

Argentina's Kirchner: caught between the IMF and social unrest

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Nestor Kirchner assumed power in Buenos Aires on May 25. Backed by powerful oil and mineral interests and by his predecessor, President Eduardo Duhalde, Kirchner had campaigned on a platform that was critical of both the International Monetary Fund (IMF) and the social catastrophe created by capitalism in Argentina.

During his first two weeks in power, Kirchner enacted a series of measures meant to signal a break with Argentina's recent past. He cashiered the top commanders of the armed forces, began the process of impeaching the Supreme Court, reorganized the Federal Police, and opened intelligence files on the bombing of the Israeli Cultural Mission that had been sealed by previous presidents.

Kirchner held a well-publicized meeting with the Mothers of the Plaza de Mayo, a group representing relatives of those who "disappeared" under the former dictatorship, which has been highly critical of recent governments. At the same time, he strengthened ties with Brazil, suggesting a common political and economic line. Opinion polls reported a surge in popularity (76 percent approval rating) following these decisions.

The Kirchner administration is the first elected government to assume power since the *argentino*; this explosion of popular anger in the nation's industrial centers that forced President Fernando De la Rúa to flee the government house as the Argentine executive branch collapsed. For two days, on December 19 and 20, 2001, workers laid siege to the government palace and engaged the police in violent confrontations. Across the country, about 40 people were killed and some 200 were injured.

Within days of De la Rúa's resignation, the popular movement that pushed his government out began to consolidate itself. Neighborhood-based "popular assemblies" were spontaneously formed across Argentina's industrial centers. Workers took over bankrupt factories and put them to work, and barter clubs were established where people exchanged their labor with each other. These developments were encouraged and applauded by Argentina's nationalist left, "dissident" union leaders and petty bourgeois radicals. In their embrace, these potential organs of political power became transformed into so many pressure groups, some of which have already made their peace with the new president.

argentino was a manifestation of years of popular discontent over the destruction of jobs, slashing of social programs and attacks on democratic rights. For three decades, successive governments worked to dismantle an economic model based on state industries, import substitution and a social safety net. This process began with the military dictatorship of 1976-1983 and culminated in the government of Carlos Menem (1989-1999), a right-wing Peronist who had been governor of La Rioja province, a largely agricultural area. Menem completed the free-market "revolution" that the military junta had begun.

The Menem administration dismantled the state-run corporations by selling them, often at bargain-basement prices, to private investors. His administration was marked by the passage of legislation exonerating the military from trials for its participation in the summary disappearance and execution of tens of thousands during the 1970s and 1980s.

Among the industries that were privatized—one commentator called the process a "raffle"—were oil, natural gas, electricity, transportation and the pension system. The resulting inflow of capital created a sharp, though brief, growth spurt that, coupled with a widening of the gap between the rich and poor, benefited the wealthy and sections of the upper middle class.

By 1995, this economic growth had exhausted itself. The Mexican devaluation—the *tequila crisis*—of 1995 led to a massive flight of capital in Brazil. The resulting impact for Argentina was the highest rate of unemployment since the Great Depression, 18.5 percent. Since then, unemployment has never gone below 12.5 percent and is currently about 20 percent. A recovery was followed by another massive dip in 1999 following the Russian Ruble crisis of May 1998. This was the beginning of the economic debacle that led to the resignation of De la Rúa—who had come to power at the head of a coalition of the Radical Party and an alliance of left-of-center parties.

Capital flight, the repatriation of profits from a debtor nation to the centers of financial capital, is a painful process. Invariably, factories and businesses shut down and living standards fall when the poor are forced to make good on debt service and capitalist profit expectations. In Argentina, this brutal process encompassed the destruction of social benefits

once enjoyed by the masses: job security, a modicum of social equality, educational opportunities and health care. In human terms, this means that today there are hundreds of thousands of part-time workers with no benefits or any hope of ever being able to retire, crippled schools attended by underfed children, rising rates of tuberculosis and other diseases, and poverty wages.

Since the collapse of the privatization-induced boom of the early 1990s, the Argentine working class has suffered profound attacks. Temporary jobs have replaced what were once conditions of lifetime employment for industrial workers; mass layoffs and speed-up accompanied the privatization process.

Many workers will never be able to retire because their pensions no longer cover the necessities of life, or, more often now, because as part-timers, or as underemployed workers, contributions were never made on their behalf. A recent study by the Labor Ministry indicates that while 65 percent of today's retirees collect a pension, if current trends continue, only one in three workers will be eligible for a pension 20 years from now.

Seventeen months separate the mass mobilization that toppled De la Rúa from Kirchner's election victory. Once it proved able to survive these upheavals, the Duhalde government worked out a stop-gap agreement with the IMF that included a massive devaluation and cut in living standards, an austerity budget, and further misery for the majority of the population.

During the election process, the traditional parties of the bourgeoisie were deeply divided in the face of a combative working class. The ruling Peronists ran 3 out of the 19 candidates including Carlos Menem and Nestor Kirchner, who ran as a dark horse and won 22 percent of the vote in a technical tie with former president Menem. The latter dropped out of the race when it became clear that Kirchner was going to benefit from a massive anti-Menem vote. Given the lack of a political alternative that represented the interests of the working class, an obscure candidate was able to win the election with the votes of a small minority of Argentines.

During the election campaign, Kirchner had presented himself as an everyman, an unassuming *progresista* (progressive) candidate clamoring for the subordination of the capitalist market to social justice. He contrasted himself to Menem, who promoted a macho superstar image as well as a pro-business and tough-on-crime stance. Kirchner was strongly supported by President Duhalde, who headed an unelected caretaker regime but controlled the powerful Buenos Aires Peronist political machine.

There are many similarities between Kirchner and Menem. Both were provincial governors before they became president, with close ties to business interests in their respective provinces of Santa Cruz and La Rioja. Both ran their provincial governments like personal fiefdoms, using a combination of cronyism, patronage and intimidation when they saw fit.

Kirchner's victory, however, was unquestionably the product

of a massive repudiation of Menem's well-known pro-business program and his advocacy of "carnal relations" with the United States. Symptomatic of the mood among the electorate was the enthusiastic reception given by Buenos Aires law students to the appearance of Cuba's Fidel Castro at Kirchner's inauguration. It is not difficult to imagine the mass repudiation that a visit by US President Bush would have caused, had he shown up for the event.

Since his election, Kirchner has emphasized regional alliances, with repeated visits to Brazilian president Luiz Inacio Lula da Silva and Ricardo Lagos, the president of Chile. Both Kirchner and Lula support the formation of a close regional economic block as an alternative to a Free Trade Area of the Americas controlled by Washington.

Kirchner and his team call for a vaguely defined program of "economic nationalism," based on stimulating domestic demand while negotiating extensions on foreign debt payments. Like Lula in Brazil, however, the government's freedom of action depends on agreements with the International Monetary Fund. The IMF is demanding further austerity measures designed to build up the federal budget surplus, thus insuring that international creditors get paid at the expense of the most impoverished layers of society. At the same time, it is demanding that the Argentine government allow the unfettered operation of transnational companies, now poised to exploit the relatively low wages of Argentine workers, by dismantling pension requirements, environmental regulations and severance benefits.

Caught between the demands of the international banks, represented by the IMF, and the movement of Argentine and Brazilian workers, Lula and Kirchner desperately seek to carve out an economic and political space both through a stronger economic union—the Mercosur Common Market—and by performing a delicate balancing act between the United States and Europe. To the working class, the two presidents present themselves as supporters of economic equality and of clean government, while assuring the IMF and the banks that foreign capital is well protected.

A long-term solution to Argentina's \$60 billion public debt and the desperate social crisis confronting the bulk of the country's population is still not in sight. Buffeted by the demands of the working class, the Kirchner presidency, a choice of only about a fifth of the voters, now depends on the good graces of the IMF and the United States to stave off another social explosion.



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