



**Goldsmiths College
University of London**

Globalising **A**rgentina

Globalisation in developing countries: The case of Argentina

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In 1983, after seven years of the cruelest dictatorship that Argentines had ever suffered, Mr. Raul Ricardo Alfonsín was elected president. With the hope of the new democracy, he and his advisers thought that negotiating the debt assumed by the military government would be an easy deal. "Our return to democracy will help us to obtain better conditions in the rescheduling," said Raul Prebisch in 1983 (Brandford and Kucinski, 1988: 117, my translation). Prebisch was the initiator of the United Nations Economic Commission For Latin America (ECLA, CEPAL in Spanish) and also an adviser to Alfonsín. But he was completely mistaken. In 1988, Alfonsín's government was the target of a market kick managed by the financial sectors, which were against the government decision of stopping the payment of debt services. The dollar soared and inflation did as well. Six months before Alfonsín finished his term, with the inflation rate at 200 per cent, the peronist Carlos Saul Menem assumed the presidency with the popular promise of a production revolution. However, only a couple of months after that, an important manager of Bunge & Born, an important enterprise in Argentina which had been characterized as a symbol of the oligarchy by the peronists, was appointed as an Economy Minister, and Alvaro Alsogaray, president of the Conservative Party, and the embodiment of antiperonist liberalism, was called to advise Mr. Menem on the negotiation of the debt. (Jozami, 2000)

As Jozami has suggested, the promise of the production revolution was forgotten. Not only had Menem's discourse changed, but so did his decisions:



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great transformation, entrance to the First World, building a new country, and being a protagonist in the global economy were Menem's goals. (2000).

Privatization, deregulation, increase of the debt, and liberalization of markets were the measures taken to achieve those goals. An increase in poverty, an increase in the gap between the rich and the poor, opportunities for the privileged few, continuous structural adjustment, and high rates of unemployment were and are the consequences that Argentines are still suffering because in 1989 Argentina had to adapt itself to the new international situation born because at the end Cold War, the disintegration of the Soviet Union, and the globalisation of the world economy+ (Menem, 2000, my translation)

Despite the fact that nobody can deny that the world's economic landscape has changed, Menem followed the neoliberal rules that govern global economy, without thinking of alternative options. However, are there alternatives? Is it possible that developing countries, like Argentina, can choose and decide their own way? Is this possible when a country has an enormous debt and depends on international institutions such as the International Monetary Fund and the World Bank to survive? Is the Argentinean state powerful enough to choose?

Gabetta (2001) says that the key point is deciding what globalisation is assumed in each country. But is this achievable?

Reviewing and analysing the history and the consequences of the decisions taken since 1989 could help to find the answer. (??)



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First stage: the debt

The trajectory of Argentina has changed since 24th March 1976. But this transition means more than a simple change of government; it means the transformation of the political, social and economic structure that has dominated the country during the last 30 years.+ Ex Economy Minister Jose Martinez de Hoz at the International Monetary Conference, in Mexico, in 1977. (cited in Dussel, Finocchio and Gojman, 1997: 15, my translation)

To speak about Argentinean debt is to speak about the political and economic project which determined Argentina's trajectory. This scheme began in 1976 when the military took power, and it was an irreversible model which required the restructuring the society: the members of the dictatorship knew that in order to achieve accumulation of the capital and the destruction of the productive apparatus, the quelling of dissident voices was going to be necessary. In order to reach this objective, it was necessary to modify Argentinean economic structures, in the public sector and in the private as well. The change was very deep; it was not enough to put the things in order, it was necessary to transform laws, political measures, methods, habits and also the country's mentality.+ (Martinez de Hoz, 1981: 32, my translation). Intellectuals, thinkers, workers, teachers, journalists, and students were killed or disappeared. There were to be no obstacles in the way in order for the government to take on the debt, which was necessary to finance speculative transactions, done by the establishment.



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During that period the establishment was composed of big national and international economic groups (some of them managed by United States), the military, and the official church. This debt is known as *the old debt* (Calcagno and Calcagno, 1999: 16, my translation)

In the middle of the 1970s, developing countries could acquire loans with very low interest rates, because of a surplus of petrodollars in the international banks. The so-called speculative cycle began during this period: the establishment bought dollars in Argentina, deposited the money abroad as a sort of collateral in order to be able to obtain more credit, sought creditors who offered very low interest rates, and then deposited the money in the Argentinean banks, where the rates were higher. A vicious cycle began as Argentina asked for more and more money in order to maintain it and benefit only a small group (Calcagno and Calcagno, 1999). Enterprises and rich people preferred speculating rather than investing and as a consequence industrialization was replaced by speculation. (Dussel, Finocchio and Gojman, 1997)

According to the World Bank, during the dictatorship, the debt money was used as follows: 44% to finance capital flight as described earlier, 33% to pay interests to foreign banks, and 23% to buy armaments and nonregistered imports? While Brazil and Mexico also accrued debt during the 1970s, the former used the money in order to industrialize the country; while the latter built an oil infrastructure in a short period. (Calcagno and Calcagno, 2000)



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Goodman and Redcliff quote a World Bank estimate which states that between 1979 and 1982, \$19 billion in capital left Argentina, \$27 billion left Mexico and \$22 billion left Venezuela. These numbers indicate that the rich sectors of Latin America, which received the benefits of the economic measures created during that period, did not invest in their own countries(1991).

The party ended at the end of 1970 when the United States decided to finish with the Bretton Woods agreement. As a consequence, interest rates soared (Calcagno and Calcagno, 2000).

It is important to take into account that during this period public enterprises acquired debt in order to benefit from the speculation of the establishment, and it is also important to state that at the end of the military regime the president of the Argentinean Central Bank, Mr. Domingo Felipe Cavallo, decided to nationalize all private debt. Cavallo is presently the Economy Minister in Argentina.

From 1982 to 1990, after Mexico decided to stop paying debt services, the amount of lent money decreased. But in 1992, the Brady Plan allowed for a change in the characteristics of the debt: it was converted into bonds. Again, developing countries could ask for money, and Calcagno and Calcagno recognize three reasons that explain this new capital flow: interest rates of the developing countries were higher than those in the United States, creditors believed they would be diversifying their risks, and financial and commercial deregulation and privatization of the public enterprises in the Latin American countries, especially in Argentina. (1999)



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The new debt, as Calcagno and Calcagno called it (1999: 16, my translation) had begun in 1991 when the Convertibility was implemented in Argentina: one Argentinean peso had the same value as one dollar. In order to maintain the convertibility model, it was necessary to accrue a huge amount of debt so that there would not be a commercial imbalance

In 1975, the debt was at 7,800 million dollars, in 1982 it increased to 45,000 million dollars, and in 1990 it reached 60,000 million dollars. When Carlos Saul Menem finished his term the debt was at 140,000 million dollars. (Calcagno and Calcagno, 1999)

Currently, 21.4 per cent of the national budget is designated to pay debt services. (Ministerio de Economía, 7th November, 2001)

In March 2001, the Economy Minister, Mr. Domingo Cavallo sent a project to the Argentinean Congress, which was not approved by the senators. If the Ley de Credito Publico, or Law of Public Credit, had been approved, salaries, pensions, health and education would have been de-prioritized by the state in favor of paying the debt. (Calcagno and Calcagno, 2001)

First consequence: Adjustments

Argentina has no option to a zero-deficit policy because of its loss of access to financial markets. This reality would hold even if there were devaluation or an involuntary debt restructuring: in fact, experience shows that the latter would



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result in loss of access for several years. With no inflows, there can be no deficit+.

Horst Köhler, Managing Director of International Monetary Fund, **Transcript of a Briefing with Journalists**, September 19, 2001, Washington, D.C (cited in www.fmi.org)

In the new economy the global financial market determines the rules that the governments of debtor countries have to follow if they want to ask for loans. Within this context these governments cannot do very much: they cannot increase taxes so as to increase social expenditures. Nor can they create policies in order to improve the situation of the workers, or employment. The global market responds to these economic instabilities with a flight of financial capital. However if governments decide to borrow money in order to take measures to improve the social situation, interest rates soar, and debt increases more and more. (Cox,1999)

In this situation, and as a consequence of the enormous debt, Argentina not only currently designates 21 per cent of the national budget for the payment of debt services, but it also suffers continuous structural adjustment dictated by the International Monetary Fund, the World Bank, the Paris Club and the London Club. The adjustment programmes include: priority of the payment of debt services, budget austerity and the decrease of social expenditure, deregulation of the financial markets, privatization, deregulation of work relationships and so on.



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As a consequence, the unemployment rate soars, education and health become a privilege for only a few people and basic human rights are threatened because of the application of structural adjustment. (Toussaint, 1999).

First rule: Privatize

“In the pre electoral campaign I had admitted that I would privatize telephones, trains and airlines, I would have all the workers against me+”

Ex president Mr. Carlos Saul Menem (cited in Nun, 1995: 87)

Mr. Menem did not wait to do as the global markets dictated. During the first months of his government he began with privatization, a policy which he had at one point rejected along with the Peronist Party. (Gerchunoff, 1992). To justify the sell-off, Mr. Menem said that it was not only financial problems that had pushed him to do it, that the debt of public enterprises had also been a motivating factor.. In addition to this, he was supported by an outstanding media campaign. An example that most Argentineans remember is that of Mr. Bernardo Neustadt, an infamous television and radio journalist, repeating in his television programme that the state lost one million dollars every day because of public trains.

In order to have a favorable answer from the international community, the government promised less control of the private sector and no competition. All the enterprises were sold rapidly because they were sold at a very at very low



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prices . For example, Aerolineas Argentinas, which was worth 850 million dollars, was sold to Iberia for 350 million dollars. In all the cases, regulation of services protects the owners rather than the users. (Gerchunoff, 1992).

It is important to remember that the local establishment had negotiated with the international banks in order to buy the public enterprises, and after Menem finished his term, the local elites sold their shares to international owners. For instance, in 1993 the Grupo Soldati sold its shares in Telefonica at 85 million dollars. Three years (earlier), it had bought the shares at 18 million dollars. (Jozami, 2000)

Telephones, trains, the mail, airlines, water, gas, electricity and the national oil company, Yacimientos Petroliferos Fiscales, were sold to private enterprises, most of them European. This evidence supports Toussaint's (1999) argument which says that ultimately, debt is a mechanism that subordinates and transfers money from the periphery to the center, because profits are repatriated to the countries from where enterprises originate

For instance, for Repsol .the Spanish owner of Yacimientos Petroliferos Fiscales- the cost of an oil barrel is between 6 and 12 dollars, but it is sold in the international market between 25 and 30 dollars (Calcalgno and Calcagno, 2001). Moreover, Telefonica de Espana, which with Telecom, shares the oligopoly of Argentinean local calls, earns 578 dollars per minute (UPBTA, 21st November, 2001).

This situation is summarized by Roxborough who says that, even though most Third World countries celebrate when foreign capital is invested into their



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countries because of employment opportunities, the majority doesn't take into account that for each dollar invested, more than one dollar returns to the metropolis in the form of repatriated profits, royalties, services, repayment of debt and interests. In addition, foreign investment does not contribute to the increase of a country's Gross Domestic Product (1979: 58).

Pension funds also have had important profits since 1993 when the system was privatized. Five thousand million dollars is the annual profit for the private administration of pensions, revenue that used to be income for the state. Most pension funds now belong to international banks which paradoxically then charge high rates when they give loans to Argentina - (Calcalgno and Calcagno, 2001). In relation to this it is important to take into account the suggestion of the Inter American Development Bank which in its annual report on Latin America in 1991 said: "One of the important challenges of Latin America and the Caribbean is in the last decade of this century to reform the social security system so as to achieve an economically viable and socially equitable system" (Finteramericana, November 19th, 2001)

It is important to clarify that 70 per cent of the pensions in Argentina are less than 300 dollars, and they are still paid by the state, causing not only more state deficit but also more debt. (Beinstein, 1999).

First effect: Unemployment



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Someone destroyed the industries, the production. And I say someone because I don't know exactly who did it+

Declaration of an ex textile worker (cited in La Lupa, 1999: 9)

The rate of unemployment increased when public enterprises began to be privatised. It is estimated that more than 200 thousand workers lost their jobs in from 1990 to 1995. (Jozami, 2000)

But privatisation was not the only reason for unemployment. Scholte says that the unemployment rate also increased because of other neoliberal measures such as liberalization policies. Workers lose their jobs when industries have to reduce their costs in order to compete in the global economy. (2000) Moreover, during the period stated in the previous paragraph, industrial employment was reduced by 20 per cent, because of the unrestricted openness of the economy and the cheap imported technology. (Jozami, 2000).

When Menem reviewed his decade, he said that during his presidency the Gross Domestic Product increased 5 per cent a year. However this growth was not reflected in the welfare of population: it was a growth that only benefited a privileged few. (Jozami, 2000). And even though foreign investment increased steadily during Menem's period, receiving more than 12 thousand million dollars per year (Menem, 2000), the unemployment rate increased steadily since 1991, when the Convertibility Plan began, and soared to reach its highest peak in 1995, as a consequence of the Mexican peso crisis. (Bonelli, 2000; Montenegro, 1999)



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But is important to take into account that even though in 1996 foreign investments in Latin America were more than 72 thousand million dollars, 70 per cent of it was speculative investment. In addition to this, Foreign Direct Investment was principally in public enterprises, so it did not create more jobs. This is in accordance with Scholtes argument which says that structural unemployment is promoted by globalisation because investors prefer to speculate with their capital - which gives more money in less time - instead of putting the money in industries which creates jobs in real production, where the profits are lower and slower.(2000).

Currently, unemployment is still a mayor problem in Argentina. Unemployment rates reached 16.4 percent last May. The figure for sub employment was at 15 percent. That is, more than 4 million people are looking for a job or are working part time or in the black market. (INDEC, 20th November, 2001, my translation) In addition to this, 41 percent of the employed population works more than 45 hours per week, often because one job does not provide enough income with which to survive. , Alternatively, workers may be pressured to work longer hours under the threat that there are hundreds that would take their job if they refuse to work extra hours without extra payment. (Bonelli, 1999). According to Hirsch (1999: 281), this flexibilisation in the labour market is the logical consequence of the policies of rationalism and deregulation in the global economy, and within this context %stable core labour service+is replaced by a %flexible core labour service+ which has neither health nor social benefits or good pay.



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Trade unions had also been dismantled during the Menem presidency, because as Toussaint argues, the World Bank also finds that trade unions have on occasion used their political power to oppose structural adjustment (1999: 147). Argentina is a good example of a global situation described by many authors in which workers have begun to lose both their power and their voice because cheap technology replaces them. (Cox, 2000). Although technology has replaced human beings in some areas in order to make the production process cheaper, it is often cheaper to deploy labour, in many cases monstrously exploited labour, in place of more expensive technology (Davis 1999: 39). Capitalists seek not only to maintain profits but also to reduce the cost of production. They do not care where the production takes place or whether the work is completed by a human being or a robot. Within this context workers not only have to compete with other workers but also with machines. (Davis 1999).

Davis explains how labour relationships have been changed with the introduction of the technology exceptionally well:

The result of introducing labour-replacing technology is a deeper process of destruction of the job and its implication of a social contract and, from the job, a wider network of social relations: worker-to-worker and worker-to-employment (via the attack on the trade unions; worker-to-family (as more household members are driven into non-domestic work); worker-to-community (via de-criminalisation and imprisonment of broad sections of society), worker-to-homeland (via the dislocation of million of workers, turned into migrant labour, as industrialization, destroyed the



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base of traditional peasant and small-farm life); worker-to- commons (via the privatization of public space , now demarcated by tollbooths and turnstiles); and worker . to . self (via the evaporation of privacy as each moment is surveilled, recorded, commodified) (Davis 1999: 43).

First winner: Financial Markets

%Markets vote every day+

George Soros (cited in Ramonet, 2000: 14)

%The financial markets handle the billions and billions of dollars in capital that move from one country to another every day. As a result, they have become the policeman, judge and jury of the world economy, which is very worrying given their tendency to see events and policies through the distorting prism of fear and greed.+

Financial Times, 30 September 1994

As soon as. Menem began with economic reform, he received a positive response from the centers of economic power. His measures followed, to the letter, the neoliberal suggestions of the Washington Consensus, which promoted structural adjustments, deregulation, privatization and liberalization of trade and financial transactions in Latin America countries. (Jozami, 2000)



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Many Argentineans authors (Jozami, 2000; Dussel, Finnocchio and Gojman, 1997) agree that this model began to be imposed during the dictatorship, and Menem and Cavallo . who was Economy Minister from 1991-1996 delved deeper into this scheme of accumulation and unrestricted trade and financial openness.

Schwartzter states that as a consequence, the Argentinean the domestic economy has depended largely on the movement of financial capital, which in the Argentinean case is more important than movement of trade capital. According to him, Argentina developed more during its closed cycle (1949 . 1974) than during the open one (1975 . present). During the first period, the Gross Domestic Product was higher and the distribution of wealth was more equitable than in the second. (1998)

Financial transactions increased steadily during Menem's period. He and his supporters argued that the financial market and its investors began to trust Argentina as a result of the measures of deregulation taken during his government. (Menem, 2000).

It is important to know how global markets operate: they threaten to stop investments if a government cannot do what they want. Economic chaos is the name of the intimidation (Boron, 1997). However, nowadays Argentineans have understood the message of the global financial markets. Rating agencies such as Moody's and Standard and Poor's establish a country's risk factor , and decide how wealthy a country is and how much of a risk it is to foreign investors. Most



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recently, the JP Morgan Emerging Markets Bond Index Plus, rates countries on how likely it is that they will be able to repay debts. (La Nacion 2001) At the writing of this essay, the country risk by this standard in Argentina is by 3,015 points, the highest in the world, and the highest in Argentinean history. (Toussaint, 1999; Oviedo, 2001)

According to Went, weak countries suffer under the dictatorship of the financial markets. When there is something that the market does not like, it reacts immediately: the country risk soars, the exchange rates plummet and the interest rates increase. There is no choice for states. In addition to this, consultants, technicians, and experts are extremely well paid to study and interpret numbers, policies, measures, statistics, in order to advice investors and speculators. Of course, these experts do not concern themselves with the human beings that live in those evaluated countries. (Went, 2000)q

It is important to consider the amount of financial and speculative transactions that are done; before 1980 over 90 per cent of international transactions were in relation to financial trade or investments, and less than 10 per cent was speculative. Currently, these numbers are inverted. (Eatwell, 1997) Financial transactions that occur in only one day in New York are equivalent to seven times the Argentinean Gross Domestic Product. (Boron, 1999;

For ever: Inequality



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And the world will not be at war against the poor, but against the poverty () nobody will die because of hunger because nobody will die because of indigestion.

Eduardo Galeano (Galeano, 1998: 343)

According to Ramonet (2000) globalisation builds two societies: on one side, a group of the privileged few, and on the other a mass of people on the periphery, excluded from any social or economic benefits. A report done by the Cepal argues that Latin American countries such as Costa Rica, Venezuela, Chile, and Argentina, which used to have greater domestic social and economic equality after the Second World War faced during the 90s an increasing disproportion in income gaps. (Cepal, 18th November, 2001).

Argentina is a relatively rich country. Yet it has a high degree of poverty: the overall poverty rate in 1998 was 29 percent, and rates in the poorer Northeast and Northwest regions exceeded 50 percent. (World Bank, 15th November, 2001). From 1990 to 1999 when measures dictated by the global economy were taken, the gap between the richest 10 percent and the poorest 10 percent had increased 57 times, and the number soared to 127 in the province of Buenos Aires. Presently, more than 13 million Argentines live under the poverty line, and a high percentage of that figure used to belong to the middle class. 3.300.000 are indigent, 2.100.000 are unemployed, 2.050.000 are sub employed and 3.400.000 work in the black market. The inequity in the distribution of



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incomes is showed in the following figures: in Argentina, a family (parents and two kids) needs 1000 dollars per month to live. But half of the employed population receives less than 400 dollars monthly, and 600,000 workers receive less than 100 dollars. (Ferreyra, 2000; Clarin, 2000).

However all of Latin America suffers from this inequality: almost the half of the population in this region lives on less than two dollars a day. At the end of the 90s, 24 percent of Brazilians lived on less than a dollar a day, and this figure reached 26 percent in Panama. The highest rate was in Mexico, where 46 percent of its population was living in those conditions (Beinstein, 2001). According to a study done by the United Nations Economic Commission For Latin America (ECLA, CEPAL in Spanish) more than 36 percent of the population of Latin America is poor. (CEPAL, 19th November, 2001) Furthermore, document from the Inter - American Development Bank states that the 75 percent of that figure doesn't receive any official assistance. (Baron, 2000)

Rich people in Latin America do not want to pay taxes, and the middle and the lower classes are always the target of financial adjustment. Boron quotes an Argentinean research study sponsored by the World Bank which proved that in the late 1980s the tax burden on the richest 10% of the population was equal to 27% of its total income, while the taxes paid by the poorest 10% of the population amounted to 29.3% of their earnings. (Boron, 1999: 218)

Polarization, exclusion and inequity are suffered by humans all around the world. For Scholte the causes of this polarization in the world are three: the lack of access to opportunities, the decline of the distributive state, and the absence of

social movements that oppose the increasing class gap. (2000) Went agrees with Ramonet (2000), accusing globalisation for this situation: %t is easy to see how globalisation has led to this growing social inequality. While incomes, working conditions and social security are under downwards pressure from global competition, capital owners' ability to seek out the most profitable investments almost anywhere in the world is increasing. While privatization leads to decline provision and employment, the privatized companies provide attractive investment opportunities for capital owners+ (Went, 2000: 37)

Scholte quotes a report from the UNDP that states that, +Today countries with the richest fifth of the world's population have 74 per cent of all telephone lines, while the poorest fifth have a mere 1.5 per cent.)+ He also cites the Financial Times which said that %as of the mid . 1990 there were more telephones in Tokyo than in the whole of Africa (Scholte #####, 2000, p.243,244). Meanwhile, it is the poorest countries, those which most desperately need loans in order to improve their socio economic situation, that have to pay extraordinary interest rates, because %n the market higher credit risks attract higher borrowing costs+(Scholte #####: 248).

%t the start of a new century, poverty remains a global problem of huge proportions. Of the world's 6 billion people, 2.8 billion live on less than \$2 a day and 1.2 billion on less than \$1 a day. Eight out of every 100 infants do not live to see their fifth birthday. Nine of every 100 boys and 14 of every 100 girls who reach school age do not attend school. Poverty is also evident in poor people's lack of political power and voice and in their

extreme vulnerability to ill health, economic dislocation, personal violence and natural disasters. And the scourge of HIV/AIDS, the frequency and brutality of civil conflicts, and rising disparities between rich countries and the developing world have increased the sense of deprivation and injustice for many+(IADB, 7th November, 2001)

In this globalized context, there are three types of people: managers and workers with secure jobs that are incorporated into globalisation . Cox calls them %the integrated+; those that have uncertain jobs and work for the global economy . %the precariously linked+; and at the base %the excluded+ (1999: 58) It is important to take into account that without the base the upper part of pyramid would not able to survive.

In relation to this, Hoogvelt says:

%There are five billion people living on earth. Probably 800 million of them live in societies that are bankable and probably 4.2 billion are living within societies that in some very fundamental way are not bankable. I think it's a great danger as we look out between now and the turn of the century that this distinction between bankable and the unbankable parts of the world could become more aggravated. We're forming this global economy which is very much a phenomenon of the northern hemisphere . Europe, North America, Japan . with some small additionsõ Many of the problems we have on the globe, be it the global environment or health, are problems of the 4.2 billion, not the 800 million+(1997: 81).



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CONCLUSION

The first loser: the state

As it was described in this essay, Argentinean state is disappearing due to continuous structural adjustments. All public services are in private hands, except for education and health. However, every time the Argentinean government obtains a new loan, the international corporations ask for control over these. Regardless, public health is devastated and the debate about the privatization of education is not closed.

Nothing is enough. Markets also want the dollarization of Argentinean economy and the entrance of the country in the Free Trade Area of the Americas (FTAA in English, ALCA in Spanish), which is resisted by many Argentines because competition would not be equal with the United States in the group. Before Menem was sent to prison, he wrote an article, published in Argentina's most neoliberal newspaper, which supported these two measures, arguing that the dollar will become the currency of Latin America, and if Argentina adopts it, the risk of devaluation will disappear. (2001)

If we look back, and analyze Argentinean history in perspective, the local establishment has benefited during the last three decades. The military regime accumulated a great deal of money thanks to the financial speculation that



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economically characterized the period. As Cardoso and Faletto wrote in 1979: %Local dominant groups in Latin America responded to the external influences on economic growth and to the need to guard against attempts to transform the prevailing order, with an amalgam between a repressive state (often under corporate military control) and an entrepreneurial state+ (Cardoso and Faletto, 1979: 202)

Between 1975 and 1985 more than \$165 billion from the Third World were invested into the international global market as those in the privileged sectors were able to participate in the transnational financial markets; they preferred to invest in securities in the global market rather than in their local markets. (Hoogvelt, 1997)

When democracy returned, Alfonsín had the opportunity to change the path Argentina had been on, but either he did not want to or he was not able to: the markets were more powerful. Argentines now understand what kind of society was institutionalized during the Menem government: a polarized and unequal society that depended increasingly on international institutions and transnational corporations. This evidence proves Boron's arguments about the weakness of democratic states within global capitalism. In spite of losing the support of their constituency, governments prefer to accept the transnational rules and receive the support of the business community: first they respond to IMF, the WB, and the global markets. The constituency is often a non-priority. The global financial market controls the world economy. Neither participation nor public consultation is taken into account in the global finance government. The voice of the



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shareholders that operate in the global deregulated market is the only voice that matters. But for Scholte this situation is not new: markets have never been concerned about operating democratically. (Boron, 1999, Scholte, 2000).

As a result, people became cynical about democracy. A deterioration of politics, seen as a selfish game played by professional and corrupt politicians, a media which supports the neoliberal stance, and sadly the behaviour of many politicians serve to justify the cynicism. (Boron, 1999, :217). For instance, four months ago there was a big debate in Argentina about the cost of politicians. Hundreds of newspaper pages and special television programmes were dedicated to indicate how the salaries and special benefits of politicians were inefficient. Journalists and specialists in political science explained how much money could be saved, and how the Argentinean economy would be improved if the number of senators was reduced and/or if senators had their salaries reduced. Of course, as these journalists and analysts work for private enterprises, they represent the voice of neoliberal ideology. They do not explain that the problem has little to do with how much politicians earn. The problem is that 21.4 per cent of the national budget is used to pay debt services, and while senators' salaries may be high, the real concern with them is that they often receive money meant to influence their votes. They are bribed to vote for legislation that will benefit national and transnational elites and election promises are often all but forgotten. (Bleta, 2001; Clarin, 2001; Ambito Financiero, 2001)



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Legislative elections occurred shortly after this media campaign.. Thirty per cent of Argentines did not go to vote, 12.9 per cent of the voting population invalidated its vote and 8.2 per cent voted in white. (Curia, 2001)

It's useful to recall now the questions presented at the beginning of this essay. Can each country decide what kind of globalisation its government assumes? Can Argentina choose its destiny? Where is the Argentinean state? In this context, where countries are treated as markets, and states as enterprises, governments have to reorganize and rethink their function and roles. Investors, multinationals and the International Monetary Fund do not think in human terms, they do not care that there are 13 million Argentines living in poor conditions. So it is the responsibility of the state to think about them.

There is not a lot of time, and of course for Argentina and other debtor countries the situation is more difficult. But in this new global stage of capitalism the only solution is for citizens participate in government in order to try to rebuild their state. Argentines should forget the fear that they associated with participating in politics when during the last dictatorship participation meant death, , and should also try to understand that politics does not necessarily mean, corrupted politicians. . It is the time for Argentines to restructure their state, to make it powerful under neoliberal requirements and extortions. Only Argentines can build their own new society where the postulates of freedom, egalitarianism, and equality are respected.



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Postscript

Events have overtaken my analysis: This essay was completed on 15th December 2001, a few days before another stage of Argentinean history began to be written.

On 19th December 2001, the Minister of Economy Domingo Cavallo had to resign because in the most important cities of the country an original demonstration with saucepans driven by the conservative middle class Argentineans asked for it. These demonstrations were prompted by Cavallo's latest measure which restricted the amount of personal savings and salaries that Argentineans were allowed to withdraw from their bank account. This move angered and unsettled the middle class Argentinean population which subsequently took to the street to demand for his resignation. On 20th of December 2001, the president Fernando De La Rúa had to resign as well amidst the social and economic chaos. In those few turbulent days of demonstrations and massive lootings, more than 30 Argentineans died because of police repression.

In 12 days, Argentina had six different presidents. Currently the peronist Eduardo Duhalde . who was chosen by the legislatures on 1st January 2002 - announced a lot of measures . such as the devaluation of the Argentinean peso, subsidies to the unemployed and the curtailment on payment of external debts - so as to change the situation described in this essay. However it is too early to analyse in this essay the impact of the new rules in the Argentinean context. Whatever happens, the context described in this work can help to understand the reasons for the social explosion which happened in December 2001, and the demonstrations in the historic Plaza de Mayo reinforce the last paragraph of this essay: only with the participation of the Argentineans, that things can, at least, begin to change in the country.

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