Complexities of Governance in Argentina’s Political Economy

The IFIs have enjoyed almost uncontested power for over two decades since the early 1980s. Several factors contributed to that, in particular the financial needs of highly indebted countries. In a context in which most developing countries were struggling for financial survival, the power of the lender of last resort shaped the policy options at hand for borrowing governments. In many countries, especially in Latin America, the influence of the IFIs was exerted through technocratic networks involving officials of the IFIs, particularly the IMF, the World Bank and the IDB, and high-level government officials in developing countries. Through regular interaction over time these networks became the carriers of neoliberal ideas and thus shaped reform in a neoliberal direction.

In Latin America, crisis responses in the 1980s were shaped by the cautious transitions to democracy alongside simultaneous transitions to market-based economies. Despite democratization, state elites remained largely ring-fenced from civil pressures securing a swift adjustment to the global rule. However, democracy’s disappointments have delegitimized politics and politicians and led to governance fatigue and a loss of faith in elite-led policy-making. Consequently, current pressures for alternatives to the neoliberal governance, everywhere in Latin America, is as much about the search to revitalize democracy and re-embed the democratic state socially as it is about new models of development and growth (Grugel 2009). These arguments are particularly relevant for a country like Argentina, where a strong base of local experts and civil actors have been politically active and have tried to mediate the relationships between the government and the IFIs, from
the policy definition stages to negotiation and implementation on the ground.

This chapter thus concentrates on the political-economic context that underpinned the rise and fall of neoliberalism in Argentina in the 1990s, analysing actors, incentives and the competing ideas that confronted local actors and the IFIs during the neoliberal decade and in the aftermath. Despite there being seemingly less room for dissent from ‘the global rule’ during the 1990s in the heyday of the Washington Consensus, by the end of the decade neoliberal reforms began to be seriously questioned. Poor economic results and a top-down way of advancing policy reform by the government and by the IFIs created the conditions that led, in December 2001, to a massive economic, political and institutional crisis. The crisis not only confirmed the failure of neoliberalism to deliver stable and equitable growth, but more broadly a generalized rejection of the neoliberal model of governance. While a decade of neoliberalism had subordinated important decisions about the national economy to the interests of external forces the Argentine crisis opened a new space for re-defining priorities and re-balancing power in favour of sovereign decision-making. The chapter concentrates on the contextual factors that led to changing relationships between the IFIs and the Argentine actors in the search for stable governance.

The analysis follows in four sections. The first section analyses the years of neoliberal rule in Argentina. It explores the political, economic and institutional transformation during the ten years of Menem’s administration (1989–1999) and the subsequent shorter term of De la Rúa until his resignation in the wake of the 2001 crisis. The analysis focuses on the twin pillars of neoliberal governance and the weakening of the rule of law that allowed discretionary government interventions to secure unpopular reforms and the leniency of the IFIs supporting those reforms. The second section explores the nature and depth of the crisis at the end of the decade and its culmination in December 2001. It is argued that this was a crisis of governance and thus we explore the main dilemmas for post-crisis governance reconstruction. The third section describes the characteristics of local actors involved in policy formulation for governance reforms. These actors were key players in the battle for alternative ways of approaching governance, contesting the technical definition that drove the IFIs’ agendas. The chapter concludes with a brief discussion of the patterns to be analysed in depth in the next three chapters concerning the dilemmas of the IFIs in their promotion of governance in developing countries.