

## **Argentine Democratic Politics in an Era of Global Economic Crisis**

*Alejandro Bonvecchi and Javier Zelaznik*

### **Abstract**

This essay investigates the political and economic conditions that shaped Argentina's response to the international economic crisis of 2008-2009 and its effects on the democratic regime. Argentina managed not only to preserve its democracy but also to improve its citizens' level of support for it during the crisis. Three factors account for these outcomes. One is the government's ability to obtain funding for its counter-cyclical policies, which enabled it to redress some of the economic and social effects of the crisis. Another factor is the government's success in presenting its statist and redistributive policy responses as a break with the past, thus recreating expectations of change to the status quo and hope for a better future. Finally, the timing of the legislative election and the coalitional dynamics of the opposition allowed the government to perform a strategic shift, which effectively reshaped the political agenda and enabled the ruling coalition to recover from an important electoral defeat by reinventing its nature. These factors enabled the incumbent government to recast the continuity of its previous policies as a novel response to the crisis, and thus rekindle the basis for a positive assessment of the democratic regime among citizens.

**Key words:** Argentina, democracy, economic crisis, elections.

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**T**he political effects of the international economic crisis of 2008-2009 in Latin America were somewhat anomalous. Contrary to the expectations born out of the experience of the Great Depression, the crisis did not weaken but strengthened public support for democracy. While the ratio of GDP per capita in 2009 fell all across the region—except in Bolivia, the Dominican Republic, Panama, and Uruguay—support for democracy diminished only in four of the fourteen

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**Alejandro Bonvecchi** is Professor of Political Science, Universidad Torcuato Di Tella, Buenos Aires, Argentina. <abonvecchi@utdt.edu>

**Javier Zelaznik** also is Professor of Political Science, Universidad Torcuato Di Tella, Buenos Aires, Argentina. <jzelaznik@utdt.edu>

countries whose economies contracted—Colombia, Ecuador, Nicaragua, and Venezuela—and increased in the rest, reaching the peak in the Latinobarometer series for seven of the eighteen countries surveyed.<sup>1</sup> This anomaly can be explained by the combination of macroeconomic, political, and policy factors. Most Latin American countries had benefited in the previous years from significant rates of economic growth, higher fiscal income, and reduction in the debt/GDP ratio—conditions which decisively contributed to making significant financial resources available for counter-cyclical fiscal and social policies.<sup>2</sup> A majority of these countries (53 percent) held presidential elections in 2009—a variable regularly associated with increases in support for democracy, insofar as they entail the chance for citizens to change the status quo and for new or more empowered governments to introduce different policies that might create hope for a solution to problems.<sup>3</sup> An even larger majority of Latin American governments (72 percent) converged in introducing a similar policy menu against the crisis: semi-heterodox to semi-statist economic policies, combined with technocratic to semi-redistributive social policies.<sup>4</sup> This combination of factors appears to have enabled Latin American democracies to weather the storm of the most intense global economic crisis since the 1930s.

Argentina constitutes a partial exception to these regional patterns. First, while its macroeconomic conditions, just as in the rest of South America and most of Latin America, had been quite favorable since 2002, the government had implemented very expansive fiscal and monetary policies, which had eroded the fiscal surpluses achieved earlier in the decade, thus reducing its own sources of finance for counter-cyclical policies by 2008. Second, although the country held an election in 2009, it was a partial renewal of Congress rather than a presidential contest, which in countries with powerful executives such as Argentina, is typically less associated with expectations of policy change than the latter. Third, the policy menu implemented by the Argentine government in response to the crisis was the most statist in economic policy and the most redistributive in social policy across the region—and statist economic policies

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<sup>1</sup> Alejandro Bonvecchi and José Luis Machinea, “Apoyo a la Democracia: Una Mirada a los Impactos Políticos de la Crisis” [Support for democracy: A look into the political impact of the crisis], in *La crisis económica en América Latina. Alcances e Impactos* [The economic crisis in Latin America: Breadth and impact], ed. José Luis Machinea (Madrid: Fundación Carolina-Siglo XXI, 2010), 166.

<sup>2</sup> José Luis Machinea, *La crisis económica en América Latina. Alcances e Impactos* [The economic crisis in Latin America: Breadth and impact] (Madrid: Fundación Carolina-Siglo XXI, 2010).

<sup>3</sup> Fabián Echegaray, *Economic Crises and Electoral Responses in Latin America* (Lanham, MD: University Press of America, 2005); Susan Stokes, Adam Przeworski, and Jorge Buendía Laredo, “Opinión pública y reformas de mercado: Las limitaciones de la interpretación económica del voto” [Public opinion and market reforms: The limitations of the economic interpretation of voting], *Desarrollo Económico* 37, no. 145 (1997): 31-56.

<sup>4</sup> Bonvecchi and Machinea, “Apoyo a la Democracia: Una Mirada a los Impactos Políticos de la Crisis.”

and redistributive social policies were associated with a decrease, rather than an increase, in the level of support for democracy.<sup>5</sup>

Despite these deviations from the regional patterns, Argentina not only preserved its democracy but also improved its citizens' level of support for it during the crisis. This essay claims that three factors account for this. One is the government's ability to obtain funding for its counter-cyclical policies, which enabled it to redress some of the economic and social effects of the crisis. Another factor is the government's success in presenting its statist and redistributive policy responses as a break with the past, thus recreating expectations of change to the status quo and hope for a better future. Finally, the timing of the legislative elections and the coalitional dynamics of the opposition allowed the government to perform a strategic shift, which effectively reshaped the political agenda and enabled the ruling coalition to recover from an important electoral defeat by reinventing its nature. This combination of factors generated the conditions for a sitting government in political decline to recast the continuity of its previous policies as a novel response to the crisis, and thus rekindle the basis for a positive assessment of the democratic regime among citizens.

To develop this argument, the essay is structured in four sections. The first section deals with the local political background onto which the international crisis unleashed its effects. Analysis of the nature of the Kirchner coalition and the electoral developments prior to 2008 shows how the political strategies of the Kirchner administrations paved the way for a statist response to the crisis, while simultaneously straining the electoral and legislative basis for governability. The second section deals with the policy response to the crisis developed by the Argentine government. Analysis of the nature and evolution of economic policies during the two Kirchner administrations (2003-2007, and 2007-2011) shows how the second Kirchner administration, while repeating previous patterns of statist economic decisions, managed to obtain funding for counter-cyclical policies in a way that constituted an important break with the previous structure of the Argentine economy. The third section deals with the political conditions in which the policy response to the crisis was developed. Examination of the electoral strategy of the government and the coalitional dynamics of the opposition shows how the Kirchner administration took advantage of the timing of legislative elections and the institutional powers at its disposal to reinvent itself by capturing some of the opposition's agenda and exploiting the opposition's divisions to increase the centrality of the presidency in decision-making processes. The concluding section assesses these developments and their effects on the evolution of public opinion and support for democracy in Argentina, recasts the case study in the general

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<sup>5</sup> Ibid.

pattern already identified for Latin America, and highlights some implications for the current EU-debt crisis.

## **The Politics of the Kirchner Administrations: New Social Forces for a New Country**

The international economic crisis of 2008-2009 erupted during the fifth year of a political experience that had dawned when Néstor Kirchner took office in May 2003, and continued with his wife's election as president in 2007. The impact of the international crisis and the Argentine government's response to the challenge should therefore bear the imprint of this political experience.

Néstor Kirchner became President of Argentina on May 25, 2003, with the aim to build a new country after the political and economic debacle of 2001-2002. On the economic side, not only had he come to solve the crisis, but also to bury the economic framework and the social and political actors that had dominated the market-friendly policies of the Menem administration in the 1990s, and to replace them with others grounded in state intervention. On the political side, the collapse of the traditional bipartisan system provided the opportunity to recast the political system by incorporating new actors with an ideological commitment against the neoliberal past. This confrontation between the new and the old allowed Kirchner to shape his social and political alliances, identify those who were part of the past, and launch new economic and political strategies.<sup>6</sup>

The Kirchner administration's attempt was supported on a foundational narrative in which issues and actors were politicized by reference not only to the 1990s, distinguishing those who benefited from those who suffered with the policies then implemented, but also to the longer period starting with the military coup of 1976.<sup>7</sup> By means of a dualistic opposition, the "Kirchnerismo" attempted to recast the political system around two main political forces: the right versus the people. The right encompassed politicians and "technopols" in charge of the design and implementation of neoliberal economic policies, or who had not fought against these policies, as well as the foreign and domestic businesspersons who had benefited from these policies. It also included foreign nations and international organizations that promoted neoliberal policies, such

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<sup>6</sup> Javier Zelaznik, "El sistema de partidos Argentino a principios del Siglo XXI" [The Argentine party system at the outset of the 21st century], *Iberoamericana* VIII, no. 32 (2008): 170-176.

<sup>7</sup> Marcos Novaro, "La cultura política y el sentido común bajo el kirchnerismo" [Political culture and common sense under the Kirchnerismo], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011), and Javier Zelaznik, "Las coaliciones kirchneristas" [The Kirchnerist coalitions], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

as the United States, the IMF, and the World Bank. And it encompassed the military and the hierarchy of the Catholic Church, which had had a rather marginal political role in the 1990s but a central one during the last dictatorship. The “people” referred to organizations of unemployed and marginal people who had emerged in the 1990s (the *piqueteros*), the human rights organizations, the progressive left-leaning parties, the politicians committed to the new project, and the Peronist left, marginalized during the Menem administration. The Front for Victory (FpV) would be the electoral label for all these groups supporting Kirchner’s strategy. The FpV would be both larger and smaller than Peronism: larger, since it would include leftist and popular sectors alien to the Peronist tradition, but also smaller since it would exclude the right-wing, bureaucratic, liberal sectors of Peronism, led by former presidents Carlos Menem, Adolfo Rodríguez Saá, and Eduardo Duhalde.

The political and social basis of Kirchnerism was a mixture of new and old actors, the coexistence of which was facilitated by the cover of the Peronist identity, the implementation of effective and symbolic measures aimed at satisfying the grievances of specific groups, and the development of a new kind of corporatist pact among government, unions, and business.<sup>8</sup> New actors characterized part of the Kirchnerist social coalition.<sup>9</sup> The most distinctive were two social actors: human rights organizations and the *piqueteros*. Even though he had had no previous record of dealing with human rights issues, neither during the dictatorship nor afterward, these issues became one of the main topics around which Kirchner built the political identity of his following as soon as he took office. Effective and symbolic steps were taken in order to bring human rights to the fore, and one was to relaunch the trials against those involved in military repression and torture during the dictatorship that had been interrupted due to military pressure in the initial years of the democratic transition. Likewise, some of the most important *piqueteros* groups were co-opted by the government, something that was facilitated by the targeting of specific policies to these groups, a nonrepressive strategy for dealing with social protests, a favorable economic context leading to a decrease in the unemployment rate, and the appointment of some *piqueteros* leaders to public posts in the administration. Policies toward these groups implied the redistribution of resources from more privileged social actors to more marginalized ones, such as the unemployed and informal workers—by

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<sup>8</sup> Javier Zelaznik, “*Argentina Building the New out of the Old? Politics and Economy under Kirchner.*” paper prepared for the workshop, Modern Markets and Traditional Politics? Latin American Centre, St. Antony’s College, University of Oxford, 2007.

<sup>9</sup> Sebastián Mauro and Federico M. Rossi, “Entre la plaza y la Casa Rosada: diálogo y confrontación entre los movimientos sociales y la el gobierno nacional” [Between the Plaza de Mayo and the Casa Rosa: Dialogue and confrontation between social movements and the national government], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

2010, the latter still comprised about 40 percent of the workforce.<sup>10</sup>

The Kirchner coalition also included more traditional actors such as the main workers' organization, the General Confederation of Workers (CGT), traditionally allied to the Peronist or Justicialista Party (PJ). This linkage was somewhat complex for Kirchner's political identity since many of the CGT leaders had supported Menem's market-oriented policies, while others had a rightist, bureaucratic background.<sup>11</sup> Still, Kirchner built a strong alliance with some of them, including the CGT leader, Hugo Moyano, who had consistently opposed Menem's economic policies, while simultaneously excluding more progressive workers' organizations such as the Argentine Workers' Central (CTA). This alliance between Kirchner and the CGT led to the emergence of what Etchemendy and Collier have dubbed "segmented neocorporatism," a

tripartite bargaining that produces labor moderation within [a] framework of accepted (more than negotiated) macroeconomic policy and inflation targets in exchange for gains, backed by the mobilizational power of relatively autonomous unions. Unlike European neocorporatism, in the context of a highly segmented workforce, the gains are restricted to a smaller percentage of the overall workforce, and they involve union organizational inducements and formal-sector workers' wage benefits rather than more general social welfare programs that cover the employed workforce.<sup>12</sup>

This has been counterbalanced by a wide array of policies promoting formal jobs and targeting the informal sector of the workforce—such as the strengthening of Labor Ministry workplace inspectors, and the development of training programs for the unemployed. Thus, a new kind of neocorporatism had emerged prior to the outbreak of the economic crisis and, to some degree, it provided the government with more leeway for dealing with the consequences of both the global crisis and the Kirchner government's electoral defeat in 2009.

On the political side, the Peronist identity was crucial, for the political structure of the PJ at the local level has been the main source of electoral

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<sup>10</sup> Fabián Repetto, "Las políticas sociales de transferencia de ingresos: avances hacia una mayor equidad" [Income-transfer social policies: Advances toward greater equity], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

<sup>11</sup> Sebastián Etchemendy, "El sindicalismo argentino en la era pos-liberal (2003-2011)" [Unionism in the post-liberal era (2003-2011)], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

<sup>12</sup> Sebastián Etchemendy and Ruth Berins Collier, "Down but Not Out: Union Resurgence and Segmented Neocorporatism in Argentina: 2003-2007," *Politics and Society* 35, no. 3 (2007): 392.

and legislative support for all Peronist presidents since 1983. The idea of new emerging elite against the old elite has been a recurrent theme of founding movements, and it was also present at the initial stage of Kirchner's presidency. In Argentine political parlance, this was called "transversality," and was understood as an alliance with progressive, left-leaning politicians and social leaders, providing the new president with enough political support to push ahead his agenda, while getting rid of old Peronist political machines. Yet, this would constitute a weak foundation at the institutional level, since there were too few transversal legislators.

However, the malleable nature of Peronism helped Kirchner to move forward with his reshaping strategy. Menem had converted Peronism from a labor-based party to a "neoliberal" force.<sup>13</sup> Kirchner's agenda, contrary to Menem's, was in tune with the traditional state-centered Peronist preferences. Kirchner was therefore able to return Peronism to its political tradition. The composition of Kirchner's first cabinet is a clear window that sheds light over this. All ministers were part of the "Peronist Movement," though not all of them were officially affiliated members of the PJ. Four ministers were inherited from, but not imposed by, the Duhalde administration. No follower of former Peronist presidents Carlos Menem or Adolfo Rodríguez Saá were awarded posts, nor was any provincial governor. At the legislative level, the PJ deputies and senators were the main bases of legislative support, allowing both Néstor and Cristina Kirchner to push proposals through Congress.<sup>14</sup> This genuinely Peronist legislative support mirrors a similar electoral coalition. Setting aside some speculation at the outset of Néstor Kirchner's term, it was not progressive left-wing parties but the traditional, rather conservative provincial bosses of the Peronist party who constituted the core of the different coalitions Kirchner built in the 2003 and 2005 legislative elections. Furthermore, the most important opening at the electoral level was not for progressive parties but for the other traditional party, the Radical Civic Union (UCR). To build their electoral coalition, the Kirchners co-opted the few non-Peronist governors affiliated with the UCR, as well as many of its city mayors in the province of Buenos Aires, who came to be known as "K-Radicals." This coalition, named "Plural Concertation," was built for the concurrent presidential and legislative elections of 2007, for which Cristina Kirchner was the FpV presidential candidate. It was aimed at expanding the government base of electoral support

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<sup>13</sup> Steven Levitsky, *Transforming Labor-Based Parties in Latin America: Argentine Peronism in Comparative Perspective* (New York: Cambridge University Press, 2003).

<sup>14</sup> Mark Jones and Juan Pablo Micozzi, "Control, concertación, crisis y cambio: cuatro C para dos K en el Congreso Nacional" [Control, concertation, crisis, and change: Four Cs for two Ks in the National Congress], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011), and Zelaznik, "Las coaliciones Kirchneristas."

toward middle-class voters and to counter-balance the weight of the Peronists in Néstor Kirchner's electoral and legislative coalitions. This strategy was crowned by offering the vice-presidential nomination for 2007 to a prominent K-Radical, the governor of the province of Mendoza.

The ticket led by Cristina Kirchner with K-Radical leader Julio Cobos as the vice-presidential candidate was the clear winner of the 2007 presidential election, with 45.3 percent of the valid votes, outvoting other candidates in twenty-one of twenty-four districts. However, although she doubled the share of votes of the runner-up, Cristina Kirchner failed to attract the support of middle-class voters. The geographical breakdown of the vote shows that she obtained only 39.6 percent of the votes in the five largest districts (the City of Buenos Aires, plus the provinces of Buenos Aires, Córdoba, Mendoza, and Santa Fe), where 66.9 percent of the Argentine population and most middle-class voters live, while obtaining a much stronger 57.8 percent of the vote in the other nineteen poorer districts.<sup>15</sup> Yet, at the legislative level, the FpV won majority support. Thus, by controlling the traditional Peronist party and building alliances with powerful provincial leaders from the more traditional UCR, Néstor Kirchner handed over to his wife a presidency that significantly concentrated political power.

This concentration is also clear by looking at the discretionary and delegated powers to which presidents can resort in order to make decisions. Since the 1994 constitutional reform, Argentine presidents have been granted decree authority, known in Argentina as the Necessity and Urgency Decree (NUD). Originally regarded as an exceptional measure in critical circumstances, the decree has become a rather regularly used means to allow the president to issue "legislative" norms without passing through Congress. Néstor Kirchner issued 270 such decrees over his term, even though he could count on reliable legislative support. Kirchner policy-making capacity also was strengthened by legislative delegations. In the middle of the crisis of 2002, the Congress approved the law of Public Emergency, delegating special legislative powers to the presidency. Even though the economic crisis was overcome, the emergency laws have been duly prorogued on an annual base ever since. Likewise, the annual budget laws passed by Congress delegated to the presidency the power to reallocate funds among different programs or jurisdictions, and even to change virtually the whole budget. In 2006, the Congress passed a bill granting this power on a permanent base.

Cristina Fernandez de Kirchner began the second Kirchner administration promising a mixture of continuity and change compared to her husband's term. Her main proposals hinged on promoting an industrially diversified economy (which would stand as an element of continuity), and launching a Social Pact among the state, trade unions, and businessmen (as an element of change). But

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<sup>15</sup> Zelaznik, "Las coaliciones Kirchneristas."



the disappearance of most of the fiscal surplus achieved since 2002, in large part owing to the failed strategy of subsidizing middle-class consumption of public utilities and transport, called for tough economic choices. Instead of reducing public expenditures, which was likely to hurt part of the Kirchners' electoral constituencies (i.e., the lower classes), the government decided to raise taxes on agricultural exports, without prior consultation with the sectoral organizations. This decision led to a four-month political conflict, which had deep, deleterious consequences on the economic activity and the political process. Most of the agricultural activity, which constitutes the core of Argentine exports, came to a halt, hurting urban consumers of agricultural products as well as the government's tax base.<sup>16</sup> On the political side, the conflict ended with a defeat of the government's proposal, which was rejected by the Senate, even though the FpV had a large nominal majority of 57 percent of the seats. Presidential popularity, as measured in opinion polls, plummeted from 58 percent in February 2008 to 34 percent in July,<sup>17</sup> and the ruling party lost its majority in both congressional chambers, owing to defections motivated by the government's stance against agrarian producers. Thus, five years into power, this conflict left the Kirchner government in its weakest position, both in terms of popularity and legislative support. It was in this context that Argentina had to confront the international crisis.

The policies implemented to counter the global crisis reflected, in large degree, the political nature of the Kirchnerist political and social coalition (i.e., the government was especially sensitive to the impact of the crisis on its electoral and social constituencies). Yet, these policies were also the consequence of previous economic decisions made under Néstor Kirchner's administration. The next section turns the focus to this topic.

### **Transforming Continuity into Change: The Argentine Government's Policy Response to the Economic Crisis**

The Argentine government kept an expansive and interventionist macroeconomic strategy virtually intact following 2002, but changed the policy instruments employed to pursue it. The changes had a negative impact on the availability of funding for counter-cyclical fiscal and social policies in the event of a crisis. To reverse this negative impact and regain funding, the government

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<sup>16</sup> Marcelo Leiras and Ines Cruzalegui, "Argentina: Problemas Macroeconómicos, Conflicto Social y Debilitamiento de la Coalición de Gobierno" [Argentina: Macroeconomic problems, social conflict and weakening of the government coalition], *Revista de ciencia política* [Political Science Journal] 29, no. 2 (2009): 223-246, and Mauro and Rossi, "Entre la plaza y la Casa Rosada: diálogo y confrontación entre los movimientos sociales y la el gobierno nacional."

<sup>17</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina* [Socio-political analysis of Argentine conjunctures] (Buenos Aires: Ipsos-Mora y Araujo, various issues, 2008-2011).

nationalized the private pension funds, introducing the most important break with the institutional organization of the economy as defined in the structural reforms of the 1990s. This change, consistent with the interventionist nature of previous policy decisions, made possible not only the continuity of the government's macroeconomic strategy but also the launching of a redistributive social policy in response to the international economic crisis.

Argentine macroeconomic policy in the aftermath of the convertibility regime combined expansive monetary and fiscal policies with increased state intervention in the regulation of prices. This policy menu was prompted by the conditions in which the exit from the fixed exchange rate was affected: a four-year-long recession, a 40 percent devaluation of the peso which quickly overshot to 200 percent depreciation, high unemployment (21.5 percent of the active population in May 2002), and a network of dollar-denominated contracts for the provision of public utilities inherited from the privatizations of the 1990s.<sup>18</sup> In an effort to pump up the economy, the government increased public expenditures in social policy, employment programs, and roads and housing infrastructure. To finance these expenditures, the government defaulted on the public debt and subsequently renegotiated via a swap with an average 70 percent relief on the original loans, taxed exports to reap their sudden extraordinary gains, and printed pesos to buy the foreign currency brought into the country by exporters. To prevent these monetary and fiscal policies, together with the devaluation, from prompting a sharp increase in consumer prices, the Central Bank issued new bonds with yields higher than international interest rates for sovereign debt and the domestic inflation rate for corporate debts in order to check monetary expansion. Further, the government imposed the transformation of dollar-denominated contracts into peso-denominated obligations—a decision known as “pesofication”—and established a freeze on public utility prices. The pesofication and the freeze created serious financial trouble for utility firms: they now had a fixed income in pesos which they had to change into dollars in order to repay the dollar-denominated debt they had contracted, mostly abroad with foreign investors, in order to finance their expansion in the 1990s. These financial dire straits generated significant pressures from both foreign firms and their governments on the Argentine authorities to abandon the freeze. But the government, fearing potential inflationary consequences of unfreezing utility rates, resisted those pressures by conditioning the permission to raise prices to a complete renegotiation of contracts.<sup>19</sup> Thus, the same policy tools with which the recession was left behind and inflation was initially curtailed created

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<sup>18</sup> Pablo Gerchunoff and Guillermo Cánovas, “Privatizaciones en un contexto de emergencia económica” [Privatizations in an economic emergency context], *Desarrollo Económico* 34, no. 136 (1995): 483-512.

<sup>19</sup> Eduardo Levy Yeyati and Diego Valenzuela, *La resurrección: La historia de la poscrisis argentina* [Resurrection: The Story of the Argentine Postcrisis] (Buenos Aires: Sudamericana, 2007).

strong political and economic incentives for continuous state intervention in the regulation of prices.

The combination of expansive monetary and fiscal policies—financed by an export boom—and frozen utility prices allowed for a steady growth of production and employment, which, in turn, enabled unions to push for a substantial increase in the real wages of formal workers, and, subsequently, to feed the additional income back into the state’s coffers via more consumption and higher tax revenues.<sup>20</sup> The trade surplus generated by the commodity exports boom and the depreciated exchange rate were therefore accompanied by a fiscal surplus rooted in the debt default and the resumption of economic activity.<sup>21</sup> These so-called “twin surpluses” made it possible for the state to finance not only its expansive policies but also the maintenance of the utility freeze—via direct subsidies to water, electricity, gas, and transport companies.

However, this policy menu soon generated fiscal imbalances and high inflation. The intensity of economic recovery—with annual GDP growth rates over 8 percent—strained the country’s energy resources: by 2005, shortages of electricity, gas, and fuel emerged in the industrial sector, which the government met by importing electricity from Brazil, gas from Bolivia, and fuel from Venezuela. To finance these imports without access to international capital markets—which remained closed to Argentina after the debt default—the government had to purchase dollars from the Central Bank in order to facilitate purchases by importers and exporters via short-term loans through the domestic financial system. But to prevent these purchases from upsetting the exchange market or reducing the monetary base, the Argentine Treasury bought the dollars by placing bonds with the Central Bank and using pesos from its fiscal surplus to subsidize the purchase of energy and fuel by the utility firms.<sup>22</sup> Thus, as shown in figure 1, budgetary expenditures in transport and energy subsidies rose sharply beginning in 2005, and the global fiscal result concurrently began to deteriorate.

The combination of expansive monetary and fiscal policies, real wage increases, and energy shortages created the conditions for a sharp and steady increase in consumer prices. Public expenditures and pro-cyclical monetary management expanded the monetary base, and wage policies channeled increasingly large portions of those monetary resources into consumption; meanwhile, energy shortages placed a limit on the expansion of firms’ productive

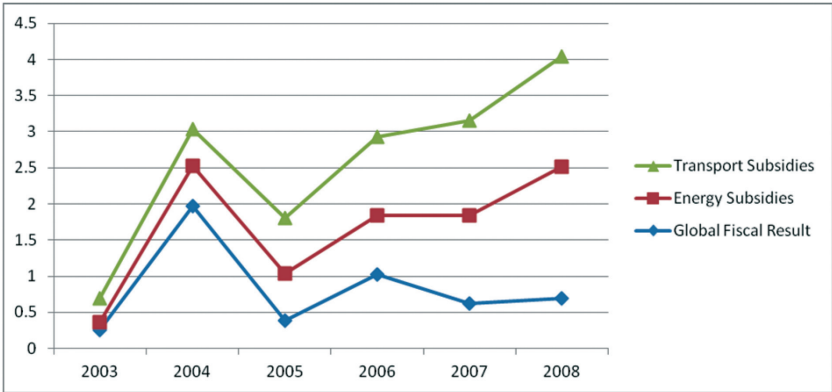
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<sup>20</sup> Etchemendy and Collier, “Down but Not Out: Union Resurgence and Segmented Neocorporatism in Argentina: 2003-2007.”

<sup>21</sup> Pablo Gerchunoff and Horacio Aguirre, “La política económica de Kirchner en la Argetina: varios estilos, una sola agenda” [Kirchner’s economic policy in Argentina: Various styles, a single agenda], *Real Instituto El Cano* DT [El Cano Royal Institute] 35 (2004).

<sup>22</sup> Maximiliano Montenegro, *Es la Economía estúpido: la historia secreta de las decisiones, trampas y falacias del Kirchnerismo* [It’s the economy, stupid: The secret story of Kirchnerismo’s decisions, manipulations, and fallacies] (Buenos Aires: Editorial Planeta, 2011).

Figure 1. Energy Subsidies, Transport Subsidies, and Fiscal Result in Argentina (2003-2008)—Percentage of GDP

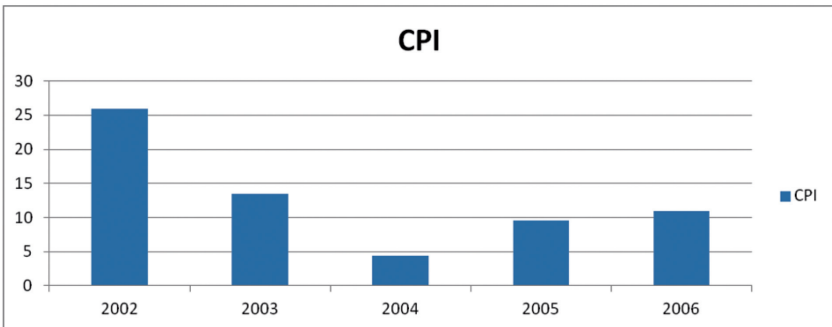


Source: Authors' own elaboration on the basis of data from the Economic Commission for Latin American and the Caribbean (CEPALSTAT), <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas> (accessed June 12, 2011).

capacity that could not be overcome in the short-term. Consequently, inflation returned to the Argentine economy. As figure 2 suggests, the rising trend in inflation also began in 2005.

The Argentine government tried to restore the original equilibria to its macroeconomic strategy by increasing state intervention in the economy. To curb rising inflation, the economic authorities pressured firms and sectoral business chambers into entering agreements, which meant submitting private

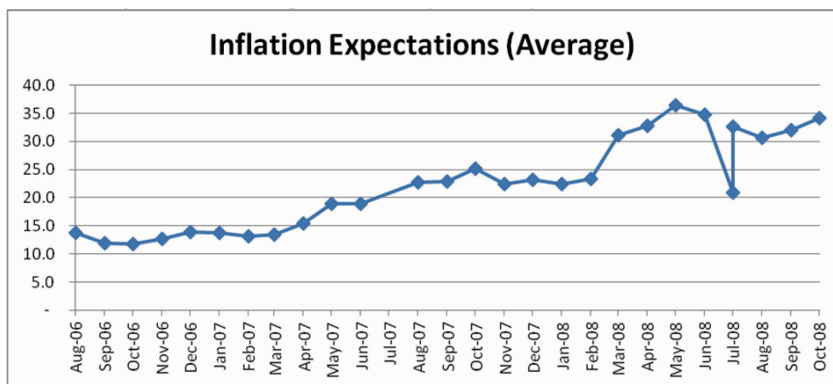
Figure 2. Consumer Price Index in Argentina (2002-2006)—Annual Rate of Variation



Source: Authors' own elaboration based on data from the Economic Commission for Latin America and the Caribbean (CEPALSTAT), <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas> (accessed June 12, 2011).

price decisions to government control. This device allowed the government to hold down prices, particularly of goods that weighed the most in the Consumer Price Index—foodstuffs, housing, and health and education services. But in order to maintain the rhythm of economic growth, the authorities perpetuated the expansive monetary and fiscal policies, essentially intact. This prompted unions to continue to demand real wage increases, and business to continue to grant them and find ways to transfer the cost to consumers—such as creating new brands and adjusting existing ones for size and quality. The government’s response to this insistence in inflationary behavior was more state intervention: the Customs Office restricted exports to increase the availability of goods for domestic consumption, and the Commerce Secretary expanded the range, frequency, and intensity of price controls.<sup>23</sup> But, again, the continuity of expansive monetary and fiscal policies prevented deflation from taking hold, and the government reacted by pushing state intervention in price regulation one step further—to the manipulation of the official Consumer Price Index. This decision, oriented to defuse inflationary expectations, actually worsened them by inducing the public to think that if the government was manipulating official statistics, it must be because conditions were even worse than the statistics depicted. The Inflation Expectations Poll conducted by the Torcuato Di Tella University from August 2006 onward, which eventually established itself as a reliable measure of inflation instead of the CPI, attests to the failure of the government’s maneuver. As shown in figure 3, inflation expectations

Figure 3. Inflation Expectations in Argentina (August 2006-October 2008)



Source: Inflation Expectations Poll, Torcuato Di Tella University Business School, [http://www .utdt .edu /ver\\_contenido.php?id\\_contenido=2591&id\\_item\\_menu=5006](http://www.utdt.edu/ver_contenido.php?id_contenido=2591&id_item_menu=5006) (accessed June 12, 2011).

<sup>23</sup> Marcelo Nazareno, *Hacer la Diferencia. Nueva Izquierda, Coaliciones y Política de la Política Económica. La Argentina en el Contexto Latinoamericano, 2003-2007* [Making a difference: New left, coalitions and the politics of economic policy: Argentina in the Latin American context, 2003-2007] (Unpublished doctoral dissertation, FLACSO-Buenos Aires, 2009).

increased almost unrelentingly after the manipulation of official statistics began in January 2007.

To restore the fiscal balance, the Argentine Treasury raised duties on exports, particularly those of agrarian origin, in December 2007 and March 2008. The first hike raised rates on soybeans, by then the major commodity traded by Argentina, to 35 percent; the second hike established a mobile rule by which rates would increase or decrease with commodity prices. While the former decision had motivated but disgruntled *comuniqués* by agrarian business associations, the latter prompted a full-scale tax rebellion in the Argentine hinterland. Agrarian producers were integrated into production networks also formed by investment funds, chemical companies, transport firms, and traders.<sup>24</sup> These networks resided in the most populated, and, hence, electorally most important, provinces in the country, and were consistently highly regarded by the public.<sup>25</sup> Consequently, when the government met the agrarian resistance to its tax hike by denouncing producers as “oligarchs” and pushing for the compulsory reorientation of production away from soybeans, subnational politicians of all persuasions joined the rebellion. After massive demonstrations and a few violent skirmishes between pro- and anti-government protesters, the Executive turned the matter over to Congress, where an insurmountable split in the ruling party resulted in the repeal of the government’s decision.<sup>26</sup>

Argentina thus came to face the international economic crisis which had begun to spread in October 2008, in the midst of high inflation and fiscal imbalances that threatened the sustainability of the government’s expansive macroeconomic strategy. To make these vulnerabilities worse, the failure of the government’s interventionist responses to the problems had discredited the statist approach previously hailed by public opinion: the positive poll ratings of President Cristina Fernandez de Kirchner, who had been inaugurated in December 2007 with a 75 percent approval rating, had fallen to 53 percent in March 2008 when the agrarian tax rebellion started, and to 35 percent in August, just after the government’s electoral defeat.<sup>27</sup> The strategy and policy menu of the Kirchner administration was on the verge of collapse.

However, the outbreak of the international economic crisis provided the Argentine government with an opportunity to address its financial difficulties

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<sup>24</sup> Roberto Bisang, Guillero Anlló, and Mercedes Campi, “Una revolución (no tan) silenciosa. Claves para repensar el agro en Argentina” [A (not so silent) revolution: Keys for rethinking the agrarian sector in Argentina], *Desarrollo Económico* 48, nos. 190-191(2008): 165-208.

<sup>25</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina*.

<sup>26</sup> Neal Richardson, “Export-Oriented Populism: Commodities and Coalitions in Argentina,” *Studies in Comparative International Development* 44, no. 3 (2009): 228-255.

<sup>27</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina*.

in an audacious manner. On October 21, 2008, barely forty days after the fall of Lehman Brothers and two weeks after the passing of the Bush administration's bailout package in the United States Congress, President Cristina Fernandez de Kirchner announced the nationalization of the country's private pension funds. This decision enabled the government to appropriate an income flow equivalent to three times the size of the 2008 fiscal surplus (i.e., U.S. \$3.2 billion, thrice the AR \$4.5 billion registered surplus<sup>28</sup>) and, thus, to finance the maintenance of aggregate-demand stimulus policies and the transport and energy subsidies required to preserve the freeze on public utility rates. Moreover, the channeling of social security contributions to the Argentine Treasury's coffers made available sufficient funding for counter-cyclical social policies designed to prevent the Argentine economy from being dragged into the looming world recession.

The nationalization of the private pension funds signaled both continuity and a break with previous patterns of economic policymaking. It entailed continuity, insofar as it was another decision which increased state intervention in the economy; but it also implied a break with the past insofar as it departed from the criteria guiding previous nationalizations, from the social security policies of the Kirchner administrations, and from the organization of the domestic capital markets established in the 1990s.

So far, since the exit of the convertibility regime, nationalizations had been enacted only upon highly indebted private utility firms in monopolistic positions, whose financial crisis threatened the continuity of public services: *Correo Argentino*, the postal service renationalized in 2003, and *Aguas Argentinas*, the water-provision firm operating in the Greater Buenos Aires area, renationalized in 2006.<sup>29</sup> In contrast, the nationalization of the pension funds entailed the disappearance of an incipiently competitive private domestic capital market which owned a significant amount of government debt—and whose solvency, therefore, reflected that of the Treasury itself.

The social security policies of the Kirchner administrations had expanded the coverage of the public pension system, while preserving the private tier. Coverage had been extended to housewives and retirees, noncontributing workers in 2007. To finance these added expenditures, the authorities tried to entice workers who contributed to private funds to change their contributions

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<sup>28</sup> Ministerio de Economía [Economy Ministry], *Boletín Fiscal de la Secretaría de Hacienda* [Fiscal bulletin of the Treasury Secretary], Cuarto Trimestre [Fourth Quarter] 2008 (Buenos Aires: Secretaría de Hacienda, 2008).

<sup>29</sup> Nadia Arno, *Estatización política o nacionalización eficiente? la renegociación del contrato de Aguas Argentina en perspectiva comparada* [Political confiscation or efficient nationalization? The renegotiation of the Argentine Waters Contract in comparative perspective] (Unpublished BA Thesis, Buenos Aires, Torcuato Di Tella University, Department of Political Science, 2009).

to the public tier, but over 70 percent of them decided to remain with the private funds.<sup>30</sup> The nationalization of these firms, therefore, meant ignoring the expressed will of the majority of contributing workers against rejoining the public social security system.

Yet, the starkest discontinuity introduced by the nationalization affected the organization of the domestic private capital market. The 1994 social security reform had dramatically expanded the size of this market by introducing private pension funds alongside the public system. The private funds were directed to invest in productive enterprises, private financial instruments, and public-debt bonds. Despite the compulsory placement of public debt in their balance accounts in the midst of the 2001 economic crisis, the pension funds had taken advantage of the economic recovery since 2002 to rediversify their holdings and redistribute their risk.<sup>31</sup> Although their position as financiers of the exchequer had lost centrality in the aftermath of the 2001 debt default, private pension funds were still important providers of funding for, and therefore were stakeholders in, both national and transnational firms operating in Argentina. Consequently, the nationalization of the private pension funds also entailed the partial nationalization of the firms in which these funds held stocks. The government's decision thus not only appropriated private funds, but also substituted public for private ownership of private firms.

This radically statist policy decision was initially resisted by the affected companies, but was simultaneously welcomed by the majority of the public. While affected businessmen rejected state intervention in the management of their firms, public opinion greeted the disappearance of the private pension funds—which, although broadly preferred to public pensions, were denounced as usurers for the fees they charged workers in exchange for managing their social security contributions.<sup>32</sup> In the face of public support for this nationalization, the affected firms decided not to follow the path to resistance that agrarian producers had trod barely six months earlier. Instead, they negotiated a deal with the government by which it would name only one board member per firm and refrain from participating in management decisions.<sup>33</sup> Thus, nationalization was passed by Congress in early November 2008.

Equipped with new and augmented resources, the Argentine government launched a set of redistributive social policies in response to the economic crisis. On the one hand, in late 2008, it initiated a program to subsidize private employment by which it would pay for the wages of financially strained firms. On the other hand, in late 2009, it announced the universalization of

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<sup>30</sup> *Diario La Nación* (newspaper, Buenos Aires), October 22, 2008.

<sup>31</sup> Superintendencia de Administradoras de Fondos de Jubilaciones y Pensiones [Superintendent of Pension Funds Administration], *Boletín Estadístico* [Statistical Bulletin] 14, no. 10 (2008).

<sup>32</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina*.

<sup>33</sup> *Diario La Nación*, October 22, 2008.



family allowances, which effectively extended coverage to families in the informal sector of the economy. The impact of the former has been construed as limited: it reached no more than 0.5 percent of the active population and did not prevent employment from falling.<sup>34</sup> The impact of the latter, however, seems to have been substantial: it reached 59.3 percent of the country's poor households, including 70.1 percent of those living in extreme poverty—thus bringing extreme poverty rates down from 6.9 percent to 2.8 percent, and overall poverty rates also down from 23.2 percent to 19 percent in the first year of the program's implementation.<sup>35</sup>

The economic conditions for the launching of these social policies can thus be clearly traced to a decision that recast the continuity of the government's interventionist policy-making strategy as a break with previous policy patterns and economic institutions. But the successful continuity of the government's macroeconomic strategy cannot fully account for either the political impact of the nationalization of the private pension funds or the timing of the announcement of the universalization of family allowances. The President's positive ratings remained in the low 30s during 2009, despite the decisiveness and boldness of the policy responses to the crisis,<sup>36</sup> and the universalization of family allowances was enacted only after the ruling party lost the 2009 legislative elections. To understand the impact of the Argentine government's policy response to the crisis, it is therefore necessary to examine the political conditions under which this response was conceived and implemented.

### **Electoral Test amid Global Crisis: The 2009 Legislative Elections**

The 2009 mid-term legislative elections were a crucial test for Cristina Kirchner's administration, after the resounding defeat in the fight against rural producers for the export tax and the impact of the global crisis. What was at stake was the composition of the bicameral Congress: elections are held every two years to renew half of the 257 members of the Chamber of Deputies, and one-third of seventy-two members of the Senate. But also at stake were the government's policy-making capabilities and, once more, its self-image as representing "the people." The particularities of the context in which these elections were held pressed for a distinctive electoral strategy that departed from those of previous elections. The way in which the FpV read the results of the elections opened a window of opportunity to push ahead its political

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<sup>34</sup> Ernesto Kritz, *Newsletter sobre la Situación Laboral y Social de la Argentina* [Newsletter on the labor and social situation of Argentina] (Buenos Aires: SEL Consultores, various issues, 2009).

<sup>35</sup> Leonardo Gasparini and Guillermo Cruces, *Las Asignaciones Universales Por Hijo. Impacto, Discusión y Alternativas* [Universal child allowances: Impact, discussion and alternatives], Working Paper 0102 (Buenos Aires: CEDLAS, 2010).

<sup>36</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina*.

agenda. This constitutes the focus of this section.

The 2009 election was the fifth electoral test, at the legislative level, during the Kirchners' administrations. The first test took place over the six-month period that followed Néstor Kirchner's inauguration (May 25, 2003), and was marked by the attempt to rebuild the President's party, which had run three different presidential candidates in the 2003 presidential election. In essence, this implied that the PJ ran a single legislative candidate list in almost all the districts, mostly supportive of the presidential faction of the party. For the 2005 legislative election, Kirchner followed a different strategy, aimed at obtaining full control of the PJ leadership and, particularly, of the main electoral district, the province of Buenos Aires, where the party was led by former president, Eduardo Duhalde. Even though the Duhaldist faction of the party had been supportive of the government, Kirchner's attempt to gain autonomy from Duhalde's leadership drove him to adopt a different, divisive strategy that split the PJ, with the province of Buenos Aires as the main battlefield. For the Senate election, the government fielded the candidacy of Cristina Fernandez de Kirchner, the president's wife, while the Duhalde faction fielded the candidacy of Duhalde's wife, Hilda Gonzalez de Duhalde. The outstanding victory of Cristina Fernandez gave Kirchner a boost to control the party, although initially not a legislative majority.<sup>37</sup> Having achieved control of the PJ, the strategy for the 2007 election was to build joint lists with the K-Radicals in the context of Plural Concertation. The strategy paid off, but only in the short term: the Kirchners obtained a majority in both houses of Congress, but they eventually lost it due to the agrarian conflict of 2008.

The 2009 legislative election was therefore quite distinctive. The aftermath of the fight against rural producers for the export tax had many negative consequences for the FpV. First, the government had its first clear legislative defeat when the Congress, with the negative vote of Vice President Cobos, refused to consent to the resolution increasing export taxes, even though the party government had a majority legislative contingent in both chambers. Such legislative defeats are very rare in the Argentine Congress (only two other such instances have taken place since restoration of democracy in 1983). Thus, the repeal of Resolution 125 weakened the air of invincibility projected by the government. Second, a great disenchantment rose among voters in the rural areas of some of the most populated districts, such as Santa Fe, Cordoba, and the province of Buenos Aires. This led to the defection of most FpV legislators belonging to the soybean-producing provinces, which reduced the FpV legislative contingent from 129 to about 110 legislators in the lower chamber. From then on, the government had to build ad-hoc coalitions with small

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<sup>37</sup> Alejandro Bonvecchi and Javier Zelaznik "La construcción de la mayoría kirchnerista" [The construction of the Kirchnerist majority], *Aportes* [Contributions], Working Paper Series, 15, Buenos Aires, Fundación PENT (2006), and Zelaznik, "Las coaliciones kirchneristas."

left-wing parties, provincial parties, and a constellation of single-members' legislative groups in order to get its agenda passed by Congress. Third, the Plural Concertation broke down after the negative vote of Vice President Cobos on export taxes, something that had little impact on the weakening of the legislative support for the government (especially when compared to the effects of the split within the FpV itself), but had a powerful impact in strengthening the legislative contingent of the opposition UCR, providing it, and the whole opposition, with a visible and strong presidential candidate to challenge the Kirchners in 2011, Vice President Cobos.

While these partisan moves were previous and mostly unrelated to the global crisis, when the crisis started to make inroads into the domestic sphere, the prospects for the government to rebuild a large and stable coalition became bleak. The dominant economic expectations were that the negative effects of the crisis on growth, employment, and poverty would deepen with the passing of months. In this context, the political strategy of the government was characterized by three features: the rescheduling of the elections, the so-called testimonial candidatures, and Néstor Kirchner's candidature in the province of Buenos Aires. The legislative elections were originally scheduled for October 25, 2009, therefore the setting of a new date required passage of a special law in Congress that was supported by the majority of the members of both chambers, which the government no longer controlled by the end of 2008. Yet, in order to get the rescheduling of the elections to June 29 approved by the Congress, the government had to count on the support of the same coalition that had supported the government in 2008 in its successful attempt to have the pensions funds remanded to the public sector: legislators from left-of-center parties, provincial parties, and single-member's legislative groups. Testimonial candidatures refer to the inclusion in the FpV's electoral lists of those leaders, such as the governor of the province of Buenos Aires, Daniel Scioli, and the Chief of Staff of the National Cabinet, Sergio Massa, who had been elected to executive offices at the provincial or local level, but with no expectation of assuming their legislative posts in case they were elected. Likewise at the municipal level, many mayors ran as members of local city halls, knowing beforehand that they would remain in their existing executive posts. The aim of this strategy was to compromise all PJ leaders in the electoral campaign, reducing as much as possible the probability of their shifting their support to dissident Peronist lists. Despite its rationality, many resented this strategy as an attempt to mock the popular will. Finally, Kirchner's candidacy heading the list in the most populated electoral district, the province of Buenos Aires, was a bold move to try to frame a mid-term election of only half of the deputies and a third of the senators, akin to a presidential contest in which national rather than local issues were at stake.

On Election Day, there were finally four main actors. First, the official FpV, headed by Kirchner in Buenos Aires, hoping to avoid, as much as possible, an electoral punishment. Second, an electoral alliance, named Acuerdo Cívico

y Social (ACyS), of most non-Peronist opposition parties: the UCR (still the second most important party in the country), most former K-Radicals with the support of Vice President Cobos, the Socialist Party, and Coalición Cívica (led by Elisa Carró, the runner-up in the 2007 presidential election, and former member of the UCR). Third, a coalition between the right-wing Propuesta Republicana (led by the mayor of the City of Buenos Aires), dissident leaders of the PJ (especially in the provinces of Buenos Aires, Tucumán, and Misiones) and other conservative provincial parties such as the Democratic Party in Mendoza. Fourth, in many provinces, PJ leaders ran in lists separate from the FpV, something especially relevant in two of the most populated districts of the country, Córdoba and Santa Fe, where the official organization of the party, rather than dissidents, decided not to support the FpV. Besides these political actors, much of the mass-media explicitly opposed the government by providing ample space to opposition leaders to convey their electoral messages, while also directly criticizing the government through their journalists and political commentators. Table 1 shows the results of the election.

Even though the FpV and its allies received more votes than any other electoral alternative, its support was too close to that of the ACyS, and more than ten percentage points below the support the FpV received in the legislative

Table 1. Electoral Results 2009: National Deputies (votes and seats won)

Party	Votes	%	Seats won	%
Frente para la Victoria	5,665,482	28.9	37	29.1
Acuerdo Cívico y Social	5,44,519	27.9	39	30.7
Unión-PRO	3,469,397	17.7	19	15.0
Partido Justicialista no Kirchnerista	1,574,555	8.0	15	11.8
Frente Cívico de Córdoba	468,918	2.4	3	2.4
Proyecto Sur	448,711	2.3	4	3.2
Nuevo Encuentro	415,961	2.1	2	1.6
Frente Cívico Santiago	194,537	1.0	3	2.4
Partido Demócrata-PRO (Mendoza)	125,074	0.6	1	0.8
Salta Somos Todos	83,270	0.4	1	0.8
Movimiento Popular Neuquino	78,703	0.4	2	1.6
Partido Federal Fuegoquino	12,653	0.1	1	0.8
Left and center-left	857,931	4.4		
Others	784,650	4.0		
Totals	19,627,361	100	127	100

Source: Javier Zelaznik, “Materiales para el estudio del sistema político argentino” [Elements for the study of the Argentine political system], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

Note: In every legislative election, only half of the membership of the Chamber of Deputies is at stake.

election held two years earlier; meanwhile, Peronist dissidents by themselves, or allied with the PRO, obtained a quarter of the valid votes. Thus, about 60 percent of the votes went to parties that had run unambiguously on an anti-Kirchnerist platform. Moreover, in the province of Buenos Aires, the FpV headed by Néstor Kirchner was defeated by the dissident Peronist, with 32 percent for the former and 35 percent of the vote for the latter. Looking to seats, rather than votes, the ACyS won more legislative seats than the FpV in both chambers (the ACyS won twelve of twenty-four senatorial seats, while the FpV won eight), which meant that, in the new Congress, the FpV legislative contingent would consist of just 87 deputies of 257 (i.e., only 34 percent). Table 2 shows the changes in the composition of the main legislative groups in the lower chamber.

The government was clearly defeated in the 2009 mid-term election, but the result could not be attributed entirely to the impact of the global crisis, since the discontent of the electorate predated its eruption. Among opposition

Table 2. Chamber of Deputies for the Periods 2007-2009 and 2009-2011 (seats and %)

Party	Seats 2007-2009	%	Seats 2009-2010	%
Frente para la Victoria	119	46.3	87	33.9
Unión Cívica Radical	24	9.3	43	16.7
Peronismo Federal*	23	8.9	29	11.3
Coalición Cívica	18	7.0	19	7.4
PRO	9	3.5	11	4.3
Frente Cívico Santiago	6	2.3	7	2.7
Peronista			6	2.3
Partido Socialista	10	3.9	6	2.3
Proyecto Sur	1	0.4	5	1.9
Nuevo Encuentro	4	1.6	5	1.9
GEN			5	1.9
Frente Cívico de Córdoba	2	0.8	3	1.2
SI por la Unidad Popular	9	3.5	3	1.2
Movimiento Popular Neuquino	3	1.2	3	1.2
Others	29	11.3	25	9.7

Source: Javier Zelaznik, “Materiales para el estudio del sistema político argentino” [Elements for the study of the Argentine political system], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

Note: In 2007-2009, the Chamber of Deputies included legislators from dissident legislative groups not aligned with the government. This included Unión Peronista (8); Frente Justicia, Unión y Libertad (6); Unión Celeste y Blanca (4), and five other deputies from single-person legislative groups.

leaders, analysts, and even the masses, the defeat of the government led to high expectations for a policy change, either as a consequence of the government's acknowledgment that the electoral defeat had conveyed a message, or as a consequence of a new legislative coalition of opposition parties having gained the political initiative, leading to a policy shift through the enactment of a new policy agenda in Congress. The expectations helped to keep the levels of satisfaction with democracy at a high level, despite the economic crisis. Yet, the government did not consider the electoral defeat to be a message demanding a policy change, but rather an anomaly emerging from the cooperation of rightist opposition parties and the mass-media that were trying to return to the past and to stop the social transformation that the government had been promoting since 2003. Thus, the strategy of the government was to promote its policy agenda more strongly and to maintain the support of its core social and electoral coalition, rather than to change its policy. Time was on the government's side, largely because of the advancement of the election date. The new Congress would not be convened until December 10, 2009, therefore, until then, the government still could count on the support of almost 110 FpV deputies (i.e., 43 percent), with the possibility to reach a majority with the ad-hoc support of minor left-wing and provincial parties and single-member legislative groups. In combination with other institutional resources, the government made use of this window of opportunity to pass some crucial political, economic, and social measures.

The two most important political initiatives were a law regulating the media system and a new electoral law. The former law was meant to democratize the media system, although it also was aimed at confronting and controlling most of the important private mass media that were regarded as ideological articulators for the political opposition.<sup>38</sup> The latter law was aimed at democratizing parties and political campaigns, although it also was intended, on the one hand, to prevent opposition parties from having ample access to electronic media by banning the private purchase of TV advertisements (while little regulation was imposed on the government's use of the media), and, on the other hand, to contain all Peronists within the FpV and to make dissidence more costly through a procedure of open simultaneous primaries for the election of candidates.<sup>39</sup> In essence, both initiatives addressed the FpV's analysis of the electoral defeat.

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<sup>38</sup> Philip Kitzberger, "La madre de todas las batallas: el kirchnerismo y los medios de comunicación" [The mother of all battles: Kirchnerismo and the media], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

<sup>39</sup> Gerardo Scherlis, "El kirchnerismo y las reglas de la competencia electoral: decisiones cruciales en la construcción de un proyecto político" [Kirchnerism and the rules of electoral competition: Crucial choices in the building of a political project], in *La política en tiempo de los Kirchner* [Politics in the time of the Kirchners], ed. Andrés Malamud and Miguel De Luca (Buenos Aires: Eudeba, 2011).

Neither of these measures was actively opposed by the population, in spite of the way in which the media framed the debate about them.<sup>40</sup>

The two most important economic measures enacted were the extension of the Economic Emergency law for two years until December 2011, and the authorization to reopen negotiations with the bond holders who did not accept the heavily discounted bonds offered in the 2005 swap. The first of the two laws, enacted in 2002 and extended on a yearly basis since then, was crucial since it delegated authority to the president to issue decrees in many important areas. Given that the new Congress would have an opposition majority, the law was extended for two additional years rather than just one. The enactment of the other law had a symbolic effect, since the law's intent was to try to convey to the international financial community that the government was trying to regularize Argentina's situation, something rather at odds with the government's overall policy initiatives.

The most important social measure was the Universal Child Allowance, which, as stated above, is a universal social plan that reaches about two million families throughout the country and almost four million children and teens in vulnerable situations.<sup>41</sup> It was enacted by the means of a presidential decree at the same time that opposition parties were trying to push the issue onto the congressional agenda. This bold move helped the government to reap the benefits of the initiative, instead of sharing them with opposition parties, in order to avoid the congressional and mass-media discussions of poverty in Argentina that would imply a legislative debate of the issue, and in order to convey a sense of authority over the concern through the prompt enactment of the measure by executive order rather than by statute. In terms of policy, it undoubtedly would have an impact on poverty reduction, despite the counteracting effect of inflation, thus solidifying the support of the more vulnerable sectors of society that, to some degree, had changed their support to Peronist dissidents in the 2009 legislative elections.

The above responses to its electoral defeat in 2009 paid off for the government. After reaching a low of 27 percent in positive image in national polls by November 2009, Cristina Fernandez's popularity recovered throughout 2010, reaching 62 percent in November and 72 percent in July 2011.<sup>42</sup> As the Kirchners regained the initiative, the split within the ACyS and Federal Peronism deepened and led to the end of both coalitions by late 2010. Moreover, during the second half of 2009, Argentina—as well as most Latin American countries—started to recover from economic hardship. This trend consolidated over the following year, which was conveniently presented by the government

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<sup>40</sup> Kitzberger, “La madre de todas las batallas: el kirchnerismo y los medios de comunicación.”

<sup>41</sup> Repetto, “Las políticas sociales de transferencia de ingresos: avances hacia una mayor equidad.”

<sup>42</sup> Ipsos Mora y Araujo, *Análisis Socio-Político de la Coyuntura Argentina*.

as a natural consequence of its wise policies. This compared to a Congress that was controlled by a fragmented opposition, unable to move forward with a sound agenda. The combination of economic recovery, regained power over the agenda, and the opposition's fragmentation enabled Cristina Fernandez to recast herself as a promising candidate for re-election. The sudden death of her husband in October 2010 triggered a wave of sympathy that crowned her comeback, positioning her in the lead for the 2011 presidential contest. She eventually was re-elected with 54 percent of the vote, far above the runner-up, Hermes Binner, leader of the Socialist Party, who received only 17 percent of the vote. The government's successful economic and political responses to the global economic crisis seem also to have positively affected the citizens' evaluation of democracy. Support for democracy in Argentina as measured by the Latinobarometer rose 2.08 percentage points, thus breaking the tendency for stagnation initiated in 2003.<sup>43</sup> Policy activism in the face of the economic crisis and coalitional adaptation in the face of political defeat may account for the fact that, despite deviating from regional patterns, the economic and political responses to the 2008-2009 crisis developed by the Argentine government also led to an increase in support for democracy, as in most of Latin America.

## **Conclusion**

This essay has shown that the Argentine experience in the 2008-2009 global economic crisis was one of effective government response to the economic and social challenges and efficient strategic response to the political consequences of the crisis. The policy response was more statist and redistributive than that of most Latin American countries, but it also was consistent with policy lines that the government had been implementing since its inauguration, to more popular acclaim than economic efficiency. The political adaptation was strategically bolder and more flexible than that displayed by the opposition, which made it possible for the government to regain the initiative, while simultaneously sowing dissent in the emerging challenger coalitions. The statist and redistributive policy responses to the economic consequences of the crisis enabled the government to recast what effectively amounted to policy continuity as a significant break with the previous organization of the Argentine economy. Further, the use of wedge issues to divide the opposition allowed the government to neutralize what appeared to be a serious challenge to its political survival.

The combination of renewed policy activism and bold political adaptation created the conditions under which the popular expectations for politicians' action typically led to positive evaluations of the functioning of democracy. By

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<sup>43</sup> Bonvecchi and Machinea, "Apoyo a la Democracia: Una Mirada a los Impactos Políticos de la Crisis."



recasting policy continuity as a break with the past, the government was able to communicate the idea that its response to the crisis was more a paradigm shift than a desperate measure to maintain control over fiscal policy. By neutralizing the opposition after a dramatic electoral defeat, the government was able to communicate the idea that both the policy and the political agenda were still under presidential control. Thus, citizens plausibly could perceive their government as developing a new and forceful response to the economic crisis, and therefore could evaluate democracy as a satisfactory type of political regime—one that could actually develop responses to crisis situations that would effectively protect citizens' welfare.

The Argentine experience with the 2008-2009 crisis suggests that government responses to a major economic upheaval can strengthen citizens' trust in democracy insofar as they are perceived as means to maintain economic and social conditions positively valued by the majority of the public. However, the economic and institutional conditions for such response in the Argentine case—a flexible exchange-rate regime, nationalization of major sources of wealth, institutional tools that help governments concentrate decision-making power, fragmentation of opposition forces in parliament—may not be present in the European context, except at the price of significant institutional changes, the inception of which is unlikely under the current decision-making rules.

