

DISCUSSION PAPER 5/2018

The Cost of Perónism and Populist Coups

Tough Lessons from Argentina

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JUAN DOMINGO PERON

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Executive Summary

In May 2018 Argentina has gone cap-in-hand to the IMF for a US\$30 billion loan to shore up the peso, after a rise in interest rates to 40 per cent failed to stop the markets selling off the currency. The country's financial problems started long before the current, pro-market government of Mauricio Macri. Argentina was once in the top-six largest economies worldwide. Since then, a combination of bad policies, big egos and a craving for control have systemically ensured macro-economic instability laced by corruption, undermining productivity, spurring inflation, weakening growth, and damaging already weak institutions. In Argentina, populist politics has routinely trumped common sense economics. This Brenthurst Discussion Paper evaluates the history of populism and politics trumping economic common sense and the prospects of President Macri in putting this right. The question is: Will Argentinians let him?

Introduction

La Recoleta cemetery is perhaps best known as the final resting place of Eva Perón, the former first lady of Argentina, who died in July 1952. She had become the face of Perónism, a crusader for women's rights and champion of the poor, the 'Spiritual Leader of the Nation'.

The epitome of a national drama, today Evita is immortalised by the eponymous opera.¹

The cemetery sits in an upmarket Buenos Aires suburb. She rests among presidents, Nobel laureates, a granddaughter of Napoleon, Generals, Admirals, boxer Luis Ángel Firpo, the 'Wild Bull of the Pampas' who knocked Jack Dempsey through the ropes in a world title fight in 1923, who enjoys a life-size bronze statue alongside his marble tomb, along with one or two lesser known names in Argentine society, including the political scientist Guillermo O'Donnell.²



O'Donnell coined the phrase *Bureaucratic Authoritarianism* in describing the form of Latin American military rule in the 1960s and 1970s in being based on modern technocrats and a professionalised military organisation. It is easy to forget the influence of the military in Latin America when, today, there are no juntas. But in the 1980s, eight of ten regional countries had military regimes. In Argentina, there were six successful coups between 1930 and 1976, the military ruling for around a quarter of the 20th century before their role in politics along with their prestige, power and influence came to a sudden end with their defeat in the 1982 Malvinas war.³

The first, led by General José Félix Uriburu in September 1930, came in the wake of the instability

of the Great Depression, leading to a 70 per cent fall in traditional commodity prices, compounding the legacy of the First World War, which had resulted in a deep cut to GDP and bottlenecks in production as links with the outside world were broken.

Still, by the end of the Second World War, Argentina had enjoyed a higher rate of growth and lower inflation than the United States, ran low deficits, maintained a traditional monetary system, and possessed an institutional make-up akin to a developed country of the time. Argentina was one of the most successful emerging economies of this 'Golden Age', benefitting from a bounty of natural resources and the human capital of rapid immigration.

This soon gave way, however, after 1945 to a more populist political-economy, characterised by international isolation, state intervention, high import duties, export taxes, rent-seeking, high inflation, falling productivity including in agriculture, and the weakening of democratic institutions – tendencies which were amplified by episodic military governments. Per capita income in Argentina between 1975 and 1990, for example, fell by 1.5 per cent per annum, while the world rate expanded at 1.6 per cent.⁴

A victim of its own, self-imposed Cold War, Argentina had largely failed, by 1990, to globalise.

The Advent of Perónism

The second coup, the Revolution of '43, signalled a change that has since shaped Argentine politics and economics whatever the regime type, civilian or military. The dictatorship ended with democratic elections in February 1946, won by Colonel Juan Perón, who had served in several government positions in the preceding three years, including as the Minister of War and of Labour, and as Vice President. After 1946 he continued where the junta had left off, though with a 'corporatist' strategy, focused on drawing the political and working classes closer together through mobilisation of the unions, and adopting a radical import substitution industrialisation (ISI) and redistributive policy.

Although further coups followed in 1955, 1962, 1966 and 1976, interspersed with periods of civilian government, the populism of Perón perpetuated through all these regimes. As the journalist Rosendo Fraga notes, 'It is difficult to define Perónism. We have had six military coups since 1930, but Perón won three elections, despite being a military person, and suffered a military coup [in 1956]. Perónism,' he concludes, 'is all of a party, movement, culture, ideology and doctrine, the extreme manifestation of a general phenomenon in Argentina of weak institutions and strong personalities, where power is more important than ideology.'

Perón observed that 'You should indicate left, but turn right.' This lesson has been applied, however, only partly in the 44 years that Perónism has ensued after Juan's death. Perónist governments have habitually indicated left and turned that way, at great cost to financial and political stability. Still Perónism has retained its stature as a 'hegemonic' party.

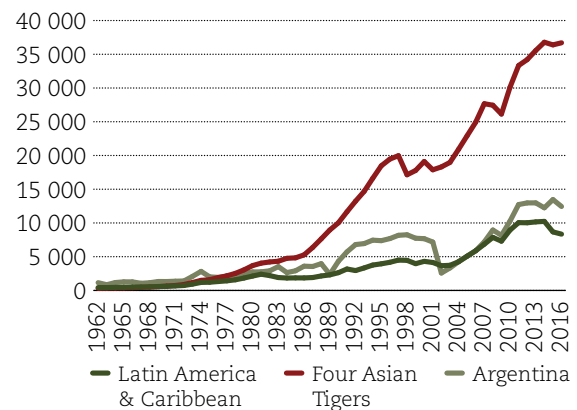
Between 1946 and 2018 Perónist candidates have won nine of the 12 presidential elections in which they were allowed to participate, encompassing the periods of Juan and Isabelita Perón (1946–55 and 1974–76) and, more recently the husband-and-wife presidencies of Nestor and Cristina Kirchner (2003–07 and 2007–15 respectively). Additionally Presidents Hector Campora (1973), Carlos Menem (1989–99) and Eduardo Duhalde (2002–03) are all considered as Perónists, despite their varying ideological tendencies.

Represented in present-day Argentina by the Justicialist Party, Perónistas have put the elimination of poverty at the centre of their rhetoric. Some have criticised their methods as fascist; certainly they have not been in the spirit of democracy. This is not surprising given the origins of Perón's views.

The future president was assigned in 1939 to study mountain warfare in Mussolini's Italy. On his return to Argentina in 1941 he took back with him the idea that liberal democracy and capitalism did not work, and that another third way – *La Tercera Posición* – had to be found, a version of Mussolini's state corporatism and nationalism. This idea had a receptive audience in Argentina, and not just among the working class, since the period between

1930 and 1945 had created a vested interest in protectionism. As Ricardo López Murphy, a former Minister of Economy and of Defence, puts it, 'Argentina replaced the invisible hand of the state with the heavy finger of Perónism'.

The Puma and the Tigers



This drew from an ideological cocktail of 'Keynesian policies and [the dependency theory of Raul] Prebisch,' says López Murphy, 'of the need for state interventionism in industry to offset the belief that while the cost of commodities fell the price of manufactured goods would rise.' The reality has since, however, proven completely inverse to this theory, though this structuralist argument has informed a generation of economists and political leaders in Argentina and farther afield, in part because there is a vested interest between politicians, unions and businesses which prefer a protectionist, if thus expensive local market. This is borne out by a comparison of Latin America's growth under ISI and that of the 'Asian Tigers' of Singapore, Taiwan, Hong Kong and South Korea with an export-led growth strategy during this period.



Ricardo López Murphy, former Economy Minister and Presidential Contender

The Foreign Policy Link

Perón also used a heavy dose of anti-Western – specifically anti-American – rhetoric to win power. Before the 1946 election, for example, a ‘Blue Book’ had circulated accusing Perón of fascist links, reportedly put together by the US Ambassador Spruille Braden. But Perón successfully summarised the election as a choice between ‘Perón or Braden’, responding with his own ‘Blue and White’ book, a play on Argentine national colours.

Not only did Perónism advocate interventionism, protectionism, and high levels of state spending, but these policies ensured political support of the masses through subsidies and preferences. For example, to ensure his 1946 election victory, he persuaded the president to nationalise the Central Bank and extend Christmas bonuses. Such spendthrift redistribution, while politically expedient, has served repeatedly to destroy capital accumulation, while attempting to baulk the inevitable reality of internal budget constraints and the underpinnings of global competitiveness.



Perónism supplied a heady mix of public goods, including mass housing, jobs through import substitution, and ego national projects from architecture to airlines – until the money ran out.

In the process Argentina has proven that you can do very badly despite a huge natural resource advantage in agriculture, oil and mining. And in the process these policies have served to make the poor more and not less dependent on the state. ‘Perónism’, says the Vice Governor of Buenos Aires Province Diego Santilli, a former Senator and Perónista, ‘tries to solve social problems, but it ends up making them bigger.’

This has led to a rapid accumulation of foreign debt, the growth of an unfavourable balance of payments, increasing in monetary supply, galloping inflation and a decrease in foreign reserves – all of which has ended, usually, in political tears. Regardless, such populism has been a feature of virtually every Argentine government since Perón, with the exception of those of Carlos Menem and the liberal Radical Party administration of Fernando de la Rúa. Even various military juntas since 1955 have had strongly interventionist, even populist instincts, shaped by Perónism.

Attempts at reform have foundered on an all-too-easy reversion to populist politics and free spending.



A history of hyperinflation and reckless fiscal management and galloping monetary supply, at the root of which is politics.

Take Menem’s reforms. In the year from March 1989, for example, inflation reached a staggering 11 000 per cent. The liberal government of Raúl Alfonsín, which had taken over from the junta in 1983, had proven unable to deal with the economic meltdown which caused the outgoing president to transfer power to Menem, the winner of the 1989 election, five months earlier than scheduled.

Alfonsín had tried to increase taxes and decrease spending with the support of the World Bank. While Menem never campaigned on a reform strategy, he had woken up to the cost of stagflation and hyperinflation. This gave rise to what his former Economy Minister Domingo Cavallo calls the ‘Latin American consensus of the 1990s’ – as distinct from the much derided ‘Washington Consensus’. As he terms it, the problem of Argentina was that it had ‘capitalism

without markets and socialism without plans'.⁵ The root of this was uncontrolled fiscal spending which lay in political promises and expectations. When the government proved unable to fund its spending through tax and was unable to raise more debt, Cavallo notes, printing money is a 'subtle way to collect a kind of tax that does not need approval by the legislature – the inflation tax.' This effectively imposes a tax on savings and wages, the unfair tax of all.



The tomb of Raul Alfonsín in Recoleta along with the words from the Constitution: '... in order to constitute the national union, to strengthen justice, to consolidate inner peace, to provide for common defense, to promote the general welfare, and to ensure the benefits of freedom, for us, for our posterity, and for all men of the world that want to inhabit the Argentine soil'

Carlos Menem, 88 in 2018, is an intuitive, not an intellectual politician, a greater observer with the common sense and charisma to realise that things needed to change and the ability to get the message across. 'He had acute antennae,' says Félix Peña, the head of the ICBC Foundation in Buenos Aires, 'an extraordinary capacity to perceive things'.

A Perónist Aberration?

Cavallo argues that it was Menem's powers of observation about world events that transformed Argentina from an inward-facing economy to one that looked outwards. His two-story house in the Buenos Aires suburb of Palermo is notable for the paintings of his late son, also Carlos, killed in unclear circumstances in a helicopter accident, hinting at less savoury aspects of Menem's rule.

Despite increasing physical infirmity, Menem is as clear today as he was then about the path that Argentina needed to follow. He sees no contradiction between Perónism and these reforms or, for that matter, democracy. 'It is not possible,' he states, 'to have development without democracy. We have had military rulers. They are good at giving orders, but not to govern. They have been failures, in Argentina and elsewhere, such as now in Venezuela, which should be a very rich country.'



Carlos Menem, President of Argentina: 1989–99

Menem's top three actions, Cavallo reflects, were: 'First to establish good relationships across the world. We needed a different position, which included promoting our relations with the US and Britain. Second, it is essential to create the conditions to invest and, third, to try in this regard to go against the advice of the populists.' He singles out praise for Cavallo's role who, in turn, says that Menem's great strength was that 'he allowed his ministers to set up their teams and departments. He never wanted to be his own minister of the economy, unlike Nestor Kirchner for example, who thought that he knew everything and did not support his ministers.'

With this authority, Cavallo was able to put into practice a plan for stability and growth that would steer Argentina onto a new growth path. The core of it was the convertibility of the peso to the US dollar, but it was based on a philosophy that 'the entire private sector of the economy,' in Cavallo's words, 'accept the rules of the market while the public sector accepted the rules of planning and budgeting'. Thus it included

the liberalisation of trade, a reduction of public expenditure, simplification of the tax system, and international agreements to restructure the country's burgeoning debt. Drawing on the liberalisation experience of Chile and the monetary reforms of Bolivia, the Convertibility Law created a new monetary system based on the peso in place of the austral, which was convertible to the dollar on a one-to-one basis, and which was fully backed by foreign reserves. This enabled and was boosted by widespread privatisations, and a fall in public expenditure from 25 per cent in 1990 to 20 per cent by 1993, and resulted in an increase in production and a fall in inflation to low single digits. Export performance, for example, grew to rival that of Chile's and was nearly 30 per cent greater than that of Brazil.

Carlos Menem's younger brother, Eduardo, served as a Senator from 1983 to 2005, including three years as president of the senate. A lively and sharp 80-year old, he says that 'the actions of Perónism were not orthodox, but commonly of a populist character, apart from the period of his brother. 'Until he privatised state services, we could wait for a phone line for up to 10 years,' he reminds, 'and television was restricted at the end of the Alfonsín government to six hours per day because of electricity shortages. We needed to change Argentina's profile and transform with investment from abroad.'

This was not entirely inconsistent with Perónism, given that, in the words of law professor Emilio Cardenas who served as Menem's Ambassador to the United Nations, it is an 'empty capsule', which can 'be filled with virtually any ideology that you want, especially if you disguise yourself as a Christian. You can be Perónist and Marxist, or a military government and Perónist. It tempts politicians continuously.'

The Menem period proved a temporary aberration from Argentina's systemic chaos.

After Cavallo resigned as Economy Minister in July 1996, things started to unwind. Rather than allowing the peso to float, his successor retained the parity convertibility with the dollar. The reason for this was political, of course. Both Menem and his rival for the leadership of the Perónist party, Eduardo Duhalde, the Governor of Buenos Aires

province, had intensified. While the appreciation of the peso would have created a decline in short-term inflows, financing provincial expenditures would have been more difficult, which both wanted to use as a means of financial support for their candidature. Coupled with the Asian financial crisis and the devaluation of the Brazilian real a year later in 1999, the stage was set for a traumatic devaluation.



President Macri has sought assistance from the IMF this May after unsuccessfully raising interest rates from 27.25 per cent to 40 per cent and spending US\$5 billion of foreign reserves to bolster the peso, which has slipped to trade at a record low of 25 pesos to the dollar.

Cyclical Collapse

Fernando de la Rúa, from the oxymoronically liberal Radical Party, came into office in December 1999 amidst an increasingly stressed environment. Amidst a chaotic devaluation and pesofication of the economy, within two years he was out of the presidency that he had campaigned for since 1974 to be replaced within a week by Duhalde. Attempts to structure an international bailout and implement an austerity plan fell foul of widespread public protests, themselves the consequence of a combination of politics and naked self-interest. As Cavallo, who came in briefly once more as Economy Minister in the midst of the crisis puts it: 'Duhalde ... and Igancio de Mendiguren, then head of the UIA (Unión Industrial Argentina, an organisation which represents Argentine industrialists), realised that an institutional coup would give them the opportunity to wipe out all debts, public and private, held at home and abroad' with

the ideological cover of ridding the country of 'neo-liberalism'.



Fernando de la Rúa, President of Argentina 1999–2001

Speaking today from his Recoleta apartment, De la Rúa points out the difference between his Radical Party and the Perónists.

'A country runs well when it's organised with a separation between powers and a respect for the law and the constitution. Perónism has one sector that respects the constitution, and a great trend within it that is interested in carrying out *direct actions* in contradiction to this constitution. They like to go out into the streets and exert pressure on governments unless it is their own. This is populism. They use measures outside of the law. All trade unions are Perónists. They support such populist measures as taken by the Kirchners, on the one hand, but also the adjustment and austerity programmes recommended by Menem on the other, but they will not support the recommendations of the opposition. This is why Alfonsín had 13 strikes against his government, and why I had 14. Menem and Kirchner had none.'

There is little difference, he says, between them in terms of policy substance most of the time. 'While the Perónists say their doctrine is that of Social Christian orientation, and refer to the Pope's teachings, this is not true, even though it sounds good.' The big difference is, reflects the former

president, in the Radical Party's focus on freedoms and poverty alleviation 'in that order' compared to 'Perónism's advocacy first of a better social situation of workers.'

The methods of political pressure employed by the Perónists are a virtual coup in the former president's reckoning. 'We have had both right-wing and Perónist militaries in Argentina,' he notes, 'the longest lasting regime that of Videla's which was Perónist. But we also have non-military coups, like the one that forced Alfonsín out of office, and the one that forced me to resign, organised by the Perónists.'

He explains: 'Perónism is a state party. It finds it hard going when it's not in office. This is why they try and overthrow whoever is in power to take over. Perónism is not focused on dealing with a long-term crisis of employment, but rather social assistance, by providing subsidies to heads of households, unemployed youth, pregnant mothers and others.' The vested interests are difficult to change. 'Government has attempted to link a youth subsidy to work or studying, which has been resisted.' This level of taxation reflects the size of the state which in turn penalises those trying to establish businesses and create jobs.

'It is said,' De La Rúa discerns, 'that Perónism wants poverty to continue so that they continue to manage these people.'

Onto the Kirchners

The Duhalde and the Kirchner administrations quickly reverted to statist, traditionally Perónista policies,⁶ with Cristina proving much more radical than her husband. Inspired by Hugo Chávez's 21st century socialism in Venezuela, she 'expanded the arbitrary interventions in markets, the nationalisation of companies, imposed widespread price and exchange controls and ... did not solve any of the disequilibria created by Duhalde's and her husband's governments.'⁷ Her Minister of the Economy, Axel Kicillof, famously asserted that it is possible to centrally manage the economy now Soviet style because of the development of technology and spreadsheets such as Microsoft Excel.⁸

This reveals a misunderstanding of the nature of market forces in his belief that the cost of production determines final prices. The problem, however, is never whether sufficient computing power is at our disposal and whether we thus have enough information; rather it is to do with the impossibility of successfully creating a centrally-planned market.

The strict monetary policy of the Menem period which had ensured stability, integration with the global economy, and growth, was quickly left behind. The pesofication of Argentina's debt by Duhalde, and the rapid slide in its value from parity with the dollar to 4:1, reduced domestic debts to a quarter of their value but also savings, redistributing wealth from savers to debtors, impoverishing the middle class, while doing little to affect volumes of foreign debt.

The Perónistas had perfected an entrenched system of patronage and control through their relationship with the unions at a strategic level and through local level agents, or *Punteras*. This has infected formal government departments too. Cavallo refers to the 'mafias' that ran the postal services 'and had created a virtual parallel customs and migration service to help criminal activities'⁹ Even today the unions 'own', says economist Sergio Berenzstein, 'one-third of the healthcare budget, which is around 11% of the national budget. This is not transparent, and a strong incentive not to fix the system which was designed around the needs of the 1970s.' Union membership is estimated at three million.

Public contracts quickly became a source of funding for the party and some politicians. The Minister of Economy, Roberto Lavagna, resigned in 2005 from Nestor's government, denouncing what he termed 'construction companies' friends of government club'. Martin Redrado, who served as the Kirchners' Central Bank head, sums up the challenge faced by successive administrations: 'Argentina is a country of weak institutions, where democracy is unable to work properly in terms of providing checks and balances.'

This explains why Argentina sits second (45/188 overall) behind only Chile (38th) in Latin America on the United Nations' Human Development Index,¹⁰ for one, and 85/180 (with a score of 39/100)

on Transparency International's Corruption Perception Index.¹¹

'The problem with this model,' says López Murphy, 'is that the number of those working and producing is 2.5 times larger than those who are not' – defined, in his terms, as the civil service (which has doubled to four million in the last 20 years), pensioners (again doubled to ten million), students, unemployed and the youth. The proportion of public employees reached nearly ten per cent of the population in 2015. 'Another way of looking at this is that eight million Argentiniens are paying for 20 million,' says the former Minister of Economy.

With the combination of personal and other taxes amounting to an effective 45 per cent, and corporate tax 35 per cent, Argentina is an expensive environment especially when, as López Murphy argues, we have 'Swedish tax rates for a Zimbabwean system'. Still, whatever their policy follies, the Kirchners avoided a total economic collapse because of the natural resource boom. While Nestor's administration had managed a fiscal surplus, this was artificially created through a moratorium on debt repayments and a bonanza in agriculture exports.

The price of soya, in particular, increased from US\$140 per tonne in 2000 to US\$600, or US\$450 in profit, during their term of office, outputs and efficiencies boosted by investments made in the Menem years in agriculture. This windfall provided further income through a controversial export tax introduced by Duhalde, offering means to build political power at the centre since these taxes were not automatically shared with the provinces. While these agriculture resources were not state-owned, and thus could not prove a piggy-bank as the state oil company PDVSA had done for Chávez in Venezuela for example, they were the difference between failure and survival for the Argentine regime.

Menem describes the two Kirchner periods as 'a disaster'. 'Despite the fact that they were democratically elected, they practically became a sort of dictatorship.' But the two-time former president reserves a special ire for Duhalde. 'He was my vice president, but was a traitor. He split up Perónism, as he wanted to block my return and López Murphy's

ascendancy who would have continued with my policies.' The inheritance from the Kirchners was, in the words of Néstor Kirchner's former Central Bank Governor Alfonso Prat-Guy, 'devastating. The institutional framework was destroyed. The bureaucracy was completely colonised. There was no macro balance. Corruption was entrenched.'



'Cristina said that she wanted to be close to the poor' says one member of the current Buenos Aires government. All she did was to make the poor more dependent on the state. And now we will have to try and find a way out of this mess in a world that is changing very fast. We require, he said, 'different politics for a different era'.

Enter Buenos Aires mayor Mauricio Macri, who was inaugurated as President of Argentina on 10 December 2015 after winning 51.34 per cent of the vote to defeat the Perónist candidate Daniel Scioli in the first presidential run-off in Argentine history. A civil engineer and president of the Boca Juniors football club, Macri became the first democratically-elected non-Radical or Perónist president since 1916. In 2005, he created the centre-right Republican Proposal party, also known as PRO, which formed the *Cambiamos* ('Lets Change') political coalition 2015 along with the Radical Civil Union (UCR), and the Civic Coalition (CC).

Macri campaigned on three key external messages: zero poverty, a war against narcos, and reuniting Argentinians. The strategy Macri is following, however, is according to Diego Santilli, 'not radical but gradual. We have to tell the truth and trust that people have learnt about the past,' he says. 'Openness, discussions with labour, bringing down inflation over time, and getting the

economy growing for the first time in ten years,' he notes are key aspects, plus 'reducing the export tax and subsidies and liberalising the foreign exchange regime.'

Elecciones Primarias, Abiertas, Simultáneas y Obligatorias
9 de agosto de 2015



Like Perón's anti-Americanism and Carlos Menem's about-turn in relations with the US and Britain, Macri has fastened onto an external dimension to his recovery strategy, in his case in leading the criticism and isolation of Nicolas Maduro's Chávista government in Venezuela. But he will also, closer to home, have to demonstrate that he is, in Emilio Cardenas' words, a 'closer' on reforms.

Prat-Guy, who was Macri's Minister of Economy for the first year of his government, says there were five immediate priorities which were achieved in the first six months: remove capital controls, fix the legal issues with outstanding creditors on Argentina's outstanding debt and interest payments, gain access to the market, revamps the national statistics service, and create a tax amnesty. The latter successfully doubled declared assets. The government managed to settle on an

external debt ‘sentence’. And in April 2016, they launched a ‘jumbo’ bond of US\$17.5 billion.

The fresh run on the peso makes things more difficult. But again it emphasises the legacy cost of Argentina’s earlier flouting of international financial norms, and its pursuit of fiscal follies. It thus does not change what Macri has to do if he is to enable a change in Argentina’s direction away from populism. His reforms will need to centre, as ever, on keeping inflation under control by tightening up expenditure, while simultaneously balancing the need to stimulate domestic production through government spending. He will need to open up the economy, while similarly juggling the imperative to create short-term unemployment and managing the risk of angering elite interests. His institutions will have to be alert to topical issues, failing which people are more likely to take to the streets in protest. And he will need not only to spend money on public goods, like education, healthcare and justice, but to spend it well. In the mind of some analysts, he should have immediately done more to remove subsidies on basic services including transport, water, electricity and gas, which peaked at 4 per cent of GDP under Cristina Kirchner.

All of this requires shrewd political timing and management. As Eduardo Menem observes, Macri’s chances of pulling this off depends on his extent of ‘political savvy’. Others comment that he has to learn to delegate, and not micro-manage. It will also depend on his ability to change the overall political mindset and expectation of Argentinians.

As Félix Peña says, ‘To be president you have to do things that are contrary to the interests of being president, not least cutting public spending.’ More of Perón’s ideological two-step left and right, it seems, is required, perhaps explaining why Macri was responsible, as Governor of Buenos Aires, for erecting a statue of Perón, the first in Buenos Aires, on the 120th anniversary of his birth on 8 October 1895. The five-metre-tall bronze monument in the Plaza Agustín P. Justo, depicts Perón holding up his arms triumphantly, standing close to the presidential palace, the Casa Rosada and the headquarters of the General Workers’ Confederation, hinting at Perón’s link

between politics and labour unions. It is close to the Plaza de Mayo, where Perón was the target of an air attack during the 1955 attempted coup, killing over 300 people.



Public protest is a national sport in Argentina; taking responsibility is not.

Perón’s legacy lives on, even for anti-Perónist candidates like Macri. ‘Some people use the title “Perónist” to manipulate people, I am not one of those,’ Macri told the crowd at the statue’s unveiling. ‘I want to encourage Perónists to come together, and work for the dream that is Argentina. So many people are suffering,’ said Macri. He explained: ‘Perónism is not arrogance or pride. Perónism is social justice, fighting for equality, and against poverty in Argentina.’¹²

Undoing the Perónist legacy?

Does Argentina reflect Perónism, or does Perónism reflect Argentinians? The answer to this question will determine how and when Argentina leaves inflation and fiscal recklessness behind. ‘Although there is no political process that is eternal,’ says Guillermo Riera, who ran the digital election campaign for Macri, ‘It will probably take 20 years to change from a system like Perónism. It’s a structure which uses state revenues to position political ideas and ensure control in a kind of fascism and where the population no longer takes responsibility or believe that they should pay for basic services. Changing that mindset is not going to be easy’ he notes. Former President

Fernando de la Rúa agrees. To do so, there needs to be a shared objective between the Radicals and Cambiemos around 'political reconfiguration'.

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Like Evita, President Raúl Alfonsín's tomb is also in La Recoleta, next to his bust an extract from the preamble to the 1853 Argentine constitution: '... con el objeto de constituir la unión nacional, afianzar la justicia, consolidar la paz interior, proveer a la defensa común, promover el bienestar general, y asegurar los beneficios de la libertad, para nosotros, para nuestra posteridad, y para todos los hombres del mundo que quieran habitar en el suelo argentino ...' ('... in order to constitute the national union, to strengthen justice, to consolidate inner peace, to provide for common defense, to promote the general welfare, and to ensure the benefits of freedom, for us, for our posterity, and for all men of the world that want to inhabit the Argentine soil ...') Despite these noble objectives and Alfonsín's liberal credentials, the Radical Party leader not only presided

over a period of hyperinflation, but also turned against his own party in 2001, ensuring a return to populism with all its ultimately negative consequences for governance, welfare, stability and growth.

Argentina has not yet suffered rigged elections. There are regular changes of leadership at the polls. Even in the worst of civilian administrations there has been freedom of the press. Yet bad policies, big egos and a craving for control have systemically ensured macro-economic instability laced by corruption, undermining productivity, spurring inflation, weakening growth, and damaging already weak institutions. The quest for power overcomes its purpose. Put differently, in Argentina, populist politics has routinely trumped common sense economics.

Macri offers the opportunity to put this right, the impact of which should resonate to those countries tempted by the populist impulses. The question is: Will Argentinians let him?

Endnotes

1. This section is based on a series of interviews, as indicated, conducted in Argentina during March 2018. Grateful appreciation is expressed to Domingo Cavallo for his kind assistance in this regard.
2. See Guillermo O'Donnell, Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies*. Washington: Johns Hopkins University Press, 1986.
3. As one measure of the extent of the loss of power of the military, its expenditure as a share of GDP is just 1 per cent compared to the Latin American average of 1.6 per cent. Of this 0.4 per cent (of 1 per cent) is on pensions. 88 per cent of the remaining 0.6 per cent is spent on personnel costs.
4. See Domingo Felipe Cavallo and Sonia Cavallo Runde, *Argentina's Economic Reforms of the 1990s in Contemporary and Historical Perspective*. Oxford: Routledge, 2017, p. 4
5. Op cit.
6. See Martin Redrado, *No Reserve*. New York: Amazon, 2011.
7. Cavallo, op cit, p. 238.
8. See <https://agoraeconomics.com/2016/06/25/president-macri-and-his-failed-experiment/>.
9. Ibid, p. 234.
10. At <http://hdr.undp.org/en/countries>.
11. At https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table.
12. See <http://www.argentinaindependent.com/currentaffairs/analysis/viva-peron-viva-macri/>.