**Twenty-First Century Developmental States? Argentina under the Kirchners**

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There has never been a greater need for development. The political, social, and environmental challenges faced by the world in the early twenty-first century insist upon the need for solutions to underdevelopment and associated state failure, immiseration, mass migration, and ecological degradation. However, examples of successful catch-up development since the end of World War Two are few and far between; none have transitioned towards any kind of sustainable development model. Of those successful cases, at least in terms of a human development approach (Sen, 1999), most are clustered in the East Asia region. Japan, South Korea, and Taiwan – in their respective periods – all achieved significant GDP growth combined with sustained increases in standards of living across sufficiently long periods of time as to fundamentally transform their societies.

Academic explorations of these cases generated sophisticated accounts of their development experiences that led to a new emphasis on the role of the state in achieving economic growth and poverty reduction. From these endeavours the term ‘developmental state’ was coined (Johnson, 1982). This interpretation conflicted with neo-classical focused accounts of their success (Little, 1979; Rodrik, 1992); accounts fitting the contemporary global development consensus commensurate with policies that minimised state interventions in the market, understood as the ‘Washington Consensus’ (Williamson, 1990).

Can the policies pursued by successful examples of developmental states be transferred to other countries under current global conditions? This question has represented one of the key concerns of the academic community in the wake of this reinterpretation of East Asian developmental success. This article will contribute to both the Latin American literature and the developmental state literature simultaneously and symbiotically, through arguing that Argentina in the period 2003-2015 represents an excellent empirical opportunity to revisit key debates associated with the concern of transferable lessons from the original East Asian developmental state experience.

The developmental state needs to be brought into the twenty-first century. There are many challenges to achieving this goal. Through drawing on the case of Argentina in the period 2003-2015 this article will contribute to four, inter-related facets of the transferability debate within the developmental state literature. This will help revive the possibilities for refreshing our understanding of developmental states and associated development success, and the lessons they may offer to the rest of the global south.

The first contribution concerns how developmental state theory has understood the state and state-society boundaries. State-centric understandings (Evans, Rueschemeyer, and Skocpol, 1985) that have dominated the literature need to be refreshed by considering recent scholarship that understands how states and societies mutually reconstitute one another. This is necessary to move away from accounts that valorise authoritarianism and overly focus on bureaucratic relationships. This will be demonstrated by examining Argentina in the 2003-2015 period, tracing the nature of its developmental success and ultimate failure through the changing pattern of social relations that underpinned contemporary state power.

The second contribution concerns Vu’s (2007: 38) distinction between ‘developmental structures’ and ‘developmental roles’. Institutional analysis has dominated the debate on developmental structures, or state capacity; debates on developmental roles, or hegemonic ideologies/projects (Woo-Cummings, 1999; Pempel, 1999: 171) has been less researched. This article will suggest that the forging of hegemonic ideologies is a complex process of social interaction that requires an understanding of state autonomy as well as state capacity. Argentina demonstrates this through its development of a ‘post-neoliberal’ ideology (Grugel and Riggirozzi, 2012; Wylde, 2016) in the wake of its 2001 crisis of neoliberalism, leading to a developmental role being articulated through what scholars have termed *neodesarrollismo* (Katz, 2006; Wylde, 2011).

The third contribution to the transferability debate will be to begin the process of refreshing our understandings of how international pressures and global forces interact with developmental states. The clear majority of the developmental states literature has focused on the ‘national’ level (Routley, 2012: 13), although now with several attempts to refine the model (see, for example Leftwich, 2000; Evans, 2008; Wylde, 2014). Through an analysis of how globalisation and associated social forces helped shape both Argentine state capacity and state autonomy during the Kirchner period, an empirical foundation can be used to induce associated theoretical confrontations.

The fourth contribution concerns overcoming the deductive tautology associated with the cherry-picking of cases (Mkandawire, 2001: 290). In other words, due to a method of 'identifying developmental states and explaining them in terms of the policies adopted and the capacity to adopt them, case studies with the developmental state literature have been self-selecting' (Fine, 2013: 10). This article will offer theoretically induced insights from the analysis of post-crisis Argentina that trace the rise and fall of the Kirchners and their developmentalist experiment. In presenting the Argentine case as one of initial success, followed by rupture and failure, its offers an invaluable opportunity to overcome Mkandawire’s (2001) challenge that for the developmental state concept to mean anything there must be the possibility of both developmental success and failure.

This analysis of transferability and the developmental state will proceed in three parts. The first will develop the theoretical contributions outlined above, exploring the nature of the state, ‘developmental roles’ and ideologies, integrating globalisation, and deductive cherry-picking. The second section will outline the empirical analysis, offering an account of the administrations of Nestor Kirchner (2003-2007) and Cristina Fernandez de Kirchner (hereafter CFK) (2008-2015). This will show how post-crisis social forces aligned with a post-neoliberal ideology that created a virtuous cycle of state-driven (but market friendly) economic growth accompanied with reductions in poverty and inequality. However, after a period this project began to fall apart through tensions and fractures in Argentine social forces, as well as more international forces associated with global capital. The dynamics of these changes and associated implications for the political economy of Argentine development will offer invaluable empirical insight into the theoretically induced confrontations outlined above. A final section will then conclude, suggesting that with further refinement and empirical study the developmental state concept continues to have value in the twenty-first century global political economy.

**Overcoming Theoretical Restrictions in the Transferability Debates**

Key to the endeavour of facilitating a virtuous pattern of global development, and one of the central debates in developmental state theory since its inception, is the question of transferability. Are there any transferrable lessons from the East Asian development experience for the rest of the global south? Whilst interventions from Vu (2007: 49) suggest that ‘the experience of developmental states may not be worth emulating’, attempts by Wade (1990) and Evans (1998) sought to determine what can be learned from the East Asian experience. The intended target of these lessons in the literature has often been Sub-Saharan Africa (see, for example, Mkandawire, 2001; Musamba, 2010), although Latin America has recently come to offer a fertile ground for comparative political economy within the developmental state tradition. An important but nascent literature comparing the ‘East Asian Miracle’ with contemporary Latin American experiences (see, for example, Jenkins, 1991) has been built upon in the context of the rise of the ‘Pink Tide’, or left and left-of-centre states across Latin America from 1998 onwards (see, for example Panizza, 2009; Grugel and Riggirozzi, 2012; Nem Singh, 2014; Wylde, 2014; Gezmis, 2015).

This literature has always recognised the dangers of dogmatic pursuit of models or blueprints, rather proposing the ‘fabricat[ion of] the institutions of their own developmental states from local materials’ (Johnson, 1982: 323). Evans (1998: 83) articulates this as an ‘invitation to indigenous innovation’. This is certainly no less true today than it was then. Not only have potentially important geo-strategic considerations such as the Cold War (Leftwich, 2008: 16; Pempel, 1999: 146-7) and ‘systemic vulnerability’ through national security threats (Doner, Ritchie, and Slater, 2005) associated with the original developmental states passed, but changing relationships between local and global capital – or certain aspects associated with globalisation – have fundamentally changed the nature of current global political economy and accompanying possibilities for rapid, catch-up development (Strange, 2014).

In the twenty-first century, successful developmental states must depart fundamentally from existing models (Williams, 2014). A global south in which manufacturing employs a shrinking minority of the population while most depend on the service sector undercuts the twentieth century story of increased general well-being built on Fordist production (Evans, 2008: 10; Hayashi, 2010: 59). To be effectively developmental, the twenty-first century state must take more responsibility, achieve greater autonomy in relation to private elites, and construct more complex and demanding forms of embeddedness (Evans, 2008: 17). In turn, academics must refresh their understandings of developmental processes to stay relevant in the context of deep structural change in societies and their relationships with different fractions of capital, both domestic and international. Such a refresh requires embracing recent scholarship in the political economy of development – as well as the social sciences more broadly – to reinvigorate some of the developmental state’s core assertions. In the context of the transferability debate: how to conceptualise the state and society, analytical separation of the capacity to develop from the autonomy to develop, the role of twenty-first century global political economy, and avoiding the deductive tautology. Each of these will now be taken in turn, with simultaneous exploration of the inter-relationships.

The concept of the state is highly contested. Here is not the place for a comprehensive analysis of the literature on the state, but it is necessary to consider very carefully the nature of state-society boundaries. The dominant conceptualisation of the state in the developmental state literature is one that incorporates the executive, legislature, and judiciary as well as bureaucracies and ministries (Routley, 2012: 6). This fundamentally state-centric understanding has subsequently been dominated by studies that seek to understand the ‘organisational features’ of a state (Evans, Rueschemeyer, and Skocpol, 1985: 20-1), understood as a set of organisations through which collectives of officials may be able to formulate and implement distinctive strategies or policies.

The form and nature of these state-society relationships becomes of fundamental importance. Developmental state theory - prior to Evans (see below) - viewed the state to be necessarily separate from society to insulate it from competing interests and those who may bear the costs of economic development incurred because of the lack of perfect mobility of factors of production. This insulation from competing interests came in the form of a classic authoritarian state. Johnson (1987) has argued that whilst there is no necessary connection between the developmental state and authoritarianism there is an ‘elective affinity’ between the two, echoing the work of O’Donnell (1973) and his analysis of the connection between bureaucratic-authoritarian regimes in Latin America and their emphasis on heavy industrialisation.

Subsequent research moved away from understanding state ‘strength’ to be derived from its insulation from societal pressures and discrete political interests. Instead, for Evans (1995), the key to the development success of developmental states was a form of state-society relations that he termed ‘embedded autonomy’. His argument suggests that a Weberian style bureaucracy in the sense of selective, meritocratic entrance requirements and independent long-term career rewards gives them autonomy. However, here he departs from Weber and suggests that far from being insulated from society, ‘they are embedded in a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and renegotiation of goals and policies’ (Evans, 1995: 12). These ties are predominantly with captains of industry - or domestic bourgeoisie - and it is this embedded autonomy that best facilitates the state’s role in industrial transformation.

Underlying these developmental state imperatives were the two central features of unusual degrees of both bureaucratic autonomy and public-private cooperation. This facilitated the formulation of independent national goals by the state and its bureaucracy, as well as translating these broad national goals into effective policy action. Therefore, the coexistence of these two features was essential. For example, in the absence of bureaucratic autonomy public-private cooperation could easily degenerate into situations in which state goals are directly reducible to private interests. Argentina and Brazil during their bureaucratic-authoritarian periods could be examples of such a political economy, where close government-business cooperation materialised in the context of a weak state, in the sense that it lacked autonomy from powerful groups in society. The logic of the developmental state therefore rests precisely on the combination of bureaucratic autonomy and public-private cooperation; the central insight of which is that the degree of government-business cooperation and consensus on national goals is not purely the product of a given cultural environment but has been largely engineered by the state elites themselves through the creation of a special set of institutions (Öniş, 1991: 115).

This concept of embedded autonomy was critiqued for having an inadequate or incomplete understanding of state-society relationships; it was not a sufficient explanation of successful development experience as *both* strong states and strong economic groups in society are needed to create ‘governed interdependence’ (Weiss, 1998: 38). Pempel’s (1999: 157) analysis captures this well when he critiqued the developmental state literature for privileging the political and economic role played by state bureaucrats. This is because they are treated as totally depoliticised, socially disembodied, and in rational pursuit of a self-evident national interest (Pempel, 1999: 144). In the words of Chalmers Johnson (1982: 356) ‘politicians merely reign, whereas the bureaucrats actually rule’. This led Bruce Cumings (1999: 61) to suggest that the state then emerges as a ‘web without a spider’. This critique sees that ‘if not from the politicians from whom do bureaucrats get their sense of direction?’ (Cumings, 1999: 145). Bureaucracies may well be rational, but in whose interests are they rational? One answer could be the national interest, derived from the possible interests of the politicians or at least of those in power. This opens the door to the possibility of multiple capitalisms and many varied versions of economic development; or many different capitalisms or forms of development, each promoting the interests of different specific socio-economic groups (Pempel 1999: 145).

The developmental state's preoccupation with the insulation of state bureaucrats as key to economic development can therefore be (re)interpreted as theoretically constricting. Evans’ emphasis on the role and character of the state’s bureaucracy at the expense of other explanatory factors reduces the basis of legitimacy for state-led developmental intervention to bureaucratic links with industrial capital (Woo-Cumings, 1999: 31; Pempel, 1999: 144). The possibility of legitimacy based on other forms of state-society relationship, or indeed multiples and combinations of different relationships, is not considered. As Pempel (1999: 147) suggests, ‘bureaucratic autonomy and mandarinate competence in the absence of numerous other conditions are thin reeds on which to rest a strategy of economic development’. This is also articulated by Woo-Cumings (1999: 31), who contends that ‘trimming some bureaucratic fat off the developmental state does not mean the end of the developmental state; rather, it is a requirement for survival’.

One way out of this conceptual milieu is to re-interrogate our understandings of state-society relationships and the nature of the state itself. In other words, what is needed to solve this problem is an explanatory framework that instantiates the limits placed by capitalist relations of production on the variation in the scope of state action (Radice, 2008: 1161-2). The liberal political hegemony that dominates the intellectual understanding and conceptualisation of the state as a congruence of ideas, interests, and institutions obscures this task as it marginalises the role of class and social relations (Radice, 2008: 1168). Developmental state theory has too often seen class not in any relational sense, but instead as a series of 'social groups' with different economic functions (Chang, 2013: 90). Evans *et al.* (1985) achieved this by putting the state as an independent agent at the centre of analysis, autonomous from classes and class relations. This downplayed the dependence of the state upon capital (or other class) relations (Chang, 2013: 91). Instead, understanding of difference in terms of developmental outcomes of state intervention was grounded in different organisational features of a state. This led to a focus on bureaucratic strength - and hence embedded autonomy - and therefore what matters is not the relation between the state and class relations, but the relations between the state and other groups of collective individuals (Chang, 2013: 92).

The efficacy of this understanding of state-society relations will be demonstrated in the next section of this article, which will examine the changing nature of class relations in Argentina and their relationships with the state. Through an understanding of these relationships, and how they changed during the Kirchner administrations, an account of initial developmental success followed by stagnation and ultimate failure can be made. This account will draw attention to broader, and changing, constellations of social relations rather than overly focusing on bureaucratic competence or crude understandings of state strength grounded in authoritarian structures and institutions.

A reinvigorated understanding of state-society relationships grounded in a suitable blurring of the boundaries of this dichotomy not only helps in understanding the developmental capacities of states, but also the motivations of developmental states; something relatively under-researched in the existing developmental state literature (Haggard, 2004: 70). In the context of Vu’s observation (2007: 38): significant research has focused on ‘developmental structures’, whilst complementary research into ‘developmental roles’ has been relatively unobserved.

Developmental structures may exist within a state, but it requires their active use to achieve developmental ends. A state may have the capacity to be developmental, but not the autonomy. The motivation and political will to do so requires what Pempel termed a ‘hegemonic project’ (1999: 171). This draws attention not only to the role of ideology, but how ideas and material interests interact in very complex and mutually re-constitutive ways. Johnson (1999: 52) suggests that the key advantage of an authoritarian regime is its ability to mobilise the population towards developmental ends. The growth and development that could subsequently emerge becomes the source of the regime’s legitimacy, with the effect of side-lining civil society (Leftwich, 2008: 16). This emergence of a suitable developmental ideology can come from several sources. Nationalism has been a dominant theme in the literature (Pempel, 1999: 168), as has the existence of broader systemic threats that drive populations together in the face of common enemies (Doner, Ritchie, and Slater, 2005). What is certainly true is that the existence of a common, hegemonic, developmental vision emerges from a series of political settlements (Haggard, 2004: 71). For these political settlements to be of a developmental type, specific constellations of social relations must be present that engender a common national interest in favour of rapid, catch-up development. Following Gramsci, those social relations are grounded not just in material interests but also in ideas, and the complex mutually reconstitutive relationship between them.

The second substantive section of this article will show how such a hegemonic project emerged in Argentina. Dubbed ‘post-neoliberalism’ (Grugel and Riggirozzi, 2012; see also Wylde, 2016; Ruckert et. al., 2016) this hegemonic project engulfed not only Argentina but Latin America more broadly (Grugel and Riggirozzi, 2012). Understood in general as a tendency to break with neoliberal policy prescriptions leading to a variety of distinct post-neoliberalisms (Ruckert, MacDonald, and Proulx, 2016); in Argentina, it manifested in a form of political economy termed *neodesarrollismo.* This not only led to changing relationships between the state and the market with attendant impacts on developmental capacity, but also an attempt to forge a new contract between the state and the people (Wylde, 2011). This emergence of a hegemonic project was key as it gave Argentina the autonomy to pursue key breaks with neoliberal policy prescriptions (in the wake of the neoliberal crisis of 2001) and instead forge an alternative social contract that sought an inclusive, state-led growth model that shares a number of characteristics with developmentalism.

Hegemonic projects are formed domestically, but are also subject to international forces. Sharpening our understandings of how international pressures and global forces interact with developmental states becomes imperative. However, the clear majority of the developmental states literature has focused on the ‘national’ level (Routley, 2012: 13). Global forces clearly shape the contours of state autonomy, and place restrictions upon it. However, those global forces present today – in the form of a globalisation dominated by the ideas and institutions of neoliberalism – possess important differences from those present in the twentieth century. As Fine and Kyung-Sup (2012: 300) suggest: ‘neoliberally driven globalisation, coordinated by the Washington-centred league of advanced capitalist states and radicalised by global financial capital, has ironically undermined – if not eliminated – the global framework of development’. They suggest that the bi-polar nature of international relations during the Cold War led to the respective hegemonies of the USA and USSR being expressed and exercised through developmental support, supervision, and control of developing countries. This was important, indeed arguably essential, in understanding the emergence of East Asian developmental states (Pempel, 1999: 177; Leftwich, 2008: 16; Fritz and Menical, 2007: 542). Taiwan, South Korea, and Japan were all strategically important to the USA during the Cold War, receiving financial and military aid, as well as preferential access to US markets for their products.

The decline of this global dynamic in the wake of the collapse of the Berlin Wall has led to claims that the developmental state experiences of the twentieth century cannot be repeated. ‘In the neoliberal era, particularly after the demise of the communist bloc, this global or interstate framework of national development has been replaced by a global economic disciplinary regime that purports to control developing countries as individually responsible debtors rather than deal with them as collective developmental dependents’ (Fine and Kyung-Sup, 2012: 301). It is true that the rise of transnational economic actors such as TNCs, fund managers, migrant workers, and transnational employees have fundamentally changed the Fordist nature of production that dominated most of the twentieth century. Furthermore, the ideology of neoliberalism has clearly permeated key sites of global governance, sites that have the ability to shape the autonomy of any state, particularly developing ones. However, this represents a call to refresh and reinvigorate our understandings of the developmental state, rather than call for its retirement as a useful concept in the twenty-first century. Through an examination of Argentina under the Kirchners, this article will argue that an interpretation of the contemporary global political economy as an absolutely constraining phenomenon on state’s developmental prospects is a false one. Contemporary forces of neoliberal globalisation will be shown to shape a ‘political economy of the possible’ (Santiso, 2006) where global imperatives are refracted through the lens of the state (Nem Singh, 2014: 331), which is able to bend and mould those forces in order to shape both materially and ideologically its autonomy – or hegemonic project – towards, in the case of Argentina, a national developmentalist vision.

In summary, the concepts of the state and state power within the developmental state literature need to be much better understood if the concept is to remain fit for purpose in the twenty-first century. Developmental state capacities can exist or be shaped through specific constellations of social relations; developmental state autonomy emerges through those same social relations. ‘Developmental roles’ therefore emerge through a complex relationship between material relations and structures, combined with ideas and ideologies. These are present at different levels of spatial analysis – national, regional, and global – and interact in complex ways to shape and limit any given state’s (developmental) autonomy, although not to the extent of being absolutely constraining. When understood in these terms, the developmental state can move away from the lionising of narrow bureaucratic embeddedness and authoritarianism. Instead, broader suites of socio-economic relationships can be examined, which are the product of complex, mutually reconstititive relationships between material interests and ideas at multiple spatial site of analysis. Such an approach will help refresh and reinvigorate the developmental state concept, making it fit for purpose in the twenty-first century.

To demonstrate the efficacy of these theoretical insights, the rest of the article will address how these considerations shed greater light on the dynamics of the political economy of development of Argentina under the Kirchners (2003-2015). In so doing, this approach will also avoid the tautological pitfall ready to capture many uses of the label developmental state. If the presence of significant and sustained levels of economic growth are taken as the analytical starting point, this suggests that ‘wherever there is or has been development, there must have been a developmental state’ (Fine, 1997: 3). This leads to a self-selecting bias as developmental states are identified deductively from GDP growth. This tautology is overcome through the inductive application of the developmental state concept (Pirie, 2013: 167), in this case to Argentina. It is also overcome through an analysis that will show how the rise and fall of post-2001 Argentine developmentalism was embedded in state-society relationships that were unable to consistently reproduce themselves in the face of both domestic and international tensions. This moves beyond explanations that deductively begin with economic growth, and are replaced with induced understandings of complex and changing patterns of social relations.

**Argentina under the Kirchners**

Post-2001 crisis Argentina underwent significant change regarding its development trajectory. This change can be summarised as a redefinition, and associated strengthening, of the state in two core aspects. First, the role of the state as an agent of redistribution for social justice; second, the state as regulator of markets. The redefinition of the role of government was in the context of the neoliberalism of Carlos Menem in the 1990s, where the government was an 'absent state' (Kirchner, cited in Cohen, 2012: 106). Public expenditures were focused on poverty reduction and social deprivation through a variety of *Planes.* Whilst the first - *Plan Jefes y Jefas de Hogar* - was initiated under Duhalde, under Nestor Kirchner this programme was run-down by preventing new entrants and instead placing them on his own *Planes* (Beccaria et. al., 2007): *Planes Trabajar* and *Plan Familias*. These were expanded under CFK in terms of the number as well as the scope. One particularly important flagship policy was the AUH (*Asignacion Universal por Hijo*). Initiated in 2010 this programme provides approximately 200 Argentine pesos a month for nearly 4 million children and families (Grugel and Riggirozzi, 2012: 9). Collectively, these policies facilitated a reduction in the poverty rate ($2/day at PPP) from 16.4 percent in 2003 to 2.9 percent by 2011 (see Table 1), although this must be treated with caution given the government manipulation of INDEC - the official statistical agency of the state - after 2007. However, even if alternative data is used - such as the Catholic University data set - whilst the figures are higher, they still display the same general downward trend (see Table 1). Increases in per capita public spending (in USD at current prices) from $1301 in 2003 to $2002 by 2007 (CEPAL, 2010) reflected this emphasis on social welfare programmes in the form of the various *Planes* as detailed above.

In addition to redistributive policies, Argentine political economy shifted its public policy profile in terms of the state as an agent of redistribution for social justice came through its policies towards the labour market. Precipitous drops in unemployment from 16.1 percent in 2003 at the start of Nestor Kirchner's administration to 7.5 percent in 2013, steadily increasing real wages (in spite of significant inflation post 2007), several increases in the minimum wage throughout the period, a reduction in the informal labour sector, and a new form of 'segmented neocorporatism' (Etchemendy and Collier, 2007: 363) to manage relations between the state, labour, and business all facilitated a state that was active and interventionist in the labour market in order to help facilitate redistribution of wealth for social justice reasons.

The second core aspect of the post-crisis Argentine public policy profile came in the form of market regulation. Under Néstor Kirchner Argentina experienced substantial economic growth; with GDP exceeding pre-crisis levels within a year of the start of his administration. The policies that achieved this growth can be grouped under the two main themes of macroeconomic policy and industrial policy. In terms of macroeconomics, the administration adopted an exchange rate policy that Frenkel & Rapetti (2008: 217) have termed a ‘Stable and Competitive Real Exchange Rate’ (SCRER). This was one of a suite of policies that led to a significant boost in exports, manifesting in a sustained surplus in the current account. Furthermore, given the presence of export taxes, this policy also helped to provide sustained fiscal surpluses, as well as expansions of state spending in areas such as welfare (see above), reduction of national debt, and industrial policy. Whilst the role of record international commodity prices cannot be ignored, Kirchner was still able to harness these forces to maximum benefit, as well as the fact that a significant proportion of the economic growth seen during the period 2003–2007 was in the manufacturing sector (Bezchinsky et al., 2007; Wylde, 2011: 439) and therefore independent of the reversal in terms of trade during this time.

There was also a shift in emphasis in the management of the Argentine economy since 2003. This was to encourage production, more specifically the industrial sectors of the economy, at the expense of the financial sector, especially the banking and capital markets (Ferrer, 2005: 370-371). There were dozens of mechanisms and promotion programmes that offered tax breaks, subsidies, sponsored credit, and technical assistance which formed the core of Kirchner’s industrial policy, and thus facilitated this change in the structure of the Argentine economy (Baruj and Porta, 2005; see also Ortiz and Schorr, 2009: 5). In addition, there were many public works programmes such as road building, bridge construction, etc. in order to promote private levels of economic activity (EIU, 2007; Heidrich and Tussie, 2009: 45). This represented a key source of change in the structure of the post-crisis Argentine economy in comparison to the Menem period. Banking and capital markets that took centre stage during the 1990s, whilst not actively discouraged, were relegated in importance in comparison to industry and the ‘real’ economy broadly defined.

This was all part of an attempt by the Argentine state under the Kirchners to forge a new social contract. The first important development was regarding the poor and working classes, who benefited from both expanding welfare combined with expanding employment opportunities. In addition, substantial increases in the minimum wage complemented these trends. Second, trade union groups have formed part of the alliance, although not as central a role as under former models of capital accumulation such as *Peronismo*. This is since welfare provision moved beyond formal unionised sectors of society and into family life, thus reducing the influence of clientelistic links present between the state and the trade union movement present under *Peronismo* (Grugel and Riggirozzi, 2012)*.* Third, middle-class elements were brought into the regime. The stabilisation of the macroeconomic environment from 2003 onwards combined an exchange rate policy that favoured domestic bourgeoisie elements (and especially exporters) brought these elements into the *Kirchnerismo* model. Furthermore, the consumer boom that such policies facilitated fed into underlying middle-class support, ensuring that the state brought widespread benefits across different class fractions rather than simply representing any one discreet class or class fraction. Finally, stimulation of exports also favoured agro-industrialists. Given that the agro-industry in Argentina is dominated by TNCs (especially soy) this policy also brought these interests of international capital into the model.

The concept of post-neoliberalism has provided the most convincing framework (see Grugel and Riggirozzi, 2007; MacDonald and Ruckert, 2009) for understanding post-crisis Argentina. Deﬁned as: 'more than simply the return of the state in terms of the economy…it is also a call for a new kind of politics, rooted in, and responsive to, local traditions and communities and an attempt to forge a new pact between society and the state. (Grugel and Riggirozzi 2012: 3). Post-neoliberalism captures the broad thrust of Argentine *neodesarrollismo*, offering a useful framework for understanding a very real shift in Argentine (and Latin American) political economy that is neither a return to the old Import Substituting Industrialisation (ISI) models of the twentieth century nor a simple continuation of neoliberal policies.

During the presidency of CFK from 2008 onwards several underlying issues manifested themselves into several strain points that facilitated shifts in this broad public policy profile. Through an examination of these dynamics, not only can a deeper understanding of Argentine state-society relationships be developed, but also how Argentine state autonomy was shaped by forces present at different spatial levels of analysis, and therefore integrating the role of the current global political economy into the discussion.

**Table 1** Key Economic Indicators in Argentina 2003-2014.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| GDP growth (%) (World Bank) | 8.8 | 9.0 | 9.1 | 8.3 | 8.0 | 3.1 | 0.05 | 9.1 | 8.5 | 0.9 | 2.9 | 2.8 |
| Inflation (%) (INDEC) | 4.9 | 6.1 | 12.3 | 9.8 | 8.5 | 7.2 | 7.7 | 10.9 | 9.5 | 10.2 | 10.6 |  |
| Inflation (%) (Congreso Nacional)\* | - | - | - | - | - | - | - | - | 22.64 | 25.25 | 28.27 | 38.53 |
| Primary Balance (% GDP) (CEPAL) | 2.1 | 3.2 | 2.3 | 2.7 | 2.7 | 2.8 | 1.4 | 1.5 | -0.1 | -0.1 | -1.4 | -2.0 |
| REER (2005=100) (CEPAL) | 96.9 | 100.2 | 100 | 101.9 | 101.4 | 97.2 | 99.3 | 98.5 | 99.5 | 94.8 |  |  |
| Poverty at $2/day (PPP) (%) (World Bank) | 16.4 | 12.3 | 9.8 | 7.4 | 6.4 | 5.7 | 5.4 | 3.9 | 2.9 | - | - | - |
| Poverty (%)\*\* | - | - | - | - | - | - | - | 17.6 | 14.3 | 15.5 | 16.5 |  |
| Indigence at $1.25/day (PPP) (World Bank) | 9 | 6.3 | 4.6 | 3.8 | 3.0 | 2.7 | 2.7 | 1.7 | 1.4 | - | - | - |
| Indigence\*\* | - | - | - | - | - | - | - | 7.3 | 6.2 | 5.8 | 5.5 |  |
| Unemployment (%) ILO | 16.1 | 12.6 | 10.6 | 10.1 | 8.5 | 7.8 | 8.6 | 7.7 | 7.2 | 7.2 | 7.5 |  |
| Current Account Balance (% GDP) (World Bank) | 6.2 | 2.1 | 2.3 | 2.9 | 2.2 | 1.6 | 2.2 | 0.3 | -0.4 | -0.2 | -0.7 |  |
| Central Government Gross Public Debt (% GDP) (CEPAL) |  |  | 60.2 | 51.7 | 44.2 | 39.0 | 39.6 | 36.1 | 33.3 | 35.4 | 37.9 | 39.6 |
| GINI index (World Bank) | 53.54 | 50.18 | 49.27 | 48.26 | 47.37 | 46.27 | 45.27 | 44.5 | 43.57 |  |  |  |
| Commodity Prices (ex. oil and precious metals) (2000=100) (EIU) | 99.7 | 103.6 | 106.9 | 110.7 | 116.1 | 123.1 | 117.4 | 123.1 | 133.0 | 133.5 | 133.0 | 132.3 |

\* Since 2011 opposition members of the National Congress have published inflation data that is an aggregate of eight different independent consultants.

\*\* Data produced by Universidad Católica Argentina *Observatorio de la Deuda Social Argentina*. Figures are individual urban poverty and indigence based on ability to buy a basic basket of goods.

The first area of tension was concerning relations with domestic rural oligarchs, agricultural TNCs, and the state. In 2008 there was widespread social unrest as farmers all over the country blocked major routes and roads to ports and cities, preventing the passing of trucks transporting agricultural commodities. This was in response to the government's announcement of an extension of export taxes (*retenciones*)on soyabean products from 35 percent to 45 percent, greatly affecting soy, maize, wheat, and sunflower seed producer's interests. Due to the flat nature of the tax it produced an unlikely coalition of interests between rural oligarch’s, TNC’s, and medium and small scale producers (Cohen, 2012: 133). Second, there were those creditors who did not agree to the debt swap and haircut in 2005 (and in 2010 after a second deal was struck by CFK with 93 percent of the holdouts from 2005), or at least the vulture funds (such as Elliott Management) who bought the outstanding debt on secondary markets. These firms have been using legal systems in friendly countries to try to force Argentina to repay on defaulted debt in full, including accrued interest. This has led to a ‘technical default’ in August 2014, and the protracted locking out of Argentina from international capital markets – facilitating a shortage of foreign currency domestically. Third, there was widespread unrest from September 2012 across the country, including rioting and looting in December 2012 (Economist, 2012: 47; Economist, 2013: 32). The rioters were a mix, involving middle classes protesting foreign exchange restrictions, curbs on imported goods, and high inflation making it impossible to save. Also present were organised labour movements protesting lower real wages because of high inflation, demanding further extensions in welfare provision, and wanting greater involvement in the creation of state policy like they did in under previous regimes such as those of Péron (Economist, 2012: 48).

The collapse of international demand that followed the global financial crisis hit Argentine exports hard. A key cornerstone of Argentine political economy post 2001 has been the rise in exports. As well as the direct impact on exports of a manufacturing origin, this dynamic also served to restrict the revenues gained from agricultural exports due to associated declining terms of trade. This was exacerbated in 2012 by severe drought which affected yields. In turn, this impacted on Argentina’s public finances. Since *retenciones* were reintroduced in 2002 they became an important source of state income, representing an average of 12 percent of budget revenues by 2010 (INDEC, 2010). The attempt to increase *retenciones* by CFK in 2008 can be seen as a direct response to these changing international dynamics, coupled with a desire to maintain fiscal surpluses in the face of declining revenues.

The drop in international demand for Argentina’s exports facilitated downward pressure on its nominal exchange rate. This trend was further exacerbated by the need to import increasing amounts of energy to fuel Argentina’s rapid (although by now the rate of GDP growth was declining) economic expansion in the absence of domestic investment in energy production. In turn, this eroded Argentina’s current account surplus. A drop in the nominal exchange rate combined with increasing inflation to increase Argentina’s Real Exchange Rate (see Table 1), further eroding export competitiveness and thus a further drop the current account surplus. This fall in the current account surplus (to a small deficit by 2011) threatened to undermine one of the key cornerstones of *Kirchnerismo*. Persistent current account deficits in the 1990s during neoliberal restructuring led to excessive foreign debt accumulation, mounting on top of an already significant debt accrued during the bureaucratic-authoritarian period. Ultimately this helped precipitate economic meltdown in 2001-02 and the associated dislocation of Argentine politics and society (Svampa, 2014).

Many CFK’s policies can therefore be interpreted as attempts to correct these pressures on the current account balance. A series of foreign exchange restrictions to prevent domestic US dollar hoarding facilitated tensions with middle class elements of Argentine society as foreign travel and holidays become more expensive. In addition, several import restrictions, as well as measures to require businesses that import to also export goods, widened these tensions to domestic bourgeois elements of the middle classes. The re-nationalisation of YPF to reignite energy investment and thus reduce the levels of imported energy (which in turn will help relieve pressure on the current account balance) also created tensions with elements of international capital.

High inflation after 2007 was a persistent trend (see Table 1), causing further tensions amongst different socio-economic relations in Argentine society. The middle classes, once again, were hit through difficulties in saving given the level of inflation in the economy; especially when combined with the foreign exchange restrictions that made it difficult to use the US dollar as a more inflation proof store of value. The working classes and trade unions were hit because of the erosion of real wages that this began to facilitate. Whilst there was some redistribution to these elements of Argentine society because of the state taking responsibility for economic growth, these began to be undermined by 2012 as growth stalled but the inflationary trend persisted. Many of the poorest in Argentina were protected from this trend through a persistently expansionary fiscal stance that saw the extension of welfare benefits beyond the more traditional clientelist links with trade union organisations (Grugel and Riggirozzi, 2012: 9). Therefore, whilst important in the political context of increasing tensions between the Argentine state and organised labour, the impact of inflation on real income levels of the poor should not be over exaggerated.

In summary, the policies of CFK represented departures from her husband’s more cautious and pragmatic approach. They were the result of twin forces at play in contemporary Argentina. First, the deteriorating international economic conditions, in contrast to the relatively benign international economic environment that prevailed in the 2003-2009 period; the collapse of international demand in the wake of the global financial crisis severely impacted on Argentina’s export driven growth model. This was also exacerbated by a fall in international commodity prices in 2009 (see Table 1) as agricultural commodities still represented by far the largest share of Argentine exports. However, this should not be overemphasised as Table 1 also shows that international commodity prices soon bounced back after 2009, and many other countries in the region were not as affected by the same changes in prices (Bolivia for example). The second factor that has played a significant role in the deterioration of GDP growth (see Table 1) was Cristina's policies intended to 'deepen the model'. This came in the form of extending welfare - through for example the AUH - and extension of the minimum wage to non-unionised workers, counter-cyclical fiscal spending in the wake of the global financial crisis, and maintaining (even increasing) subsidies and price controls in a few areas - especially transport, energy, and fuel. Cristina's heterodox policies prevented outright recession, maintained reductions in poverty, and reductions in the GINI (see Table 1), but at the expense of rampant inflation, and the key loss of the twin surpluses in the current and fiscal accounts.

In summary, Argentina's development trajectory underwent clear shifts away from previous forms of political economy in the form of both *Peronismo* and *Menemismo.* From a shift in the link between citizenship and welfare to the renegotiation of Argentina's relationship with international capital *Kirchnerismo* represented a different model of capital accumulation. This renegotiation was not to hold however. Many of the CFK administration's policies served to unravel core aspects of the socio-economic relations that underpinned *Kirchnerismo* in the immediate post-crisis period. By abandoning fiscal and current account surpluses, by allowing inflation to erode the SCRER, and by using export restrictions to limit the amount of foreign exchange in the domestic economy, Cristina's extension of the post-neoliberal developmental regime in Argentina became incoherent and unsustainable. In other words, whilst the suite of unorthodox economic policies worked in correcting several adverse trends and pressures on the Argentine economy (but not others), these policies served to undermine the constellation of social relations that underpinned the post-crisis development model; a constellation that was always vulnerable given the lack of institutionalisation of these newly forged post-crisis relationships. Thus, they often ended up resulting in policies designed to buy certain groups support in a clientelist manner, rather than foster long-term support that could be institutionalised in an enduring way.

**Conclusions**

The case of Argentina has clear implications for the developmental state literature, with those concerning transferability being addressed in this article. Argentina under the Kirchner’s therefore offers an excellent opportunity to overcome theoretically induced confrontations within the developmental state tradition. In drawing attention to the nature of post-crisis social relations, this article has suggested that interrogating the changing nature of state-society relations reveals new understandings of developmental states in the twenty-first century. Furthermore, in highlighting the simultaneous role these social relations play in the forging of a post-neoliberal *neodesarrollismo* ideology, this article has also drawn attention to the need to consider the role played by both state capacities and state autonomy. Having the legitimacy and political will to pursue developmentalism are as important to possessing the capacities to do so. Finally, this article has drawn attention to the fact that the (re)forging of state capacity and state autonomy towards social contracts grounded in developmentalism also occurs under conditions of multi-level governance. Whilst the state acts as the key site of congruence of different governance imperatives, any understanding of developmental state’s today must trace the contours of power relations that reveal how a state’s autonomy and capacity are shaped by forces in the global political economy. In the case of Argentina, this led to the shaping of key aspects of the state’s capacities because of its terms of access to foreign capital markets; which, in turn, limited its autonomy and undermined underlying social relations.

Argentina offers a clear lesson to the transferability debates that a country can be a failed developmental state as well as a successful one. In the context of a changing global political economy, a developmental state is clearly not static, nor necessarily robust. Indeed, Argentina offers an empirical insight into the potentially fragile nature of a developmental state. The constellation of social relations, institutions, and ideas that shape a state’s capacity and autonomy – or developmental structures and developmental roles – can be transitory, fleeting, and subject to change from both above and below the state. This draws attention to the need to further investigate and research the objective conditions under which developmental states can flourish: not only in terms of maintaining the necessary developmental structures in the face of sometimes contradictory political and economic pressures, but also in maintaining developmental roles conducive to the creation and maintenance of a hegemonic ideology consistent with rapid, catch-up development.

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