



## ARGENTINA ALERT Argentine Politicians in the Face of "Cacerolazos" Carlos M. Regúnaga

### Overview

- Deep frustration of the middle-class toward the political leadership contributed to the downfall of the de la Rúa administration last month.
- In October mid-term elections the "bronca" vote demonstrated growing anger of Argentines at the political establishment.
- Continued high levels of public spending and borrowing, despite privatization and deregulation initiatives in the 1990s finally caught up with the government, causing a financial collapse and endangering the future of democracy.

Rallies and riots that forced President Fernando de la Rúa's resignation last month were the expression of different feelings and wishes of the population. The actions of right- and left-wing activists pursuing their own political objectives are no novelty. The looting of supermarkets and other stores is a symptom of the existence in Argentina of a dual society—a reminder that former President Menem's necessary economic reforms were not accompanied by measures that would compensate those who could not easily adjust to new circumstances.

The new and most interesting ingredient in the turmoil, however, was the *cacerolazo* (peaceful rallies where people use cooking pans as drums). Although sociologists and political scientists will certainly draw more complex conclusions and find more varied motivations, in essence it was a demonstration of the frustration felt by the middle-class toward the country's political leadership.

Warnings had been given. Six months ago, a referendum opened the way for constitutional reform in Córdoba that eliminated the Senate and reduced the membership of the remaining chamber of the provincial legislature. Turned into a landslide, the plebiscite clearly showed how popular any measure aimed at "cutting the cost of politics" could be.

On October 14, mid-term elections were held. All political parties lost heavily against the attitude described as the "bronca" vote (*bronca* is slang for "anger"), expressed by a surprising increase in the proportion of people abstaining from the polls, casting empty envelopes, or having their votes annulled by filling the envelopes with anything but valid ballots. Hurt by tax raises and salary cuts and, threatened by unemployment, people demanded austerity from politicians through the *bronca* vote.

Nevertheless, the federal government went ahead as if nothing had happened and Peronist leaders rejoiced in their victory without paying any attention to the fact that the Partido Justicialista had obtained one million votes *less* than in 1999, when it lost the presidential elections.

Finally, former Minister of the Economy Domingo Cavallo's decision to limit withdrawals from bank accounts threatened middle class and even lower class savings and killed the hope of merchants that December shopping would partially compensate sales lost to the recession. Again, the middle class felt anguish at the prospect that some new sort of confiscation of its income or wealth would be carried out in order to transfer it to the government, the politicians that control it, or to special interests that enjoy official protection.

And political leaders should remember that, in the past, each time a course of action has ended in a major crisis, the group most responsible has paid a heavy price for its failure.

Since 1930, military coups became, along with elections, a second, quasi-legitimate way of replacing governments. Almost everyone, at one time or another, supported such moves. Like children playing with fire, Argentines did not recognize the intrinsic danger. After all, coups resembled military parades. And, each time, we all believed the armed forces sooner or later would call new elections and return power to civilians.

The process that started in 1976 was different. Inaugurated with the support of an important portion of the population, the military faced a deadly guerrilla movement previously unknown in Argentina. Abuses committed during the repression that followed and the lost war against Britain finally convinced Argentine society that such a game was too costly. The military establishment lost all political power and so much of its budget that the country has been left nearly defenseless.

Since the 1940s, Argentina developed an economic structure whose main characteristics were a closed economy, development plans aimed at import-substitution, state-owned companies in control of major industrial and service sectors, and a wide array of regulations. Budget deficits were financed by printing money.

One endemic characteristic of such an economy was inflation. And again, over many decades, it seemed a minor illness, an inconvenience that could be managed through procedures such as indexation and a crawling peg. Society became intoxicated with a drug that required greater doses to produce the desired state of exhilaration. Between 1989 and 1991, three bouts of hyperinflation showed us the hard way the destructive effect of inflation and convinced us that price stability is essential to everything else. It also sounded the death knell for managers of state enterprises that had controlled a major part of the country's economy through half a century.

Privatization and deregulation should have resulted in a reduction of state budgets. It did not. Public spending above revenues continued at all levels of government, this time financed by borrowing.

By the time of de la Rúa's inauguration, the party was over. Since then, federal and local governments in Argentina have had to live well below the level of revenues while the danger of default continued to haunt them. The fairy tale of enjoying levels of spending higher than real revenue became a nightmare of ever-more demanding budget cuts to satisfy ever-increasing interest payments. Finally interim President Rodríguez Saá announced a temporary suspension of payments.

This time the sector most responsible is the political leadership. And that fact makes this crisis particularly dangerous because the future of democratic institutions is naturally tied to the effectiveness of politicians and parties to anticipate and deal with the nation's problems. Let us hope that they will develop greater sensitivity and capacity to respond than has been shown so far.

### **About the Author**

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