

# ARGENTINA WEATHERS THE STORM

*Steven Levitsky and María Victoria Murillo*

*Steven Levitsky is assistant professor of government at Harvard University. He is author of *Transforming Labor-Based Parties in Latin America: Argentine Peronism in Comparative Perspective* (2003) and is currently writing a book on the emergence and dynamics of competitive authoritarian regimes in the post-Cold War era. **María Victoria Murillo** is associate professor of political science and international affairs at Columbia University. She is the author of *Labor Unions, Partisan Coalitions, and Market Reforms in Latin America* (2001).*

The events of December 2001 seemed to transform Argentina's international status from poster child to basket case. Throughout the 1990s, Argentina had been widely hailed as a case of successful market reform under democratic government. The radical economic transformation undertaken by the government of Carlos Saúl Menem had ended hyperinflation and restored economic growth, while the country enjoyed an unprecedented degree of democratic stability. Elections were free; civil liberties were broadly protected; and the armed forces, which had toppled six civilian governments since 1930, largely disappeared from the political scene. Yet in late 2001, Argentina suffered an extraordinary economic and political meltdown. A prolonged recession and a severe financial crisis culminated in a debt default, a chaotic devaluation, and a descent into the deepest depression in Argentine history. A massive wave of riots and protests triggered a string of presidential resignations, plunging the country into a profound crisis. For several months, Argentina teetered on the brink of anarchy. Widespread hostility toward the political elite raised the specter of a Peru- or Venezuela-style party-system collapse. As the 2003 presidential election approached, many observers feared that the vote would be marred by violence or fraud.

The April 27 election produced no such outcome. Not only did democracy survive and the vote proceed smoothly, but the top two finishers, ex-president Menem and Santa Cruz provincial Governor

Néstor Kirchner, belonged to the (Peronist) Justicialista Party (PJ), which had governed Argentina for 12 of the last 14 years. When surveys showed Menem losing the scheduled May 18 runoff election by a landslide, he abandoned the race, and Kirchner, the candidate supported by the interim Peronist government of Eduardo Duhalde, became president. The election demonstrated both the robustness of Argentina's core democratic institutions and the remarkable strength of Peronism. But can a new Peronist government restore a minimum of legitimacy and governability to Argentine democracy?

### **From Poster Child to Basket Case**

Conventional wisdom notwithstanding, the 2001 crisis was neither an inevitable consequence of market-oriented reform nor the product of an unusually corrupt and profligate political elite. The crisis was, however, rooted in several legacies of the Menem presidency. One was the 1991 Convertibility Law, which legalized domestic operations denominated in foreign currency and pegged the peso to the dollar at a one-to-one rate, essentially converting the Central Bank into a currency board. Though widely credited with ending hyperinflation, the convertibility system took monetary and exchange-rate policy out of the hands of governments, leaving them without the policy tools to respond to economic shocks. Another problematic legacy of the Menem period was the dramatic growth of the public debt, much of which was due to the enormous cost of privatizing the social security system: As the state continued paying out on its old obligations to the retired, but with no new contributions coming in, it was forced into a spiral of borrowing. A third legacy was widespread social exclusion. The unemployment rate, which had been virtually zero for much of the twentieth century, soared to a record 18.6 percent in 1995 and remained in double digits for the rest of the decade. These economic legacies left Menem's successors in a difficult bind: Future governments would face growing demands to address long unmet social needs, but a massive debt burden and a rigid monetary and exchange-rate system would seriously limit their capacity to meet those demands.

A final legacy of Menemism was political: a marked decline in public trust in politicians and political institutions. A lack of transparency in key policy areas, a series of high-profile corruption scandals involving Menem government officials, and political shenanigans such as the packing of the Supreme Court created a perception of widespread and unchecked abuse of power. By the end of Menem's second term, corruption and unemployment consistently ranked in public opinion polls among the most acute of Argentines' public concerns.

In the late 1990s, the Alliance for Jobs, Justice, and Education—a coalition of the centrist Radical Civic Union (UCR) and the center-left

Front for a Country in Solidarity (FREPASO)—appeared to offer a viable alternative to Menemism. The Alliance's promise to combat corruption and address the social costs of the economic reforms generated broad public support, particularly among the middle classes. In 1999, Alliance candidate Fernando De la Rúa easily defeated Peronist Eduardo Duhalde to win the presidency.

Yet the De la Rúa government failed to deliver on both the political and economic fronts. Within a year of taking office, the Alliance became embroiled in a scandal as government officials were alleged to have bribed a handful of senators in an effort to pass labor-reform legislation. When the government failed to investigate the allegations seriously, Vice-President (and FREPASO leader) Carlos "Chacho" Alvarez resigned, triggering the collapse of the Alliance. Because the Alliance had been elected on a clean government platform, the scandal seriously eroded its public credibility, particularly among middle-class voters.

The Alliance's greatest failure, however, lay in the economic realm. Due to a series of external shocks, including a large-scale outflow of capital triggered by the 1997 Asian financial crisis, a strengthening U.S. dollar, and Brazil's 1999 devaluation, the De la Rúa government inherited a prolonged recession when it took office in December 1999. Yet the convertibility system prevented the government from using exchange rate or monetary policy to reactivate the economy, and a heavy debt burden, jittery bond markets, and pressure from the IMF discouraged counter-cyclical deficit spending. Unwilling to abandon the highly popular convertibility system, De la Rúa implemented a series of austerity measures that prolonged and deepened the economic downturn. In late 2001, as the recession entered its fourth consecutive year, public frustration reached a boiling point. The first manifestation of this anger was seen in the October 2001 legislative elections. Not only did the Alliance's share of the (valid) legislative vote fall by nearly 50 percent from 1999, but the percentage of voters who cast blank and spoiled ballots in protest soared to an unprecedented 22 percent of the overall vote, exceeding that of the Alliance, and in the city of Buenos Aires it exceeded those of every party.

De la Rúa never recovered from the October 2001 election. Within weeks, mounting fears of a debt default or currency devaluation triggered a severe financial crisis. Although international actors might have intervened with a rescue package similar to the successful U.S.-led bailout of Mexico in 1995, the new Bush administration strongly opposed bailouts, and both the U.S. government and the IMF remained on the sidelines. In November, Economy Minister Domingo Cavallo responded to a wave of capital flight by imposing strict limits on bank withdrawals and currency movements. The political consequences of this so-called *corralito* (playpen) policy—which deprived the middle classes of their savings and starved the cash-dependent informal economy that sus-

tained many of the poor—were devastating. On December 18 and 19, Argentina exploded in a wave of rioting and protest. Confronted with widespread looting, highway blockades, and tens of thousands of middle-class protesters banging pots and pans in downtown Buenos Aires, the government unleashed brutal police repression that resulted in at least two-dozen deaths. The killings eroded the last vestiges of De la Rúa's authority, and on December 20, he resigned. With the vice-presidency vacant, Congress elected Adolfo Rodríguez Saá, an old-school Peronist governor, to serve as interim president. Rodríguez Saá immediately declared the largest public debt default in history, but he did little else. After another round of rioting and amid severe conflict within his own party, Rodríguez Saá resigned on December 30.

On 1 January 2002, when Congress selected PJ senator Eduardo Duhalde as Argentina's third president in less than two weeks, Argentina stood on the brink of anarchy. What began as anti-De la Rúa protests had now grown into a massive civic rebellion against the entire political elite. Rallying behind the slogan *Que se Vayan Todos* ("throw everyone out"), protesters descended on the three branches of government, demanding the resignation of the Congress and the Supreme Court. At the same time, groups of poor and unemployed people—known as *piqueteros*—blocked major roads and highways throughout the country demanding food and jobs. Citizen anger reached such heights that Argentines began physically to attack politicians on the street, in restaurants, and in other public places.

Duhalde's first move was to end the convertibility system. In a context of international isolation and widespread institutional collapse, the move plunged the economy further into chaos. Within weeks, the value of the peso had plunged by more than 70 percent, triggering fears of hyperinflation. The economy, in recession since 1998, now fell into a full-scale depression. With the banking system paralyzed and no immediate prospect of international assistance, economy activity ground to a halt. The consequences were devastating: Argentina's GDP contracted by 16 percent in the first quarter of 2002, and the unemployment rate climbed to nearly 25 percent. Over five million people fell into poverty between October 2001 and June 2002, by which time more than half the population now lived in poverty, compared to just 22 percent in 1994.

The economic crisis brought Argentina's democratic institutions to the breaking point. Extensive public hostility toward the political elite raised the specter of full-scale party-system collapse and the rise of an anti-establishment outsider. The intensity of social protest and widespread perceptions of chaos triggered talk—for the first time in more than a decade—of military intervention. After police killed two protesters in June 2002, a badly weakened Duhalde was forced to cut short his own mandate. He announced that he would leave office in

May, rather than December, of 2003, and presidential balloting was eventually rescheduled for April of that year.

### **From Pots and Pans to Ballots**

As the 2003 election approached, the prospects for a stable democratic exit to the crisis looked relatively bleak. Although the economy had begun to recover in late 2002 under Duhalde's second Economy minister, Roberto Lavagna, the political situation remained volatile. The party system was in disarray. Two of the country's four largest parties, FREPASO and Domingo Cavallo's Action for the Republic, disappeared from the political map, and the UCR, Argentina's oldest major party, fell to less than two percent in the polls. Key UCR politicians abandoned the party to launch independent presidential bids. Elisa Carrió, a legislator from Chaco who had emerged as a prominent anti-corruption crusader, had left the UCR in 2001 to form the left-of-center Alternative for a Republic of Equals (ARI), while Ricardo López Murphy, a Chicago-trained economist who had held both the Defense and Economy portfolios in De la Rúa's cabinet, launched the conservative Federal Recreate Movement (MFR) in 2003. As established parties weakened, anti-establishment challenges emerged. For example, Luis Zamora, a previously marginal left-wing politician who gained popularity during the December 2001 protests, led calls for the immediate resignation of all public office holders and then called on voters to cast blank ballots in an effort to "throw everyone out."

The PJ was also in disarray. Though it remained strong in electoral terms, the party was torn apart by conflict between Menem, who sought to regain the presidency, and Duhalde, who blamed Menem's candidacy for his 1999 defeat and sought to block his candidacy at virtually any cost. Desperate for a candidate to defeat Menem, Duhalde turned to Néstor Kirchner, a little-known governor who had been one of the few Peronists to oppose Menem throughout the 1990s. Kirchner became the government's candidate, promising to retain Lavagna—whose popularity had soared with the incipient economic recovery—as economy minister if he won. Ex-interim president Adolfo Rodríguez Saá also sought the presidency. The PJ, which has never possessed an effective bureaucracy or stable intraparty rules and procedures, lacked an agreed-upon mechanism to select its candidate, and the nomination process quickly descended into a naked power struggle. Although party statutes called for a presidential primary, Duhalde, fearing a Menem victory, used his influence in the party congress to derail the PJ's internal elections. In early 2003, with the party on the verge of rupture, the Peronists opted for an extraordinary solution: They would permit three candidates, Menem, Kirchner, and Rodríguez Saá, to run. The strategy was extremely risky from an electoral standpoint. PJ candidates would di-

vide the Peronist vote in three, which could potentially have eliminated all of them from contention. But Duhalde and his allies viewed it as the only available means of simultaneously defeating Menem and keeping the party together.

For much of the 2003 presidential campaign, the race was deadlocked among five candidates: Peronists Menem, Rodríguez Saá, and Kirchner, and the ex-Radicals Carrió and López Murphy. Carrió and López Murphy appealed primarily to urban middle-class voters, most of whom had traditionally backed the Radicals and voted for the Alliance in 1999 (and many of whom had spoiled their ballots in protest in 2001). Both championed clean government and institutional integrity. Yet they diverged sharply on other issues: Whereas Carrió positioned herself as a progressive reformer and a critic of the Menem government's free-market policies, López Murphy adopted a conservative free-market platform. The three Peronist candidates appealed to poorer and less educated voters outside the urban centers. Their platforms also diverged considerably. Menem campaigned on the right, championing the free-market and pro-U.S. policies of the 1990s and promising to crack down on crime and social protest. By contrast, Rodríguez Saá and Kirchner campaigned against the free-market policies of the 1990s. Whereas Rodríguez Saá cast himself as a traditional Peronist, with a nationalist and populist appeal, Kirchner positioned himself as a modern progressive, adopting a center-left "neo-Keynesian" platform. This placed him in better position than Menem or Rodríguez Saá to capture middle-class non-Peronist votes.

The severity of Peronism's internal conflict and the general atmosphere of institutional instability led many observers to fear that, for the first time since the return to democracy in 1983, the April 2003 election would be marred by violence or fraud. These fears were reinforced by the UCR's fraud-ridden presidential primary in December 2002, and by ominous developments surrounding the March 2003 gubernatorial election in Catamarca province. After a provincial court declared PJ candidate Luis Barrionuevo constitutionally ineligible, his supporters orchestrated a massive election-day riot—including the burning of ballot boxes—that forced the postponement of the election.

Contrary to expectations, however, the election went smoothly. There were no violent incidents or serious accusations of fraud. Moreover, participation was strikingly high. Turnout was 78 percent, which is roughly on par with past presidential elections in Argentina. (The results of the first-round election are shown in Table 1.) Because no candidate secured 45 percent of the vote, Menem and Kirchner, two Peronists—with 24.5 and 22.4 percent of the vote respectively—qualified for a runoff election.

Menem's first-place finish was a product of polarization and fragmentation. A talented (and well-financed) candidate who could claim to have vanquished hyperinflation and restored economic growth during his presidency, Menem enjoyed strong support among the poor and

**TABLE—RESULTS OF ARGENTINA'S 2003 PRESIDENTIAL ELECTION (FIRST ROUND)**

CANDIDATE	PARTY	% OF VALID VOTE
Carlos Menem*	Justicialista Party	24.5
Néstor Kirchner*	Justicialista Party	22.2
Ricardo López Murphy	Federal Recreate Movement	16.4
Adolfo Rodríguez Saá	Justicialista Party	14.1
Elisa Carrió	Alternative for a Republic of Equals	14.1
Leopoldo Moreau	Radical Civic Union	2.3
Patricia Walsh	United Left	1.7
Others		4.7

\*Qualified for second-round runoff.

in the peripheral northern provinces. At the same time, he was strongly disliked by a solid majority of the electorate, particularly urban middle-class voters. The election quickly polarized around Menem. The former president received a disproportionate amount of media coverage and was the primary target of other candidates. In a fragmented field of candidates, this polarization worked to Menem's benefit: With less than a quarter of the vote, he finished first.

Kirchner qualified for the runoff for very different reasons. Although he had governed the Patagonian province of Santa Cruz since 1991, he had never been a major national political figure. This relative obscurity worked to his advantage. Because he was not widely disliked, he emerged as a "least bad" option for strategic voters whose priority was defeating Menem. But Kirchner's second-place finish would have been impossible without the backing of the Duhalde government. In addition to critical resources and media attention, Duhalde delivered the all-important province of Buenos Aires, which contains nearly 40 percent of the national electorate. A former two-term governor of the province, Duhalde maintained control over the PJ's powerful Buenos Aires machine, which included the mayors of many densely populated municipalities in the rust belt of Greater Buenos Aires. Without the votes delivered by this party machine, Kirchner would not have qualified for the second round.

Several aspects of the first-round vote are worth noting. First, it was much more fragmented than in previous presidential elections. For the first time since the return of democracy in 1983, the winner and the runner-up captured less than half the vote. This fragmentation was largely due to the crises of the established parties: The UCR's electoral collapse gave rise to two major ex-Radical candidacies, while the PJ's internal conflict forced it to field three different candidates. Fragmentation was reinforced by the two-round electoral system established by Argentina's 1994 constitution.

Second, the election was a major victory for the PJ. The party's candidates won a combined 61 percent of the vote. They also captured both first

and second place in the election, which ensured that the next president would be a Peronist. The PJ's presidential victory is likely to be complemented by another Peronist landslide in the December 2003 legislative elections, which should give the PJ solid control over Congress. In the midst of an extraordinary crisis, Peronism appeared as resilient as ever.

Third, the UCR suffered a devastating defeat. Radical candidate Leopoldo Moreau won a paltry 2.3 percent of the vote—easily the worst performance in the party's history. Although it may be too early to declare the UCR dead, the 2003 election almost certainly established Carrió's ARI and López Murphy's MFR as the leaders of the non-Peronist opposition.

Finally, notwithstanding widespread anger at the political elite, establishment candidates carried the day. The top two finishers were a former two-term president (Menem) and a three-term governor who represented the incumbent government (Kirchner). Moreover, the third-, fourth-, fifth-, and sixth-place finishers were hardly outsiders: López Murphy held two cabinet positions in the De la Rúa government and was a darling of the economic elite; Rodríguez Saá was a five-term governor and ex-interim president; Carrió was a sitting congressperson and daughter of a UCR party boss; and Moreau was a longtime UCR leader and senator. Indeed, the "throw everyone out" vote was strikingly low. No anti-establishment candidate received even two percent of the vote, and the blank and spoiled vote, which in 2001 surpassed 20 percent, fell to just 2.5 percent—one of the lowest totals in years.

In the second-round election, the polarization that had benefited Menem in the first round turned dramatically against him. The anti-Menem vote, which had been fragmented in the first round, coalesced behind Kirchner in the second. Surveys quickly revealed that the vast majority of Carrió, López Murphy, and Rodríguez Saá voters preferred Kirchner to Menem. Almost immediately after the first-round vote was counted, surveys showed Kirchner winning the second-round election with more than 70 percent of the vote. As the myth of Menem's invincibility collapsed, the gap widened even further. Some surveys suggested that Menem would have trouble matching his first-round total (24 percent) in the second round. His public-approval rating consistently low since 1996, the former president fell victim to large-scale retrospective voting. In what became a referendum on Menemism, Argentines from across the political spectrum prepared to vote massively against a return to the past.

Facing the prospect of overwhelming defeat, Menem made an unprecedented move. Having won the first-round vote, he dropped out of the second round, handing the presidency by default to Kirchner. Some observers attributed Menem's controversial decision to a variety of personal motives, including the psychological trauma of a candidate who had never lost an election and a desire to undermine the legitimacy of



the Kirchner government by denying this rival of a 70 percent mandate. Yet the decision was also rooted in the strategic behavior of Menem's political allies. Faced with a certain and massive Kirchner victory, few Peronists with future political ambitions could afford to remain aboard Menem's sinking ship. Leading Menemist governors, who faced crucial legislative and gubernatorial elections in the fall, were unwilling to pay the political cost of a massive defeat in their own districts and lobbied hard for Menem's withdrawal. Other party bosses who had either backed Menem or remained neutral in the first round had already defected to Kirchner. Had Menem remained in the race, continued bandwagoning would have reduced his support base to its ultraloyalist core, leaving him in an extremely weak post electoral position. Menem sought to avoid this outcome by resigning. But the move was widely viewed as a desperate, vengeful, and irresponsible blow to the democratic process, and it left the former president more politically isolated than ever before. The Menemist era appeared to be over.

### **What Happened to the Anti-Establishment Vote?**

Given the general public hostility toward the political elite that was made so strikingly clear by the December 2001 protests, Argentina had seemed ripe for a political meltdown. But none occurred. There are several reasons why the public anger of 2001–2002 did not translate into support for anti-establishment candidates in 2003. The first is the electoral resilience of Peronism. Whereas in Peru and Venezuela established populist parties collapsed, leaving low-income voters without political representation, the PJ survived the 2001–2002 crisis. Peronism's powerful grassroots organization and deeply rooted partisan identities remained largely intact. In part, this resilience was a product of the PJ's extensive clientelist networks. In peripheral provinces and urban poverty zones, local Peronist machines continued to serve as effective mechanisms for delivering votes and defusing social protest. The PJ's continued electoral strength was also a product of its relative effectiveness in government. In contrast to the UCR-led governments of Raúl Alfonsín (1983–89) and Fernando De la Rúa (1999–2001), which respectively presided over the 1989 hyperinflation and the 2001 economic collapse (indeed, neither Radical president managed to complete his term in office), the Menem and Duhalde governments had maintained a minimum of governability and social peace.

Peronism's survival meant that Argentina's party-system collapse was only partial. The "throw everyone out" vote was largely confined to the non-Peronist electorate: middle-class voters who had previously backed the UCR, FREPASO, and small conservative parties.<sup>1</sup> This limited the space for "neopopulist" outsiders—many, including former coup leader Aldo Rico, opted to join the PJ rather than compete against it.

A second reason behind the failure of anti-establishment outsiders was Argentina's federal system and the continued importance of subnational territorial politics. Party machines continue to dominate provincial and local electoral politics, particularly in the peripheral provinces. Although candidates who lack ties to established party machines may succeed in metropolitan centers like the city of Buenos Aires, they have consistently failed to establish a foothold in most provinces. Indeed, both Carrió and López Murphy fared poorly in the peripheral provinces in 2003, and what success they achieved was largely a product of alliances with local UCR or conservative machines. As long as the electoral weight of local and provincial party machines persists, it will remain difficult for outsiders to win at the national level.

Finally, the movement to "throw everyone out" was tempered by the relative success of the Duhalde government. After a disastrous initial six months, the government's performance improved somewhat beginning in mid-2002. Critical to this improved performance was an economic recovery, much of the credit for which went to Economy Minister Lavanga, whose pragmatic approach—he refused to implement restrictive, IMF-prescribed monetary and fiscal policies during a depression—contrasted sharply with those of most of his predecessors over the last decade. Duhalde also restored a degree of governability through a combination of old-school machine politics and effective social policies that included the distribution of low-cost medicine and monthly subsidies to more than two million unemployed heads of households. By election day, incipient economic recovery and a restoration of social peace had substantially improved public approval for the government.

In the end, the 2003 election may have produced a substantial renovation of Argentine politics, and without a party-system collapse. Voters threw out the two political actors they deemed ultimately responsible for the recent crisis: the old-guard UCR and Carlos Menem. Yet rather than cast their lot with outsiders, they chose alternatives from within the political elite: Kirchner, who represented a new generation of Peronist leaders, and Carrió and López Murphy, who had challenged, and eventually abandoned, the Radical establishment. Carrió and López Murphy played a particularly important role in renovating the political elite from within, for they attracted a large number of non-Peronist voters—on both the left and the right—who had cast null ballots in 2001.<sup>2</sup>

It is often assumed that the international and regional environment helped to prevent a democratic breakdown in Argentina. But the Bush administration did virtually nothing to shore up the regime in 2001 and early 2002. During the period of deepest crisis, U.S. officials characterized the Argentine government as "corrupt," while saying little about the need to preserve democracy. Indeed, the United States' apparent willingness to condone the April 2002 coup in Venezuela reinforced speculation that Washington might accept a civil-military coup—bring-

ing to power a U.S.- and market-friendly transitional government—in Argentina. Hence the primary causes of democratic survival appear to have been domestic, rather than international.

### **The Cost to Democratic Institutions**

The survival of Argentine democracy is, in any event, one of the most striking and yet under-appreciated outcomes of the 2001–2002 crisis. Few democracies in the world have survived such a severe economic disaster. But notwithstanding extreme levels of social protest and an atmosphere of chaos, the military refused to repress protesters and made no attempt to change the government. Nor did presidents engage in extra constitutional power grabs. Given Argentina's history of regime instability, this was an extraordinary achievement. Contemporary Argentine democracy has thus proven surprisingly robust. It has survived the hyperinflation of 1989–90, the radical economic reforms of the 1990s, and, most recently, a depression unparalleled in the country's history.

Nevertheless, the 2001–2002 crisis did badly weaken Argentina's democratic institutions: Argentina has long suffered from chronic institutional weakness. Throughout most of the twentieth century, whenever formal rules and procedures were perceived to harm the short-term interests of powerful political and economic actors, the rules were circumvented, manipulated, or changed. At the regime level, successive military coups—14 military presidents governed the country between 1930 and 1983—repeatedly removed presidents, legislators and Supreme Court justices before the ends of their mandates. From 1928 to 1989, only one elected president—Juan Perón—completed his full term in office. Between 1960 and 1999, Supreme Court justices remained in office for an average of less than four years, making a mockery of the constitutional guarantee of judicial tenure security.<sup>3</sup> The rules governing executive-legislative relations, federalism, and the tax and financial systems were equally fluid. In the absence of stable rules of the game, Argentine politics became a Hobbesian world of high uncertainty, narrow time horizons, and low mutual trust, in which political and economic actors routinely engaged in short-sighted and socially irresponsible behavior. Indeed, persistent institutional instability is a major reason why Argentine democracy has long “underperformed” relative to the country's class structure and levels of development and education.

During the 1990s, the far-reaching reforms undertaken by the Menem government created the illusion of increased institutional effectiveness. But the 2001 crisis triggered yet another round of institutional collapses. Although Argentina's core democratic institutions survived, many of the rules of the game within the democratic regime did not. Institutions governing everything from property rights, central bank autonomy, and currency emission to judicial independence, presidential mandates, and

the electoral cycle were dismantled, violated, or seriously threatened. Presidential elections were rescheduled four times, and throughout much of 2002, there was little certainty as to when elections would be held, which offices would be up for election, or how candidates would be selected. Congress attempted to impeach the entire Supreme Court, and in a strikingly irresponsible act of self-defense, a majority of justices threatened rulings that were certain to trigger a financial collapse. The effects of this institutional breakdown were devastating. The extreme uncertainty created by the absence of stable rules of the game exacerbated and prolonged the crisis—on both the political and economic fronts.

The crisis also had a profound impact on the party system. Although Peronism's electoral resilience prevented a full-scale collapse of the party system, it did suffer a partial decomposition. Argentina's leading non-Peronist party, the UCR, caved under the weight of its second consecutive failed presidency, as did FREPASO and Action for the Republic. The result was a severe fragmentation of the non-Peronist electorate. Carrió's center-left ARI and López Murphy's center-right MFR emerged from the 2003 election as the new leaders of anti-Peronist opposition. At present, however, ARI and the MRF are little more than personalistic vehicles: They lack national organizations, their support bases are concentrated in metropolitan centers, they hold no governorships and few mayoralties, and they trail well behind the UCR in legislative representation. Although they may make gains in the 2003 legislative elections, the probable survival of the UCR and the ideological distance between ARI and the MFR suggests that the anti-Peronist opposition is likely to remain fragmented for some time.

If a stable party system is to be reestablished, new parties must expand beyond the major metropolitan centers. Such party-building has proven exceedingly difficult in the past. Since the return to democracy in 1983, no party other than the Radicals and the Peronists has succeeded in penetrating the entire national territory. Alternative political forces such as the Intransigent Party and FREPASO (on the center-left) and the Center Democratic Union and Action for the Republic (on the center-right) remained weakly organized, Buenos Aires-based parties, and all of them virtually disappeared within a decade. If ARI and the MFR do not extend into the peripheral provinces (a move that would likely require alliances with local Radical bosses), they will almost certainly suffer a similar fate. Such an outcome would have negative consequence for democratic governance. Since 1983, the subnational-level weakness of non-Peronist parties has given the PJ a virtual lock on both the Senate (in which all provinces are represented equally) and a majority of governorships. Although non-Peronist parties won the presidency in 1983 and 1999, their failure to control Congress or establish a strong local and provincial presence seriously undermined their capacity to govern, which contributed to the political-economic crises of 1989 and 2001.<sup>4</sup>

Peronism is likely to survive the crisis. Although the PJ's deep internal conflicts during 2002–2003 led many observers to expect a permanent schism, such an outcome is unlikely for at least two reasons. First, the electoral value of the Peronist party label remains great. Because defectors have an extremely difficult time competing against the PJ, particularly over the long haul,<sup>5</sup> ambitious Peronist politicians are unlikely to defect permanently. Second, the PJ is a patronage-based party: Leaders and activists alike depend heavily on government jobs and other state resources to maintain their political support bases. Given this dependence, few are likely to abandon the party when it is in power. Indeed, in the weeks following Kirchner's election, the PJ's legislative faction reunified and the vast majority of party bosses—including most of those who had backed Menem and Rodríguez Saá—came together behind a new party leadership.

Yet even if the PJ does reunify, it is hardly a coherent political party. Lacking an effective central bureaucracy, the PJ is a loose and heterogeneous confederation of provincial party bosses. Although these bosses are united by a common Peronist identity, that identity is weakening, and increasingly, the main glue holding the party together is patronage. PJ presidents can generally use their control of the government to ensure a degree of party cohesion, but this cooperation now comes at an increasingly heavy cost, both in time-consuming negotiation and scarce government resources. Whereas Peronists have historically closed ranks behind the president when they controlled the executive branch, the party may now remain fractious even while in government. In contrast to the eras of Perón—and even Menem—the contemporary PJ president has effectively become a *primus inter pares*.

### Kirchner's Prospects

Due to his dependence on Duhalde and inability to claim a broad second-round mandate, Kirchner was widely expected to be a weak president. But the new president immediately embarked on a set of bold reforms, making it clear that he sought a sharp break with the past. Twenty years younger than Menem, Kirchner brought a new generation of Peronists and non-Peronist progressives into the government. He radically restructured the military and police hierarchies, shook up government agencies long linked to corruption, and distanced himself from the neoliberal economic policies of the 1990s, and embarked on a serious effort to address past human rights abuses. Public opinion surveys showed broad support for the new government and a striking degree of optimism about Argentina's future.<sup>6</sup>

Kirchner's capacity to rejuvenate Argentina's democratic institutions will, however, hinge on several factors. First, he must deal effectively with several legacies of the Duhalde presidency. One is a set of policy

reforms that the interim government had postponed in an effort to restore social peace. Stop-gap measures such as refusing to pay the public debt, subsidizing domestic debts held in dollars, freezing public utility rates and debt foreclosures, and not reforming the banking sector cannot be sustained. So the Kirchner government must now confront a series of potentially unpopular policy moves.

Kirchner will also have to deal politically with Duhalde himself. Duhalde's continued influence over the Buenos Aires party machine—including 40 representatives in the Chamber of Deputies—gives him a potential veto power over government policy. Both the chamber of deputies president, Eduardo Camano, and the new president of the PJ bloc in the Chamber, José María Díaz Bancalari, are Duhalde allies. Kirchner has retained several of Duhalde's key ministers—including those of Economy, Health, Defense, and Interior—from the Duhalde government. Maintaining the cooperation of Duhalde and his allies will thus be critical to democratic governance. Although Duhalde has said that he will step aside, he may seek to remain a power behind the throne or position himself for a presidential bid in 2007. If he pursues either course, the probability of intraparty conflict will increase considerably.

Kirchner must also build alliances with leading Peronist governors. Due to their control over local clientelist networks and their influence over national legislators (who are elected at the provincial level), PJ governors have emerged as powerful political players. It is now virtually impossible to govern Argentina effectively without their cooperation. Kirchner's ties to the Peronist governors are relatively weak. As governor of a wealthy and little-populated province, he rarely needed to cooperate with other party bosses. As a result, he never developed a strong support base within the PJ, and prior to 2003, he was not particularly well liked among its members. These weak party ties were clearly reflected in Kirchner's initial cabinet, which was composed entirely of ministers from the city of Buenos Aires, Duhalde's province of Buenos Aires, and Kirchner's home region of Patagonia. To achieve the legislative cooperation needed to put his reform program into practice, Kirchner will have to broaden his support base in the provinces. A failure to establish such support could result in the fragmentation of the PJ's legislative bloc, increased executive-legislative conflict, and problems of governability.

Finally, the medium-term success of Argentine democracy will hinge on the capacity of the country's elites to strengthen its political and economic institutions. For the most part, this is not a question of choosing the "right" institutions—many of the institutional reforms undertaken during the 1990s were widely praised by international observers—but rather a question of getting *any* institution to take root. In other words, the major problem with Argentine institutions lies not in their design but in their weakness.

Here the Kirchner government faces an important dilemma. The 2001–

2002 crisis triggered widespread demands for institutional changes: the resignation of all elected officials; the replacement of the Supreme Court; a new constitution; campaign-finance reform; and a revamping of the electoral system. Several of Kirchner's initial moves as president—including his retirement of more than half the country's active generals and his support for the Congressional impeachment of at least two Supreme Court justices—were aimed at purging discredited political institutions of Menem- and De la Rúa-era officials. These moves earned public support and may restore a degree of public confidence in the institutions. But another round of institutional change may come with its costs, for it could well reinforce a pattern that has predominated for the last 75 years: When the going gets tough, the rules and the players get changed.

Building stable institutions is a difficult process. It often requires that political and economic actors play by the rules even when they expect those rules to yield short-term inefficiencies or losses. Yet as long as Argentina lacks political institutions strong enough to weather changes of government, short-sighted, non-cooperative, and socially irresponsible behavior will continue to dominate. And should another economic crisis arise, the country's institutional edifice will once again be vulnerable to collapse.

## NOTES

1. Studies have shown that voters who opted for Alliance in 1999 cast the lion's share of blank and spoiled votes in 2001. See Marcelo Escolar and Ernesto Calvo, "Últimas imágenes antes del naufragio: Las elecciones del 2001 en Argentina," *Desarrollo Económico* 42 (January–March 2003).

2. According to one study, 54 percent of López Murphy voters and 38 percent of Carrió voters had cast blank or null ballots in 2001. See Escobar and Mustapic, "Transferencias de voto entre las elecciones legislativas de 2001 y presidenciales de 2003: Informe Preliminar," Unpublished Manuscript: Tocuato Di Tella University, Buenos Aires (May 2003).

3. Pablo T. Spiller and Mariano Tommasi, "Los Determinantes Institucionales del Desarrollo Argentino: Una Aproximación Desde la Nueva Economía Institucional," Centro de Estudios para el Desarrollo Institucional Working Paper No. 33, Buenos Aires, May 2000, 22–23.

4. Ernesto Calvo and María Victoria Murillo, "Who Delivers? Partisan Clients in the Argentine Electoral Market," paper delivered at the meeting of the Latin American Studies Association, Dallas, Texas, 27–29 March 2003.

5. In the June 2003 gubernatorial election in Córdoba, the first major election held after the presidential race, Peronist governor José Manuel de la Sota was reelected with 51 percent of the vote, while Menem and Rodríguez Saá allies who ran outside the PJ each received less than 2 percent of the vote.

6. Página 12 ([www.pagina12web.com.ar/diario/elpais/1-20879-2003-06-01.html](http://www.pagina12web.com.ar/diario/elpais/1-20879-2003-06-01.html)), Buenos Aires, June 2003.