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Argentina Today and Tomorrow:

Prospects and Challenges

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Introduction

The Conference "Argentina Today and Tomorrow: Prospects and Challenges" (which took place at the Watson Institute, Brown University on February 12 2014) was convened to discuss the economic, political and social challenges confronting Argentine society three decades after the return to democracy and thirteen years after the 2001 crisis.

We divided the presentations in two panels: one focusing on social structural questions and the other one focusing on the political system. We sent each of the panelists a set of question for discussion. To the panelists discussing the social and structural problems of Argentina we sent the following questions:

1. Thirteen years after the crisis of 2001, how has the Argentine society reconstituted itself? What are the prevalent modes of organizational participation?
2. What are the main demands of society?
3. What are the three main challenges for Argentine society for the next decade?

And these were the questions for the panelists discussing the political system:

4. Thirty years after the landmark elections of 1983, there is little doubt that Argentina is a democracy. But, what kind of democracy is it? Is it a liberal democracy, a delegative democracy, a clientelistic one, a populist one, one that is responsive to popular demands?
5. Which are the political perspectives for 2015: change or continuity?
6. What are the three main challenges for Argentine politics for the next decade?

This working paper presents summarized versions of the panelists' reflections[1].

The summaries of the conference highlight three major: the first one is the deep structural fault lines that divide Argentinian society and express themselves in the recurrent crisis around the political management of the foreign currency exchange rate. The second one is the current centrality of Peronism in structuring Argentinian democracy. The third, and perhaps the most important theme to emerge from the conference, is the resilience and vibrancy of Argentine democracy, as well as the high degree of social engagement in it. We hope that these reflections will help advance discussions about the remarkable achievement of the Argentine democratization process, as well as the challenges still confronting it and some possible ways to overcome them.

1. Diego Focanti was not a panelist, but he attended the conference and, given that there were no economists on the panels he very kindly accepted to write a reflection.

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I. Structural Tensions

From the Hegemonic to the Scrambled Stalemate

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Years go by and still some things remain seemingly the same. The parable of Argentina is a story in which great excitement is always followed by nihilist depression, both stages experienced by the main characters with a flavor of self-fulfilled prophesy. Why is Argentina on the brink of a major economic and social crisis, given that so many indicators appear healthy? How does the economic crisis we observe today resemble the crises we observed in the past? What is similar? What has changed? Is the current crisis guided more by economics or by politics? Is this crisis more a product of structure or a product of process? These notes intend to address these questions by exploring the transformations that took place over the last 20 years in this country.

Once more, Argentina seems to be on the brink of a major economic and social crisis. Yet, this crisis looks different from previous ones. This country does not face a risk of hyperinflation, as in the summer of 1989, or a long recession, as in 1998-2001. Also, cycles of generalized protests, as in December 2001 or the last months of 1975, seem unlikely. The government is not running a massive fiscal deficit, the external front offers good perspectives (even as prices of commodities start falling), the unemployment rate is not a major concern, and consumption levels are still on the high level. Yet, Argentina has one of the highest inflations in the world (the second highest of Latin America, behind Venezuela) and it faces severe restrictions in terms of electricity production. Perhaps more dramatically, Argentina's currency plunge close to 60% over the last 12 months with respect to the US dollar and the Central Bank lost 30% of its foreign currency reserves over the last year. Yet, many of these processes, such as the stem decline in international reserves, are mostly explained by transitory factors: one-time accumulated debt payments and a drop in the price of gold, among other things.

However, these balance of payment crises, followed by a drop in reserves and devaluation, have been at the center of all economic crises since World Ward II, so let me provide a brief description of the "stop and go" model in its classic version, as studied by economists Diaz Alejandro and Sourrouille, and political scientists Portantiero and O'Donnell, among others. There are many versions of the "stop and go" model so I will just name a few of its main characteristics. In brief, this is what Argentine crises used to look like:

At some point in time, exports would crumble, maybe as a product of an external shock, maybe as a product of the persistence of traditional (i.e., non-modern, as some Marxist interpretations common in the 1970s held) economic elites. At the same time, the industrial sector – the main employer in the economy – would be a heavy consumer of foreign currency. Its expansion would generate a balance of payment crisis. This would initiate a downward adjustment in the real exchange rate. Full employment in the presence of strong unions would activate strong resistance from the popular sector. Additionally, the unique superposition between what the country exported – cereals and beef – and what its workers consumed would result in strong political conflict between producers and consumers of foreign currency. A change in the relative prices of foodstuffs would quickly trigger the resistance of a well-organized popular sector. All these would result in a major political and economic crisis.

Is Argentina heading in a similar direction today? And if so, are the political dynamics (e.g., the coalitional constraints faced by the government) similar? My impression is that current dynamics cannot be understood under the political economy described by Portantiero (1973) and explained by O'Donnell (1973). First, Argentina's exports are more diversified today than they were 40 years ago, which means the country is no longer exporting only wage goods (foodstuff), a fact which is especially true after the kirchnerist government banned all beef exports in 2006 and subsequently introduced strict export quotas and regulated prices for the beef and other food markets (e.g., milk and cereal). Also, the economy is more open to foreign markets than it used to be, despite recent attempts to close the economy (and somewhat failed attempts, I would add, given the stunning drop in central bank reserves over the last few months). This affected the capital market but also the labor market, segmenting and reducing employment levels. After years of high economic growth, fueled by the commodity boom, Argentina's informal labor force is still above 30%. Third, the external front for Argentina's products still looks prosperous, even if China's economy slows down. So, from an economic perspective, the classic "stop and go" does no longer apply.

But also, the key players of the empate hegemonico (hegemonic stalemate) or juego imposible (impossible game) of Portantiero and O'Donnell respectively are no longer alive: for example, unions have regain some power since 2001, as Collier and Etchemendy (2007) have showed, but they operate in an environment with more severe economic restrictions: not only the economy is more open, but also the growth in the service sector relative to the industrial sector has complicated organization. Additionally, unions must compete with myriad social movements, many of them organized and financed by the state. And, as mentioned, many workers remain in the informal sector. All this reduces the mobilization power of trade unions and increases the leverage of the government over the popular sector, as governing parties replace their labor linkages with clientelistic relations with the lower classes (Levitsky 2003)

But also the actors in the "conservative coalition" look very different. For example, the power of the Argentinean Rural Society (SRA) – the business organization of some of the largest agricultural producers – is a shadow of what it used to be. The 2008 agricultural protest against a tax increase, which resulted in a tremendous political defeat for the government, after the agricultural organizations forced the government to send a bill to Congress that was rejected by the Senate, is telling in this respect. On the one hand, it shows the failure of these organizations to influence tax policy through regular bureaucratic channels. It also shows the massive problems of collective action faced by the sector, and the failure of the SRA to impose its preferences over other organizations, in a more fragmented and dynamic agricultural sector.

As Pablo Gerchunoff noticed some years ago, the Long Agony of Peronist Argentina, as Halperin Donghi once wrote, may have came to an end. Yet, the agony seems to persist.

One particular challenge Argentina faces today is how to politically integrate a more fragmented and impoverished popular sector, after the market reforms of the 1990s. The consolidation of clientelist networks helped the Peronist party maintain its traditional working- and lower-class base during the neoliberal reform, but it remains unclear whether this constitutes a new equilibria. If the key player during the ISI model was the union-based party, and during the 1990s was the clientelistic party, kirchnerismo seems to have opened the door for a more hierarchical type of distributive politics, limiting the power of party brokers. Using the state apparatus to allocate resources to the poor may be more efficient, both from an economic and a political point of view (e.g., because party brokers tend to appropriate many resources send to them by party leaders to buy votes). Yet, this strategy might be less able to contain social unrest. While the classic version of clientelism rests in a reciprocal relationship between party brokers and clients, the strategy of the government is much more dependent on economic relations – economic relations grounded in the allocation of benefits that, in a context of high inflation, lose value very rapidly[2.] The lootings of December 2013, in which grunted party brokers foster – as the central government implied – or maybe were unable to contain violent episodes of looting in Argentina's major cities, are a clear symptom of this process. The outbreak lasted for almost a week and spread to more than a dozen provinces (out of 24). Private security forces and neighbors killed approximately ten people, allegedly while looting. Looters took everything from food, mattresses, alcohol and electric appliances, risking their lives in the midst of chaos.

In general, weaker social, political, and economic organizations and more transient political relations may increase the autonomy of politicians from social forces. But this greater autonomy comes at a greater political risk: For example, political coalitions become unstable, as actors face difficulty coordinating to achieve social goals. Going back to the beginning, my take is that better economic prospects and a more dis-organized political spectrum increase the relevance of politics and process in explaining crises after the 1990s transformation of the welfare regime. For example, today any explanation of a political crisis would have to include factors such as the internal struggles behind Peronism for territorial control. For sure, economic constraints remain important: unions still have firepower to impose costs on the state, business organizations can coordinate to block tax hikes and other governmental decisions, provincial governments can produce a drain in fiscal resources, etc. Yet, the hegemonic stalemate, if still exists, it has become much less binding than in the past (if anything, it looks more like a scrambled stalemate). Factors such as the experience and ideology of officeholders, and the timing of political and policy decisions, become more salient, even as economic constraints continue to exist and other political actors put limits to the autonomy of state officials.

The current situation is also important to understand the limits that political-economy conceptual frameworks face in examining short-term, volatile processes in developing and middle-income countries such as Argentina. I agree with Satz and Ferejohn (1994) when they say "the theory of rational choice is most powerful in contexts where choice is limited" (p. 72). As political agency becomes more relevant, stylized institutionalist models that rely on equilibria concepts become less accurate, both in terms of prediction and retro-diction. In contrast, factors such as experience (for example, appointing an economic team that has ties with vested interests and has experience in managing balance of payment crises) and the role of ideas – in shaping interests, worldviews, and strategies – become more relevant.. This does not deny the existence of well-defined political and economic interests, or that politics remains essentially a conflict over who wins and who loses from a political intervention. But it does stress the fact that defining these interests and assessing the capability of actors to defend them becomes more crucial and opaque at the same time, both for stakeholders and analysts alike.

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2. See also the exposition of Luis Donatello and his description of the role played by street-level bureaucrats during kirchnerismo.

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Kirchnerism and the economics of Argentinan democracy

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Introduction

In this article, we attempt a brief review of the economic adventures and misadventures of Argentina in the last three decades with the goal of understanding Kirchnerism in the continuity of the country's economic history, looking at the similarities and differences with its predecessors, and considering the main remaining challenges in economic policy as we approach an electoral year.

Some stylized facts of the Argentinian economy since 1983

The economic history of Argentina since the return and consolidation of democracy in 1983 can be coarsely divided into three stages or periods. The first one encompasses the Alfonsin administration (1983-1989) and the first year and a half of the Menem administration, until about February 1991. The second one begins with the arrival of Domingo Felipe Cavallo to the Ministerio de Economía in March, 1993 and ends with the demise of the cornerstone of Cavallo's economic policy, the 1 to 1 peg of the peso to the dollar, and the crisis of 2001. The third one begins with Adolfo Rodriguez Saa announcing the country's default on its public debt obligations and continues until the present, mostly comprising the governments of Néstor and Cristina Kirchner, perhaps with Minister Roberto Lavagna as the bridge between the economic policies of the Kirchners and the previous interim presidency of Eduardo Duhalde.

Our first period began with the return of democracy and involved dealing with the aftermath of the Latin American debt crisis of the early 1980s. In Argentina, this crisis was marked by the nationalization of the private external debt done by the Central Bank (then led by Domingo Cavallo). Between 1980 and 1982, the total external debt of the country (public and private) grew from 35% to 55% of GDP while the total public debt (domestic and external) grew from 11% to 55% of GDP. According to the estimates compiled by Reinhart & Rogoff (2011), Argentina had not been in as much debt in the 20th century at that point. As every record, though, it was meant to be broken. But the trademark of the Argentinian economy in this period was the extremely high inflation rather than debt. Annual inflation averaged 950% between 1983 and 1990, that is, prices increased more than tenfold each year on average. The year with the lowest inflation was 1986 with "only" 90%. At the same time, real GDP was virtually the same at the beginning and at the end of this period although it was highly volatile (for example, a 5.2% reduction in GDP in 1985 was followed by a 6.2% growth in 1986, see Figure 1). This extraordinary volatility in the economy was met by several short and medium term notorious economic plans such as the Plan Primavera and the Plan Austral, which included a change in the denomination of legal currency. All of these attempts failed to cope with inflation and the Alfonsín presidency was pushed into leaving office a few months earlier than expected in the midst of several strikes and lootings.

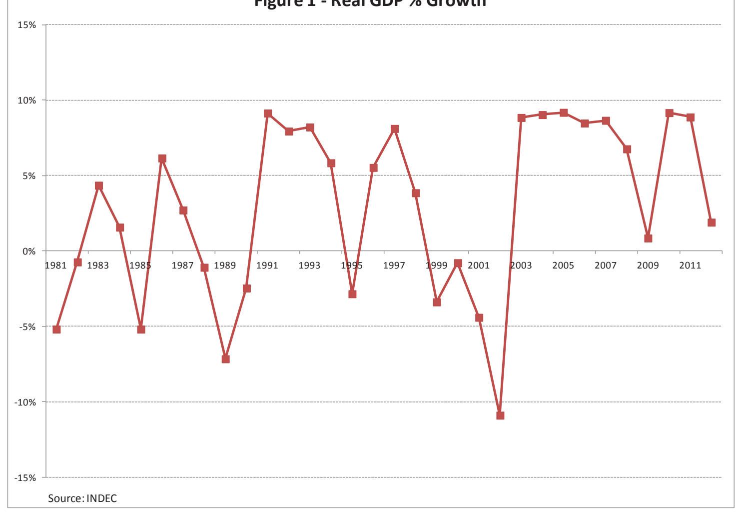
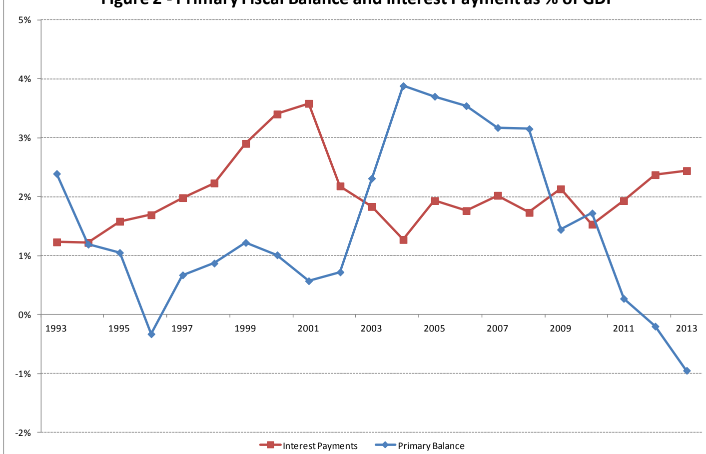


Figure 1 - Real GDP % Growth

Alfonsín's successor, Carlos Ménem, was unable to deal with hyperinflation in his first year and a half in office. This changed with the return of Domingo Cavallo to the national scene, this time at the head of the Ministerio de Economía. Cavallo brought with him his beloved child, the Ley de Convertibilidad, whose main feature was the pegging of the new Peso to the US Dollar at a 1 to 1 rate. The beginning and the end of this peg are the landmarks that signal the beginning and the end of our second period. This policy idea meant to deal with one of the distinctive traits of the Argentinean economy: the dominance of fiscal policy over monetary policy. The idea is simple, if a government incurs in a fiscal deficit, it needs to either print money or contract debt. As clearly illustrated in a famous paper by Sargent and Wallace (1981), if the monetary authority has no control over fiscal policy and the government is running a deficit, they are not able to freely choose the level of inflation because they need to satisfy the constraint of financing the deficit. In another famous paper, Heymann and Navajas (1989) argue that fiscal deficit in Argentina was not centrally negotiated but was rather the result of multiple bilateral negotiations between the state and other agents (unions, private companies recipient of transfers, provincial governments, etc.). In this context, the inflation tax is subject to a tragedy of the commons, where each agent that negotiates with the government does not internalize the cost that the transfers they receive may impose on the entire economy in the form of inflation. Therefore, a higher than optimal deficit occurs, which in turn conditions monetary policy. With this idea in mind, the Convertibilidad was supposed to be a Ulysses contract that tied the monetary policy to the mast of not printing money because each Peso must be supported by one US Dollar of reserves in the Central Bank.

While the Convertibilidad was successful in dealing with inflation, which averaged an annual 1.8% between 1994 and 1998, it was not a definitive solution. One of its main problem was that it did not deal with the way the fiscal deficit was created, and therefore fiscal accounts remained a source of enormous pressure on economic policy. The government was aware of this and many of its other most notorious policy measures aimed at dealing with the deficit. Public companies (that included all public utilities, the national oil company YPF and the flag-carrying airline Aerolíneas Argentinas, among others) were privatized, which eliminated one source of fiscal deficit, as they were incurring in major losses. Social security was privatized as well, although the public system remained an option. Labor relations were reformed and made more pro-employer in an attempt to hold unions back. Public health and education (with the exception of national universities) were decentralized to the provinces, which was also an attempt to impose discipline in sub-national budgets. These efforts allowed for a primary budget surplus of about 1% of GDP on average, during the decade. However, the Tequila crisis in 1995 marked the beginning of a steady rise in interest payments on public debt from 1.2% of GDP in 1994 to 3.5% in 2001 (see Figure 2). As such, the national public sector ran an overall deficit from 1995 on. Since financing this deficit by printing money was not an option, the government had to resort to more debt, which in turn made the deficit worse by increasing interest payments. A significant portion of this new debt came from multilateral organizations, chief among them the IMF. But more importantly, most of this new debt was denominated in US Dollars, which put pressure on the Central Bank's reserves as interests started accruing.

Figure 2 - Primary Fiscal Balance and Interest Payment as % of GDP



Note: Overall fiscal balance equals the primary balance minus interest payments. Years in which the red line is above the blue line imply an overall fiscal deficit and viceversa. Source: INDEC.

This dynamic in the public sector was accompanied by a steady deficit in the trade balance, given the extremely appreciated exchange rate. Net imports implied of course another steady source of an excess demand for US dollars. The adjudication of privatized firms to foreign buyers and sporadic attempts at increasing foreign direct investments were only minimal palliatives for this problem, as they represented one-shot events. Moreover, foreign ownership increased the outflow of dividends, further increasing the domestic demand for US Dollars. Finally, domestic savers added to this problem by moving their portfolios to US Dollars. Facing the choice between saving in two currencies with the same nominal value, they went for the one with no risk of depreciating.

These factors created an insurmountable pressure on the Convertibilidad system that the Central Bank was eventually unable to uphold. The economy sunk into a deep recession in 1999, when Fernando De La Rúa became president, with GDP contracting 3.4% and a price deflation of an annual 1%. The coalition government of the Alianza mostly upheld the economic policies of Menemism, despite the economic situation, to the point of recalling Minister Domingo Cavallo in March, 2001. Cavallo made a final yet unsuccessful attempt of saving the economy and the peg by obtaining yet another disbursement from the IMF with the goal of reinforcing the Central Bank's reserve and restoring the confidence in the Peso. This plan, the Blindaje, also included multiple public appearances and TV ads by Cavallo and De La Rúa where they tried to explain why the then inevitable devaluation of the Peso was actually not going to happen. Still, events followed their natural course and, amid tremendous social unrest, generalized lootings and unemployment soaring over 17%, De La Rúa resigned.

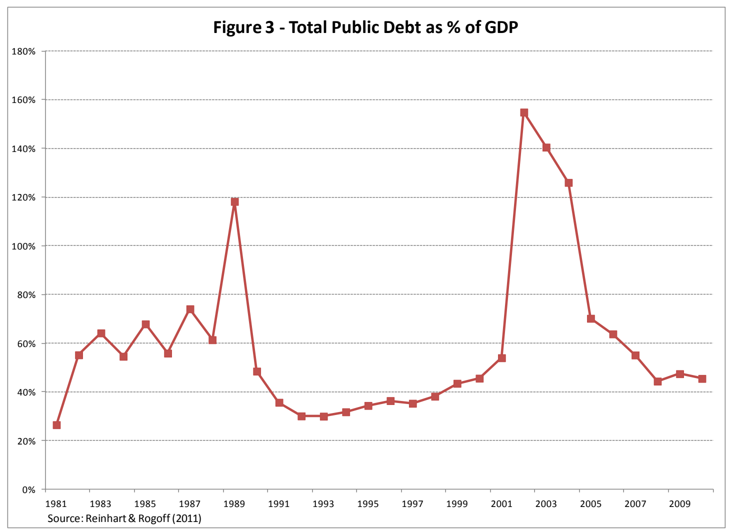
Four presidents for twelve days and one last name for twelve years

At the end of 2001, Argentina was in the headlines worldwide for featuring four presidents during a period of about two weeks. More importantly, however, was the fact that one of them, Adolfo Rodríguez Saa announced the then-largest ever default on sovereign debt. The default was selective and declared only on bonds issued on private markets but also included debt with the Paris Club. Payments to multilateral organizations such as the IMF and the World Bank were not interrupted. At the time, the depreciation of the peso after the crisis, together with the fact that most public debt was in US Dollars, made public debt equal to one and a half times the nominal GDP of Argentina. By 2004, the default reduced interest outlays on public debt to about a third of their 2001 size, when measured as a percentage of GDP. Real GDP was cut by about 20% during the recession. In this context, the end of bipartisanism and the temporary breakdown of the Peronist party, favored the 2003 presidential candidacy of Néstor Kirchner, which was also fueled by the interim president, Eduardo Duhalde.

The Kirchnerist government took office right at the beginning of the recovery. The economy started to quickly bounce from the recession and some of the politically costly work needed to restore fiscal accounts was done by his short-lived predecessors: not just the default and the devaluation of the currency, but also the instatement of easy-to-collect taxes that were not automatically shared with provincial governments like export taxes and a levy of financial transactions. Kirchnerism marketed itself as the opposite to the economic policies of the 1990s[1], promising to foster growth and income redistribution through perennially expansive fiscal and monetary policies.

1 Curiously enough, supporters of Kirchnerism now refer to this administration as "la década ganada", as opposed to "la década perdida" (the lost decade), which refers to the 1980s.

Another pillar of Kirchnerism was the reduction of the external public debt and Néstor Kirchner´s presidency successfully navigated the restructuring of debt after the default, led by Minister Roberto Lavagna and Secretary of Finance Guillermo Nielsen. The restructuring, completed in early 2005, cut public debt to 70% of GDP (see Figure 3). Two controversial aspects remain a problem even nowadays, though: the issuing of bonds adjusted by inflation and the attachment of bonds whose payment was conditional on GDP growth to all the bonds issued at the restructuring. The plan of cutting down on external debt hit a second landmark in December, 2005: the one-time cash cancellation of all obligations with the IMF (of $9.5 billion) financed by the Central Bank. Even though the reduction of public debt is an achievement of Kirchernism, public debt remains at 1999 levels in percentage of GDP [2] and interest outlays still put strain on the fiscal balance. In this context, the government has just dodged the payment of the GDP warrants by announcing a controversial new estimation of GDP for year 2013.



In the domestic front, Kirchnerism enjoyed soaring tax revenues, at least in its first term. The aforementioned new taxes, a boom in commodity[3] prices that boosted export taxes and a considerable bracket creep in Income Taxes (as indexation is still banned), helped Federal Tax Revenues rise from 21% of GDP in 2002 to 30% in 2010. Although the government spent most of this money, it did hold a primary surplus of over 3% of GPD until 2008. Most of the increase in primary expenditure was focused

2 This figure also does not take into account the debt with bondholders that have not accepted the 2005 restructuring and the debt with the Paris Club. Still, by December 2013 this only represented 3% of total public debt.

3 The country's terms of trade improved in every year of Kirchnerism except for 2005 and 2013. In 2013 the index was 60% higher than in 2002.

on current social spending. This included the creation of a celebrated cash transfer program for parents (the Asignación Universal por Hijo) and the Ley Federal de Educación, which increased the expenditure in Education and Culture to 6% of GDP through a common effort between the federal and provincial governments. A second source of current expenditure growth was the vast increase in transfers to the private sector destined to keep the prices of utilities, transport and energy under control, and to uphold the internal supply of fuel and energy.

Another way in which Kirchnerism manifested itself as the opposite to the 1990s' policies was in the renationalization of privatized companies that began with the water utility AySA in 2006 and was followed by Aerolíneas Argentinas and the private Social Security administrators in 2008, and YPF in 2012. Out of those, the nationalization of social security was mostly seen a way of expropriating a large mass of financial resources and, to a lesser degree, a way to further cut down public debt since a large part of these companies' portfolio were domestic bonds. This was accompanied by granting access to social security benefits to those people who had not contributed during their active life.

Under these policies, and a managed fluctuation of the exchange rate, Argentina grew at annual rates over 8% until 2011, with a one and a half year hiatus between mid-2008 and 2009 due to the global financial crisis. During this crisis, Kirchnerism claimed as a victory the fact that the country did not go into another debt crisis thanks to their policies on public debt and international financial markets. The country, however, was not able to completely avoid the impact of the reduction in global demand and a slightly less favorable dynamic in commodity prices. The fiscal balance quickly deteriorated after 2008 and the country ran an overall deficit since 2009, that reached 2.7% of GDP in 2013 (see Figure 2). In this context, the dominance of fiscal policy manifested itself once again. While navigating the international crisis, Kirchnerism refused to go back to "neoliberal" policies of expenditure cuts and chose deficit instead. With international financial markets virtually shut down and lowering national debt as a banner, emission of money was the only exit. The country experienced an increased of an already high inflation rate, which remains very high nowadays[4] . Efforts to cope with inflation have been focused in the exchange market and in largely ineffective price controls. The government has used a significant portion of the Central Bank reserves to prevent the Peso from depreciating in the last few years. Still, the pressure eventually forced a depreciation that was met with strong controls on the exchange market that included banning Argentinians from buying US Dollars at will. This gave way to the resurfacing of black markets, and although the restrictions have been softened, this remains one of the most controversial economic policy topics nowadays.

Balance and Challenges

Argentina has always been a highly volatile economy, subject to several big crises. Twelve years have just passed since the last one (2001). That is about the period of time between that one and the one before (1989). Next year, Cristina Fernández de Kirchner will leave the presidency and the Kirchners will achieve something that Argentina has never seen: three consecutive uninterrupted democratic presidential terms. Although it would be naïve to see this just as an achievement of Kirchnerism and not mainly as part of a secular trend in democratic stability in the region, it is still true that De La Rúa went down under democracy.

Kirchnerism has navigated through twelve years of mostly high growth with popular social policies that allowed it to obtain 54% of the votes in 2011. Unemployment is the lowest since 1992, and the access to retirement benefits and the AUH are also counted as their economic victories. However, in this apparently successful decade, Kirchnerism has been unable to deal with the fundamental underlying issues of the Argentine economy. The economic uncertainty and distributional conflict created by inflation do not vanish by fiercely refusing to adopt neoliberal recessive policies. Price controls have proven time after time to be an ineffective weapon against it, at least when used as the main weapon. The issues with the exchange rate and the demand for US Dollars remain despite the reduction in public external debt. Fiscal policy still dominates monetary policy and it is still strongly procyclical. It is in this sense that the economics of Kirchnerism are not so different to those of its predecessors. Some new and some not so new policies are unable to overcome the same challenges. In this context, opinions seem to be divided between those that celebrate the social and economic achievements of the Kirchnerist decade and those with a deep sense of missed opportunity. As Eduardo Levy Yeyati recently put it, the country does not move in circles (as looking at the waves of privatization and renationalization may suggest) but it moves in a zigzag motion rather than

4 At this time also came the extremely controversial intervention of the national institute of statistics, the INDEC. Inflation (and as a consequence, poverty) statistics have been on the spotlight ever since, even after the recent creation of a new price index.

straight forward.

In terms of perspectives, we should not expect any significant change in the economic policies of this government until it leaves office. It is worth noting, though, that 2015 is an electoral year, which always put some strain on the fiscal accounts as the government negotiates for support in each district. This will be especially true now that Kirchnerism has a clear rival in Sergio Massa. At the provincial level, collective bargaining will be key, since wages are a much higher share of their budget. The Inter-American Development Bank (2014) sees the region staying in a path of moderate growth as long as the recovery from the 2008 continues normally in the rest of the world. Growing at 8% per year may be over and that's too bad, but staying on a stable path of growth at 2 or 3% would be fantastic for Argentina. On the other hand, the fact that the country has used a large part of its international reserves to manage the exchange rate and has a more limited scope for a more expansive fiscal policy make it more vulnerable to unexpected negative shocks compared to a few years ago. Thus, it remains to be seen whether it will be après moi, le déluge for the successor (whether it is Scioli, Massa or a dark horse) or if the country will continue its positive yet slightly less ambitious streak of non-crisis years. We hope it will be the latter.

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Challenges of Inclusive Development

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Thirty one years after the definitive reestablishment of democracy and thirteen years after the brutal crisis of 2001 we may reflect on how Argentine society has reconstituted itself: What are the modes of social participation? What are the main demands of society and what are the challenges confronted by Argentine society. In order to answer these questions I will analyze the present social, political and economic tensions and contrast them with those of other periods in modern Argentine history. After that I will delineate what I consider to be the challenges confronting the country in the process of consolidating democracy and social inclusion.

This summer brought back ghosts that we thought were left in the past. The foreign currency reserves at the Central Bank were declining fast and some voices expressed their desire, or opinion, that the government would or should not reach the end of its term. There was a sense that the economy was getting out of control and that there could be a political crisis. It seemed as if Argentina was going towards one of its recurrent political/economic crisis. And Argentina's crises were always both political and economic.

In order to understand the Argentine recurrent crisis it is useful to read again and reflect on Guillermo O'Donnell's 1978 article on State and Alliances in Argentina. In that paper O'Donnell links the recurrent crises to distributive struggles between different social classes. These struggles were centered on the exchange rate, and become acute when the economy suffered from external bottlenecks and accelerated inflation. Argentina today is very different from the Argentina O'Donnell wrote about: On the one hand, the Argentine social and class structure has changed radically: the "pampa bourgeoisie," then based on cattle and large estancias, is now an agro-industrial soy complex based on complex property arrangements; the small national bourgeoisie almost does not exist; the large bourgeoisie is much more concentrated and there is a larger role to the financial sector; and the popular camp is much more fragmented than in the 60's and 70's (Basualdo 2013; Grimson and Kessler 2005). On the other hand, when O'Donnell wrote that article the political/economic crises were solved through military coups. Argentina today is a consolidated democracy.

Yet, there seems to be some structural continuities between the Argentina of O'Donnell's paper and the present days: the economy still suffers from external bottlenecks, expressed in the decline of foreign currency reserves that trigger political and economic crises, and those crises still revolve around the foreign exchange rate. Indeed, the two big political/economic crises that took place since democratization (1989 and 2001) were related to structural tensions around foreign currency reserves and the exchange rate. In 1989, those structural economic tensions led to a hyperinflation crisis and the early ending of Raul Alfonsín's government. In 2001, the straitjacket of the peso-dollar parity led to the biggest depression in Argentine history and to the violent departure of Fernando De la Rúa's government. Both crises were deep economic and political crises that led to political and economic realignments. The political/economic tensions today are again centered around the exchange rate, declining foreign currency reserves, and inflation.

Some things are different this time though: the Fernandez de Kirchner government is a strong government that has shown willingness to intervene in the economy and confront the established economic interests. Moreover, the government has an important base that it can mobilize in its support. Also important economic variables are considerably better than in other periods: the foreign exchange reserves, although depleted compared to their level two years ago, are still at a relatively historical high level, and the level of debt to GDP is historically low (for the last three decades). Also, the budget deficit is still relatively low.

The government controlled the situation, the run on the peso seems to be halted for the time being and so is the decline in foreign reserves. But the economic situation is still complicated: economic growth is low, and the fiscal and trade surpluses that gave Kirchnerismo large degrees of freedom in its initial years have disappeared. Also, several years of high inflation are leaving their mark in the economic behavior of Argentines.

At the same time the political situation is also complicated: Kirchnerismo was able to build a broad coalition by bringing together very different demands—Laclau's (2005) famous populist "chains of equivalences." Some of these were economic demands: bringing back the unions to wage negotiations, increasing the consumption capacity of the middle class, expanding the reach of pensions, or creating a broad conditional transfers program; some were human rights or social demands like the trials of the criminals from the last military dictatorship, gay marriage, or facilitating immigrant access to citizenship for immigrants. But the government coalition has been eroded to its core base of support, mostly due to what I understand to be political mistakes of the government that pushed away important segments of its coalition. Among these mistakes are, in my opinion, the confrontation with the Moyano union sector, the distancing from some of the mayors from the Great Buenos Aires metropolitan area, and the alienation of important segments of the middle class through a clumsy and arbitrary implementation of foreign exchange controls. Also, the lack of action concerning inflation, and the denial of its presence for several years, eroded the government support among all social sectors. Yet, the government still command a strong support among its core base that constitute between a quarter and a third of the electorate, making Kirchnerismo the larger and best organized political force in the country.

The dwindling of the government's support base, however, complicates its economic policy options. The government finally decided to confront inflation. Its response is a combination of orthodox and heterodox measures: on the one the government has devalued the peso, raised interest rates, and it's looking to reduce subsidies. On the other hand the government tries to implement agreements to limit the rise in prices and also contain the rise in wages through negotiations. But this type of heterodox adjustment requires the consent/agreement/or disciplining of economic actors and due to the weakening of its coalition the government's ability to obtain consent or discipline economic actors is constrained.

Here it is where an important characteristic of Argentine society matters to understand the political field of possibilities: Argentina has a highly mobilized civil society. Although Argentine democracy is relatively young, I would argue that it is deeper than many in the sense that Argentine society is organized and mobilized and capable to press it demands on the state. And society's demands are contradictory:
Unions want to protect their incomes from inflation. And here union dispersion makes wage negotiations very difficult. At the same time, unions in Argentina currently protect only a segment of the workers and that segment is relatively well paid. Yet, there are social movements that make claims on behalf of people excluded from formal labor, demanding to expand transfers and social policies. Exporters, on their side, want a high dollar and a reduction of export taxes. In order to achieve these demands (which would lead to broad social exclusion) they were willing to delay the sale of their crops. Other actors try to benefit from inflation by accelerating the rise of prices. Part of this behavior is rational protection from inflation but part is speculation that fuels inflation. Also, some important economic actors tried to organize a run on the peso. Most political and social actors agree that it is important to avoid a political and or economic crisis. But the next two years are going to be tense because of the economic constraints and structural tensions and the erosion of the government's coalition and its ability to discipline actors.

Thinking beyond the present situation, what are the main challenges for Argentine society for the next decade? I think the first challenge is to generate institutional mechanisms to negotiate social demands. One great thing about Argentina's democracy is the ability of all sectors of society to press their demands in the streets. Every day in Buenos Aires there is one kind of demonstration or another. This is an indication of a lively democracy. But the politics of the street cannot mediate between different and contradictory demands. Kirchnerismo was able to do that for many years through forging a broad coalition, and by bringing back wage negotiations. But the last two years have seen a reduction of this coalition and a strain in the ability of Kirchnerismo to bring demands together. Moreover, the negotiation of demands cannot be dependent on the presence of a certain government. The past crises in democracy were in part the result of the inability of governments to address economic strains to the point that those strains led to large mega-crises. And that inability was in part the result of the lack of political frames to negotiate agreements over economic policies. To be sure, the presence of negotiating institutions will not by itself solve the political tensions that derive from the presence of highly organized social sectors with conflicting economic interests. But the practice of constant negotiation can help avoiding the escalation of tensions into crises and may contribute to reduce the polarization that characterize Argentine's politics.

The second challenge is the diversification and upgrading of the country's exports. This is really the only way to free the country from the external restrictions that seem to be at the core of all of the political and economic crises. Heterodox economists in Argentina usually argue for deepening import substitution. This is indeed important and necessary, but import substitution also may lead to the rise of imports (in fuels, materials, and parts). Morevor, to move beyond a raw materials export economy it is important to move up the value added chains in exports. This is of course much easier said than done. To the credit of the government, it has proposed a policy in this sense: The Argentina Innovadora 2020 plan aims to bring together researchers and social and economic actors to come up with economic initiatives that incorporate scientific and technological innovations. Whether this plan has yield concrete results and what those results are is something that needs to be investigated empirically, but this is indeed the direction to go.

The third challenge is to address the persistent social exclusion caused by three decades of neoliberalism. In this sense the Kirchner's government has also implemented important policies: the Asignación Universal por Hijo (a conditional cash transfer program), the expansion of the population included in the old age pension system, and the promotion of employment. It is necessary however to invest more and more seriously in the solidarity economy: that is, on cooperatives, producers associations, self-managed enterprise. What is at stake is, the creation of a productive sector guided by a logic of improving the conditions of leaving of its people that could protect workers and communities from the economic cycles and create the base for an alternative economy.

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Knowledge and Democracy in Argentina

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My presentation is based on answers to the organizers' questions. However, the source of my reflections is my experience, whose molds are the academic world —with the problems inherent in scientific activity— and the topics I research as well as the obsessions they awake in me.

I will then move on to the main ideas triggered by the organizers' questions.

Concerning the first question, I think that in 2001 there emerged forms of interest mobilization and protests connected with deeper social phenomena: disaffiliation, de-traditionalization, individuation —among others— are features that have influenced the forms of mobilization and protest. And all this within a context of increased poverty and economic inequality. In this sense, Argentina had no peculiarity as compared with the world. That is, the local conditions under which global characteristics manifested themselves were marked by economic poverty and inequality.

Today, some things have changed.
Most importantly, the drop in wages between 2001 and 2003 and the currency devaluation helped growth in the manufacturing sector. This was accompanied by the increased prices of the commodities Argentina exports. This led to significant economic growth that provided the State with funds for re-articulating itself. And, above all, for fighting poverty and economic inequality.

While there are controversies about this, the available data indicates that economic inequality, has declined. As to poverty, it has been reduced, but there is nevertheless a niche that remains unchanged.

Finally, to the extent that employment has risen, unions have re-emerged along with their demand mechanisms. And, given the connection between unionism and Peronism, this political force —Peronism— appears stronger.

In this sense, it is also worth noting that Peronism has shown greater ability than other political forces to bring together heterogeneous demands. Today we have a more powerful Peronism than in 2001, but also one more deeply divided by the number of demands it has brought together.

Moreover, it is important to note a transformation at the core of the State and social policies. The new aspect I consider most significant in this context is the appointment of a large number of former leaders who had played key roles in the 2001-2002 social mobilizations and protests as public officers. Or, using a word in vogue in the English-speaking world, what we might call 'street-level bureaucracy'. I think this term is more complex and more useful for understanding what used to be called 'clientelism' before. Basically because street-level bureaucracies involve two significant things: On the one hand, the specialization of the agents responsible for carrying out various social programs. On the other, they are engaged in de-territorialized networks and circulate around different towns dealing with issues connected with housing, health, vulnerable-sector empowerment or social-support policies.

Concerning the second question, I think there are two problems to resolve. The first is cognitive in nature.
The social changes due to globalization challenge the possibility of establishing quantitative data for different phenomena. Here I believe it is worth pointing out that some emerging processes can only be known through qualitative methods: identity constructions around unsuspected dimensions, types of families that call into question social policies stuck in restricted household models, complex migration patterns involving other types of circulation, the dissolution of instituted forms of representation, and so on.

In addition, public institutions in charge of producing statistics are seriously challenged today: for example, the National Institute of Statistics and Census of Argentina (INDEC).

How can we obtain reliable information?
I think that, in this sense, it is necessary to defend the growth of the Argentine academic field. But, at the same

time, to set its boundaries.

At least in the social sciences, over the last decade there has been greater investment in Science, Technology and Higher Education. However, Argentine academic institutions operate without any coordination whatsoever.
Therefore, we need greater coordination between the State, the academic field and civil society in order to learn more accurately what the major social demands are.

Second, based on my research experience, I think that a key problem today is the institutionalization of sector-specific demands. This is a normative problem, very well expressed in the business world. While in Brazil there is an obligation concerning business organization, there are also lobbying forms that are legally accepted within Congress. This extends even into other areas such as religion, cultural diversity, etc.
Nothing of the sort exists in Argentina, where the political system shields itself around the monopoly of parties as the sole legitimate space for organizing interests.

Accordingly, in my view the three main challenges facing Argentina for the next decade are the following:

» One, reconstructing and centralizing public agencies engaged in producing sociodemographic data: this will allow us to gain a deeper knowledge of basic issues about social morphology, poverty and economic inequality.
» Second, coordinating actions among the academic world, public agencies and the civil society in order to manage information on portions of the social life about which we know little: the creation of social observatories might be one example. At this point there is a compelling need for an adjustment of universities to international standards and a confluence between these and the scientific and technological system.
» Three, generating legal spaces for the representation of sector-specific interests enabling their inclusion in the democratic game. In the economic sphere —above all— this becomes an imperative. Basically, some kind of disclosure of economic interests is required; otherwise, these will remain in opacity. And, also, there will be further corruption and confusing and contradictory pressures on the state.

II. The Political System

Three "Simple" Questions

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Some two months after the legislative elections of 2013 in Argentina, I received an email from Maria Esperanza Casullo inviting me to participate in a meeting sponsored by the Latin American and Caribbean Studies Center at Brown University. The email included three simple questions to be answered by guest scholars during proceedings: (i) What type of Democracy do we have in Argentina today; (ii) will there be change or continuity after the 2015 national presidential election; and (iii) what are the three main policy challenges for Argentina in the next decade. Three simple questions which, to be properly answered, required a working definition of democracy, predicting elections, and divining the future. Luckily for me, I knew exactly who to ask for inspired responses: Andres Malamud. After confirming my participation, I sent an email to my colleague and begin planning for the meeting. Sadly enough, my formal inquires went unanswered, as Malamud also planned to attend this meeting and indicated that he could not share his responses with me.

Closed that door, without the guidance of Malamud, and having already accepted to present at this prestigious meeting; I decided that my best responses would come from standing on the shoulder of giants. After years of teaching Guillermo O'Donnell's "Horizontal Accountability in New Democracies" (1998) to my undergraduate students, I couldn't think of a better point of departure to discuss Democracy in Argentina today. I printed (again) a copy of his article and planned for a detailed response to the first question:

(i) What Type of Democracy? A (mostly) good democracy

Of course, a (mostly) good democracy is not precisely how O'Donnell would define Argentina's democracy, but let me explain myself. In his classic article on Horizontal Accountability, Guillermo O'Donnell describes three distinct organizing principles (or sources) of our modern conceptions of Democracy: *Majority Rule, Liberalism, and Republicanism*. He notes that, from the classics, we have embraced the idea of democracy as *"majority rule."* That is, we accept that idea that what-the-majority-wants should be what-the-majority-gets, and that the preferences of the majority should not be overruled by the preferences of (often privileged) minorities. For example, Peronists should not be banned from competing in elections, Radicals should not be overthrown by military coups, and the election of leaders should not be carried out through fraud and manipulation that allocates power to undeserving political minorities. Checked, checked, checked….. Indeed, majority rule is in good shape in Argentina and, since 1983, electoral contestation and participation have not been threatened as they were in the past. The military today play a negligible role in politics and significant cases of electoral fraud and manipulation remain conspicuously absent. Is electoral contestation and participation perfect? Not really. But the administration of the elections by federal electoral justices, the ministry of interior, and the active involvement of political parties, is one of the areas in which the Argentine democracy has excelled.

Is there unequal access to the media by incumbents in the Argentine provinces, indeed there is. However, incumbency advantages in Argentina do not seem particularly prominent when compared with any other well established democracy in the world. Certainly, we have had no "butterfly-ballot-crises," no cases of the Supreme Court deciding a presidential election, and no dramatic electoral reversals carried out through non-elected bodies. Overall, "majority rule" is in good shape in Argentina. When the economy goes up, the future of national and provincial incumbents seems brighter. When the economy goes down, the careers of national and provincial incumbents dimmed. Just as in most democracies, incumbents are still sensitive to the economic cycles.

In Horizontal Accountability, O'Donnell also describes a different organizing principle of modern democracies: minorities should be protected from being transgressed upon by majorities. This view of democracy, inherited from the Lockean version of Jus Naturalism, is defined by O'Donnell as *"Liberalism."* For example, if the majority wants to "eliminate" the minority we could no longer claim to be in a democracy. These transgressions of the civil and political rights of minorities include the jailing of political opponents, banning the media, violating human rights, prosecuting attorneys that seek to prevent such violations, etc. On this issue I also think that Argentina has been doing very well since 1983. Since 1983 there has not been any major political assassination; there have not been political opponents jailed since democratization; and the crimes of the privileged and powerful have not been kept "in the shadows," as Yabran, the Juarez, and the Saadi clans can attest.

Are there problem areas in the Argentine Liberal brand of Democracy? Of course there are. Is the violation of the rights of *Pueblos Originarios* an issue? Is violence against women a problem? Is the violation of human rights by the police a problem? Indeed, they are. These are also problems, to a different extent, in New Orleans, Montevideo, and San Pablo. These are dramatic policy issues that should be addressed. But they do not place Argentina in what Levitsky and Way define as the Competitive Authoritarian category and, if tempted to do so, there would be few regimes that we could be characterized as democratic today. There are a many areas where important changes are needed if we are to ensure that human rights are effectively protected by a State that is not always present. But this is a political issue, not a regime issue. Since 1983, Argentina has been off the list of human rights offenders and for good reasons. Overall, Liberalism in Argentina is in very reasonable shape and, consequently, democracy is too.

Finally, O'Donnell describes a third "source" that feeds into modern conceptions of democracy, which he associates with Montesquieu: *"Republicanism."* This includes being governed by "good" politicians and "good" political institutions. Certainly, this is also the source of most major criticism of the Argentine democracy today. Indeed, there is little doubt that the stability of political institutions has been a problem area since democratization in 1983. In the last thirty years, we have seen three significant changes in the Supreme Court, including one expansion, one contraction, and some reshuffling of Supreme Court justices. We have created an office of Chief of Government, reduced the presidential mandate, increase the number of senators, and changed every single electoral system in the Argentine Provinces. We have also elected five presidents—Raul R. Alfonsín, Carlos S. Menem, Fernando de la Rua, Nestor Kirchner, and Cristina Fernandez—using four distinct electoral rules.

It is telling that most people do not realize that electoral rules for the election of the President have been in constant flux. But, just for sakes, let us review this issue for a few moments. We selected Raul R. Alfonsín and Carlos S. Menem using an electoral college with seats allocated by district; we reelected Carlos S. Menem and Fernando de la Rua with direct vote and qualified ballotage rules under party nominated candidacies; we voted Nestor Kirchner and Cristina Fernandez with unlocked party candidacies (which Menem bitterly blamed for his withdraw from the second round in 2003); and re-elected Cristina Fernandez using national open primaries with compulsory voting in 2011. This represents a change in the electoral rules of the presidential game in every other election, with political objectives that included allowing the candidacy of Menem for a second term (1995); ensuring the defeat of Menem (2003) at the hands of another peronist; and—without really being necessary— facilitating the reelection of Cristina Fernandez (2011). While the new primary system (PASO) may be an interesting electoral innovation, there is little doubt that the origin of those reforms had partisan motivations.

Almost every institution that we know has changed, and changed, and changed since democratization. Indeed, Argentina is in a state of permanent reform. And with institutional change come institutional costs, as human capital is dilapidated and investment in new rules and procedures is wasted. As with any business, we should expect that institutions in the first year will be costly and produce "at a loss." In the second year, we should expect that personnel will learn the trade and produce basic procedures and guidelines. Then, in the third year….. sorry, we are changing the institution again so it is back to year one. Beyond reforming institutions, there are also examples of institutional manipulation since democratization. Paradigmatic recent examples of manipulation include the mishandling of inflation indicators by the INDEC. But the problems of institutional instability have pervaded Argentina for eighty years and become the most distinctive trait of current public policy problems since democratization.

Is this a problem of "horizontal accountability"? On this issue I do not agree with Guillermo O'Donnell. For all we know, permanent institutional change affects every single institution in Argentina, including the executive. In fact, one of the institutional highlights of Argentina's democracy in my view is Congress, precisely one of the institutions that have changed the least since democratization in 1983. I am well aware that this view of Congress is not shared by many politicians or voters in Argentina today. Of course, defending this position requires more data than what I can provide here. So, let me just briefly point out that, as I have shown elsewhere (Calvo 2014), the Argentine Congress approves just half of the bill initiatives of the president and amends a substantial number of those that it approves. By contrast, Chile, Uruguay, and Brazil approve over 80% of the initiatives of their respective Presidents and amend proportionally fewer of them than their Argentine counterpart. Further, the opposition in Argentine approves consistently more law initiatives than the opposition in the US Congress and is also in control of more authority positions. In all, I firmly believe that the institutional problems in Argentina are not due to overreaching but to endemic institutional instability, much of which results from prior regime changes and constant and unmitigated "responsiveness" by Argentine politicians which are constantly a few steps away from being defeated in competitive primaries or general elections. In all, the balance of democratic rule in Argentina is very positive when considering "majority rule," positive when assessing the degree of "liberalism," and decidedly problematic in the area of "republicanism." This is true of every single administration since 1983, as hyper-responsive politicians are constantly altering the institutional design to accommodate social and partisan demands after each economic and political crisis.

(ii) Will there be Change or Continuity after 2015?

My answer: YES!

As said earlier in this presentation, this second question requires "guessing" about the likely result of next year election. Luckily for us, there is plenty of information about the current state of the political system to at least make some educated guesses. Consequently, there are some expected regularities to be described, even if Andres Malamud was unwilling to share his answers with me.

Firstly, it is almost unthinkable that the next election will not select another peronist to lead the presidency of Argentina. Could it happen, sure, in politics there are few zero probability events. Just as it is possible that the United States will win the World Cup in 2014 (the latest bet numbers from English brokers pay 100 to 1), it is also possible that the next President will be a non-peronist. In all fairness, the numbers should be a bit better than 100 to 1, but still very unlikely. There is a very large distance between the brand name of peronists and that of every other party in Argentina today. Indeed, in current surveys, the positive image of a few peronist candidates among voters is consistently much higher than those in the opposition. Could there be a "grand" coalition against the Peronist candidate of the government? certainly. But the odds of success are smaller without including someone like Sergio Massa, a peronist, at the top of the ticket. Further, if the election of the UNEN coalition in the 2013 election in the City of Buenos Aires is any guide, data shows that voters of the losing candidates of UNEN in the primaries defected in the second round at rates that ranged from 30% to well above 50%. So, the luck of the draw could allow a non-peronist to be elected only if in the ballotage they could face a non-peronist candidate that is also an unpalatable member of the current administration. Both requirements have a very low probability.

Secondly, it will be difficult for the new President to be part of the intimate circle of the current administration. Consequently, peronist continuity by definition will also require party change. Indeed, by all accounts we are initiating a within party transition, in which political forces from the incumbent administration have begun to realign. As Daniel Scioli and Sergio Massa lead the Peronist assault on Peronists, odds of a second round between these two politicians in late 2015 are very high. Of course, Daniel Scioli and Sergio Massa represent different party factions than those of the current administration. But both of them would govern with the support of the same electoral constituencies, the support of the same governors, and the incorporation of key "outsiders" to the national executive. This has been the usual peronist recipe for governing since democratization in 1983.

So, to understand what does "change or continuity" describe in Argentina, we could answer a discrete set of questions about the likely president in 2015:

- Will s/he be a peronist politician? Yes.
- Will s/he be a different peronist politician? Yes.
- Will s/he need peronists to govern? Yes.
- Will s/he make coalitions with non-peronists? Yes.
- Will some non-peronists join the coalition? Yes.

Finally, considering the constraints faced by all previous politicians when managing the economy and the extensive demands from voters:

- Will s/he consistently change the institutions to administer the demands from voters, governors, economic, and social groups? Yes.

So, we should expect continuous institutional change led by a Peronist, in a Democracy that is very sensitive to the demands of a very large and dispersed set of principals (voters, governor, party leader, business groups, social organizations, unions, etc).

(iii) what are the three main policy challenges for Argentina in the next decade

My answer: the economy, the economy, and the economy.

In the last forty years, Argentina has followed cycles of boom-and-bust that look remarkably similar in spite of the fact that the economic policies being implemented seem dramatically different. The cycle looks something like this:

1. There is a very significant economic crisis, with a decline in GDP, a massive depreciation of the currency, declining wages, increasing unemployment, and a deterioration of fiscal numbers.
2. Then, ___(add your own economic recipe)____ is implemented and the economy rebounds. As the economy recovers, the currency appreciates, domestic consumption resumes, wages recover, distributive demands increase, and public spending expands.
3. After a period of recovery, economic slowdown is met with further ______(borrowing, money emission, monetary easing)________. Distributive pressures increase, tensions between the executive and the Governors increase, interest rates increase, and the financial markets stretch their legs for the final sprint.
4. Finally, a run against the peso depletes reserves, a fiscal crises ensue, growth collapse, and we move back to square one.

Interestingly, the Rodrigazo of 1975, the hyper-inflation of 1988, the collapse of the convertibility in 2001, and the dangerous decline in the central bank reserves today came as a result of extraordinarily different sets of economic policies. Economists blamed wage expansion and union combativeness in 1975; fiscal indiscipline and monetary emission in 1988; fiscal indiscipline and heavy borrowing in 2001; and overspending to artificially maintain growth and failure to balance national accounts today. All economists seem to agree that containing distributive pressures and eliminating _______ (fiscal indiscipline, energy subsidies, money emission, external borrowing, union bargaining power, etc)_______ would have prevented the_________(1975, 1988, 2001, 2014)______ economic crises. However, why would every single administration follow so extraordinarily different policies and meet the same result? If economic mismanagement is the result of bad economic planning, why is the result of different types of "bad economic planning" so similar?

The challenge for the next decade is to break this cycle. That is, prevent overacting politicians from engaging in dramatic institutional reforms because they feel the pressure of imminent electoral defeat. That is, reducing the virulence of institutional reshuffling that accompanies every stop-and-go economic cycle in Argentina. A former president of the UIA once told me in an interview: we can produce under almost any type of economic policy. What we need is a "single" economic policy. As Argentina faces yet another cycle of currency appreciation and widespread distributive conflicts, the question may be whether we can hold on to the current institutions and slowly adjust the direction of the economy rather than, once again, starting a new with ever lower institutional capital.

Argentine Democracy: The Novelty is not Performance but Resilience

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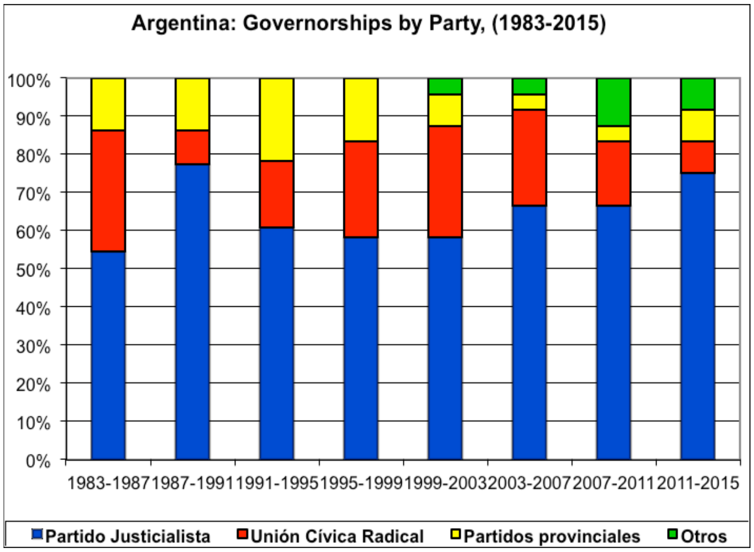
Argentina is not a horror story, as is sometimes depicted. It combines puzzling continuities such as economic instability with novelties such as democratic stability. Economic instability manifests itself in relative decline vis-à-vis developed and developing countries alike and in a fluctuating pattern of growth, both of which emerged after 1930. Democratic stability was reached in 1983 and capped 53 years of civil-military pendulum and political violence. Yet, contemporary Argentine democracy does not perform smoothly: it is still prone to social turmoil and interrupted presidencies. Institutions are not as effective or consensual as in Chile and Uruguay. However, unlike Ecuador and Venezuela, recurring political crises have not led to institutional breakout or party system collapse but only to its partial melting. Argentine democracy is arguably messy and delivers poor policy outcomes, but it has become resilient.

Democratic resilience is based on two factors, one of them old and the other new – or rather refurbished. The old factor is the persistence of Peronism, both a sociopolitical identity and a political organization that reinforce each other. The refurbished factor is the territorialization of politics, as a result of which subnational (aka provincial and municipal) politics has become an anchor for national politics. No big surprise: this was the scenario before two mass parties, Radicalism and Peronism, nationalized it.

Argentina's party system features a significant degree of stability. In the thirty years running since the democratic inauguration in 1983, only two parties, alone or in coalition, have won all national elections, whether presidential or legislative. Moreover, the two combined have won 163 out of 189 gubernatorial elections (see governorships distribution in Graph). However, most of the literature claims that the Argentine party system is in flux, either towards normalization (meaning the replication of West European ideological patterns) or fragmentation. Together with Miguel De Luca, I have argued that these views are incorrect as they suffer from either conceptual confusion or a limited analytical focus. Conceptual confusion consists of observing electoral change and miscalling it party system change; limited analytical focus implies concentrating on one or two tiers of the party system, whereas a proper understanding of Argentine party politics requires that four tiers are taken into consideration.



Presidential party systems are more complex than parliamentary ones, as they combine at least two electoral tiers: the legislative and the presidential. The degree of complexity also depends on a set of complementary features such as the electoral rules, the electoral cycle, and the existence of staggered elections. Strong bicameralism increases complexity further when it adds a third electoral tier. Federalism takes an additional step forward, as it establishes an underlying level of interactions that influence the three mentioned tiers of the national party system. Only four countries feature the four tiers of competition that stem from presidentialism, strong bicameralism and federalism:

Argentina, Brazil, Mexico and the United States. Argentina is the only one of them in which parties are registered at the provincial level, thus allowing for the existence of single-province parties and promoting the provincialization of national parties as regards social rootedness, candidate nomination, electoral careers, policy orientation and, above all, leadership. The resulting combination imposes high entry costs to outsiders and therefore strongly benefits the insiders, while at the same time allows for changes in one arena to be compensated by opposing changes in another. This complex mechanism has acted as an anchor and has stabilized the structure of national competition.

Apart from the institutional dimension, the territorialization of politics is visible in the impact that street mobilization has acquired. This is an arena where Peronism and local politics converge and empower each other. For example, conventional wisdom has it that the events of December 2001, which led to the resignation of two constitutional presidents, were ignited by popular revolt and solved through parliamentary means. However, I argue that there was a third, crucial factor behind the origin and the outcome of the crisis: the action of key Peronist subnational executives, first mayors and then governors. Party politics (it was the Peronist leaders who prepared the stage for their return to power, not the spontaneous actions of a mob) and subnational politics (it was at governors' summits rather than congressional meetings that the key decisions were made) are crucial to understand both normal and exceptional times in Argentine politics. He who believes in the overriding importance of mass opinion, popularity leaders or historical ruptures is unable to account for the high reelection rates and the stability of the ruling class.

Analysts arguing that Argentine politics has undergone substantial change usually highlight the transformation of Peronism, first from labor-based to machine based (under Menem; see Levitsky 2003) and then from neo-liberal to progressive (under the Kirchners). This description is correct but its corollary less so, since the survival and malleability of Peronism are hardly a novelty. On the contrary, these characteristics are built into the party's nature. The real news is the decline of Radicalism, which has stopped short of disappearance – but close (Torre 2003). This fact has created an imbalance in the party system that has promoted the splitting and proliferation of Peronism rather than the emergence of a third party to substitute for the UCR.

Party imbalance has several indicators. For instance, out of seven presidential elections held between 1983 and 2014, the UCR won two and the PJ five. However, the former has been unable to finish any of its mandates, while the latter has not only completed its own but also those of its rival (see Table). This differentiated performance shows that both parties have raised up to the electoral challenge but only one of them has coped with the challenge of government. There are two interpretations for such a contrast: one is external and emphasizes the institutional structure that consistently over-represents the PJ by granting it a majority in the Senate and the provincial governorships; the other is internal and highlights Peronism's social rootedness – which allows people to be Peronist instead of just voting for Peronism (Ostiguy 1998) – and outstanding degree of institutional flexibility, while pointing to the radicals' doctrinarian rigidity that has led to adaptive failure. I contend that the external and internal interpretations are complementary.

Asymmetric Adaptation: Presidential Terms Won and Completed by Party Over One Century

UCR	Presidential election won	1916	1922	1928			1958 ucri	1963 ucrp			1983			1999 alian			
	Term completed	Yes	Yes	No			No	No			No			No			
PJ	Presidential election won				1946	1952			1973a	1973b		1989	1995		2003	2007	2011
	Term completed				Yes	No			No	No		Yes	Yes		Yes	Yes	?

NB: Current democratic period (after 1983) is in bold

If the locus of party politics is the province, not all parties are equally equipped to profit from it. Peronism has a comparative advantage with respect to Radicalism in winning and retaining provincial and local governments. This partisan advantage "is based on differentials regarding both access to public monies and electoral returns from expending public resources" (Calvo and Murillo 2004: 742). Once Peronism translates this advantage into institutional seats, it is able either to govern alone or to prevent others from governing. This explains some of the difficulties the Radical presidents had to confront, but it is not enough to account for global government failure: in fact, both Alfonsín and De la Rúa were able to build coalitions broader than their own party and to get most of their agenda through Congress or via decree, at least before the lame duck phases that followed their mid-term electoral defeats. But they were not able either to strike a consistent policy direction – given his ideological restrictions, in the case of Alfonsín – or to get enough party unity and strategic coordination after a defined course of action – given his lack of party control, in the case of De la Rúa. Whereas Alfonsín fell short of party program, De la Rúa fell short of party structure.

So, what are the prospects for the coming years? If contemporary patters are to persist, the following occurrences are likely to take place:

1. Cristina Kirchner is going to finish her mandate, as elected Peronists do, in spite of economic hardships and social turmoil. During the last two years, her efforts will be split between stabilizing the economy and steering the Peronist succession.
2. The next president will combine two features: he will be Peronist and he will hold subnational executive office, most probably a governorship – though a big mayorship is not out of the cards.
3. The non Peronist opposition will join in one or two large coalitions, and this decision will have an impact on how many Peronist candidates will run for president. The more unified (and menacing) the opposition, the more unified the incumbent party. Peronism is creative but reactive, so it adapts to changing conditions better than it models them.

Of course, black swans may occur and exceptional times cannot be ruled out. Potential leaders might die unexpectedly, governors are not the only guns in town, and Radicals sporadically win presidential elections. Thus, hedging the bets would not be a foolish strategy. Yet, acknowledging the odds makes for better scholarship and politics. And once overcome the current crisis, another "normal times" decade will ensue up to the following crisis.

This notes' focus on Peronism and provinces highlights historical continuities that underlie contemporary Argentine politics, no matter how revolutionary certain events may sometimes appear. Jorge Luis Borges once said that "Peronists are neither good nor bad, they are incorrigible." He was hinting at an expression of resilience, perhaps the most salient feature of the country's political life. This is why Argentine democracy is, more often than not, a déjà vu democracy: the future tends to look like yesterday all over again.

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Argentina: A Peronist Democracy

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The Argentina democracy is now thirty years old. There was a time when to reach such a milestone seemed like a hopeful impossibility. But the once-fledgling democracy has proven to be surprisingly resilient, having survived bouts of military insubordination, several economic crises, as many social upheavals and the churning of five presidents in two weeks. Thirty years ago we would have thought that just having a democratic regime instead of an authoritarian one would be wonderful; now we know that regular and free elections are not enough and political science has moved onto questioning what kind democracy do we have: because of that, there was a multiplication of studies about the "quality of democracy" (O'Donnell Iazzeta and Vargas Cullell 2003) or "democracy with adjectives" (Collier and Levitsky 1997) Argentine democracy has been characterized, among other, as a delegative democracy (O'Donnell Iazzeta and Quiroga 2011), a populist democracy (Laclau 2005), and a hiper-presidential one (Castells 2012)

What kind of democracy does Argentina has? By looking at some aggregate electoral numbers, the answer to that question becomes simpler. Before anything else, the Argentine democracy is a Peronist one.

THE CRISIS OF THE (NON-PERONIST) POLITICAL PARTIES

Much has been written about the fact that, even as the Argentine democracy seems to get stronger the Argentine political parties seem to have become weaker; this seemed to be evident after the crisis of 2001 and 2002 (Cavarozzi and Casullo 2002) But actually, ten years after that we can see that the political system did not engulf all of the political system. Half of it is in indeed crisis but half of it seems to do fine.

In 1983, Argentina came into democratic politics with an almost perfect two-party political system, to wit:

Figure 1: National elections of 1983

	UCR	PJ	Other Parties
President	51,75	40,16	7.92
Congress representatives	129	111	14

(All electoral data from the Electoral Atlas at www.andytow.com)

The election of 1983 was contested between the two traditional Argentine parties: Peronism and Radicalism. The clear—although surprising to many—winner of the first presidential election of the new democracy was the Radical party. Peronism, the defeated party, obtained nonetheless a hefty 40.61 per cent of the vote. The other parties combined fell short of 9 per cent. The National Congress that resulted had one clear majority block and one clear minority block and a handful of representatives and senators from smaller parties. (Senators, however, were elected by the state legislatures at the time.)

The two-party nature of Argentine the party system even withstood the effects of the hyperinflation of 1989 and society's dissatisfaction with the Radical government performance: Peronism won the presidential elections of 1989 with a clear 47.49 per cent of the vote, but Radicalism was able to hold on to 37 per cent of the vote in the midst of a catastrophic crisis of governance. Onlookers could argue that, once the crisis of 1989 faded from memory and once its leadership renewed itself, the UCR was in a reasonable position to rebuild itself: after all, the UCR was the oldest Argentine political party and had survived many blows before to came back roaring in 1983.

But his was not the case. I will present the results from the presidential elections from 1983 to 2011:

Figure 2: Presidential elections results

	1983	1989	1995	1999	2003	2007	2011	Average
Peronism (PJ and allies)	40.16	47.49	49.94	38.27	24.45 (Menem) 22.24 (Kirchner) 14.11 (Rodriguez Saa) 58.8	45.26	54.11	47.61
UCR	51.75	37.04	16.99		2.35	16.91	11.19	
FREPASO			29.30					
Alianza (UCR+Frepaso)				48.37				
UCD		6.87						
Cavallo				10.22				
Lopez Murphy					16.37			
Carrió					14.05	23.04	1.84	
Rodriguez Saa						7.6	7.96	
Duhalde							5.86	
FAP							16.81	

The system changed in a more fundamental fashion in the nineties. In 1994, Raúl Alfonsín's decision to sign off onto Carlos Menem's constitutional reform attempt, which opened the way for Menem's reelection, proved to be catastrophic for the UCR. In the elections of 1995 the UCR obtained 16.99 per cent of the popular vote. The newly-created center-left FREPASO party made its debut at the national scene with a substantial 29.30 per cent.

And thus the end of the Argentine two-party rule began. It is true that a radical politician, Fernando De La Rúa, defeated the Peronist candidate, Eduardo Duhalde in 1999. However, it would not be accurate to say that Radicalism recuperated its privileged pre-1994 place. In order to be competitive in the 1999, the UCR had to adapt itself to the new times by forming a coalition with the FREPASO named the "Alianza por el Trabajo, la Justicia y la Educación" (Alianza). While it is true that the UCR was the dominant partner in the new coalition, the resulting government structure was a complex layering of officials from both parties who never functioned in a truly unified manner.

The crisis of 2001 had a deep impact on the political system. In the election of 2003 a record number of seven candidates competed for the presidency. There were multiple party labels, but three of them came from the Peronist party (Carlos Menem, Néstor Kirchner and Adolfo Rodrigez Saa) and three of them from the UCR (Leopoldo Moreau, Elisa Carrió and Ricardo Lopez Murphy.) None of these was able to get more than 22 per cent of the vote, and the once-proud UCR obtained 2.35 per cent, its lowest catch from 1983. The political system never recovered its two-party structure.

Around these years the Argentine political analysis was awash in pieces decrying the "political crisis" and the "breakdown of representation". But since 2003 the things have changed. To summarize, the main difference is that the **Peronist field became re-unified but the anti-Peronist field did not.** In 2007 Peronism was unified behind Cristina Fernandez de Kirchner and Peronism won the elections with 45.26 per cent of the vote. But the non-Peronist spectrum vote was divided between the UCR (16.91) and the party of former-UCR leader Elisa Carrió (23.04), who was the runner-up to the election.

In 2011 the distance between the unified Peronism and the atomized non-Peronism was even greater. The official Peronist ballot obtained 54.11 per cent of the vote (to which we could sum the dissident Peronist Rodriguez Saa's 7.96 per cent), the Socialist-led FAP got 16.81 per cent and the UCR 11.19 per cent. Elisa Carrió obtained only 1.84 per cent.

The thesis about the crisis of the Argentine political system must be revised. What you can see that is not the crisis of the political system; it is the crisis of all political identities which cannot be described as Peronist. (I use the word "political identity" here instead of "political party" purposefully. A political identity, paraphrasing Aboy Carlés definition, is a set of political practices which are able to generate, through a process of external differentiation and internal homogenization, stable solidarities tan in turn shape collective action.) (Aboy Carlés 2005) A political identity can be institutionalized fully into a political party, or, as the case of movement-based political formations like Peronism, be more than just a party. It is however capable of generating stable political practices.

WHAT IS PERONISM

What is Peronism, you might ask? Peronism is a lot of things. Peronism is not a party, or is more than a party. It is a "disorganized organization" (Levitsky 2001) that has surprising resilience and productive political power. I will comment on four of its features

First, as Victoria Murillo says, **Peronism is winning.** (Murillo 2014) Ideology, historical coherence and personal trajectory are secondary to the ability of winning elections. If you have the votes, you win the right to call yourself a Peronist and compete with other Peronist. If you do not have the votes, you are instantly threatened by the competition with others who do. And if you truly get into politics to compete for votes, you become a Peronist. Many observers criticize this Peronism orientation to victory, but this feature means that Peronism is the only political identity in Argentina whose only principle of internal legibility and legitimacy are **electoral votes** (in Peronist jargon, "cuanto medís.")

Second, Peronism **is popular**. It is the only Argentine political identity who, as Pierre Ostiguy says, openly vindicates the "low", the "vulgar", the "popular" in politics. (Ostiguy 1997) In a country in which all the other political parties present themselves as middle-class and highbrow, the popular self-presentation of Peronist candidates (always willing to play soccer, being photographed with entertainment figures or eating a "choripán" in public) create a special linkage with the mass constituency.

Third, Peronism, as Steven Levistky wonderfully described in "On Organized Disorganization" **is embedded**. It is, as Ernesto Calvo might say, "close" to society. It is the only political party that has a presence in **all** the arenas of social life: in the barrio, in Congress, in the universities, in the workplaces. Because of this embeddedness, Peronism can channel demands from the bottom up quite effectively.

And fourth, Peronism is **vertical**. Peronism is embedded and disorganized; yet it is also a vertically-led machine party whose motto is "El que gana gobierna, el que pierde acompaña" ("The one who wins, governs; the one who loses falls into line.") In Andrés Malamud's words, "Peronism is an imprecision which is made precise by its leadership." Peronism's verticalism, however, only extends so far as the leader has the votes; but until the votes run out, it provides a unified government.

The result of this is that Peronism's share of the electoral votes has actually grown in time. In the 2011 elections, if you add to the 54 per cent of the Frente para la Victoria with the votes of all of the other candidates that presented themselves as Peronists (Alberto Rodriguez Saá and Eduardo Duhalde's) you find out that almost 70% of all voters chose a Peronist candidate. But if you add the 12 per cent of the UCR with Hermes Binner's 17 per cent, you are still far from the high-water results of the old UCR in era of bipartisanism.

This is even more startling if we look at the results of the last congressional elections, in October of 2013. Nationally, the FPV obtained 30 per cent. But the second most voted party, with 25 per cent, was the newly created Frente Renovador. This is an anti-Kirchnerista party led a former Kirchnerista, the former Jefe de Gabinete (Cabinet Chief Minister) Sergio Massa.

In fact, when Peronist identity is split between different ballots, the overall count does not necessarily diminish, but in fact can grow. If you look at the results of the last election in the province of Buenos Aires (the larger electoral district and the "mother of all battles" in the colorful vernacular) and you add up every Peronist or proto-Peronism option, the results are mind-blowing. The FPV, the FR, Francisco De Narvaez and Union con Fe combined got 83% of the vote. Internal competition inside Peronism is not correlated with disenchantment or exit, but with heightened societal interest.

Figure 3: Congressional elections of 2013 in the Provincia de Buenos Aires

	Votos	%	Peronism
Frente Renovador	3.776.898	43,92	83.16%
Frente Para La Victoria	2.767.694	32,18	
Unidos Por La Libertad el Trabajo	469.336	5,46	
Frente de Izquierda y de Los Trabajadores	433.269	5,04	
Union con Fe	137.216	1,60	
Frente Progresista Civico y Social	1.015.430	11,80	

This does not mean that Peronism cannot lose elections. It can lose, it has lost and it will lose elections in the future. But Peronism occupies the center of the scene, and the rest of the political actors play a reactive role. They fill up the spaces that are left after Peronism moves, and develop their own identities in reaction to it.

The reasons for the preeminence are not the authoritarian manipulation of the political institutions, or clientelism, nor the centralization of authority in the hands of the executive branch, even though these things might play some marginal role. The main reason is the specific nature of Peronism, which is not a party, but a **non-totally enclosed system aimed at creating and articulating multiple and overlapping forms of political representation**. The system includes four elements: the territorial networks of *gobernadores* and *intendentes*, the labor movement, the social movements and the structures of techno-bureaucratic intelligentsia.

By this I mean that Peronism is not a political party but a complex system in which each of its parts is a particular form of creating linkages of political representation. Some of these linkages take the form of institutions such as the *Partido Justicialista* or the labor unions, and some of these are informal networks (for instance, the network of territorial power-brokers.) The system is not a totally closed totality, however. First, because there is a lot of fluctuation and overlapping among the elements; second, because the final closure is given by the personal imprint of Peronist leader.

The fact that Peronism is a system of representation and not a party creates two crucial strengths: to assure that Peronism constructs and reconstructs multiple and overlapping linkages with society, and to create ferocious competition inside itself. The political leader fulfills a crucial role by managing the competence between the elements and deciding the ideological orientation.

The crux of the argument is that the real adversary of each Peronist phase is created inside Peronism itself. The real adversary of Carlos Menem was a Peronism government who had accompanied some of Menem's reforms, Néstor Kirchner. The greatest adversary of Cristina Kirchner is, today her former cabinet chief.

So, in 2015, we can expect Peronism to win. That one is easy. The difficult part of the question is to know **which** Peronism will win.

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