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POLITICS WITHOUT CENTER

ARGENTINA'S GOVERNMENT IGNORES THE DISSATISFACTION OF THE GROWING MIDDLE CLASS

Kristin Wesemann / Daniel Schlierenzauer

Argentina's middle class is anything but oversensitive. It has experienced too many economic and political crises for that. The *clase media* on the Río de la Plata is living in constant fear of a crash like the one it experienced in 2001/2002. However, its concerns have become more serious over the last two years. The economy has experienced hardly any growth, inflation is rising inexorably, and crime is also becoming a threat in the more affluent districts. So far, the middle class has reacted with astonishing acquiescence. The last major protests date back over a year; sometimes, it seems as if the middle class has gone into internal exile, waiting for the era of Kirchnerism to finally come to an end after more than a decade.

There have not been any mass protests lately. Large numbers of police and security force personnel nonetheless accompany every gathering, however small. There is a great fear of spiralling violence in the middle sector of society. It would be those who have most to lose that would be at greatest risk: the Argentinians from the middle class with their hard-earned wealth.

A look back at Argentina at the turn of the year 2012/2013: Large swathes of the country have been affected by extreme heat for weeks. Numerous urban districts and parts of the country are cut off from the electricity supply. Because of the dilapidated infrastructure, power and water supplies are nearing collapse; foreign currency funds to purchase fossil fuels from abroad are dwindling. Yet again, inflation rises to almost 30 per cent. The government decides to impose more and more new price and capital controls. Militant followers of President Cristina Kirchner

are donning blue T-shirts and marching through supermarkets. They aim to monitor whether the nearly 200 price edicts are being adhered to. The black market dollar rate is rising, and the value of the peso drops by 30 per cent within a few days in January. There are instances of mass looting in 20 provinces, and because the police are on strike, citizens take the law into their own hands, which results in 13 fatalities.¹ The President replaces one minister after another, but hardly surfaces herself. It is said that she only communicates with two, possibly three confidants now. It is still holiday time, and for now the violence is restricted to minor fits of rage, *piquetes* (street blockades) or minor *cacerolazos* (noisy protests with pots and pans) in urban areas.

ARGENTINA'S MIDDLE CLASS: LIFE STYLE AND LIFE GOAL

But who is this middle class that is demonstrating here? The first clue to be found in Argentinian writing consists of complaints about the difficulty of defining the middle class or even describing it. Middle class affiliation does not merely show in the household income; it is above all a political and social mindset. To be and to remain a member of the middle class is an aim in life.

Eight out of ten Argentinians consider themselves middle class (in 2012 it was as many as 90 per cent),² although there is a large discrepancy between self-image and reality.³

Ezequiel Adamovsky, a critic of the middle class concept, says that the classification is being used for purposes of "moral judgement" and delimitation.

Experts therefore look not just at income but also at the values that the Argentinian middle class has historically stood for. Ezequiel Adamovsky, author of the monograph *Historia de la clase media argentina* as well as a critic of the middle class concept, says that the classification is being

- 1 | "Confirmaron otro muerto en Tucumán y ya son 13 las víctimas tras la revuelta en 20 provincias", *La Nación*, 12 Dec 2013, <http://www.lanacion.com.ar/1646724> (accessed 17 Apr 2014).
- 2 | Evangelina Hiimitian, "La nueva 'clase o': los obligados a elegir con el bolsillo", *La Nación*, 7 Oct 2012, <http://lanacion.com.ar/1515085> (accessed 17 Apr 2014).
- 3 | Guadalupe Piñeiro Michel, "Ser 'clase media': definen cuánto hay que ganar y alertan por freno en movilidad ascendente", 20 Sep 2013, <http://www.iprofesional.com/notas/169820-> (accessed 17 Apr 2014).

used for purposes of “moral judgement” and delimitation. In his view, the middle class tends to be seen in a positive light and viewed as representing all that is moderate and sensible, education and honest work, upward social mobility and an orderly family life, grandparents who immigrated from Europe, and generally everything that is best about Argentina.⁴ This classification assigns political significance exclusively to the middle class, while everyone else is therefore seen as a “hopeless case”.⁵

Domingo Sarmiento’s “Facundo” is a sort of founding manifesto of the Republic of Argentina. It is modelled on European ideas of civilisation.

Domingo Sarmiento, Argentina’s president from 1868 to 1874, had described this contrast in the middle of the 19th century under the title *Civilization and Barbarism*.⁶ The “Facundo”, as Sarmiento’s book is also referred to, is a sort of founding manifesto of the Republic of Argentina. It is modelled on European ideas of civilisation and contains some vestiges of the thinking of Alexis de Tocqueville. According to this understanding, European immigrants and Argentinians who retained their ideas of state and society are the guarantors of civilisation. Sarmiento even identified a location where civilisation is rooted in Argentina: Buenos Aires, the city conceived as the opposite to a countryside devoid of people, the pampas, the realm of the gauchos controlled by the *caudillos* with their own rules. When Sarmiento became president, the political mindset changed as well: the motto “To govern is to populate”, coined by the Father of the Constitution Juan Bautista Alberdis (1810 to 1884), turned into “To govern is to educate” (*Gobernar es educar*). That is another reason why people now say that Sarmiento had envisaged a country of the middle class.⁷

4 | Ezequiel Adamovsky, “Más allá del estereotipo”, *Le Monde diplomatique*, Jul 2013, 9.

5 | Ibid.

6 | Domingo F. Sarmiento, *Facundo ó Civilización i Barbarie*, Proyecto Sarmiento, 1874, <http://proyectosarmiento.com.ar/trabajos.pdf/facundo.pdf> (accessed 17 Apr 2014).

7 | Ricardo Esteves, “Civilización o barbarie”, *La Nación*, 22 Feb 2010, <http://lanacion.com.ar/1235737> (accessed 17 Apr 2014).

MUM, DAD, THE SCHOOL JACKET AND THE POLICEMAN ON THE CORNER

The story of the Argentinian middle class therefore begins with millions of immigrants, who were seeking a better life at the other end of the world.⁸ Particularly those employed in trade or as clerical workers found a political home when Hipólito Yrigoyen of the Unión Cívica Radical (Radical Civic Union, UCR) became president in 1916. The middle class began to take an active part in political life for the first time, and it also began to act as an independent player – partly to the detriment of the upper class. The university reforms of 1918 represented a turning point, the effects of which are still being felt today as they enable young people from a working class background to access higher education. Thanks to the free university education, proud parents were able to say: “Mi hijo es doctor.”

The economy prospered as well, and Argentina rose to become one of the world’s largest agricultural exporters. The first phase of industrialisation did not begin until 1930, bringing a new social actor onto the scene: *el*

While the so-called oligarchy lost influence during the first phase of industrialisation, the new middle class defended its status by means of positions as state employees, education or commerce.

obrero, the worker. While the so-called oligarchy lost influence, the new middle class defended its status by means of positions as state employees, education or commerce. This was possible because trade unions were still weak at that time and did not endow the factory workers with any political clout.

But then Juan Domingo Perón conquered the Casa Rosada in 1946. Workers, *descamisados* (shirtless) and *cabecitas negras* (the “little black heads”, indigenous Argentinians from rural areas) had made him president; he thanked them by driving forward industrialisation and assigned the main role in this endeavour to the state. His government nationalised and founded businesses, gave power to the trade unions and increased the budgets for education, health, housing construction and social security. From that

8 | See specifically: Valeria F. Falletti, *Movilización y protesta de las clases medias argentinas*, Universidad Autónoma Metropolitana, Mexico City, Jun 2012, <http://bibliotecavirtual.clacso.org.ar/clacso/coediciones/20120920041042/Movilizacionyprotestadelasclasesmediasargentinas.pdf> (accessed 17 Apr 2014).

time onwards, the working class also sought education and advancement. The middle class, politically close to the Radical Party, now had to share a social space with the working class. At that time the workers had already proclaimed their unity with the former general. "¡Perón, Perón, gran conductor, sos el primer trabajador!" (Perón, Perón, great leader, you are the first worker!), they sang.

However, what the Peronists aspired to for their children as well as for themselves was to join the middle class, for which the Argentinians invented a new verb: *clasesmediarse*.⁹ Today, this is represented by the almost romantic image of traditional Peronism: *mama, papa, guardapolvo – y el policista en la esquina* (mum, dad, the white school uniform– and the policeman on the corner). Everything was nice

The wishes and worries of the tradesmen, office workers and merchants were not unfamiliar to the leading figures of traditional Peronism. Many of them had grown up in precisely that environment.

and orderly, the pupils were working hard, the policeman watched over everything. In no way did Perón oppose the middle class. On the contrary, he brought them onto his side and put their concerns onto the Peronist agenda. Also, the wishes and worries of the tradesmen, office workers and merchants were not unfamiliar to the leading figures of traditional Peronism. Many of them had grown up in precisely that environment. It was not until the sixties, which also brought down many a petty bourgeois in Argentina, that things changed. Former anti-Peronist camps, such as the youth and intellectuals, began to adopt Peronism and thereby probably established both the structural weaknesses of the Argentinian middle class and the reach of Peronism, which is not so much a political party but rather a popular and in large parts also opportunistic mass movement. When Perón returned from 18 years of exile in 1973, particularly his young followers had hoped for a type of socialist republic; he himself, now 78 years old, wanted to establish order and had no sympathy for such phantasies. His death in 1974 then exposed the weakness of the institutions. Disillusioned with the erratic way Peron's third wife Isabelita ran the government, the poet Jorge Luis Borges was not alone in welcoming the military coup and the takeover by the generals on 24 March 1976.

After the chaotic years of shootouts and murders in the street, the middle class was also hoping for peace and stability. However, what followed was six years of brutal dictatorship, which depoliticised the country to a large extent: “From home to work and from work back home”, became a much-quoted saying: don’t do anything to stand out, don’t become involved, take refuge in internal exile, with family and friends. The legacy of the military included an economic disaster, a lost war over the Falkland Islands (Malvinas), thousands of lives and families destroyed. Even after the Radical Raúl Alfonsín, first president after the dictatorship in 1983, resigned in 1989, the country suffered from economic chaos and hyperinflation. Cumulative annual inflation from 1975 to 1988 caused prices to rise by a factor of two million.¹⁰



Juan and Eva Perón in 1950: The fact that Peronism is still governing Argentina, although its presidents frequently leave it worse than they found it, is one of Argentina’s greatest puzzles. | Source: Caras y Caretas 2236 ©.

There is a Peronist, and thereby almost Argentinian, myth which purports that the Radicals are firstly not capable of running a government and secondly frightened into handing

10 | Own calculations based on official figures from National Institute of Statistics and Censuses of Argentina (INDEC), <http://indec.com.ar/indec.gov.ar.htm> (accessed 17 Apr 2014).

over power at the slightest breeze. Peronism, on the other hand, sees itself as a bad weather movement – surviving storms, even hurricanes, and likely to respond to the apocalypse by collecting stones to build a new presidential palace. The fact that Peronism is still governing the country, although its presidents frequently leave it in a worse state than they found it in, is one of Argentina's greatest puzzles.

Life changed drastically for the middle class in the 1970s and 1980s. People lost their car and their domestics, two status symbols of the upper echelons of society. And restaurants and cafés, often described as the Argentini-ans' second living rooms, remained empty. It was

Menem's economic policy was based on parity between the U.S. dollar and the peso, on opening the market to foreign investors and imports, as well as on privatisations.

not until Peronist Carlos Menem took office six months early that the situation stabilised and allowed the Argentinian's middle class to proudly show once again who it was and what it had. Menem's economic policy was based on parity between the U.S. dollar and the peso at an exchange rate of almost precisely one to one, on opening the market to foreign investors and imports, as well as on the privatisation of the large state enterprises. The state withdrew from the economy, but also from its duties as service provider. However, the festive mood of the "pizza and champagne" years was not to last. A new downturn began during Menem's second term in office.

The presidency of his Radical successor Fernando de la Rúa ended swiftly and spectacularly. During a *cacerolazo* on 19 December 2001, the incumbent fled the Casa Rosada by helicopter, leaving chaos behind. Within just two weeks, Argentina experienced three presidents, the collapse of the economy and state bankruptcy, the effects of which are still reverberating today – as an enduring trauma.

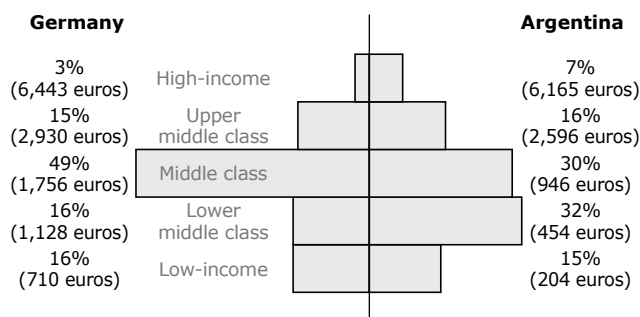
30 YEARS DEMOCRACY – AND THE POLICE ARE STRIKING FOR HIGHER PAY

On 10 December 2013, the whole of Argentina was meant to be on its feet to honour and congratulate itself. Exactly 30 years earlier the country had returned to democracy after the stifling days of military dictatorship. The government had planned major festivities for that day on the

Plaza de Mayo at the center of Buenos Aires and brought followers into the city from all over the country. The groups of people sporting Evita-Che-Cristina-Néstor shirts took up their places in a star formation, nearly disappearing under a sea of flags and banners. Cristina Kirchner, who had withdrawn from the public eye for two months after an operation, resurfaced and gave a half-hour speech, in which she praised the ten Kirchner years since 2003 as the source of Argentinian democracy.

Fig. 1

The middle class from an economic perspective, a comparison of net incomes between Argentina and Germany 2013



Figures in per cent: proportion of income group out of the total population (household income of income groups). Source: authors' own chart; data Germany: Cologne Institute for Economic Research, 2009, <http://iwkoeln.de/en> (accessed 17 Apr 2014); data Argentina: Consultora W, 2013, <http://consultoraw.com.ar> (accessed 17 Apr 2014).

Broad Middle Class

At almost 50 per cent, the size of the typical German middle class is striking. In Argentina, the lower middle class is particularly large. This must be interpreted bearing in mind the income ranges that the two research institutes had chosen. In Argentina, the differential between upper and lower middle class incomes is 1,650 euros, while it is 1,174 euros in Germany. Although the Argentinian methodology covers a larger range of household incomes, the middle class represents a smaller absolute proportion of the population overall.

Scope for Advancement

One needs to bear in mind the social mobility of the different sections of the population. A middle class Argentinian would have to double his or her current earnings to be considered a member of the upper middle class, whereas a German would only need to earn 66 per cent more. Upward economic mobility is therefore far more difficult in Argentina.

Risk of Social Decline

Even a relatively small loss of income by someone belonging to the lower middle class will lead to an economically precarious situation. Just over a third of Argentinians are deemed to be at significant risk from political and economic change, which may jeopardise their socioeconomic status.

While the government was celebrating and allowed the people to celebrate, looters were roaming the cities. The police did nothing to stop them – they were on strike for better pay. In Tucumán, in the extreme north of the country, they did intervene in the end – taking action not against the looters, however, but against the citizens who were demonstrating for better security on the square in front of the government building. It is thought that it was the Kirchnerist provincial government that ordered the police and plain-clothed agents from the security forces to disperse the crowds using teargas and batons.¹¹



On 10 December 2013 Argentina celebrated the 30th anniversary of the return to democracy: The government organized major festivities for that day on the Plaza de Mayo. | Source: Víctor Santa María, flickr ©¹.

The police are currently facing a particular challenge, but occasionally appear powerless in their fight against crime. There are also regular reports about members of the police

11 | "Tucumán: nueva protesta de vecinos en plaza Independencia", *La Nación*, 12 Dec 2013, <http://lanacion.com.ar/1646932> (accessed 17 Apr 2014).

force who are involved in the criminal milieu themselves. That said, the people who are supposed to enforce law and order (and are poorly paid for doing so) are themselves suffering from the consequences of a government policy that has no answer to the growing drug problem and is even denying its existence. Rosario, Argentina's third largest city, gained a reputation as the capital of crime some time ago. In 2013, there were 20 murders per 100,000 inhabitants there – 30 per cent more than the previous year.¹² And in the first six weeks of this year alone, there were a further 58 instances of violent crime involving fatalities.¹³ Drug-related crime has not only increased rapidly, it is also becoming more brutal. Anyone who is attacked and does not surrender their car or hand-bag readily must expect the worst.

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Surveys have been showing for years that crime is what Argentinians fear most; in early March 2014, over 82 per cent were concerned for their safety.¹⁴ For the Cristina Kirchner government, the problem exists only in people's heads, if at all. The government blames the anxiety on the media and the opposition – all of them "antidemocrats",¹⁵ who only want to spread fear in order to deflect from the achievements of the "gained decade" (*década ganada*). In any case, to Argentina's Leading Lady and her supporters, there is only one image of the past 30 years. This includes: the election of Alfonsín as the first president after the end of the dictatorship and the period since Néstor Kirchner took office in May 2003. The economic miracle years under her party colleague Carlos Menem, the state bankruptcy

12 | Hernán Lascano, "Rosario tendrá hacia finales de este año la mayor tasa de homicidios de su historia", *La Capital*, 4 Nov 2013, http://www.lacapital.com.ar/contenidos/2013/11/04/noticia_0025.html (accessed 17 Apr 2014).

13 | "Ya van 58 los homicidios en Rosario en el 2014", Sitios Argentina, 23 Feb 2014, <http://sitiosargentina.com.ar/ya-van-58-los-homicidios-en-rosario-en-el-2014> (accessed 17 Apr 2014).

14 | "La inseguridad y la inflación, las mayores preocupaciones", *Clarín*, 3 Mar 2014, http://clarin.com/politica/inseguridad-inflacion-mayores-preocupaciones_0_1094890505.html (accessed 17 Apr 2014).

15 | "Acto por los 30 años de la Democracia: Palabras de la Presidenta de la Nación", The President of the Argentine Republic (Casa Rosada), <http://presidencia.gob.ar/discursos/26951> (accessed 17 Apr 2014).

and the subsequent stabilisation under Eduardo Duhalde, a Peronist himself, only appear as subversive elements in the President's interpretation.

For some time now, the government has been merely the mouthpiece of an – admittedly large – minority. While the President is still talking to the entire public, what she says is being ignored by large parts of the population. In view of stark reality, the continuously announced reports of achievements have a hollow sound: the longest growth period in 200 years of Argentinian history, over 500 industrial estates, 200,000 new companies, unemployment down by 66 to 6.9 per cent and poverty down from 54 to 6.5 per cent, the highest minimum wage in Latin America, a 44-fold increase in investment in infrastructure, more social plans, higher child benefit, greater efforts to regain the Malvinas and better protection against hedge funds where debt servicing is concerned. The list is long and available on official websites for people to check.¹⁶ In fact, Argentina is in a better place now than in 2001/2002 – but at that time the country was at rock bottom in terms of economic, political and social conditions.

The figures put forward by the Kirchner camp as evidence of its successful governance are all under dispute. A poverty rate of 6.5 per cent would put Argentina at European level.

One also has to bear in mind that the figures put forward by the Kirchner camp as evidence of its successful governance are all under dispute. Now only 6.5 per cent poverty? That would put Argentina at the level of a prosperous European country. Independent studies therefore assume a level of 25 per cent.¹⁷ Only 6.9 per cent unemployment? The black market is said to account for 30 to 40 per cent of economic activity.¹⁸ The government has been caught massaging the figures on too many occasions.

16 | Cf. "Década Ganada", Casa Rosada, <http://decadaganada.gob.ar> (accessed 17 Apr 2014).

17 | "El Indec desmiente a la UCA: la pobreza es del 4,7%", Info News, 26 Dec 2013, <http://infonews.com/2013/12/26/economia-116261-el-indec-desmiente-a-la-uca-la-pobreza-es-del-47.php> (accessed 17 Apr 2014).

18 | Ismael Bermúdez, "El empleo en negro volvió a crecer y afecta a 4,2 millones de personas", *iEco Clarín*, 17 Sep 2013, http://ieco.clarin.com/economia/empleo-crecer-afecta-millones-personas_0_994700543.html (accessed 17 Apr 2014).

Initially, Kirchnerism had developed a “typically Peronist relationship” with the poorer sections of society. It presented itself as the partner of the low-income groups and all those who considered the state as the big problem solver.¹⁹ It was aided in this by economic growth, official full employment, access to consumer goods and dedicated personnel who ensured that rent or child benefit were paid on time. The state presented a strong and generous image. The government invented the Para Todos programs; in 2009, it bought the football rights “for all” and has been broadcasting the games of the Argentinian football league live for free ever since. However, the costs involved have risen gradually and cannot be refinanced because the only advertising being broadcast consists of government promotions.²⁰ The government controls beef prices “for all” and had a technology park built outside the capital’s gates. Entry is free. For a period, it even obligated the large supermarkets to sell jeans and T-shirts *para todos* at uniform prices. Items that had previously been reserved to the middle and upper classes were meant to be accessible to all. This courting of the poor has tradition. The country’s political parties have been doing it for over four decades more or less in equal measure. In many cases, the poor experience “personal improvements” without having had to work for them themselves, as sociologist Adamovsky explains.²¹

The government invented the Para Todos programs. In 2009, it bought the football rights “for all” and has been broadcasting the games of the Argentinian football league live for free ever since.

There is nothing new about the courses of action taken by the Kirchner government. Perón, three-time president and founder of the great political movement, and his second wife Evita had helped the impoverished masses to lead a more dignified life in the 1940s and 1950s by means of social welfare and statism. They took the required funds from those who had money, whether it had been worked for or inherited. No factory owner was allowed to refuse Eva Perón’s order for several hundred bicycles for children

19 | José Natanson, “Una política para la nueva clase media, *Le Monde diplomatique*, Dec 2012, <http://eldiplo.org/index.php/archivo/162-el-futuro-del-kirchnerismo/una-politica-para-la-nueva-clase-media> (accessed 17 Apr 2014).

20 | Mariano Obarrio, “El Gobierno busca reducir los gastos que demanda Fútbol para Todos”, *La Nación*, 30 Nov 2014, <http://lanacion.com.ar/1643381> (accessed 17 Apr 2014).

21 | Adamovsky, n. 4.

living in the province, which she put through the books as a gift as a matter of course, as a patriotic contribution on the part of the manufacturer to the great Evita project. In the end, Argentina was financially ruined, but the belief in the all-powerful state, which takes care of everybody and everything, has survived.

At first, the Kirchner government also made advances tailored to the urban middle class, courting it not just by inviting global stars such as Madonna or adding further bank holidays to facilitate ever longer weekend trips. There were also efforts to sweet-talk the middle class: "I believe that the middle class needs to be strengthened again", said Néstor Kirchner two years after he took office. "It used to be Argentina's engine."²² Although the economy rallied, growing by an average eight per cent per year, and many Argentinians regained the standard of living they enjoyed before the crisis, Kirchnerism has never relied on the loyalty of the mostly well-educated and prosperous middle-class Argentinians.



The Kirchner era since 2003 as "the source of Argentinian democracy": Cristina Kirchner with her supporters during the opening session of the new legislature on 1 March 2014. | Source: © Enrique García Medina, epa, picture alliance.

On the contrary. It secured election results and political power by means of social transfers, welfare expenditure and an authoritarian populist style of government. As long

22 | "Néstor Kirchner: 'La clase media es el motor de la sociedad'", *Infobae*, 24 May 2005, <http://infobae.com/2005/05/24/185664-> (accessed 17 Apr 2014).

as raw material prices were high and flushed money into the state coffers, this was unproblematic. Middle-class citizens too benefited from cheap electricity, petrol, gas and bus fares. They tolerated the fact that first Néstor and later Cristina Kirchner engaged in radical propaganda. The middle class is no stranger to opportunism itself. As long as it did not feel disadvantaged financially and in terms of its conceptions, it was also among the clientele of Kirchnerism. It was growing, after all. Economists from the World Bank reported the following for the period from 2003 to 2009: "Argentina doubled its middle class." According to these figures, 18.6 million Argentinians were part of the middle class by 2009 – almost half the population.²³

That said, growth stagnated in 2009 and dropped to just under one per cent²⁴ – a typical phenomenon under Argentinian governments, which tend to attack problems in the beginning without, however, getting to the root of them. The poor are therefore tended to, but the government does not do enough to encourage and demand people to extricate themselves from state support and better themselves.

Political advisers such as Guillermo Oliveto

complain that the middle class had been quicker to recover than poor people to recover.²⁵ Many of the social climbers are people who had previously dropped down from the middle class rather than newcomers, and

social mobility remains low. Many who had been prosperous in the 1990s and suddenly found themselves poor and lower on the social scale during the 2001/2002 crisis subsequently recovered as the country did. This demonstrates one other thing: being middle class does not depend on money alone. It is also a matter of qualifications, education, connections and generally the ability to make one's own way. Anybody who does not possess these and has to rely on the state for assistance will find it difficult.

Many people who had been prosperous in the 1990s and suddenly found themselves poor and lower on the social scale during the 2001/2002 crisis subsequently recovered as the country did.

23 | World Bank, "Argentina duplicó su clase media en la última década, dice informe del Banco Mundial", 13 Nov 2012, <http://bancomundial.org/es/news/press-release/2012/11/13/argentina-middle-class-grows-50-percent> (accessed 17 Apr 2014).

24 | Index Mundi, "GDP - real growth rate (%)", 2011, <http://indexmundi.com/g/g.aspx?c=ar&v=66> (accessed 25 Feb 2014).

25 | N. 10.

ARGENTINA'S GOVERNMENT UNLEASHES "MOTHER OF INFLATION"

The World Bank figures on the middle class only go up to the onset of the current crisis. In January 2014 alone, 509,000 men and women dropped down into the statistical poverty range according to the Confederación General del Trabajo (CGT).²⁶ That matches the figures presented by well-respected institutions such as the Observatorio de la

Deuda Social Argentina (ODSA) based at the Catholic University (UCA) back in late 2013.²⁷

The members of the "new working middle class" are organised in trade unions and many of them were employed legally for the first time in their lives.

The first losers are those who had finally succeeded in making the move into the regular labour market during the good years under the Kirchner regime. The members of the "new working middle class" (*nueva clase media obrera*) are organised in trade unions and many of them were employed legally for the first time in their lives.²⁸ For years, their representatives had negotiated wage increases of 20 to 30 per cent – which still lagged behind inflation. But Kirchnerism does not want to give up on this clientele on any account as it is a fundamental element of its electoral success.

Last year alone, the welfare budget rose by 20 per cent.²⁹ In 2013, there were over 30 budget supplements, which increased the original budget by over 150 billion pesos (in early December 2013 by some 18 billion euros). The expenditure was financed from the social security funds and an increasing national deficit; the parliament did not need to give its consent as such decisions are taken by presidential decree in Argentina.

Because the state has run out of money, the Central Bank has started up the printing presses and thereby fuelled inflation, which was already running high. Martín Uribe, an Argentinian economist at New York Columbia University, says: "Increasing public expenditure is the mother of

26 | Ismael Bermúdez, "Sólo en enero, cayeron en la pobreza 509.000 personas", *Clarín*, 3 Feb 2014, 3 et seq.

27 | Paula Urien, "Hay más de 10 millones de argentinos pobres y aumentó la desigualdad", *La Nación*, 26 Dec 2013, <http://lanacion.com.ar/1650754> (accessed 14 Mar 2014).

28 | Ibid.

29 | Casa Rosada, Annual Budget 2013, <http://www.mecon.gov.ar/onp/html/presupresumen/resum13.pdf> (accessed 17 Apr 2014).

inflation.”³⁰ And it is inflation that is taking the country – once again – to the edge of the economic and social abyss. Independent experts expect further price rises of 30 per cent for 2014, pessimists even of 50 per cent.

Next to crime, inflation features very high on the Argentinians’ list of concerns. At the beginning of March, seven out of ten Argentinians thought that prices would continue to rise, and almost 70 per cent are very concerned about inflation.³¹ However, the government has ignored this problem as well for years. One episode illustrates this approach perfectly. In a television interview in April 2013, Minister of Economy Hernán Lorenzino spoke to a Greek female journalist, who was either not familiar with the conventions or was consciously ignoring them. In any case, she touched on the taboo subject and asked: “How much is Argentine inflation at this moment?” After a little prevarication, Lorenzino answered: “I think the cumulative inflation over the last twelve months is 10.2 per cent; I might be off by a decimal.” The journalist dug deeper and turned to the subject of the International Monetary Fund, which had been demanding substantiated inflation figures from Argentina for a long time. This made Lorenzino very nervous: “Look, I repeat, I think, ah, that is a ... I don’t know ... can we take a short break?” The camera is turned away, and the Minister says off camera: “I want to leave, yes, I want to leave. And anyway, to be honest, talking about inflation statistics in Argentina is complex, okay?” And if that was not bad enough, the minister’s aide then also lost her cool: “Seriously, talking about inflation even though we don’t even talk to the Argentinian media about inflation?”³² she said – captured on air by the Greek crew. In Argentina, people are shaking their heads about the Minister of Economy, who first had to guess at the inflation figures and then failed to extricate himself cleverly and bow out elegantly.

30 | Martín Uribe, “Suba del gasto público es la madre de la inflación”, *ámbito financiero*, 24 Jul 2013, <http://ambito.com/diario/noticia.asp?id=698788> (accessed 17 Apr 2014).

31 | “Clear majority of Argentines disapprove of Cristina Fernandez government”, *Merco Press*, 5 Mar 2014, <http://en.mercopress.com/2014/03/05/clear-majority-of-argentines-disapprove-of-cristina-fernandez-government> (accessed 17 Apr 2014).

32 | Interview with Hernán Lorenzino, *The New Files*, Youtube, 25 Apr 2013, <http://youtu.be/EkHGLkCYNMY> (accessed 17 Apr 2014).



In line with a command economy: For certain products, consumer prices are monitored and declared as *precios cuidados* below the mostly empty shelves. | Source: © KAS Argentina.

For over a year now, the state statistics office maintains that it is possible to live on six pesos a day. However: a litre of milk alone costs eight pesos, a one-kilogram loaf of wheat bread at least 15. The government meanwhile continues blithely on its course based on a planned economy, responding to increasing costs with elaborate social programs, one-off payments, special transfers and price controls. The *precios cuidados* scheme (monitored prices) dictates the maximum prices of everyday basic products to supermarkets.³³ However, the allocated shelves are frequently empty, and the unregulated goods all around are becoming more expensive. Those who can afford it invest in material assets or in the unofficial secondary currency. According to estimates, there are 200 billion U.S. dollars in private hands in Argentina, possibly double that amount.³⁴

Austral University predicts a recession for 2014, entailing one per cent negative real growth.³⁵ Lack of investment and Argentina's isolation from the global market are

33 | Listing of monitored prices: Secretaría de Comercio, Ministry of Economy and Public Finance of the Argentine Republic, "Precios Cuidados", <http://precioscuidados.com> (accessed 17 Apr 2014).

34 | Alejandro Rebossio, "El cuánto y el cómo de la fuga de capitales en Argentina", *El País Blog*, 14 Jul 2013, <http://blogs.elpais.com/eco-americano/2013/07/el-cuanto-y-el-como-de-la-fuga-de-capitales-en-Argentina.html> (accessed 17 Apr 2014).

35 | Juan José Llach et al., *Informe Económico Mensual*, Buenos Aires, IAE Universidad Austral, 2014, 133.

causing productivity to stagnate or decline. A good school for the children *and* a family car *and* an annual holiday are no longer a realistic expectation for many families. Social networks are overflowing with frustration: "In 2011 you travelled to Europe for 20 days; in 2012 to Buzios for 10 days; in 2013 it was a week in Florianopolis; now, four days in Mar de las Pampas. And if things go on like that, all you'll manage next year is a day in La Salada³⁶," writes a young Argentinian woman on Facebook. Many families must take hard decisions: school *or* car *or* holiday. The moneyed middle class is shrinking. However, when asked whether they are part of the middle class, Argentinians are still convinced they are.

People do not wish to let go of the feeling of being middle class, partly because so many positive ideas are linked to it: an open-minded view of the world, cultural closeness to Europe, admiration for diligence, order and technology from *Alemania*, plus a certain feeling of superiority when comparing themselves to those relying on state hand-outs. People value democracy and freedom and are therefore embarrassed when the President is yet again parading in public with her Venezuelan friends or praising Castro's Cuba as a model.³⁷ That is precisely where the concept of Kirchnerism appears to be failing, as Cristina Kirchner and her supporters are questioning the ideals and values of the middle class. Argentina's middle class – be it old or new – is not only losing its purchasing power. Kirchnerism also wants to strip the country of its values.

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PAST EXPERIENCE SUGGESTS: THE WORST IS YET TO COME

In the run-up to the parliamentary elections at the end of October 2013, crime and inflation were once more the most important topics. They drove the protests that Argentina has experienced during the last two years. But protests

36 | Buzios and Florianopolis are Brazilian seaside resorts, which are favourite destinations for Argentinians. Salada is Latin America's largest black market, located on the outskirts of Buenos Aires.

37 | Ignacio Ramírez, "Los mapas y el territorio", *Le Monde diplomatique*, 07/2013, 6.

were fuelled by different issues: at one time it was the government's media law aimed at its arch enemy, the *Clarín* Group, at other times it was the planned "democratisation" of the justice system, the excessive corruption, the disorganised economic policy or the President's authoritarian style of practising politics. And it was predominantly the middle class that mobilised. It demanded an end to policies they deemed to be jeopardising prosperity and values.

At most, the government only bothered to pour scorn on these concerns, but for the most part the *oficialismo* failed to respond to the protests at all.³⁸ The demonstrations remained peaceful. Currency reserves at the Central Bank were still at reasonable levels and the subsidies for gas, electricity and bus fares were not being withdrawn or reduced; inflation was still somewhat bearable because it was compensated for by increases in pay and social benefits, and the peso did not lose twelve per cent of its value within one day; prices had not yet been frozen; travel was still relatively easy, half the cabinet had not been replaced, and the government's despair was not obvious. But the 2001 crash had taught the Argentinians one thing: the worst is always yet to come.

The demonstrations of the past 18 months were a warning, a sign to Kirchner to abandon her retrograde and ideology-driven policies or at least tone them down. Even if middle-class people do not like to be reminded of it: large numbers of them must have voted for Kirchner in 2011 as well – there is no other way to explain her election victory. In surveys conducted after the election, 30 per cent of the middle class admitted having voted for the new president.³⁹ There are no detailed analyses about changing voter allegiances available. The incumbent is therefore living dangerously if she does not show any consideration. After all, the intention is that the Kirchnerist project survives the presidential elections at the end of

There are no detailed analyses about changing voter allegiances available. The incumbent is therefore living dangerously if she does not show any consideration.

38 | See: Kristin Wesemann, "Köder mit Massengeschmack", KAS Country Report, KAS Argentina, 23 Apr 2013, http://kas.de/wf/de/21.38/wf/doc/kas_34150-1522-1-30.pdf (accessed 17 Apr 2014).

39 | Eduardo van der Kooy, "La clase media, el desvelo de Cristina", *Clarín*, 18 Nov 2012, http://clarin.com/opinion/clase-media-desvelo-Cristina_0_812918829.html (accessed 17 Apr 2014).

2015. Although Kirchner is not allowed to stand again after eight years at the Casa Rosada, she is already searching for a candidate to continue her work and also to ensure that her presidency has not been tarnished in any way when she goes. Anyone seeking to win those elections will have to attract the votes from the middle class as well.

The President herself revealed at the end of 2012 that she was proud to be a “member of the rising middle class”, and in consideration of the new figures from the World Bank, she said she had now realised this class was part of the project.⁴⁰ However, this realisation came rather late and was answered with a question: A woman worth over nine million euros, who owns property and companies – how can such a woman purport to be a member of the middle class, one of us?

After the disastrous election results of 27 October 2013, when over two thirds of Argentinians voted for the opposition, Kirchnerism identified three parties to blame:⁴¹ first, those who had always “conspired” against the government; secondly, the “ungrateful middle class”, whose situation had improved fundamentally, although they considered that to be a result of their own efforts and not of Kirchnerism; and thirdly, the media, which were engaging in manipulation and keeping sympathisers away from Kirchnerism.

There are, in fact, real dangers. If the labour legislation was not so rigid, and focused on protecting the workers and if the trade unions were not so powerful, actual unemployment would probably be twice as high, reckons economist and bank director Rogelio Frigerio.⁴² In addition, Argentinian taxpayers are feeling the pinch from high state demands. At 36 per cent of GDP, the total tax burden on Argentinian citizens is only one percentage point below

40 | “Cristina: ‘Mas allá de mi orgullo como parte de la clase media esto es parte de un proyecto d’”, *Noticias Terra*, 14 Nov 2012, <http://noticias.terra.com.ar/politica/,d5e4ec41ce8fa310VgnCLD2000000dc6eb0aRCRD.html> (accessed 17 Apr 2014).

41 | Fernando Gutierrez, “Cristina y la teoría de la ingratitud: la clase media, beneficiada del modelo, es su gran oposición”, *iProfesional*, 26 Aug 2013, <http://www.iprofesional.com/notas/167850-> (accessed 17 Apr 2014).

42 | Interview with Rogelio Frigerio on 6 Mar 2014.

that in Germany, and the country is in 8th place globally.⁴³ It is unlikely that the thanks President Kirchner expects from her people – expressed in votes – will be forthcoming in the near future.

The Casa Rosada seems to be aware of the problem. Argentina's Leading Lady is currently demonstrating a conciliatory mood. When she opened the current session of parliament on 2 March, she even spoke out against her own closest followers, the *piqueteros*, who had previously been helping to prop up the system. For one, they disable an area somewhere around the country for hours almost every day by roadblocks. They also assist

Kirchner's closest followers assist Kirchnerism by taking voters to polling stations or to public meetings in order to oppose the *cazerolazos* of the middle class.

Kirchnerism by taking voters to polling stations or to public meetings in order to oppose the *cazerolazos* of the middle class. They receive payment in kind for this: *choripán* (Argentinian sausage in a bun) and a drink. The *piqueteros* see themselves as political representatives of the lower classes, and they now came under severe criticism. "It's not acceptable that ten people block the road, for whatever reason. And that there are no consequences from that," said the President.⁴⁴ This is remarkable, as it is, after all, mainly commuting white-collar workers who suffer from these blockades. Two days previously, Florencio Randazzo had been at the President's side during an interview with *Radio América*. The smart Transport Minister, too young and too ambitious to end his political career at the same time as Kirchnerism, said: "We were quite mistaken in the political style we adopted, and that is the reason why the middle class now spurns us."⁴⁵

Whatever causes voters to move away from Kirchnerism will naturally provide opportunities for other political ideas. Sergio Massa, for instance, who advanced from mayor

43 | "Presión récord: se pagan más impuestos que en EE.UU, Brasil y el Reino Unido", *iEco Clarín*, 8 Jan 2014, http://ieco.clarin.com/economia/Presion-EEUU-Brasil-Reino-Unido_0_1062493751.html (accessed 17 Apr 2014).

44 | "El discurso completo de Cristina Kirchner en el Congreso", Info News, 1 Mar 2014, <http://infonews.com/2014/03/01/politica-127201-el-discurso-completo-de-cristina-kirchner-en-el-congreso-congreso-2014.php> (accessed 17 Apr 2014).

45 | "Florencio Randazzo: 'Hemos hecho cagadas, vamos a ser claros'", *La Nación*, 28 Feb 2014, <http://lanacion.com.ar/1668330> (accessed 17 Apr 2014).

of the city of Tigre in Buenos Aires Province to promising presidential candidate for 2015 last year, estimates that 80 per cent of voters consider themselves “independent” and currently have no preference for any party. According to Massa, this includes all Argentínians who consider themselves middle class. The logic of this numbers game suggests that whoever wins their votes will move into the Casa Rosada. However, depending on the statistics, every third or second person in the country is poor – and no candidate should disregard this substantial group of voters either. And that is also the reason one sees the same thing everywhere during election campaigns: everyone is seeking to emulate Evita and wants to become political welfare champion.

Argentina’s parties frequently lack a solid program, which in turn means they are particularly flexible as regards their ideological orientation. A case in point is the Peronist party, which has been everything and everywhere since it was founded at the end of the forties: left-wing, right-wing and in between. That is also the secret of its success – its existence as a classic “catch-all” party. However, all important Argentinian parties have one thing in common: they did not emerge along social divides (*cleavages*) as was common in Europe. The Radical Civic Union was founded in 1891 – but not to represent any particular clientele. It was a true mass party, representing everybody. Peronism was similar. For Perón, there was “only one class of people: those who work”, as he wrote in his *20 Verdades del Justicialismo Peronistas* (20 Truths).⁴⁶ To this day, Argentinian parties maintain that they represent everything and everybody. And that is also why the respective leaders play such an important role. The leader – and not the party’s program – provides the differentiation. It is the leader who draws the battle lines.

All important Argentinian parties have one thing in common: they did not emerge along social divides as was common in Europe.

Sergio Massa, who comes from a Peronist background himself and was Cristina Kirchner’s Chief of Cabinet for one year, is facing a twofold challenge. On the one hand, he wants to take himself and the Frente Renovador (Renewal Front), the party he only founded in 2013, to victory as

46 | “20 verdades peronistas”, PJ, <http://www.pj.org.ar/recursos/2011-12-05-04-38-40/docs/165-las-20-verdades-peronistas> (accessed 14 Mar 2014).

an independent and above all non-Peronist force. On the other hand, he is doing his best to win over parts of the Peronist, or even Kirchnerist, camp. The call for action by *massismo* is: “De-Peronisation”.⁴⁷ The Propuesta Nacional (PRO) party, which governs the capital and is developing structures and influence beyond its boundaries, also portrays itself as an alternative to Peronism and particularly to Kirchnerism. It is pursuing a “third way” and considers itself a force of the center; in Buenos Aires, it is demonstrating quite impressively that good governance can work in Argentina as well.

However, PRO is in fact not an entirely new force in many respects. It too has accepted numerous former Peronists into its ranks and it is also slow to abandon Argentinian traditions, such as the mixing of party and government offices. When Mayor Mauricio Macri received the newly elected MPs and senators of his party at the end of 2013, after he had already been proclaimed a presidential candidate, he did so quite naturally at his place of office – and not at the PRO headquarters, as he probably should have done.

While approximately a quarter of Argentinians are party members, the parties still try to impress the population with personalities – rather than with programs. There are hardly any analyses of the country’s voting patterns available. It appears that the election strategists do not even analyse the reasons why specific parties attracted certain voters. Apart from Massa’s current push, there are no parties or politicians vying for specific voters. According to the party messages, politics and elections work according to the *para todos* principle. And that can generally not be sustained once a party has taken over responsibility. What tends to happen is that the political process works in reverse: first the elections are held, then the voters’ wishes are considered in shaping the government program.

Artemio López, head opinion pollster at Equis, is one of those who analyse the mood of the voting public for the Casa Rosada and then help to write a program. According to López, half of those voting for the Frente para la Victoria,

47 | Laura Serra, “Massa apunta su estrategia electoral a la clase media y a los votantes independientes”, *La Nación*, 27 Feb 2014, 8.

that Kirchnerist sub-group of Peronism, belong “to the hard core” and would vote for Kirchnerism whatever the circumstances on the basis of their ideology. The other half vote according to the circumstances.⁴⁸ The latter are votes that the governing party has lost since its landslide victory of 2011 (54 per cent). The party suffered its worst losses in the constituencies with the highest numbers of benefit recipients: in the 15-million strong Buenos

Aires Province, where the “mother of all battles” takes place at election time in Argentina. These days, the transfer of money to the party’s own clientele hardly delivers the

These days, the transfer of money to the party’s own clientele hardly delivers the promised prosperity any more. Dissatisfaction with Kirchnerism is on the rise.

promised prosperity. Dissatisfaction with Kirchnerism is on the rise. According to a recent survey, 67.5 per cent of Argentinians do not approve of the way Cristina Kirchner is governing the country. Since the elections in October 2013, this figure has risen by over 20 points.⁴⁹ It is not just the middle class that is – once again – experiencing the “end of the party”.

The dreaded *ajuste*, tightening one’s belt until it hurts, has already begun. Back in May 2013, Cristina Kirchner had said that as long as she remained president there would be no devaluation of the peso: “Those who wish to enrich themselves at the expense of devaluation and the people must hope for a different government.”⁵⁰ To prevent the peso from crashing, the Central Bank raised the base rate abruptly by six per cent, which is putting further pressure on the economic data.⁵¹ The responsible ministries are currently examining the subsidies for gas, electricity and phone bills, which are likely to be cut.

48 | “Elecciones Legislativas. Perspectivas electorales, la opo en su laberinto: nunca es triste la verdad, lo que no tiene es remedio”, Télam, 4 Jul 2013, <http://telam.com.ar/notas/201307/23350-perspectivas-electorales-la-opo-en-su-laberinto-nunca-es-triste-la-verdad-lo-que-no-tiene-es-remedio.html> (accessed 17 Apr 2014).

49 | “La gestión de Cristina, en baja: el 67,5% la desaprueba”, *Clarín*, 3 Mar 2014, http://clarin.com/politica/gestion-Cristina-baja-desaprueba_0_1094890503.html (accessed 17 Apr 2014).

50 | “Cristina, sobre la devaluación: ‘Van a tener que esperar a otro gobierno’”, 6 May 2013, <http://lanacion.com.ar/1579512> (accessed 17 Apr 2014).

51 | “Las tasas de interés para captar depósitos subieron 6 puntos”, *Los Andes*, 8 Feb 2014, <http://losandes.com.ar/notas/2014/2/8/tasas-interes-para-captar-depositos-subieron-puntos-766379.asp> (accessed 17 Apr 2014).

The search is on for someone to blame. One of the first to be accused was the CEO of Shell Argentina, Juan José Aranguren, who was denounced as an enemy of the state and a speculator because his company had raised fuel prices after the devaluation.

MINED STREETS: THOUSANDS OF BLOCKADES EACH YEAR

Where the controlled prices are concerned, putting the blame on someone else is also proving quite a good strategy. According to analysts, the aim is not so much to actually freeze the prices for basic foods. The objective is in fact to send a different message, namely that corporations are to blame for inflation as they are driving up prices. In line with this thinking, the ultra-Kirchnerist organisation Unidos y Organizados conducted a poster campaign in the capital of Buenos Aires: "These are the ones who are stealing your wages." The posters show the CEOs of companies such as Frávega, Carrefour, Jumbo, Shell, Coto and Walmart.

Middle-class Argentínians like to say: "We are all individualists." They generally do not demonstrate much public spirit, as family and friends are what matters to them most. Those are what they concentrate their energies on – and the state comes a poor second, even if it is notoriously unreliable. The large-scale immigration Argentina experienced in the 19th and 20th centuries has

The members of the middle class do not have that much in common. They mainly share ideas on what constitutes a good life: education, security and a better future for the children.

left its mark. "There have never been any galvanising events here, Argentínians have never been brought together and forged into one nation, as has happened in the United States – unless you count football and Maradona", writes journalist Jakob Strobel y Serra. Also, the members of the middle class do not have that much in common. They mainly share ideas on what constitutes a good life: education, security and a better future for the children. However, these personal aspirations do not produce political will. People do not fight for a better school system, but send their child to a private school.

That is also the reason the middle class rarely manages to take on the role of political actor. People from that class are much more hesitant to take to the streets than those from the lower social strata, who keep challenging the government and do not hold back. The daily newspaper *El Día* writes that roads all over the country are mined by *piquetes*.⁵² The street blockades have proliferated to an enormous degree – in the capital alone there are four blockades a day, and there were 5,653 throughout the country in total last year.

Political engagement would, in fact, be a particularly fitting task for the middle class – pursuing a higher goal beyond their own front door and thereby acting as the engine in this “rich country of the poor”.⁵³ However, the middle class hardly makes use of its opportunities to become involved and only allows itself to be mobilised in exceptional circumstances. This political lethargy is another reason why Kirchnerism finds it easy to subordinate Argentina to its own ideas.

52 | “Calles minadas por piquetes vecinales”, *El Día*, 6 Apr 2013, <http://eldia.com.ar/edis/20130406/Calles-minadas-piquetes-vecinales-laciudad20.htm> (accessed 17 Apr 2014).

53 | Lisa Seekircher, *Das reiche Land der Armen. Die Polarisierung der argentinischen Gesellschaft und die Verarmung der Mittelklassen*, diploma thesis, Vienna, 2010, http://othes.univie.ac.at/11711/1/2010-10-29_0501988.pdf (accessed 17 Apr 2014).