

95 Flores, Matias (2003)

*The Argentine Experiment:
Credibility and Democracy in the
Southern Cone*

**The Argentine Experiment:
Credibility and Democracy in the Southern Cone**

by
Matias Flores

**History 194H
Professor David Rock
Professor Erika Rappaport
June 3, 2003**

Introduction

Argentina's return to democracy in 1983 signified the beginning of a new era in South American politics. Chile, Brazil and Uruguay, Argentina's most influential neighbors continued under the rule of the Armed Forces. The shift in Argentina was heavily felt in these countries at both the civilian and military levels. Social demands for democracy in Argentina were reciprocated particularly in Uruguay and Brazil, both of which would undergo similar transitions within the next couple of years. This turn of events provoked an increasing level of interest from outside powers, as democracy was the new trend in the Southern Cone. This study intends to explore the expectations for the new civilian administration in Argentina as it was reported by important news agencies in countries with influential ties to Argentina. Through a close analysis of *The Wall Street Journal*, *The Economist*, and the Spanish daily *El País*, this research looks at democratic development from abroad. The United States, Britain and Spain were key nations whose symbolic support was essential for any type of government in Argentina.

Candidates from the two main parties, the Unión Cívica Radical (UCR) and the Partido Justicialista (PJ)¹, both campaigned with a dominant nationalist tone. This translated, in economic terms, to a moratorium on the foreign debt and a re-enlargement of the central government. The political success of any candidate in 1983 depended on delivering on such promises. But democracy was interpreted differently in Argentina and abroad. In the pages of *The Wall Street Journal* and *The Economist*, the issue of the foreign debt shadowed any other subjects. Reading these publications in latter months of 1983, one gets the impression that democracy ends with an election. A candidate's

¹ Partido Justicialista is the formal name of the party founded by Juan Domingo Peron in the 1940s. Therefore, the party is also referred to as the Peronist Party. In this paper, the terms Partido Justicialista (PJ) and Peronist Party will be used interchangeably.

promises become irrelevant if they contradicted the international status quo. The international debt crisis in the early eighties coincided with transition to democracy in various Latin America countries. Any credible leader had the responsibility to inquire into the nature of his country's debt generated under military leaders. But the debt was a very sensitive subject as creditors risked losing billions of dollars should borrowing nations decide on unilateral moratoriums.

Historical Background

Argentines have a difficult time explaining Peronism to themselves. It is no wonder then, that foreigners have an even more difficult time understanding a political phenomenon very particular to Argentina. A popular saying amongst Argentines when asked about the roots of Peronism says that the party's founder used to fake with the left and swing with the right. This hints to the fact that General Juan Domingo Perón rose to power by giving the labor sector a voice, but fashioned his movement following Mussolini's fascist doctrines. A funny anecdote told by an Argentine exiled to Spain following the 1976 military coup alludes to the problems foreigners and Argentines alike encounter in trying to understand the movement. This man's friend, also an exiled Argentine, refused to marry a beautiful Spanish woman, settling down with an unattractive Argentine girl living in Spain. When he confronted his friend about this decision, the friend stated that one day the Spanish girl would ask him what this Peronism thing was all about, and he would have to spend the rest of his life explaining it to her. By marrying the Argentine, he avoided the problem altogether.² Peronism has caused a great deal of debate and confusion, leading many foreigners to develop a negative view of Peronist politics. It has resulted in a historical mistrust and outright disdain towards the

PJ that repeatedly comes up in the pages of the newspapers and magazine used in the project.

In the second half of the twentieth century, no other institution played a bigger role in shaping Argentine political development than the Peronist Party. This movement was born in the mid-forties with the rise to power of Juan Domingo Perón. In 1943, Perón belonged to a group of junior military officers known as the GOU, or United Officers Group, which headed a coup bringing a nationalist brand of military leaders into power. Opposed to American encroachment on domestic affairs, particularly with Argentina's refusal to end diplomatic relations with the Axis, he endorsed economic independence through industrialization. Following the coup, Perón rose through the ranks as Minister of War, vice-president, and his most influential position prior to the presidency in the Secretariat of Labor and Social Welfare.³ This position provided the Perón with the unquestioned support of a growing and disenfranchised sector: labor. The Secretariat allowed Perón to conduct policies regarding the demands of the traditionally ineffective labor unions.⁴ As his popularity climbed by agreeing to settlements in favor of workers, he aimed to alienate those unions who did not cooperated personally with him by simply not recognizing them. Rapidly, Perón managed to bring unions under state control, as long he represented the state.⁵ From its birth in mid-forties, Peronist unionism was extremely hierarchical and undemocratic.

² Ana Baron, Mario del Carril and Albino Gomez, *Porque se fueron: Testimonios de argentinos en el exterior* (Buenos Aires: Emece Editores, S.A., 1995), 41-42.

³ David Rock, *1516-1987: From Spanish Colonization to Alfonsín*, 2nd ed. (Los Angeles and Berkeley: University of California Press, 1987), 252-254.

⁴ *Ibid*, 254.

⁵ Hugo Gambini, *Historia del Peronismo: El poder total (1943-1951)* (Buenos Aires: Editorial Planeta Argentina, 1999), 81-88.

After close to a decade in power, in 1955 a new military coup forced the General into exile in Madrid under the protection of Francisco Franco. For eighteen years, until his return to the presidency in 1974, Perón continued as the unquestioned leader of the Peronist movement from his house in the Spanish capital. While military leaders proclaimed the movement illegal, prohibiting its participation in the 1958 and 1963 elections, labor remained intimately accountable to the exiled General. To outsiders, particularly Americans and British diplomats, Perón was a dangerous Latin American leader. He was responsible for nationalizing most of the country's important industries,⁶ and preached a foreign policy of non-compliance with the superpowers.

Another point of mistrust from the international community was Perón's ability to assume power under democratic means, but undermine constitutionality once in power. This included favorable changes to the constitution to run consecutive terms and undermine the influence of the Supreme Court as an independent body to counter-balance his power⁷. Workers without political alliances were bullied into joining Peronist unions, the press was censored and universities were indoctrinated. During Peron's third term in office, after returning from exile in 1973, was characterized by political and social instability. The country almost reached a state of civil war with right-wing and left-wing Peronist factions fighting one another. After Perón passed away in 1974, escalation of violence prompted a new military coup. Although this last military dictatorship would reach world-wide attention for human rights abuses, the country was in such a state of civil disorder in March of 1976 that various sectors of society welcomed the new regime.

⁶ Carla Davidovich, "The Selling of Argentina: Is the Path to the First World Privatized?" *Law and Policy in International Business*, Fall 1996, 151-152. His nationalization program expanded State control to telephone, gas and railroad services.

⁷ Gambini, 92-96.

Argentina's second political force, aside from the military, was the Unión Cívica Radical, popularly known as the Radical Party. As the oldest political party in the nation, dating back to the 1890s, the UCR built a reputation for advocating stronger adherence to democratic institutions. Primarily a middle-class party, with somewhat of populist undertone, the Radicals were eclipsed from the political spotlight with rise of Perón in 1940s.⁸ Before 1983, the Radicals Arturo Frondizi in the late-fifties and Arturo Illia in the mid-sixties, served small presidential terms before the military removed them from office. These men won elections because while the military permitted elections to take place, the Peronist remained illegal, preventing them from participating in elections.

The UCR built a reputation of inaptitude in Argentina as well. After a military coup removed their legendary leader, Hipólito Yrigoyen from office in 1930, they had become a third rate political force always lagging behind both the Armed Forces and Peronism. Raúl Alfonsín was a fresh new face to a party which continually failed to inspire the Argentine electorate. In the late seventies and early eighties, as the military continued its firm grip on political affairs, Alfonsín began to advocate for change. He denounced human rights violations in times when most influential politicians were in exile, imprisoned or dead.⁹ Peronists and Radicals ran very similar campaigns, but Alfonsín was more convincing in matters relating to union democratization and prosecution of military personnel for crimes committed against society. Prior to the election, he disclosed secret pact between Lorenzo Miguel, leader of the political wing of the unions, and a high military officer. Known as the *pacto militar-sindical*, the pact guaranteed mutual reassurance between the labor hierarchy and the soon to be deposed

⁸ Jimmy Burns, *The Land that Lost its Heroes: The Falklands, the Post-War, and Alfonsín* (London: Bloomsbury Publishing, 1987), 117.

⁹ Burns, 121.

military authorities. Working together in keeping Alfonsín out of office, Peronist leaders would maintain tight control over organized labor. Moreover, since the military helped procure a hypothetical Peronist victory, they would avoid prosecution for their crimes. In the eyes of voters, Alfonsín represented a moral candidate ready to take on the military and labor establishments.

1983: A Year of Change

In 1983 Argentines rushed to the voting posts in record numbers for the first elections after eight years of military repression. The country was in a collective state of confusion resulting from a humiliating military defeat against Britain over the Falkland Islands, the barbarism conducted against the citizenry by the military authorities and an economy in shambles. Searching for a national identity defined by a wave of nationalism coupled with demands for democracy, Argentines elected Raúl Ricardo Alfonsín of the Unión Cívica Radical. Alfonsín rejected the liberal economic experiment conducted by the technocrats working with the military juntas and promised to re-nationalize the economy. He received 52% of the popular vote, an absolute majority in the first round, sending a clear message to the opposition and the international financial community (IFC). Pivotal to UCR success, Alfonsín's platform called for an investigation into foreign debt accumulated during the military dictatorship lasting from 1976 to 1983. Equally important was the promise to democratize the powerful unions. Union leadership, since the mid-forties, had always been highly vertical and the mobilization arm of the Partido Justicialista. These two walls of opposition, in the face of Peronist unions and the IFC remained as obstacles to the development of a respectable democratic tradition.

For the development of a strong, representative democracy, elected governments must provide citizens with economic stability.¹⁰ This assessment was predicated on a developing democracy having the preconditions to mount economic growth, much like West Germany following World War II. Democratic prospects in Argentina, however, were not economically supported by outside powers, as the Argentina of the 1980s did not have the geopolitical importance as West Germany during the Cold War. Therefore, Alfonsín proclaimed that economic development in Argentina would result from the reinstitution of democracy.¹¹ Despite his promises, Alfonsín faced the harsh realities of a \$50 foreign debt¹² accounting for 80% of the gross domestic product the day he assumed the presidency on 10 December 1983.¹³ When he left office in 1989, Alfonsín had legitimized the debt to foreigners as well as his party's intelligentsia. Continuous economic shortfalls caused a shift in the administration's economic policy, relying more on debt stabilization throughout its tenure. By the end of the eighties, leading Radicals advocated strict fiscal and monetary measures in accordance with the IMF and opposed to the party's ideology of 1983. The need for international currency and support constantly forced the administration to structure the economy more or less along the mandates set by the International Monetary Fund.

The issue of the foreign debt quickly acquired a strong political connotation. The Peronist unions, which in the first years of the administration headed the opposition, capitalized on Alfonsín's apparent capitulation to the IMF. The unions were represented

¹⁰ Seymour M. Lipset, *El hombre político* (Buenos Aires: EUDEBA, 1963), 384.

¹¹ Edgardo Catterberg, *Los argentinos frente a la política: Cultura política y opinión pública en la transición argentina a la democracia* (Buenos Aires: Editorial Planeta Argentina, 1989), 111.

¹² The actual value of Argentina's foreign debt when Alfonsín took power is not clear. The value given by various sources range from \$39 billion to \$50 billion. *The Economist*, *The Wall Street Journal*, and *El País* regularly cite a \$50 billion debt, and that is the figure used throughout this work.

¹³ William C. Smith, "Democracy, Distributional Conflicts and Macroeconomic Policy in Argentina, 1983-89," *Journal of Interamerican Studies and World Affairs* (Summer 1995), 7.

by an old and backward leadership. Alfonsín's early attempt to democratize the unions failed in the Peronist-controlled Senate in March of 1984, shortly before the government struck a vague, but austerity-based deal with the IMF. The bill was intended to grant government intervention to assure fair election of new union leadership. The Peronist movement perpetually intervened as an interest group more than a respectable opposition. During his years in office, as Alfonsín lost prestige within the population and foreign speculators, the UCR's preeminence of the eighties disappeared in the nineties. In 1989, the government returned to the PJ under the leadership of Carlos Saul Menem, who ruled virtually unopposed for a decade.

The Sources

In the late twentieth century, democracy resurfaced throughout Latin America as a beacon of hope. Alfonsín's inauguration ceremony was attended by an impressive list of foreign executives and delegations. This diverse group included socialist leaders from Italy, Portugal and Spain, along with right-wing dignitaries from Chile, Brazil and Uruguay. Capturing the mood, United States' vice-president George Bush exclaimed that "there's a something in the air, something vibrant, strong...maybe I'm just fired up by the majesty of the moment, this election..., signals a new era for Argentina" as 100,000 people chanted "Alfonsín, Alfonsín."¹⁴ The day following the election, an editorial in *The Times of London* praised Alfonsín for understanding the "Churchillian adage, 'trust the people.'"¹⁵ A member of the Argentine Communist Party echoed this statement when he declared that these elections were a slap in the face to those who thought the people did not know how to vote.¹⁶ To emphasize the high expectations produced by the transition,

¹⁴ *The New York Times*, 11 December 1983, 1.

¹⁵ *The Times of London*, 1 November 1983, 15.

¹⁶ *La Opinión*, (Los Angeles), 1 November 1983, 7.

the Spanish newspaper *El País* pronounced Buenos Aires the freest city in the world.¹⁷ A variety of foreign spectators expressed their optimism through the international press helping to mold an international perspective on democratic development in Argentina.

Initially, the sources used to analyze democratic development in Argentina in this study, enthusiastically endorsed Alfonsín's victory. England's *The Economist*, however, was the most articulate in focusing on points of concerns, particularly with regards to Alfonsín's threat to declare a moratorium on the debt. Along the same lines, *The Wall Street Journal* called for a quick IMF deal with the new administration while Alfonsín remained popular. Finally, the Spanish *El País*, gave unequivocal support to the new administration paying little attention to the issue of the foreign debt. To the Spanish publication, the strong and chaotic Peronist unions embodied the greatest threat to the new administration and democracy. To the *Journal* and *Economist*, unions and Peronism were viewed as enemies to the international financial community, and therefore received the toughest criticism as well.

Then and now, these are important newspapers and magazine that help shape an international perspective on democratic development in Argentina. The Falklands War brought Argentina into national attention in Britain. In April of 1982, the dictator Leopoldo Galteiri ordered the invasion of the British controlled islands claiming its sovereignty. After initial losses, the British forces were able to implement a successful counterattack expelling Argentine military units and enforcing a humiliating surrender for the authoritarian leaders. As the military's prestige plummeted following the war, Argentine public opinion remained loyal to its claim over Falklands sovereignty. This phenomenon was agitated by declarations coming from military personnel claiming that

¹⁷ *El País*, (Madrid, Spain), 21 October 1983, 4.

Argentina would simply make it too expensive for England to maintain security for the islands. Britain had a vested interest in Argentina's return to democratic institutions primarily based on its animosity towards the military. Therefore, any measures to keep the Armed Forces away from power were popular to the British ruling elite and showed routinely through the pages of *The Economist*. Appeasing the fallen Generals and continuing their economic policies summarizes the magazines suggestions for the infant democracy.

As the unquestioned hemispheric leaders, United States' officials watched attentively the developments in Argentina. The Falklands fiasco caused strains between President Reagan and Prime Minister Thatcher because of American hesitation to join the British. As anti-American sentiments were running high throughout Latin America, the US considered Argentina a crucial ally. With billions of dollars invested by American banks during the military years, Alfonsín's determination to concentrate on moral issues translated to a temporary or even permanent moratorium of the debt. *The Wall Street Journal* showed a keen understanding of the situation. In order to guarantee payments, avoiding not only a default by Argentina, but a possible domino effect throughout Latin America, the *Journal* was less critical of Alfonsín's promises to the Argentine people. Instead, its articles on Argentina were sprinkled with a more pragmatic view of the possible ramifications of a popular democracy in direct opposition to American economic policy. However, American financial interests remained as the source of the *Journal's* concerns.

In Spain, socialist leaders relished at the thought of a strong, democratic ally in Latin America. Following Francisco Franco's death after close to four decades of authoritarian rule, the Spanish underwent a peaceful transition to democracy. *El País* was

born in the transition period and identified strongly with the socialist government. Aside from a strong endorsement for Alfonsín's policies, the pages were full of quotes by Argentines who viewed Spain as a moral guide. For example, president Felipe Gonzalez was reported as the most popular foreign leader in attendance at the inauguration ceremonies and the Spanish ambassador was the first foreigner to meet with Alfonsín. This newspaper viewed the emergence of a democratic administration in Argentina as Spain's gateway to a more active political and economic involvement in the Southern Cone.

The Economist, *The Wall Street Journal*, and *El País* were all important publications in countries with strong and influential ties to Argentina. The support for democracy was unequivocal in the initial phases. One can hardly imagine a responsible editor writing favorably on the Armed Forces tenure. By 1989, however, the three publications adapted to the new realities in Argentina. As it became clear that Peronism would come out victorious, they shifted slowly towards endorsing its new leader: Carlos Saul Menem. Menem appealed to Argentines with a message very similar to that of Alfonsín, but in interviews with the foreign press he dictated a completely different agenda. Much of the verbal assault that characterized newspapers and magazine when referring to Menem the Peronist candidate disappeared when the subject turned to Menem the president. He employed many of the same political maneuvers of his predecessors but this time in favor of economic reform. Adapting the constitution to his liking, and ruling by decree, Menem monopolized power. The Radicals were left too weak to provide a formidable opposition, and Menem alienated unions and fellow Peronist who objected to his economic agenda. To the developed countries Argentina became an investor's paradise and Menem an example of visionary leadership.

Historiography

This historiographical survey is divided into two sections. First, various scholars present the devastating effects of the Argentine foreign debt in developing a prosperous economy. The purpose of summarizing scholarly work on the foreign debt is to provide a contrast with assertions made by the newspapers and magazine researched for this project. This is not a historiography from which to expand on, but rather a backbone to serve the purpose of this thesis. Alfonsín's inability to provide economic recovery undermined his credibility, signaling to weak domestic democratic institutions in the face of the international financial community. Secondly, the topic turns to the Peronist opposition following its first electoral defeat. The writers discussed point out to advantages and disadvantages of a Peronist Party in opposition, which settle on the idea of its normalization from a chaotic and undemocratic movement, into a respectable institution in post-authoritarian Argentina.

Foreign Debt

Following the military dictatorship, democracy presented a natural step towards moral readjustment and economic prosperity. For newly elected president Alfonsín, democracy represented an all-purpose tool needed to acquire material and political interests. He enthusiastically proclaimed that "with democracy, the people eat,"¹⁸ as if by providing the masses with the right to suffrage and rule of law, the country's economic problems would disappear. In her study concerning Argentines' expectations of democracy, Nancy Powers encountered a general consensus in which people primarily preferred democracy in that it was "not military."¹⁹ In the early nineties when the

¹⁸ Nancy P. Powers, *Grassroots Expectations of Democracy and Economy: Argentina in Comparative Perspective* (University of Pittsburgh Press, 2001), 1.

¹⁹ *Ibid.*, 183.

interviews were conducted, people still remembered the atrocities of a military regime that discredited itself by the inhumane realities of its policies. Consequently, one writer was able to construct an argument in stating that the 1983 UCR campaign was successful in riding the wave of anti-military public opinion without presenting a comprehensive plan for the nation.²⁰ Powers and others argued that the 1983 election was first and foremost a rejection to years of authoritarian rule.

Powers discovered that Argentines viewed democracy as advantageous because it provided a due process in which civil liberties were respected. In accordance with Western society, democracy provided the population of sovereign countries with political autonomy. Freedom of expression, the right to vote, abiding by constitutional law, and to a lesser extent, social welfare for lower economic sectors of society, were the most widely shared expectations of a democracy.²¹ The election of Alfonsín consolidated the transition to democracy. People elected their representatives and the new government attempted to alleviate the poor. Powers' analysis excluded the pervasive effects of the debt crisis placed on the democratic elected government. How did spectators come to view the representative government as they looked beyond the process and began to demand outcomes?

The contradictions with regards to the foreign debt of \$50 billion and its relation to the development of an effective democracy are one of the foci of this study. The debt escalated during military rule. Disdain for the military was related to disdain for the debt. Ironically, Powers came to the conclusion that "despite the illegitimate way in which much of the foreign debt was accumulated by the previous government, the majority of

²⁰ Jorge E. Spilimbergo, *El fraude Alfonsinista: Historia critica del radicalismo 1880/1988*, 4th ed. (Argentina: Ediciones Jose Hernandez, 1989), 151.

²¹ Powers, 182-4,

those who discussed the debt justified its payment as the moral or practical choice."²²

Considering the political burdens encountered by Alfonsín's administration thanks to the foreign debt, it is tough to comprehend this conclusion by an Argentine public that repudiated all that was military. Powers pays little attention to the issue of the foreign debt, spending just a couple of paragraphs on the subject, concentrating instead on the military's role in Argentine politics after democracy was restored.

Towards the early 1970s, private banks in Europe and the United States found themselves with extra cash coming from members of the Organization of Petroleum Exporting Countries (OPEC). Known as petrodollars, this excess resulted from a worldwide hike in oil prices, prompting OPEC nations to invest surplus revenue in Western banks. Loaning became very competitive as banks conducted their lending in the private sector.²³ For countries to receive large loans like Argentina had in the late seventies, foreign creditors made sure that Third World countries were capable of conducting certain internal reforms. In this aspect, Aldo Vacs built a persuasive argument in relating the increase of the debt in Argentina to the political control exerted by the military government. The liberal economic minister of the first military junta, José Martínez de Hoz exemplified the special relationship between the IFC and the Argentine military government:

a 'stable government, with authority, with resolution and firmness to enforce its decision, led by a ruler who shows an image of equilibrium, common sense...and the moral authority needed to carry out a program of reorganization in all aspects...they [IFCs] realize that the government is implementing the economic program with total conviction---

²² Ibid., 173.

²³ Aldo C. Vacs, *The Politics of the Foreign Debt: Argentina, Brazil and International Debt Crisis* (University Microfilm International, 1986), 62-63.

perfectly knowing that an economic program without political backing does not have any chance of success.²⁴

The type of reform mentioned above referred to neo-liberal economic measures, which were implemented by Martínez de Hoz. Nonetheless, his statement shows a government with the authority to control the population and carry out any measures necessary to enforce reforms. The passage by Martínez de Hoz subtly showed that international investors related political and economic stability to the military's repressive power.

The strong and unchallenged political control of the military juntas prompted a rapid increase of loans flowing into Argentina. David Rockefeller, chairman of the board of the Chase Manhattan Bank, was impressed with the political stability of the country less than two years after the 1976 coup. He advised the board at Chase as well as other American banks to invest in Argentina.²⁵ Without a plan by the government to control inflation or improve infrastructure, the foreign banks continued to pour in money into Argentina. Confidence in the Argentine Armed Forces led to a \$50 billion debt by 1983 without anything to show for it. Only higher inflation, increased unemployment and a responsibility to pay it back. For the 1983-86 period alone, Argentina owed \$15 billion in interest from "a debt that was not justifiable from any point of view."²⁶ Vaca's conclusion was widely shared by the voting population as well as leading political campaigners. Alfonsín promised to distinguish between the legitimate and illegitimate debt, and warned the international financial community that social relief would take precedence over obligations to foreign banks. The debt certainly placed tremendous pressure on a new government with legitimate reasons to investigate its origin and even a moral justification to ignore its payments.

²⁴ Ibid., 279-80.

²⁵ Ibid., 280.

The foreign debt was a formidable obstacle in the path towards developing an economic plan that would stimulate growth. As Alfonsín predicted, democracy was a prerequisite for economic success in the country. Many writers interpreted the magnitude of the external debt as the greatest threat to the UCR in 1983. To one historian, "much of the difficulty of reviving the economy stemmed from the sword of Dasmocles hung over Argentina by its enormous debt burdens."²⁷ Since Alfonsín directly related economic progress to a democratic leadership, he assumed his electoral mandate provided him the ultimate weapon to undertake measures in the interest of the Argentine population.²⁸ Before Alfonsín completed a year in office, his economic minister struck a deal with the IMF on IMF terms, as inflation continued to rise. Voters as well as outside spectators understood that it would take more than the election of a representative government to bring economic prosperity to Argentina. The administration's capitulation effectively demonstrated that Alfonsín lacked the autonomy in certain aspects of the country's economy. The threat of a formal moratorium and actual investigation into the debt were less appealing than assuming responsibility for its payment.²⁹ Within a year, the foreign debt showed that Alfonsín was limited in his power and that democracy alone would not lead to an economic recovery.

Non-Military, Authoritarian Opposition

After the 1983 election, some scholars found the electoral results were a source of inspiration. Most promising was the idea of a bipartisan political arena with a weakened military. After losing a war, deteriorating the economy and eight years of state sponsored terrorism, the Armed Forces retrieved to the barracks. Time and again, the population

²⁶ Ibid., 347.

²⁷ Daniel Poneman, *Argentina: Democracy on Trial* (New York: Paragon House, 1987), 55.

²⁸ Smith, 2.

would ensure that 24 March 1976³⁰ would never happen again. The idea of an established two-party system proved too tempting to ignore. Bipartisanism tended to reinforce democracy. In Argentina, this was particularly encouraging because while Alfonsín received 52% of the vote, Italo Argentino Luder of the PJ, came in second place with 40%.³¹ With irrelevant third parties, the lack of party proliferation left the UCR with just one formidable opposition. The PJ would not serve as a loyal opposition, but more like a saboteur willing to compromise Alfonsín's policies to gain political capital.

Alfonsín promised to democratize the powerful Peronist unions during his campaign with the hope of bringing legitimacy and democratic credence to these important institutions. On 15 March 1984, the administration experienced its first setback when the Senate voted down a union reform bill. Although Peronist leaders denounced Marxist infiltration and accused the administration of official sabotage to rally support, their true motive relied in maintaining a firm control within the union bureaucracy.³² As the only centralized body representing workers, the General Confederation of Labor, which had been divided during the dictatorship, reunited to combat the government's efforts. Finally, leading members of orthodox Peronism prevailed over the more democratic wing of the party, led by men like Italo Luder, from normalizing the PJ into a

²⁹ Poneman, 56

³⁰ March 26, 1976 was the day that the military junta, led by the Army General Videla, Admiral Emilio Massera and Air Force Brigadier Orlando Agosti, took control of the government initiating systematic repression against leftist subversives which quickly expanded to the general population. Beginning in 1985, right-wing and left-wing militants conducted acts of terrorism against the government and society. Argentines responded fiercely against these uprisings through massive and popular demonstrations. See Rock, 367-389, and Gabriel Fernandez, *La claudicación de Alfonsín: Derechos humanos – Militares – Economía – Sindicatos 1983-1987* (Buenos Aires: Ediciones Dialectica, 1987), 25-65.

³¹ Arend Lijphart, *Democracies: Pattern of Majoritarian and Consensus Government in 21 Countries* (New Haven: Yale University Press, 1984), 108.

³² Poneman, 51.

democratic institution.³³ Therefore, while Alfonsín's administration apparently enjoyed the characteristics of other Western governments with legitimate oppositions, the PJ in 1983 was not ready to assume its role as a credible and united opposition.³⁴ With time, the international press in particular, came to criticize Alfonsín's administration for not working in cooperation with the Peronists.

Peronism, since the time of Perón in the forties and fifties, behaved more like a movement than a political party. To some analysts, the 1983 defeat signified a crucial moment in the history of Peronism, allowing it to become a normal political party. In those years, the party was divided into two factions: the orthodox and the *Renovadores*. The orthodox were characterized by their reluctance to democratize the party and unwillingness to even recognize any opposition as legitimate. The *Renovadores*, on the other hand, promoted the normalization of Peronism into a responsible and democratic party and considered cooperation with the UCR a step in the right direction. This wing of the party, the *Renovadores*, was in direct opposition with those Peronist influential within the unions.³⁵ Therefore, Alfonsín had no true leaders from the PJ in Congress to ally with on issues such as union reform and economic policies. No one faction or leader within the PJ had enough political power and support to act in the name of the entire party. In reality, while Peronism was undertaking tough internal reforms to adapt to the new political realities, the Alfonsín administration lacked a cohesive opposition to formulate policies. However, Alfonsín's victory would receive credit for the eventual "normalization" of the party.

³³ Marcelo L. Acuña, *Alfonsín y el poder económico: El fracaso de la concertación y los pactos corporativos entre 1983 y 1989* (Buenos Aires: Ediciones Corregidor, 1995), 82.

³⁴ Poneman, 15.

³⁵ Acuña, 88.

Party politics in Argentina was a new concept to most Argentines in and out of politics in the 1980s. Since 1955, subsequent military authorities allowed Peronism only three years of legal participation. Whenever the PJ operated within the boundaries of legality, it was victorious. After 1983, Argentines not only had a legal PJ, but PJ in opposition. Two years after the presidential elections, the 1985 Congressional elections ended the strong grip held by the orthodox sector, turning the party control over to the *Renovadores*.³⁶ Two years later, this process was apparently finalized when Antonio Cafiero, the most popular of the *Renovadores*, won the governor's seat for the province of Buenos Aires. To Liliana De Riz, this signified that the electorate as well as the party were showing signs of political maturation.³⁷ Old habits die slowly, and in the case of Peronism, eliminating the orthodox advantages meant the end of the party's populist appeal.

Some of the conclusions derived from this short historiographical survey either validate or refute conclusions derived by the newspapers and magazine studied for this project. While daily articles cannot compare to the research conducted by these scholars, popular publications like *El País*, *The Economist* and *The Wall Street Journal*, reached a wider readership and were much more influential in shaping international opinion. This study shows how the international media interpreted the return to democracy in Argentina. The conclusions can lead to a better understanding of why, throughout the nineties, Argentina was exemplified as an economic success with strong democratic settings. The Peronist president, Carlos Menem, rose to the office masquerading as a *Renovador*, but appealing to the masses through strong orthodox style rhetoric. The

³⁶ Liliana De Riz, *Alfonsín's Argentina: Renewal of Parties and Congress* (83-89) (Buenos Aires: CEDES, 1991), 23.

³⁷ De Riz, 20-21.

international press initially interpreted Menem as yet another political phenomenon that unsettled the international financial community and retarded the democratic developments of not only Argentina, but the entire region as well. Few months after assuming office, he would reject most campaign promises, monopolize control, open the most important markets to foreign conglomerates and become the South American darling of the international financial community.

Foreign Debt as a Threat

When Raúl Alfonsín became the democratically elected leader on 10 December 1983, a new economic phenomenon was affecting all nations in the region. The debt crisis affected almost every country in Latin America. As the third largest debtor in the region behind Brazil and Mexico, and sixth in the world, Argentina was a country of particular interest to lending nations. As the authentic representative of the Argentine population, Alfonsín promised to investigate the root cause of a 500% increase in the debt, from less than \$10 billion in 1976 to close to \$50 billion in 1983. These "silly campaign promises"³⁸ posed a serious problem for the international financial community. All seemed fine with the Radical candidate before the election in that he was not a Peronist. Now in office, *The Economist* indicated that the president ought to dissociate from his initial promises concerning economic policy. The fear of a domino effect spreading to countries like Brazil, Mexico and the rest of the continent precipitated outsiders to rethink the meaning of democratic development in the Southern Cone.

Two dominant theories with respect to the phenomenon of the debt crisis became very popular in the early eighties. The North, composed of advanced and industrial countries, tended to blame borrowing nations for mismanaging millions of dollars in

loans.³⁹ This was particularly true in Argentina, where the Armed Forces had used the money to finance consumption and increase military might in an expensive arms race against neighboring Chile. Thus, in the view of the lenders, billions of dollars could be made useful if only employed correctly and accompanied by the implementation of economic reforms. That translated into an austerity-based economic policy. Austerity in Argentina meant a cut in government spending, something that Alfonsín was neither willing nor prepared to impose on his constituents.

In the weeks leading to the elections, the international consensus predicted a Peronist victory. To those who embraced the Northern perspective, this possible result represented a rather depressing outcome. A victorious PJ would likely implement a unilateral moratorium on the foreign debt by simply discontinuing payments.⁴⁰ With 28% of their capital invested in loans to Mexico, Brazil and Argentina, the nine largest banks in the United States feared losing billions of dollars.⁴¹ European countries risked an economic shock as well from a default on the part of a Peronist government because 35% of the total Argentine debt in 1983 came from countries in the old continent.⁴² During the 1946 campaign, US ambassador to Argentina, Spruille Braden, publicly opposed Perón for his social welfare plan and advocacy in favor of the Axis during WWII. In response, Perón presented a mock ticket in which Argentines chose between Perón or Braden.⁴³ Perón won. From its birth, Peronism and his party were a menace to leading Western countries. The feelings of rhapsody that would engulf any visitor in Buenos Aires in the

³⁸ *The Economist*, 5 November, 1983, 14.

³⁹ Madeleine Hösli, *Perceptions and Positions in the International Debt Crisis: An Analysis of Public Statements made by Government Representatives in Developing and Industrial Countries* (University of Zurich, 1987), 20.

⁴⁰ *The Economist*, 22 October 1983, 15.

⁴¹ Hösli, 20.

⁴² *El País*, 11 December 1983, 4.

⁴³ Rock, 261.

weeks leading to the election escaped commentators who saw the eventuality of a Peronist victory as an obstacle not only to the democratic development of the nation, but the breakdown of the international status quo in financial matters as well.

To understand the shaping of the international perspective on democracy in Argentina, it's worthwhile mentioning that until 30 October *El País*, *The Economist* and *The Wall Street Journal* all reported on the assumption of a Peronist victory. While the end to eight years of brutal repression evoked a great deal of national optimism, the assertion of a triumphant PJ prevented financial observers from jumping on the van-wagon of full-fledged endorsement. Alfonsín's victory was a surprise, especially since it did not require a second round with 52% of the electorate behind him. Although a superior figure compared to the Peronist anarchy, Alfonsín was a strong advocate of the Southern interpretation of the debt crisis. The South was composed of under-developed borrowing nations like Argentina, Brazil and Mexico. From this point of view, the South blamed the foreign debt on the North's firm control on international financial institutions with the power to raise interest rates and keep prices of primary goods low.⁴⁴ President Alfonsín, when speaking before the General Assembly at the United Nations quoted a common example of this phenomenon. He pointed out that a 1% increase in interest rates imposed by the United States' Federal Bank equaled to a \$500 million increase in the Argentine debt.⁴⁵ Moreover, Alfonsín argued that the rapid increase of the debt had been done under an illegal military government, which he intended to investigate. Looking at it from a Northern perspective, Alfonsín could point out that the borrowing government that mismanaged loans was illegitimate. From the point of view of Alfonsín and his constituency, Argentina had solid reasons to rethink the continuation of payments.

An interesting event took place in Argentina in early October prior to the elections. Upon his return from the United States, the Governor of the Argentine Central Bank, Julio González de Solar, received an arrest warrant from Judge Federico Pinto Kramer. The reason for his visit to the North American country was to re-schedule an agreement on the \$7.5 billion debt owed by the 31 largest state-owned companies, beginning with the national airline Aerolíneas Argentinas. According to Judge Kramer, the airline belonged to the state, therefore national authorities had the right to investigate any transactions concerning state property.⁴⁶ Through a re-negotiation, all fraudulent loan investigations would end up under New York jurisdiction.⁴⁷ That meant that once a complete re-scheduling agreement was reached, Argentine judges would not have the legal authority to investigate loans made to any of the largest state-owned companies during the dictatorship. Fortunately "common sense"⁴⁸ prevailed as the charges were dropped when the government was pressured from abroad to receive new loans. Somewhat unorthodox, and unplanned, judge Kramer's warrant was the only real attempt made to investigate what the politicians had been promising. At the time, this set a precedence that alarmed IFCs leading into the elections. *The Economist*, as the only publication that commented on the event, confirmed the mere discussion of a debt investigation entered the category of "silly promises."

The reality was that lending nations had the economic power to undermine any attempts by Argentina to investigate or default on payments of the debt. The reason that "common sense" prevailed in the case of judge Kramer was a much needed \$500 million

⁴⁴ Hösli, 5.

⁴⁵ Poneman, 12.

⁴⁶ *La Prensa*, (Buenos Aires, Argentina), 28 September 1983, 6.

⁴⁷ *The Economist*, 8 October 1983, 83.

⁴⁸ *Ibid.*

loan which depended on normalizing the situation.⁴⁹ In the last days of military rule, those involved with judge Kramer understood that all investigations could be delayed in light of country's economic realities. Moreover, both a Peronist or Radical government would rather avoid converting rhetoric into practice. Dating back to the days of "gunboat diplomacy," lending nations employed any means necessary to collect. For example, European countries were not hesitant to invade Mexico in 1861 or Venezuela in 1903 to enforce payments on loans.⁵⁰ Although these measures would be considered drastic in the mid-1980s, lending nations retained the means to punish those who defaulted on their payments. A unilateral moratorium would result in financial embargo followed by freezing Argentines assets abroad, inaccessibility to export markets, and bans on essential imports, particularly new technology and medical supplies.⁵¹ Alfonsín wanted good relations of the international financial community, prompting him distinguish between legitimate and illegitimate debt. Since the military government was unconstitutional, he could have made a impressionable statement in declaring the entire debt accumulated after 1976 fraudulent. Instead, he wanted Argentina to developed democratically with the aid of powerful countries. His call for an investigation, however, and a calls for a temporary moratorium to put the country back in order, proved too difficult to digest.

The Debt Turns Political

As mentioned earlier, IMF loaning became more political towards the turn of the decade. By the early eighties, richer countries increased their participation in IMF sponsored loans. This represented a credibility blow for the IMF, which was created shortly after WWII as an international organization for the goal of aiding countries in

⁴⁹ Ibid.

⁵⁰ Hosli, 22.

⁵¹ Rock, 391-392.

need. Now richer nations had an effective tool to push their own economic as well as political agendas through the IMF. On economic terms, the Fund became a firm advocate of open markets and austerity reforms spoused by Washington and London.⁵² In political terms, an influential country like England stalled on a loan to Argentina in an obvious effort to punish the country for the Falklands invasion a couple of years earlier.⁵³ The new administration inherited, along with the internal political and economic problems, a general skepticism from the North following years of populist military and Peronist governments.

As the candidate who openly denounced the military dictatorship promising criminal charges against human rights violations, president Alfonsín was also "brave enough to follow IMF plans which his country needs."⁵⁴ The political situation in Argentina remained tense following the elections as many feared the possibility of a new coup. In the forty days between his electorate victory and 10 December, Alfonsín continued his rhetoric against the military leaders. In late September, the last military administration had passed the Law of National Pacification preventing prosecution from subsequent authorities.⁵⁵ A fancy word for amnesty, National Pacification aimed at labeling military repression as a patriotic duty performed by the Armed forces against subversives. All political parties denounced the Law, and Alfonsín promised to revoke it after winning the election. On the same day that *The Economist* pronounced the bravery of the new president, it called for an end to the "witch-hunt" against military leaders.⁵⁶ This would pacify the Armed Forces and ease the pain of much needed cuts in military

⁵² *The Economist*, 20 August 1983, 14.

⁵³ *The Economist*, 20 August 1983, 70.

⁵⁴ *The Economist*, 5 November 1983, 14.

⁵⁵ Rock, 386.

⁵⁶ *The Economist*, 5 November, 1983, 41.

spending.⁵⁷ The international fear of a debt moratorium blinded these publications to the complexity of the Argentine situation. Alfonsín's success was partly due for his genuine disdain for military abuses against the population which predated the electoral campaign. To ignore this pivotal campaign promise so early in his tenure was a slap in the face to 52% of the Argentine electorate. Abandoning his stance against the military was sure to backfire in the eyes of his constituency, ridiculing himself and the Radical Party. Amnesty, however, had the potential of keeping the future leadership of the Falklands uncontested to the British as well as a beginning to cuts in government spending.

Continuous negotiations between the IMF and the last military president, Reynaldo Bignone, in the months leading to the elections failed to produce significant results. This was because Bignone's was a lame-duck administration that would soon be replaced by something entirely different and opposed to most military initiatives. Domestically and abroad, the military lost all credibility to conduct policies by 1983. Some optimists viewed the upcoming government more suitable to undertake reforms.⁵⁸ If this were true, however, then a democratically elected government would also be stronger in rejecting reform policies in open defiance to the IMF.⁵⁹ This provoked a sense of humility within the writings of *The Wall Street Journal* in suggesting that the IMF appease Alfonsín in order to avoid starting negotiations from zero.⁶⁰ Opposition to the IMF in the face of a democrat and not an autocrat provoked a feeling of uncertainty in the international financial community. Democracy in Argentina posed as a financial liability.

Like it usually happens to any democratically elected government, the first few months in office brought Alfonsín high approval rates. The months immediately

⁵⁷ Ibid.

⁵⁸ *The Economist*, 16 July 1983, 37-38.

⁵⁹ *The Wall Street Journal*, 7 November 1983, 39.

following the election were crucial to begin economic reform. Enjoying high levels of popularity, the government could withstand coming to terms with the IMF in the domestic arena. Within a couple of years, Argentina was likely to enter a "cyclical depression"⁶¹ leading to a drop in Alfonsín's popularity. This would result in an unpopular government implementing unpopular policies.⁶² Once again, these forecasts undermined the complex situation for the new administration. These assertions were based on the premise that within two to three years the military would regain some level of respectability within the general population and the PJ would once again unite into a strong debilitating factor.⁶³ After assuming office, the new administration embarked on an agenda that emphasized moral initiatives over economic ideology.⁶⁴ Before the end of 1983, the nine leaders of the first three juntas were under custody. At the same time, the government entered negotiations regarding union reform and economic minister Bernardo Grinspun assumed a tough stand against the IMF with regards to the foreign debt. Essentially, the new administration started the new year hard at work to fulfill campaign promises.

Yet, democracy did not feed the people. It took much less than the two to three years predicted for the country to enter an economic depression. More accurately, the country simply fell further into economic chaos by December of 1984. Inflation hit a new record high peaking at 700%.⁶⁵ Following a unilateral moratorium implemented by Grinspun in January of 1984, the need for hard currency forced the government to recant. Alfonsín failed to lure Argentines with large sums of cash in foreign banks, close to \$10

⁶⁰ Ibid.

⁶¹ *The Wall Street Journal*, 4 November 1983, 35.

⁶² *The Economist*, 17 December 1983, 12.

⁶³ *The Wall Street Journal*, 4 November 1983, 35.

⁶⁴ *El País*, 31 October 1983, 3.

billion, to invest at home.⁶⁶ Late in 1983 the IMF was in a position to adopt a less confrontational approach, providing Alfonsín with a strong endorsement convincing these Argentines and investors to stake their holdings in developing the national economy.⁶⁷ The interest alone on the debt amounted to 60% of total export earnings, making it virtually impossible for the economy to sustain, much less grow.⁶⁸ As the government changed focus, and started to adapt economic reform on IMF guidelines by September of 1984, the economy continued to stagnate.

Whether or not the Argentina of Raúl Alfonsín had a responsibility to make good on the country's debt is not a question that this paper intends to answer. The fact remains that Alfonsín promised to investigate its rapid increase in the months leading to his election and the electorate voted for him, partly, for this purpose. *The Wall Street Journal*, and in particular *The Economist*, assumed an attitude of distrust towards the new government. As if the transition ended on inauguration day, the new president was chided for following the most democratic instinct of trying to make good on his promises. In the countless articles and editorials devoted to Argentine democracy in the weeks preceding and following the elections, little time was given to democratic theory. Since the three publications predicted a Peronist victory, which by definition was undemocratic, it was easier to disqualify a moratorium on the foreign debt as a tool to serve the populist agenda of an opportunistic party. Alfonsín's victory shattered those intentions.

The Opposition

Given the trajectory of the Peronist movement, it was no shock that observers viewed the impending Peronist victory with caution. Aside from postponing

⁶⁵ *The Wall Street Journal*, 3 December, 1984, 38.

⁶⁶ Ibid.

⁶⁷ *The Wall Street Journal*, 8 November, 1983, 39.

governmental respectability for another six years, a victory by the PJ would lead to yet another coup.⁶⁹ This was particularly worrisome when considering that the only manner in which the Peronist left office was through military intervention,⁷⁰ each more brutal than the last. Without a formal pact between the two leading parties immediately following the PJ's victory, a new and more repressive dictatorship was likely to result, predicted *El País*.⁷¹ A pact was highly unlikely because of tendencies within Argentine parties not to recognize one another.⁷² A victorious PJ, without overcoming its ideological confusions, would embark on another crusade to monopolize power, instigating the military in the process. It remained a movement without a backbone, extremely sentimental and *bonapartista*.⁷³ Observations on Peronism were both accurate and objective, but the full context of the Argentine situation, somewhat contradictory. A double standard was established, particularly in the *Journal* and *Economist*, where the Radical administration ought to avoid a military "witch-hunt," but pursue further humiliation of the Peronist Party.

Reasons for Optimism

Alfonsín's victory was a wonderful surprise for those who wanted to see a respectable democracy in the Southern Cone. This went beyond international financial issues. As the party which rose to national attention advocating democracy a century earlier, the Radicals were viewed as the more adequate party to conduct Argentina's transitional period. Strong support for the two largest parties, UCR and PJ, which together accumulated 92% of the vote, translated to a renewed confidence for democratic

⁶⁸ Poneman, 55.

⁶⁹ *El País*, 18 October, 1983, 6.

⁷⁰ *The Wall Street Journal*, 4 November, 1983, 35.

⁷¹ *El País*, 21 October, 1982, 4.

⁷² De Riz, 8.

parties.⁷⁴ Outside Argentina, particularly in continental Europe, Alfonsín was very popular.⁷⁵ Under his guidance, the UCR fashioned itself on the example of European social democracies. Spain's socialist government had a vested interest in promoting its values on its ex-colony. Close to joining the European Common Market, Spain wanted to serve as Argentina's gateway to Europe and increase commercial ties.⁷⁶ This was a contrast to a Peronist administration that was more inclined to promote a block within the Third World in direct confrontation with Europe and the United States.⁷⁷ Alfonsín's victory certainly presented a clear step forward for this important Latin American nation in the eyes of influential foreign leaders.

Since the forties, Perón and his movement more or less dictated Argentine political life. Election in which the PJ participated, election in which the PJ was victorious. 1983 presented a new balance.⁷⁸ In a country where party identity takes precedence, Alfonsín's victory was also a sign of increasing maturity within the electorate.⁷⁹ 52% exceeded the UCR's support in the previous elections, in 1973, by thirty percentage points, while the PJ's support descended by 22%. Not only were new and younger voters on Alfonsín's side, but also many old Peronist abandoned the habit of unquestioned loyalty. The day following the election, an opinion section of *El País* enthusiastically proclaimed that Argentines voted for life, to forget the nightmares of the recent past, for progress, for liberty, for modernity and for reason.⁸⁰ *El País* contrasted

⁷³ *El País*, 30 October 1983, 9.

⁷⁴ Catterberg, 86.

⁷⁵ Burns, 121-122.

⁷⁶ *El País*, 11 December 1983, 4.

⁷⁷ *El País*, 4 November 1983, 3.

⁷⁸ *The Wall Street Journal*, 4 November 1983, 35.

⁷⁹ Lucy Taylor, *Citizenship, Participation and Democracy* (New York: St. Martin's Press, Inc., 1998), 100.

⁸⁰ *El País*, 1 November, 1983, 10. This is translation from Spanish. In its original language, the passage carries more feeling than the translation captures: "...un voto por la vida, por el olvido de las pesadillas de la reciente historia, por el progreso, por la libertad, por la modernización y por la razón."

with the *Journal* and *Economist*, in that it appreciated the integrity of the Argentine electorate. Argentines were not voting for empty and inconceivable promises. Rather, Alfonsín represented someone could bring justice for the atrocities committed in the past as he moved the country towards the future. His constituency rejected a fresh start based on immunity and National Pacification. Where the *Journal* saw maturity for simply not voting Peronist, *El País* interpreted that maturity to represent much more. To the Spanish newspaper, Argentines had elected a man that identified with their aspirations as human beings. Argentines desired to confront the past, not forget about it. The Peronist were punished through the ballot, but only a new authority could provide with legal means to punish the military. Alfonsín's victory represented this desire.

The idea that a defeated Peronism would simply withered away was illogical, but the notion that defeat could normalize the movement was tantalizing. Aside from the impressive second place in the presidential election with 40%, the PJ controlled the Argentine Senate. Liliana De Riz believed that through participation in Congress, where the party representatives would operate from the opposition, should establish a more democratic stance for the party leadership.⁸¹ Although the same orthodox components which controlled the campaign continued to run the party through 1984, they were losing touch with the Argentine electorate. In 1978, following an escalation of verbal hostility with neighboring Chile over a territorial dispute, the two sides decided to allow the Pope to arbitrate. In early 1984, the two governments agreed on a decision which gave Chile access to the Atlantic Ocean. Ultra-nationalist and authoritarian factions associated with the military intended to exploit this issue to discredit the new administration. In November of that year, Alfonsín called for a referendum to approve the Declaration of

Peace and Friendship. 80% voted to in favor of the administration. PJ leaders had asked its constituents to boycott the referendum showing their inability to grasp the new political realities of the nation.⁸² These events were interpreted as signs that Argentina was entering a new political reality. Peronism had to adapt.

Concerns

Wishful thinking did not propagate completely into the pages of the newspapers and magazine. The reality in 1983 was that of a semi-divided PJ. Although the confronting ideologies were not those of an extreme left against a reactionary right as in the mid-seventies, a fractious PJ was a precursor to instability.⁸³ Victory by the more democratically inclined party did not secure stability for a constitutional government. A moderate and united opposition was equally important to the official party in any democracy.⁸⁴ Just as a 40% vote showed signs of confidence for the formation a strong two-party system, it was not the case in Argentina. In Spain, for example, 40% almost certainly meant victory for a candidate.⁸⁵ Different factions within the PJ made claims to this support, making virtually impossible for the administration to concert with anyone faction.⁸⁶ In the first couple of years in office, Alfonsín had no viable or credible opposition with which it could conduct bipartisan policy.

Adding to the concerns was the persistence of some of the most orthodox members of the Peronist movement at the highest positions. Lorenzo Miguel, leader of the metallurgical union and president of the powerful 62 Organizations syndicate, was the titular vice-president of the PJ. He had a history of violence in his past, and was

⁸¹ De Riz, 29.

⁸² Rock, 396.

⁸³ *The Wall Street Journal*, 4 November 1983, 35.

⁸⁴ *Ibid.*

⁸⁵ *El País*, 14 November 1983, 10.

responsible for the political wing of the unions.⁸⁷ Another shady character out of touch with the electorate was Herminio Iglesias. Defeated in his campaign for governor of Buenos Aires, Iglesias now held the general secretariat of the party. He made headlines all over the international press after burning a coffin with Alfonsín's name prior to the election. Adding insult to injury, the presidency of the movement continued in the hands of the exiled Isabel. Therefore, two of the shadiest characters in the Peronist party were in control. On one side it gave Alfonsín a logical reason to ignore the opposition. On the other hand, it continued a process started long before with Perón in which the opposition was seen as a nuisance more than partner in developing the nation.

When Isabel Perón finally made a public statement congratulating the president-elect, anxiety reigned within and outside the party. First and foremost, she congratulated Alfonsín on behalf of National Justicialist Movement, not party.⁸⁸ This was reminiscent of the notions of revolution that always accompanied Peronist rhetoric.⁸⁹ Wrapped in the banners of the deceased leader, the rank and file of the party continued to embrace dated notions of a total Peronist revolution for the nation. Continuing such rhetoric following defeat, *The Economist* declared that "Perón is dead: Argentina's new president Alfonsín should be helped to bury him."⁹⁰ What kind of help when Europe's support was more verbal than real,⁹¹ and the disregard for "silly campaign" promises when it came to issues concerning the foreign debt and military prosecution?

1989 ELECTIONS

⁸⁶ Acuña, 25.

⁸⁷ Ibid., 26, 47.

⁸⁸ *El País*, 3 November 1983, 4.

⁸⁹ *El País*, 18 October 1983, 6.

⁹⁰ *The Economist*, 5 November 1983, 13.

⁹¹ *El País*, 14 December 1983, 10.

Alfonsín's last year in office culminated with an inflation level reaching 4,924% in July of 1989.⁹² These numbers compared to those of Germany in the 1920's before Hitler rose to power. The dire economic realities, particularly the psychological effects of high inflation brought questions about the democratic system in Latin America. A 40% decrease in real wages during Alfonsín's tenure lead to a fundamental question: "how much poverty can a democracy withstand?"⁹³ While "Alfonsín has steered through coups, counter-coups and calls for revenge; he has declined to use emergency power, stood by civil law, and made fresh elections possible,"⁹⁴ he was described almost derogatorily as a "good democrat."⁹⁵ As time and circumstances proved, democracy under Alfonsín failed to feed the people. The expectations for the 1989 elections were low. In Argentina, voters were determined to punish Alfonsín and his party, putting the Peronist back in the government. Abroad, the certainty that the Peronist Carlos Menem would win the 1989 elections provoked the same fears as those expressed during the 1983 campaigns toward a Peronist victory.

In 1987 Antonio Cafiero became the Peronist governor of Buenos, the country's most important province. As the leader of *Renovadores* within the PJ, analyst interpreted Cafiero's victory to signify that Peronism finally reached modernity. Initially, Carlos Menem was to serve as Cafiero's running mate on a reform-based and conciliatory ticket. Menem split from Cafiero challenging him the party's presidential nomination. In the first party primaries ever staged by the PJ, Menem distinguished himself to the voters adopting a more traditional Peronist rhetoric. His supporters included Lorenzo Miguel,

⁹² Carla Davidovich, "The Selling of Argentina: is the path to the First World privatized?" *Law and Policy in International Business*, (Fall 1996), 154.

⁹³ *El País*, 14 May 1989, 4.

⁹⁴ *The Economist*, 13 May 1989, 15.

⁹⁵ *The Economist*, 8 April 1989, 46.

ex-guerrilla leader Mario Firmenich and José Lopez Rega⁹⁶ to name a few, and the unions threw their unquestionable support behind this “Perón with sideburns.”⁹⁷ When affiliated Peronist elected Menem as the party’s presidential candidate the *Wall Street Journal* called the event a defeat for reform in the party.⁹⁸ Compared to the civilized and more serious Eduardo Angeloz representing the UCR, Menem was a return to barbarism.⁹⁹ Seen as new 17 October 1945 for the PJ¹⁰⁰, Menem’s victory in the primaries was interpreted as a clear indication that the party’s “rank and file were comfortable without democracy.”¹⁰¹ Menem’s credentials on democratic creed were not comparable to Alfonsín’s, and his rhetoric concerned foreigners dearly.

Prior to his election on 14 May 1989, Menem manipulated the worst economic situation in the country’s history to his favor. He capitalized on the collective anger in Argentina, particularly amongst the poor and labor sectors. His appeal was based on vague promises of a new “industrial revolution,” bringing back “national prestige,” an increase on government subsidies and a five-year unilateral moratorium on the foreign debt. In a sentence, Menem evoked the old Peronist message that Argentina only needed to be liberated from the international financial community, and not economically liberalized. This led to the assertion that along with other up and coming leaders throughout the continent, Latin America was veering left once again. “Not again please,” exclaimed *The Economist* as it reported on the political developments in Mexico,

⁹⁶ After Juan Perón’s death in 1974, José Lopez Rega became the most powerful man in the country as President Isabel’s confidant. He created the Triple A, a para-military, right-wing Peronist organization to combat leftist Peronist subversives resulting in a state of chaos in both cities and country-side. See Rock, 364-365, 401.

⁹⁷ *The Economist*, 20 May 1989, 14.

⁹⁸ *The wall Street Journal*, 11 July 1988, 15.

⁹⁹ *El País*, 12 July 1988, 9.

¹⁰⁰ 17 October 1945 Juan Perón was released from prison after a rift with the other military authorities who believed he was getting too powerful. It is a historic day for Peronism as it marks Perón definitive ascent to the presidency a few months later. See Gambini, 37-114.

Ecuador and Argentina.¹⁰² The problem with Menem was that like Alfonsín, his message was strongly directed against IFCs, and but unlike the Radical, Menem was likely to rule unopposed. An economic "know-nothing"¹⁰³ who promised "Christmas everyday,"¹⁰⁴ and whose rise to power was backed by some of the least democratic elements of the Argentine political arena, was sure to cause trouble for lenders with billions of dollar invested in Argentina. The socio-economic situation was the only possible explanation for the rise of such a questionable character.¹⁰⁵ While the attacks against Alfonsín's policies in 1983 were more on the policies than the man, now the verbal attack was personally directed against Carlos Menem.

As time progressed, however, Alfonsín turned into the exclusive recipient of attacks on the ground of poor leadership and deviating from his original electoral promises. *El País*, which in 1983 was the UCRs staunchest supporter, now blamed Alfonsín for squandering opportunities to normalize the political and economic situation. An editorial declared that the administration failed to capitalize on the foreign support available, compromise with the leading opposition and distinguishing between the legitimate and illegitimate debt.¹⁰⁶ As previously discussed, international support was more verbal than real and the opposition was divided and chaotic. The issue of the debt held true, as it was now Argentina and not the military leaders, who borrowed foolishly in the seventies.¹⁰⁷ Placing the blame primarily on the "good democrat" excused the

¹⁰¹ *The Economist*, 16 July 1988, 37.

¹⁰² *The Economist*, 20 August 1988, 35.

¹⁰³ *The Economist*, 29 April 1989, 72.

¹⁰⁴ *The Economist*, 14 January 1989, 40.

¹⁰⁵ *El País*, 5 May 1989, 4.

¹⁰⁶ *El País*, 20 May 1989, 13.

¹⁰⁷ *The Economist*, 14 January, 1989, 40.

gradual acceptance Carlos Menem as a future partner and exemplary visionary leader in Latin America.

Just a few days following his victory, Menem assumed a more conciliatory attitude towards the IFC. In an interview with *El País*, the reporter concluded that Menem was not as bad as the foreigners thought. His orthodox and populist tone was only intended for a successful campaign within Argentina, but to the exterior he presented himself as a *Renovador*.¹⁰⁸ The article alludes to Menem's determination to allow Telefonica, Spain's largest telephone service provider, a pivotal role in his administration's plan to privatize the communication sector. While this served as a positive stimulus for financial institutions to trust the new president, it undermines his democratic credence. Menem's successive victories, first against Cafiero and then versus Angeloz, were based on his populist and orthodox tactics and messages. Argentines voted for him precisely because he distanced himself from the *Renovadores* and liberal economic policies espoused by the new Radical leadership.

Prior to taking office, Menem named Miguel Roig economic minister. Associated with Bunge y Burn grain conglomerate, members of the land-owning and free-trade oligarchy, Roig's appointment proved Menem "less an ignoramus" than he appeared during his campaign.¹⁰⁹ The language continued to be very harsh, but the antagonism against the new leader vanished. After giving Roig the Economic Ministry, Menem "bravely promised," in a most "un-Peronist language [that] argues well" to implement measures of decentralization, conduct Falklands policy through lawful means and pay the debt "as a matter of honour."¹¹⁰ Again, the same problem rises as the support for Menem

¹⁰⁸ *El País*, 18 May 1989, 7.

¹⁰⁹ *The Economist*, 3 June 1989, 41.

¹¹⁰ *The Economist*, 15 July 1989, 49.

abroad depends on policies that antagonize those who elected him domestically.

Alfonsín, who at least attempted to implement some of the electoral promises, received some of the harshest criticism at the beginning and end of his presidency. Menem, on the other hand, used the voter to get into a position of power, then turned his back on the policies that got him the votes in the first place.

Menem's decade in power was characterized by controversy and corruption. As matter of fact, a loose Radical and dissident Peronists coalition, which defeated the Peronist in 1999, campaigned on an anti-corruption ticket. Menem succeeded in popularizing his policies because the unequivocal support coming from abroad translated into billions of dollar in the form of new loans, and more importantly, investment. Just two months after taking office in July, the State Reform Act provided the executive with special powers to conduct economic policy. State-owned industries were now available for privatization. One by one, Argentina's largest companies were sold to foreign speculators. While the money coming in helped to stimulate the economy, policy was conducted unilaterally within the government. The Radicals were discredited and the government ostracized Peronists in the legislature who opposed its policies. In April of 1990, Menem manipulated the constitution to change the number of judges in the Supreme Court from five to nine giving him a partisan judiciary essential for conducting policy. Finally, when any initiative coming from his government received too much opposition, Menem made use his decree powers. The decree was a constitutional provision for times of extreme crisis that was used 25 times between 1853 and 1989. He used this privilege 300 times in his first four years in office.¹¹¹ There was no consensus in

¹¹¹ Luigi Manzetti, *Privatization South American Style*, (New York: Oxford University Press, 1999), 93.

Menem's policies, but rather his initial success was in great part caused by the inflows of foreign currency early in his tenure.

CONCLUSION

1983 represented a crucial year the democratic development of Argentina. For the first time since Peron's exile in 1955, the military was practically forced out office by civil outrage against injustice and deceit. Expectations reached a new peak when a Radical, not Peronist, became the new constitutional president of Argentina. But democracy turned into a financial liability. Attacks on Peronism were founded more on disdain for the threat to halt payments of the foreign debt and their ability to implement such measures, and less on their undemocratic instincts. Alfonsín was more difficult to deal with since he favored an investigation into the debt, but one could hardly question his or his party's democratic credentials. Expectations for democracy were much lower abroad than in Argentina. While Argentines envisioned economic prosperity as well as the creation of a formidable justice system to punish the most undemocratic sectors of society, the *Journal* and *Economist* interpreted the transition strictly on the economic ramifications. *El País* originally supported Alfonsín completely, but as the eighties progressed, Spain turned from a borrowing nation to a major creditor and investor. As the decade came to an end, Alfonsín's failures proved that democracy was not synonymous with economic prosperity.

This paper does not intend to set an apologetic nor sympathetic tone in favor of Raúl Alfonsín and the UCR. The intentions for this research were to find a relationship between democratic development in Argentina and the expectations for such development as seen from successful democratic countries. The *Wall Street Journal* was no more the voice of the Raegan administration than *El País* or *The Economist* the voices

of the Spanish and British administrations, respectively. Nevertheless, their assessment echoed some of the expectations and concerns originating from the United States, Spain and Britain. Throwing their unequivocal support behind Menem in the 1990s was a natural response as the new president implemented measures gaining popularity in richer countries. Yet, the consequences of Menem's rise to power and the his personal methods of conducting policy should have served as indications of the administration's character. Since Menem ruled virtually unopposed, little regularization legislation was developed as the companies passed from public to private hands. The Convertibility Act of 1990, which pegged the peso to the dollar in a successful attempt to prevent inflation, eventually came to be identified as the source of Argentina's economic stagnation following the boom of the early nineties. Today, most Argentines as well as analyst understand that the dire economic depression which plagues the country since 1999 are the cause of Menem's policies.

When Menem suddenly pulled a one-eighty, abandoning his Peronist ideals, those who endorsed were so overwhelmed by joy that they failed to pause for some historical revision. Menem was first and foremost a populist, who came into power using deceit. The strong antagonism coming from Argentines towards the international financial community becomes more understandable. One example is the pattern of outsiders to get along better with the least democratic governments. First, the strong endorsement for the Armed Forces caused a \$40 billion increase in the debt. Later, when Alfonsín challenged the notion of paying the debt, he was portrayed as silly politician with unrealistic goals. Second, Menem's rise to power was under lawful pretenses, but he was elected for his electorate promises. As he assumed a more conciliatory tone towards creditors, his popularity abroad grew. Along with close to \$40 billion in the form of investment,

Menem more than doubled the debt to finance an expensive currency and avoid inflation. Argentines will not forget that the military was responsible for leaving behind a huge debt, nor will they forget that under Menem the debt grew faster than any time in history. And, as popular sentiment against the international financial community and the United States shows, they remember that both the military and Menem walked hand-in-hand with lending institutions and nations.

Works Cited

Books

- Acuña, Marcelo L. *Alfonsín y el poder económico: El fracaso de la concertación y los los pactos corporativos entre 1983 y 1989*. Ediciones Corregidor: Buenos Aires, 1995.
- Burns, Jimmy. *The Land That Lost its Heroes: The Falklands, the Post-War, and Alfonsín*. Bloomsbury: London, 1987.
- Catterberg, Edgardo. *Los argentinos frente a la política: Cultura política y opinión pública en la transición argentina a la democracia*. Editorial Planeta Argentina: Buenos Aires, 1989.
- De Riz, Liliana. *Alfonsín's Argentina: Renewal of Parties and Congress*. CEDES: Buenos Aires, 1991.
- Fernandez, Gabriel. *La claudicación de Alfonsín: Derechos humanos; militares; Economía: sindicatos 1983-1987*. Ediciones Dialectica: Buenos Aires, 1987.
- Gambini, Hugo. *Historia del Peronismo: El poder total (1943-1951)*. Editorial Planeta Argentina: Buenos Aires, 1999.
- Hösli, Madeleine. *Perceptions and Positions in the International Debt Crisis: An Analysis of Public Statements made by Government Representatives in Developing and Industrial Countries*. University of Zurich: Zurich, 1987.
- Lijphart, Arend. *Democracies: Pattern of Majoritarian and Consensus Government in 21 Countries*. Yale University Press: New Haven, 1984.
- Lipset, Seymour M. *El hombre político*. EUDEBA: Buenos Aires, 1963.
- Manzetti, Luigi. *Privatization South American Style*. Oxford University Press: New York, 1999.
- Poneman, Daniel. *Argentina: Democracy on Trial*. Paragon House: New York, 1987.
- Powers, Nancy. *Grassroots Expectations of Democracy and Economy: Argentina in Comparative Perspective*. University of Pittsburgh Press: Pittsburgh, 2001.
- Rock, David. *Argentina 1516-1987: From Spanish Colonization to Alfonsín*. 2nd ed. University of California Press: Los Angeles and Berkeley, 1987.
- Spilimbergo, Jorge E. *El fraude Alfonsinista: Historia crítica del radicalismo 1880/1988*. 4th ed. Ediciones Jose Hernandez: Argentina, 1989.

Taylor, Lucy. *Citizenship, Participation and Democracy*. St. Martin's Press, Inc.: New York, 1998.

Dissertation

Vacs, Aldo C. *Politics of the Foreign Debt: Argentina, Brazil and the International Debt Crisis*. Ph.D Dissertation. University of Pittsburgh. 1986.

Scholarly Journals

Davidovich, Carla. "The Selling of Argentina: Is the Path to the First World Privatized?" *Law and Policy in International Business*, Fall 1996, 151-174.

Smith, William C. "Democracy, Distributional Conflicts and Macroeconomic Policy in Argentina, 1983-89." *Journal of Interamerican Studies and World Affairs*. Volume 32, Issue 2. (Summer 1995). 1-42.

Newspapers and Magazines

The Economist

The New York Times

La Opinión

El País

La Prensa

The Times of London

The Wall Street Journal

