun to be undermined in 2012 as growth has stalled but the inflationary trend persisted. Many of the poorest in Argentina have been protected from this trend through a persistently expansionary fiscal stance that has seen the extension of welfare benefits beyond the more traditional clientelist links with trade union organisations (Grugel and Riggirozzi, 2012). Therefore, whilst important in the political context of increasing tensions between the Argentine state and organised labour, the impact of inflation on real income levels of the poor should not be over exaggerated.

**Shifting Alliances, Uncertain Futures**

These policies of CFK have represented departures from her husband’s more cautious and pragmatic approach. They have been the result of twin forces at play in contemporary Argentina. First, the deteriorating international economic conditions, in contrast to the relatively benign international economic environment that prevailed in the 2003-2007 period; the collapse of
international demand in the wake of the GFC has severely impacted on Argentina’s export driven growth model. Second, support among certain groups has also waned as a result of Cristina’s policies of ‘deepening the model’ in terms of extending welfare - through for example the AUH - and extension of the minimum wage to non-unionised workers. Whilst Cristina’s heterodox policies have succeeded in broadly stabilising the economy, maintaining growth, and maintaining reductions in poverty, this victory can be characterised as a Pyrrhic one: core aspects of the socio-economic alliances that underpinned Kirchnerismo in the immediate post-crisis period are beginning to unravel and the post-neoliberal regime with it. In other words, whilst the suite of unorthodox economic policies worked in correcting a number of adverse trends and pressures on the Argentine economy, these policies served to undermine the constellation of social relations that underpinned the post-crisis development model.

Middle classes were alienated by import restrictions and high inflation. The benefits of macroeconomic stability that CFK has sought to maintain through various heterodox policies have been outweighed by the fallout of those very policies for middle-class interests. In addition, the solution to Argentina’s high and persistent inflation has continued to elude CFK. This has served to further alienate the middle-classes. In addition the formal working classes and trade unions were agitated by real wage declines, the result of the high inflation present in the economy. This has outweighed benefits accrued from the expansion of formal employment as a result of a growing economy. Domestic bourgeoisie have been alienated by the series of heterodox macroeconomic policies of CFK designed to protect the twin surpluses in the current and fiscal accounts. Rural oligarchs and agro-industrialists have seen their profits decline in the face of elevated taxes; and international capital has remained alienated over the protracted dispute over settlement of outstanding defaulted debt from January 2002. Collectively, these measures have served to severely undermine the segmented neo-corporatist (Etchemendy and Collier, 2007) productivist pact between labour and business, mediated by the state. With both business (domestic, transnational, industrial, and rural) and labour (formal and informal) further alienated from both the state and each other a key social compromise that constituted a cornerstone of the post-neoliberal social contract in Argentina has been fractured.

Argentina’s post-crisis political economy of development has therefore demonstrated points of tension, the result of shifting social relations that have manifested in the exercise of public policy understood in terms of social power. These alliances have shifted as a result of changes in policy, which in turn have changed due to changing social relations - the product of shifting international forces (as domestic class fractions internalise the imperatives of global capital) and the inability of the Kirchner’s to institutionalise the social relations that emerged in the post-crisis scenario. This
reveals some underlying weaknesses of the post-neoliberal project in Argentina. First, the benign and favourable international economic conditions that underpinned Argentina's post-crisis success under Nestor Kirchner largely dissipated under CFK. As different class forces reacted to this changing international environment state policy shifted in an attempt to maintain the economic fundamentals that had served Argentina well up to that point: namely the twin surpluses in the fiscal and current accounts. In turn, these shifts have undermined the original constellation of class relations that emerged in the post-crisis scenario. Domestically, a desire to 'deepen the model' through extensions to universal welfare, for example the AUH, combined with a series of heterodox macroeconomic policies also facilitated shifts in the underpinning social relations. The interests of international capital that manifested in agro-producers led to demonstrations over retenciones, the interests of the middle-classes and domestic bourgeoisie were damaged by the heterodox macroeconomic measures designed to protect the trade and fiscal surpluses, the interests of the working-classes (as well as other classes such as the middle class) damaged by persistent inflation. This led to domestic tensions as the policy shifts have served to facilitate a further renegotiation of the underpinning social relations of Argentina's post-neoliberal social contract.

Second, the lack of institutionalisation of post-crisis social relations has added to their unstable and transitory nature. Whereas under Peronismo, for example, social relations were institutionalised through concrete ties between trade unions and the state apparatus, under Kirchnerismo they remained ad hoc and the product of personalised relationships between the President and different elements of society who were beneficiaries of specific policies designed to facilitate their support - or at least acquiescence. The ad hoc nature of this strategy and fundamental weakness as a result of the post-neoliberal project in Argentina came to bear under CFK as a shifting international environment combined with CFK's desire to 'deepen the model' led to the social relations that underpinned neodesarollismo as experienced in the 2003-2007 period to unravel.

In summary, shifting social relations under CFK have been the product of a changing international environment - from benign and complementary with the export driven model of post-crisis Argentina to more hostile in the wake of the GFC - and shifting domestic policies designed to both deal with that changing environment and continue to pursue of a more redistributive political economy. This relationship has also been symbiotic, with shifting social relations themselves facilitating changes in the public policy profile. The post-neoliberal state in Argentina cannot be seen as a neutral arbiter of these different social groups, but itself a product of those relations and therefore its policies must be seen as expressions of social power. The fact that the post-neoliberal state in Argentina has been unable to maintain the post-crisis constellation of social forces that formed its social contract has been a result of a lack of institutionalisation of those relationships,
adding to the transitory and ad-hoc nature of the successful developmental suite of policies that were precipitated by those social relations.

Conclusion

The analysis of this article has demonstrated that contemporary Argentina specifically, and post-neoliberalism in general, can be best understood through an analysis of underpinning social relations. These social relations crystallize into a series a state policies, which simultaneously, in their totality, are relatively autonomous from the specific interests of any one class or class fraction and simultaneously embedded in those relations. In this vein, the administration of CFK has largely carried forward the model of capital accumulation initiated by her husband in the aftermath of the 2001-02 crisis in Argentina, although with some important extensions of that model in the realm of welfare. This is a model termed neodesarrollismo or neostructuralism, a mix of continuity and change from previous models of capital accumulation present in the Argentine historical record and in its totality can be classed as post-neoliberal. The domestic drive to 'deepen the model' has combined with changes in the international economic landscape as a result of the GFC to reveal a series of tension points in the model. The policy responses of the CFK administration to these tensions have served to undermine the specific constellation of social relations that underpinned the post-crisis post-neoliberal social contract in Argentina, revealing the fundamentally fragile nature of post-neoliberalism, partly due to its lack of institutionalisation of key constellations of social relations and also partly due to its success being largely contingent on the nature of the contemporary international economic environment.
Bibliography


ECLAC (1990) *Changing Production Patterns with Social Equity*, ECLAC, Santiago


Economist, The (2013a) Sparks in the Dark, 19 January 2013


