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Abstract

*Latin Americans saw little improvement after the debt crisis of the 1980s, voters began electing leaders who opposed economic globalization as they reckoned it as useless. These left-leaning leaders won elections in countries such as Venezuela, Brazil, and Argentina. To determine if these leaders have found a successful alternative, look at Argentina as a case study, analyzing the presidency of Carlos Menem in the 1990s, who adhered to globalization policies. Then, looking at Kirchner, after the severe economic crisis of 2001-2002, enforced policies focused on increased state intervention, economic regulation, and social equity. While he has not entirely ignored economic globalization, he has introduced measures to support the poor and mitigate the side effects of globalization. Kirchner appears to establish striking a balance between global economic norms and prioritizing Argentina's interests. The purpose of this Qualitative research is to shed light on Kirchner's economic policies and their impact on Argentina.*

**Key Words:** Argentina, IMF, Financial Crisis, Néstor Kirchner, Debt, Globalization, Economy

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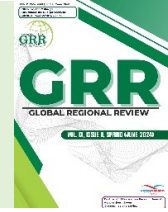
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### Title

## Economic Globalization Vs Nestor Kirchner's Economic Policies: Impact and Evaluation in Argentina

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### Abstract

*Latin Americans saw little improvement after the debt crisis of the 1980s, voters began electing leaders who opposed economic globalization as they reckoned it as useless. These left-leaning leaders won elections in countries such as Venezuela, Brazil, and Argentina. To determine if these leaders have found a successful alternative, look at Argentina as a case study, analyzing the presidency of Carlos Menem in the 1990s, who adhered to globalization policies. Then, looking at Kirchner, after the severe economic crisis of 2001-2002, enforced policies focused on increased state intervention, economic regulation, and social equity. While he has not entirely ignored economic globalization, he has introduced measures to support the poor and mitigate the side effects of globalization. Kirchner appears to establish striking a balance between global economic norms and prioritizing Argentina's interests. The purpose of this Qualitative research is to shed light on Kirchner's economic policies and their impact on Argentina.*

**Keywords:** [Argentina](#), [IMF](#), [Financial Crisis](#), [Néstor Kirchner](#), [Debt](#), [Globalization](#), [Economy](#)

### Introduction

Globalization is a concept that brings out various reactions and opinions. Some view it as a force that enhances global connectivity and raises living standards in underdeveloped countries by creating new job opportunities through multinational corporations (MNCs). Others, however, argue that globalization aggravates environmental

degradation as MNCs relocate to places with tax regulations, leaving developing nations to bear the environmental impact. Additionally, globalization is seen by some as declining national sovereignty as international entities and corporations wield significant influence over national policies and economic decisions.



Additionally, when discussing the characteristics of globalization and its implications, the analysis of the economic aspect raises controversy. There are voices for the integration proposing that as a result of the liberalization of trade and economic liberalization, many individuals have been pulled out of the poverty trap since the 1980s. However, critics argue that globalization has adversely affected the quality of life of people, poverty increases, and sovereignty losses, especially those resulting from the policies supported by international financial organizations.

It is important to start looking at the various aspects of economic globalization, and particularly, to pay attention to the claim that it deepens poverty. Their results present long-standing poverty as a major factor in managing transnational matters such as drug trafficking, disease proliferation, unlawful migration, and terrorism. However, the spread of technology to the less developing countries further intensifies these issues, and thereby, reveals the necessity of sound social protection structures and policies as barriers to globalization's negative impact.

In Argentina, Néstor Kirchner, the president during 2003–2007, changed the previous neoliberal economic policies approach. During Kirchner's time in the presidency, his administration set out a number of economic liberalization measures involving the state, regulation, and social inclusion.

### Research Objectives

- To assess the viability of Argentina's state intervention arrangements as opposed to past neoliberal methodologies in addressing financial instability.
- To examine the impacts of globalization on Argentina's economy especially its impact on social welfare programs and income distribution.
- To compare Argentina's new monetary arrangements and the standards of economic globalization and inspect the degree of alignment or deviation.
- To investigate the expected ramifications of Argentina's advancing economic model for the more extensive debate on developmental choices in Latin America, considering factors like sovereignty, inequality, and social welfare.

### Research Questions

- How did Argentina's experience with leftist governance impact its economic policies with globalization and national development?
- What are the main consequences of economic globalization on poverty rates, environmental sustainability, worker rights, and national sovereignty in Latin America?

### Research Methodology

This research aims to demonstrate how the policies implemented by the Kirchner administration in Argentina influenced the country's performance in international markets. To achieve this, data collected from various sources, including the World Bank, ECLAC, CIA World Fact Book, and INDEC, are analyzed to assess indicators such as growth, poverty, unemployment, and inflation analyzing how these policies impacted the international market trends. This qualitative study seeks to explore the reasons behind the performance of Argentina's international market during the Kirchner era.

The choice of a qualitative approach is driven by the nature of the questions this research aims to answer. This research focuses on understanding the underlying reasons for Argentina's market performance during the Kirchner administration.

### Literature Review

Joseph E. Stiglitz, in his book *Globalization and Its Discontents* published in 2003, gave his analysis of the IMF and its current position in the context of globalization. Using his past work experience at the Council of Economic Advisors in the Clinton administration and as the chief economist at the World Bank, Stiglitz argued that globalization is per se not only positive since the IMF-induced policies known as the "Washington consensus" only served to increase poverty and income inequity in most third world nations. Stiglitz notes that the IMF prescribes similar corrective measures for all countries irrespective of their individual conditions, which unfortunately are normally destructive in their consequences. He argues that there should be a comprehensive and progressive reform, which means that governments should do more to ensure that proper regulations are put in place before any economic reforms are undertaken. Through the comparison of East Asia and Russia, Stiglitz's

effective use of events from the past and the present demonstrates how reforms have to be gradual and regulatory structures put in place to prevent economic disasters. He argues that a change of approach to governance is necessary within international organizations to help promote increased openness, engage in discussion, and look at policy options. According to Stiglitz, such reforms are necessary to obtain even more positive results in the sphere of globalization (Green & Griffith, [2002](#)).

The article *Argentina: From Kirchner to Kirchner* by Levitsky and Murillo, published in 2008 in the *Journal of Democracy*, explains the effects that the Kirchner government had on Argentine democracy. The authors' opinion is quite clear: while Kirchner tends to consolidate power in his hands, Argentina was definitively a full-scale democracy; in some sense, the democratic quality has even enhanced. However, the article also identifies two key problems confronting Argentina's democracy: the failure of democratic opposition and the chronic frailty of political and economic structures. This agrees with the literature that has characterized Argentina's democracy since the 1983 comeback as 'delegative democracy' meaning that Argentina has been a stable democracy but is an 'underdeveloped delegative democracy' as opposed to the full liberal representative one. The vulnerability of democracy in Argentina is, again and again, documented in literature. A fact that, according to Levitsky and Murillo, is the result of a "failure to construct stable political and economic institutions in Argentina". This institutional weakness can be considered one of the key factors contributing to Argentina's poor democratic performance. The article also briefly discusses the Era of Peronism in the politics of Argentina. Kirchnerism, as the current incarnation of radical populism in Argentina, has attempted to reclaim populist ideologies of classical Peronism emphasizing aspects of political and economic autonomy and social equity. Nonetheless, it is important to emphasize that at various moments in its development, Kirchnerism, although it in principle officially rejects the neoliberal policies of Menemism, which is also an interpretation of Peronism, in fact, has not differed greatly from it (Levitsky & Murillo, [2008](#)).

*State, Society, and Markets in Argentina: The Political Economy of Neodesarrollismo under Néstor Kirchner, 2003–2007* by Christopher Wylde

published in 2011 indicates that after the loss of populism, Argentina has unveiled a political economy that has been associated with neodesarrollismo, a term that means that Argentina has resumed the nationalist economic policies that were dominant in the Latin America region from the late 1940s. This has been a post-neoliberal era of development with the state acting more actively in order to kick-start development and embrace stability. The Kirchner administration introduced an elaborate set of policies that were collectively termed as 'Kirchnerismo' a style of political economy that clearly deviated from the traditional or conventional style of political economy of Argentina. This mix contains such factors as competitive exchange rate depreciation, the expansive activity of monetary and fiscal policies, and attention to social issues. This period identified the state to be relatively more interventionist with policies that sought to foster growth and development, as well as to meet social needs. This latter period can be characterized as a new developmentalism since it retained essential aspects of economic liberalism while reintroducing some developmentalist ideas. Post-neoliberalism in Argentina is a bit more than simply post-neoliberalism this approach allows us to stress that the post-neoliberal experience of the country was not a simple rejection of neoliberalism but a much more intricate process that involves some neoliberal elements within it. It also usefully emphasizes the role of domestic politics and economic policies in disregarding neoliberalism and embracing neodesarrollismo (Wylde, [2011](#)).

The chapter *The Reproduction of Democratic Neoliberalism in Argentina: Kirchner's "Solution" to the Crisis of 2001*, by Emilia Castorina in the book titled *Crisis and Contradiction* published in 2014, explores the manner in which the Argentine Kirchner administration kept up the façade of democracy while following neoliberal policies to address the economic crisis in the country in the year 2001. According to Castorina, the Kirchner government which self-identified as left-wing, continued to resurrect the neoliberal-inclined political framework that supported the material interest of the ruling elites and transnational corporations. These shifts were initiated by economic policies like the privatization of state-owned enterprises, liberalization of markets, and structural adjustment programs involving austerity

measures that primarily targeted workers. The author of this assignment equates the Kirchner administration's approach to the crisis as democratic neoliberalism in which neoliberal policies were supported in the context of democratic Argentina. This enabled the government to stay afloat and popular among the public as it provided an economic policy agenda that was favorable to elites but had devastating effects on the majority of citizens (Castorina, [2014](#)).

### Historical Background

Argentina, a country in South America, possesses lots of land and resources like crops and meat. It used to be wealthy and had a big middle class who could move up in life through education but between 1930 and 1983, Argentina had lots of problems. The government changed a lot because of the military taking over, and there were economic issues with prices going really high. Even when Argentina became a democracy again in 1983, things didn't get much better. Money lost its value, and there was a lot of corruption. Then in 2001 and 2002, the economy totally crashed. People lost their savings and everything went downhill.

General Juan Domingo Perón was president from 1946 to 1955, and then again from 1973 until he passed away in 1974. He's really important because he started a powerful political group called Peronism. It's also known as the Justicialist Party. Perón and the government took over many businesses owned by Europeans in Argentina. These included things like railways, electricity, phones, and gas. Perón also started a national airline and made the central bank owned by the government (Romero, [2013](#)). Perón wanted Argentina to make its own things instead of buying them from other countries. So, he supported a plan called Import-Substitution Industrialization (ISI). Perón wanted more control over the government, so he used strong measures. His government controlled the courts and influenced what was said on the radio and in newspapers. They often used the media to spread Peronist ideas (Buxton, [2004](#)). Also, he made sure that all the power in the government was controlled by the president.

Meanwhile, there was a lot of money from oil being invested in Latin America, which led to high inflation. The US banks also wanted to make more money, so they raised interest rates, making it

harder for countries like Argentina to pay back loans (Sherman, [2019](#)). In the 1980s, Argentina had a tough time due to both its own economic issues and problems faced by Latin America as a whole. There was a conflict with Great Britain over the Falkland Islands in 1982, which made things worse. This led to the end of the dictatorship, and Argentina returned to democracy in 1983 under Raul Alfonsín. But even with democracy back, things didn't get much better. Alfonsín faced big problems like prices going up fast, a lot of money owed to other countries, and not enough money for important things like schools and healthcare. The money Argentina owed to other countries nearly doubled during his time as president.

Carlos Menem became president, bringing the Peronist party back to power. He promised to restore welfare programs during his campaign but switched to supporting economic liberalism once in office. The severe economic crisis of 1989, with inflation rates soaring to 3,000 percent, pushed the population to accept reforms (ECLAC, [1984-2004](#)). However, while some of his measures initially led to economic growth, they also contributed to issues such as high unemployment and the overvaluation of the peso. The most significant was the Convertibility Law, passed in 1991, which pegged the peso to the U.S. dollar at a one-to-one ratio, stabilizing prices. They also reduced trade barriers by 33 percent to bring in more cheap imported goods (ECLAC, 1984-2004).

Menem introduced the Law of Economic Emergency and the Law of State Reform, cutting government subsidies, laying off state employees, and privatizing state-owned companies. He sold off ENTEL (the state telephone company) and Aerolíneas Argentinas, followed by other industries, benefiting those connected to him. Sales tax was raised for more government income (Romero, 2015). Cavallo continued privatization cautiously after 1991, selling off utilities. The economy grew from 1991 to 1994, but unemployment rose due to layoffs in state industries. The overvalued peso caused by high inflation in Argentina led to job losses and the decline of local industries unable to compete with cheap imports. Unemployment hit 11.5 percent in 1994, surpassing the usual limit of 10 percent (ECLAC, 1984-2004).

Despite the economic troubles in 1995, the economy bounced back and grew by 8 percent in

1997, but many people were still without jobs (15 percent unemployment). Cavallo, who was in charge of the economy, continued to sell off government-owned businesses until he was removed from office in 1996 for trying to fight corruption. In 1998, the economy got even worse, with the country going into a recession. The value of everything the country produces went down by 4 percent, and the cost of paying off money owed to other countries went up. People were upset not just about the bad economy but also about the corruption in the government. Even though Menem's policies helped lower inflation and made people trust Argentina's economy more, the country's debt nearly tripled from \$63 billion in 1989 to \$145 billion when Menem's presidency ended in 1999 (ECLAC, 1984-2004).

### **Argentinean Economic Crisis of 2001-2002**

In 1999, Fernando De la Rúa won the presidential election. He continued the economic policies of his predecessor, Menem, including appointing Domingo Cavallo as Economy Minister again. But the economy got worse, with unemployment rising from 13 percent to almost 18 percent in three years (ELAC, 1984-2004). Social services suffered due to high debt payments.

People in the middle class started trading goods instead of using money, and some areas even used alternative forms of payment. In July 2001, the government cut salaries and pensions by 13% to pay off debts. Then, in November 2001, all bank accounts were frozen to stop a rush on the banks. This led to widespread protests, with people looting stores and demonstrating against the government. The slogan "Que se vayan todos!" (Everyone must go!) showed how fed up people were with the government. Between December 20, 2001, and January 2, 2002, Argentina had five different presidents. The third president, Adolfo Rodríguez Saá, stopped paying the country's foreign debts, but he was forced out by protests (Nef, [2002](#)). Then, on January 2, Eduardo Duhalde became president. Duhalde made the peso worth less compared to the dollar, which made Argentine products cheaper to buy in other countries. But this also made the money people saved worth less. The recession got worse, and people worried about prices going up a lot, but that didn't happen. By the second half of 2002, the economy started getting better.

Different people have different ideas about why Argentina's economy collapsed. Some say it's because the government didn't handle money properly. Others blame the policies of letting businesses do whatever they want. The plan started by Menem in 1991, which made the peso equal to the dollar, had good and bad sides. It stopped prices from going up too much, but it also made it harder for people to find jobs. When the plan ended, prices dropped, but the economy got worse. Argentina's debt soared from \$63 billion in 1989 to \$145 billion by 1999 (ELAC, 1984-2004). Because of a plan that made Argentina's money equal to the U.S. dollar and improved financial stability, lenders were eager to lend more money. But Argentina didn't manage its money well during a time when the economy was doing okay from 1991 to 1994, making the debt problem worse.

Later on, when the economy started struggling and people thought Argentina's money might lose value, lenders wanted more money back for new loans. At the same time, the International Monetary Fund (IMF) asked Argentina to cut spending more to get loans, but these loans were mostly to help Argentina pay off its debt, not to help its people (Hershberg, [2003](#)). This made people even angrier at the IMF and the government.

### **Economic Liberalism in Latin America**

Economic liberalism is a belief that governments shouldn't create barriers to trade between countries. It suggests that allowing goods and money to move freely around the world helps. This idea has become very important in recent years, with many countries agreeing to reduce tariffs and trade barriers. This helps countries focus more on exports and making money from selling things to other countries. John Williamson came up with ten ideas called the Washington Consensus that are linked with economic globalization. These ideas include things like controlling government spending, improving education and healthcare, reforming taxes, and privatizing businesses. While these ideas are thought to help countries grow, some people argue that they don't always work well for everyone (Williamson, [2000](#)).

In Latin America, having lots of debt has let powerful economic policies called neoliberalism control the region. Back during the Cold War, especially when the U.S. had high inflation in the



1970s, Latin American countries got loans easily. They needed the money to grow their economies and keep communism from afar. But this also helped U.S. banks make more money. By 1970, Latin American countries didn't owe much, but by the end of the decade, they owed a huge \$250 billion (Sherman, 1998).

Then, when Ronald Reagan became president of the U.S. in 1981, the country changed its money policy. This made interest rates go up a lot. At the same time, the prices of oil and other things that Latin America sold went down a lot. This made things really tough for Latin America. The 1980s were called the "lost decade" because countries there struggled to grow, and prices and income went down, while inflation went up a lot. In the early 1980s, the U.S., the IMF (International Monetary Fund), and other banks talked with Latin American countries about how to pay back their debts. The IMF started to become really important in managing debt, and it worked with the World Bank to make countries follow certain rules called Structural Adjustment Programs. These programs were meant to fix problems in each country's economy (Sherman, 1998).

After privatization, foreign companies and rich local people bought many government-owned businesses at low prices. This made them richer, but it also meant less control over important parts of the country's economy. To stop prices from going up too fast (hyperinflation), they made interest rates high and spent less money on things like schools and hospitals. Hyperinflation stopped, but many countries then had recessions. In the 1990s, groups like the International Monetary Fund (IMF) said countries needed to cut how much they spent and make more money (they called it the Washington Consensus). They also said countries should focus on selling things to other countries and not tax imports too much. The North American Free Trade Agreement (NAFTA), which started in 1994, was an example of this. Also, the World Trade Organization (WTO) started in 1995, and most Latin American countries joined it. (World Trade Organization, 2006) But while these policies were happening, the rich got even richer, and the gap between rich and poor grew a lot. By the end of the 2000s, Latin America had over \$700 billion in debt (Sherman, 1998).

Poverty and inequality kept feeding each other, making it hard for the region to develop and making life even harder for poor people. Poor people often can't get loans because they don't have things like land or house papers to use as security. They also can't afford to send their kids to school, so the family misses out on the chance for better jobs in the future. Even though there have been changes to the economy in the last twenty years, they haven't fixed these basic problems that keep poor people from doing better. The reason why poverty stays is because of problems with jobs. Many jobs are not good quality, and lots of people work in the informal sector, which means they don't get things like health insurance or protection if they lose their jobs. More than half of the jobs in cities and almost all rural jobs are like this. While some jobs in services or finance are available, poor education and lack of higher education means most people can't do these jobs. Also, because of globalization, companies can find cheaper workers in other countries, so they don't need as many workers in Latin America. And when the government sells off its businesses, it usually needs skilled workers, not unskilled ones. Plus, if people lose their jobs, there's not much help for them. So even though the world economy is growing and there's more trade, many people are still poor.

### **Response to Increased Poverty in Latin America**

In some countries, people have started to reject the idea that making the market stronger is the only way to fix the region's economic issues. In the past ten years, leaders in countries like Venezuela, Ecuador, Brazil, Argentina, Uruguay, and Bolivia have been elected on promises to do things differently. For example, Hugo Chávez became president of Venezuela in 1998, Lucio Gutiérrez in Ecuador in 2002 (but he was removed in 2005), Luiz Inácio Lula da Silva in Brazil in 2003, Néstor Kirchner in Argentina in 2003, Tabaré Vázquez in Uruguay in 2005, and Evo Morales in Bolivia in 2006. While it's too soon to say if Vázquez and Morales will stay on the same path, it's clear that these leaders want to focus more on helping their own people and reducing poverty, rather than just helping the rich or foreign interests. They still follow some rules from international groups like the World Trade Organization and still pay back loans, but

they're trying to make things better for their citizens.

### **Argentina Under Néstor Kirchner**

Néstor Carlos Kirchner became the president of Argentina on May 25, 2003, after Eduardo Duhalde. Before becoming president, Kirchner was the governor of Santa Cruz province for three terms. He is married to Cristina Fernández, who was a senator in Buenos Aires. They worked together to climb the political ladder from being a lawyer to becoming mayor of Río Gallegos, then governor, and finally president. Kirchner won the election by promising to change policies that favored the rich over the common people, and many Argentinians supported him.

Kirchner is known for his strong personality and for keeping a tight grip on power. People call his way of governing and making deals the "K Style" (Gastaldi, [2005](#)). He often challenged powerful groups in Argentina, like the military and wealthy elites. Kirchner didn't always follow formal rules, like when he ignored security advice to be with the people who cheered for him after he became president because he wanted to show he was one of them. He focused a lot on the economy, just like when he was mayor and governor. When he was in law school, Kirchner was part of a group, which wanted Perón, a former president, to return. This group was linked to the Montoneros, a militant group, but Kirchner says he wasn't part of them. However, he was briefly put in jail by the military government that ruled Argentina from 1976 to 1983 (Garrone & Rocha, [2003](#)).

After serving as mayor of Río Gallegos for one term, Kirchner became the governor of Santa Cruz in 1991. He was governor for three terms in a row. During this time, Kirchner worked to make the province's economy better because it was not doing well. He helped to reduce unemployment and spent money on education, healthcare, and homes for people who didn't have much. He also focused on building things like roads, ports, and airports.

Kirchner tried to work with Domingo Cavallo, who was the Economy Minister when Carlos Menem was president. They wanted to make a special area in Santa Cruz where taxes wouldn't apply, so businesses could grow and the economy could improve. However, they had problems with Menem, so the project was canceled. Kirchner showed he

was different from Menem when he supported coal miners who were on strike because they didn't want their mines to be sold to a private company. This happened in Río Turbio, Santa Cruz, in 1994 (Garrone & Rocha, 2003).

The 2003 presidential election in Argentina was a big fight between two important groups in the Peronist party: Carlos Menem and Eduardo Duhalde. Menem wanted to be president again, but Duhalde wanted someone new to run, someone he could control and stop Menem from winning. Many people thought Kirchner was Duhalde's puppet, but Kirchner showed he had his own ideas once he became president (Gaudin, [2005](#)). This election was special because it was the first time the Partido Justicialista (PJ) had more than one candidate. In April 2003, Menem got 24 percent of the votes, and Kirchner got 22 percent. But when it seemed Kirchner would easily win the next round, Menem quit, making Kirchner president. However, since Kirchner only got 22 percent of the votes, some people didn't think he had a strong enough mandate. In his first 100 days as president, Kirchner wanted to show he was different. He stood up to two powerful groups: the military and the Supreme Court. He made many high-ranking military officials retire to remove people who were part of the military government from 1976 to 1983 (Garrone & Rocha, 2003).

Additionally, when Kirchner became president, he wanted to make sure the courts were fair and not influenced by corruption from the past. He asked Congress to hurry up and remove judges from the Supreme Court who were corrupt and might not agree with his changes. This process had already started before Kirchner became president. He also used information from six organizations outside the government to choose new judges in a fairer way. They made sure the qualifications of the judges were made public, and people could give their opinions before the judges were selected (Farmelo & Cibils, [2003](#)).

Kirchner also worked to improve human rights in Argentina. He talked with human rights groups, like the Mothers of the Plaza de Mayo, who want justice for the people who disappeared during the military dictatorship. Kirchner then changed a rule that stopped military officers from being sent to other countries to face justice if their citizens were among those who disappeared. He also pushed

Congress to get rid of laws that protected members of the military from being prosecuted for crimes they committed during the dictatorship. Congress agreed to remove these laws. Later, in June 2005, the Supreme Court said these laws were against the constitution, which meant more than 500 people could face justice for what happened during that time.

### **Economic Policies**

When Kirchner became president in 2003, Argentina was in a tough spot because of the economic crisis in 2001 and 2002. There were two big problems: the International Monetary Fund (IMF) and private bondholders. Kirchner didn't want the IMF to control Argentina's decisions, and he didn't want to make the people poorer just to pay off debts, especially to the IMF, which many Argentinians blamed for the crisis.

Kirchner took a strong stance against both the IMF and private bondholders, along with his Economy Minister Roberto Lavagna. In September 2003, Kirchner managed to restructure \$21.6 billion of debt with the IMF over three years. This deal was seen as good for Argentina because it meant they only had to use 3 percent of the country's money to pay back the debt. But this amount was still a lot and it meant cutting spending in important areas like health, education, and housing. Brazil and Ecuador, in comparison, had to use a bigger percentage of their money to pay off their debts at that time (Smith, [2003](#)).

Argentina agreed to some conditions in exchange for restructuring its debt with the IMF. They promised to keep inflation low, make changes to taxes and banking, renegotiate contracts to raise utility rates and change how they pay back bondholders. To show that Argentina wasn't controlled by the IMF, Kirchner made the final payment to the IMF in January 2006, saying that Argentina was now free from the IMF's demands, which he believed hindered the country's growth. Venezuela also helped by buying some of Argentina's debt, acting as a last-resort lender. Another big success for Kirchner was when Argentina restructured \$100 billion of debt with bondholders. They reduced the debt by 75 percent of its market value. After three years of talking and going to court, Argentina made a deal with the bondholders in January 2005. Most of the

bondholders agreed to the deal by March 2005, which allowed Argentina to issue new bonds for much less money. This was a big win for Argentina, and it showed that negotiation could work for other countries in debt too. Additionally, Kirchner tied Argentina's loan payments to its economic performance, so if the economy does well, it pays more (Rohter, [2005](#)).

Furthermore, Kirchner made a smart move by connecting Argentina's loan payments to how well the country's economy is doing. This means that when Argentina is doing well, they pay more towards their loans, and when things aren't going so well, they pay less. This way, the government can keep its promises to its people without putting the country at risk of going into debt again. This idea could help other countries too, because it benefits everyone: the country, its people, and even the lenders who don't lose money if there's no default.

After the crisis in 2001 and 2002, the country started growing a lot each year. Before the crisis, the economy was shrinking: in 2000, it went down by 0.8 percent, in 2001 by 4.4 percent, and in 2002 by a huge 10.8 percent. But since then, things have gotten better: in 2003, the economy grew by 8.8 percent, in 2004 by 9.0 percent, and in 2005 by 9.2 percent. And for 2006, it's expected to grow by 7.5 percent, which is the highest prediction in the region (Sánchez, [2006](#)). This growth has helped Argentina pay off its debts, including the one to the IMF, and improve social welfare programs. However, it's important to note that this growth might not be because of Kirchner's policies. It's more likely because of the peso losing value after the Convertibility Plan ended, and because the international situation improved. In recent years, the dollar got weaker, China joined the World Trade Organization (which increased demand), markets opened up in India, and interest rates went down worldwide (Gastaldi, 2005).

Additionally, Argentina benefited from increased demand and higher prices for its goods like meat, grains, and soybeans. At the same time, more factories were used to make things, which helped the economy too. But this growth might not last long if Argentina doesn't focus on building its own market and investing more in its industries. However, Argentina's debt restructuring in 2005 helped improve this situation, with investment rising from \$29 billion in 2004 to \$41 billion in

2005 (Petras, [2004](#)). When Menem was president, he sold many government-owned things like the phone company, highways, TV networks, and more. But since Kirchner became president, he brought back some of these industries under government control. For example, he took back the post office, a train line for passengers, and most recently, a French water company called Aguas Argentinas in March 2006.

Kirchner didn't take control of the energy or telecommunications industry, but in 2004, the government made Energía Argentina Sociedad del Estado (ENARSA). Most of ENARSA, 65 percent, is owned by the government, and 35 percent is traded on the stock market. ENARSA's job is to help find and use resources like oil, gas, coal, and electricity, and it works with private companies like Repsol-YPF from Spain and Petrobras from Brazil. ENARSA isn't exactly like state-owned oil companies in Mexico or Venezuela, but in 2005, it teamed up with Aeropuertos Argentina 2000 to provide fuel to all of Argentina's airports (Cantón, [2005](#)).

Apart from creating ENARSA, the government raised taxes on oil and gas exports. Oil companies now had to pay 25 percent tax (it used to be 20 percent), and gas exporters had to pay 20 percent tax instead of 5 percent. Argentina had a big energy problem in 2004, and energy has become one of the government's main worries. Kirchner blamed private oil companies for not keeping their promises to invest in finding more energy, which he says caused the crisis and led to the creation of ENARSA (Tracking Trends, [2004](#)).

While trying to solve energy problems in Argentina, Kirchner got into a fight with Shell, a foreign oil company. In March 2005, when Shell announced it would raise fuel prices by 4.2 percent, Kirchner asked people to boycott the company. He told everyone not to buy anything from Shell, not even a can of oil. People were worried this price increase would make things more expensive. But there were also suspicions that Shell was planning something else because it couldn't agree with another company, *Petróleos de Venezuela SA* (PDVSA), to sell some of its refineries and service stations (Cantón, 2005).

Another way Kirchner helped Argentina is through social welfare policies. After the big economic crisis in 2002, the government started a program called "Heads of Households" where more

than 2 million people who didn't have jobs and had children got \$50.00 (150 Argentine pesos) each month for doing some work (Petras, 2004). Kirchner kept this program going, but in February 2006, the government decided to change it into two different programs. One is called "Capacity and Employment Insurance," where people will get about \$75.00 (225 Argentine pesos) each month, and they have to do some training and look for a job. The other program, "Families," is for families or single moms who take care of kids. They'll get between \$65.00 and \$75.00 (200-225 Argentine pesos) each month. Kirchner also raised the monthly payment for pensioners from \$65.00 to around \$71.00 (200 Argentine pesos to 220 Argentine pesos) in 2003. They also raised the minimum wage from \$65.00 to \$81.00 (200 Argentine pesos to 250 Argentine pesos). Additionally, the government made a law so that low-income families can get medicine at a big discount. This law helps around 15 million people who couldn't afford medicine before (Braslavsky, [2006](#)).

In education, Kirchner started a big discussion in May 2006 about changing the National Education Law from 1993. They want to make preschool available for everyone and make it mandatory to go to high school. Also, in May 2005, the government started a program in Buenos Aires for kids aged 11 to 18 who left school but want to go back. These kids get scholarships, and the schools and teachers get extra money for each student who joins the program. As part of Kirchner's plan to help people, he's trying to control prices to slow down inflation. In the 1990s, President Menem's policies stopped hyperinflation and made the currency stable. But since 2002, after the Convertibility Plan ended and the money's value changed, inflation started to go up again. In the last two years, it went up by 26 percent in 2002, 13 percent in 2003, 9.7 percent in 2004, and 12.3 percent in 2005. They predict it will be 13 percent in 2006.

In late 2005, Kirchner convinced big supermarkets to lower prices by 15 percent on food, hygiene products, and clothes. Then he talked to their suppliers and asked them to do the same. The government is also talking with 46 companies that used to be owned by the government but got sold under Menem. They froze their prices after the 2002 crisis, but now the government wants to change that. Only one company, Edelap, which provides

electricity in the La Plata region, agreed to raise their rates by 15 percent. The government wanted to wait until after the elections in October 2005 to talk more about prices, but they'll probably start again in 2006 and make changes for 2007 (Rossi, [2005](#)).

### **Economic Policy Outcomes: Impact Assessment**

Néstor Kirchner has been Argentina's president for three years. Even though many people in Argentina still like him, it's important to remember that three years isn't a long time to see big changes. Also, the good things that happened in Argentina, like the economy getting better, were mostly because of the peso losing value and other countries doing well, not just because of Kirchner's plans. To really understand if Kirchner's ideas are working, there's a need to look at how poverty, unemployment, and money are changing.

According to Argentina's Instituto Nacional de Estadística y Censos (National Statistics and Census Institute, or INDEC), the number of poor people has gone down since 2002 when it was at its highest at 57.5 percent. It went down to 47.8 percent in 2003, 40.2 percent in 2004, and 33.8 percent in 2005. The number of people without jobs has also gone down: from 19.7 percent in 2002 to 15 percent in 2003, then to 14.8 percent in 2004, and finally to 11.1 percent in 2005 (ECLAC, 1984-2004). But it's important to know that the government counts people in the "Heads of Households" program as having jobs, even though they might not really be working. If we included them, the unemployment rates would be around three percent higher.

Another important thing to look at is how money is shared among people. In Latin America, some countries have big differences between rich and poor people. Argentina is one of them. Even though Argentina used to be one of the richest countries in Latin America, with many educated middle-class people who could move up in society, things have changed. Over the last 30 years, the gap between rich and poor has gotten much bigger. In 1974, the poorest 10 percent of people had 3 percent of the money, but by 2003, they only had 1.2 percent. At the same time, the richest 10 percent went from having 8 times more money than the poorest in 1974 to having more than 30 times more in 2003 (ECLAC, 1984-2004).

Another important thing to look at is how much power Kirchner has been able to gather. This isn't just because of his economic and social plans, but it plays a big part in making sure his promises happen. When Kirchner became president in 2003, he didn't have a lot of people's votes—only 22 percent. But now, he's really popular, with about 75 percent of people liking him. At first, some people thought Kirchner was just doing what Eduardo Duhalde wanted, but he showed them he had his own way of doing things. Still, Kirchner and Duhalde don't get along anymore, and that's caused a split in the Peronist party.

When Kirchner was in charge in Patagonia, he started his own group within the Peronist party called the Front for Victory (Garrone & Rocha, 2003). But Duhalde also has his own group called the Justicialist Front. Sometimes, because of this split, it's hard for Congress to agree on new laws. But Kirchner's group did better in the elections of 2005, which helped things a bit. A big sign of Kirchner's success is that his wife, Cristina Fernández, won her election as a senator in Buenos Aires province in 2005. She beat Duhalde's wife. Kirchner's group also got more seats in both the Senate and the Chamber of Deputies, even though they didn't have the most seats overall.

Under President Kirchner, this gap between rich and poor hasn't gotten better. In the two years he's been president so far (2003-2004), the poorest people still had just 1.2 percent of the money, while the richest had 39 percent in 2003 and 38.4 percent in 2004. Inflation is a big worry for Kirchner's government. They've put controls on prices and put off changing the prices of things like electricity and water since 2002. But even though Argentina's economy has been growing a lot in the last three years, not enough people are investing money because the real interest rates (which consider inflation) are low. Usually, countries control inflation by raising interest rates, but Argentina's doing it differently. Without more investment, it'll be hard for the country to keep growing and make a bigger middle class like it used to have. This bigger middle class could also help make fewer people poor and without jobs.

Kirchner's success in the midterm election suggests he might have a stronger mandate to implement his policies before the next significant vote in 2007. However, concentrating too much

power on one individual can pose significant risks. Kirchner, known for his assertive and decisive leadership style, gained popularity through his firm handling of negotiations with the International Monetary Fund (IMF) and bondholders. Nonetheless, the centralization of authority raises concerns about potential corruption and the erosion of democratic checks and balances.

During his presidency, Kirchner occasionally bypassed Congress, making unilateral decisions under the guise of managing an "economic emergency." While he sought congressional approval for 140 measures, he independently enacted 166 others, arguing that urgent action was necessary to address the inherited crisis.

### **Conclusion**

Due to Kirchner's policies in Argentina, financial conditions improved following the economic crisis of 2001-2002. There was a negative growth in 1999-2002. However, inflation has begun to rise, reaching 9.7% in 2004, 12.3% in 2005, and projected at 13% for 2006. Kirchner's temporary measures like price controls aimed to address this, but long-term monetary policy adjustments were necessary to sustain stability.

To evaluate Kirchner's policies as a development model for Argentina, it's crucial to compare them with those of President Menem, who pursued neoliberal economic policies after taking office in 1989. Menem implemented Washington Consensus measures, such as privatizing state-owned enterprises, reducing tariffs, increasing taxes, and eliminating subsidies. These activities intended to deal with hyperinflation, especially with the Convertibility Strategy.

Menem's plans in the 1990s concentrated on privatizing state-owned entities as well as decreasing aid, intending to suppress hyperinflation. Nonetheless, these procedures brought about enhanced unemployment as privatized firms have given up state workers. In addition, minimized tolls and also securities for

regional sectors added to task losses as companies dealt with less expensive imports. Hardship prices originally lowered however climbed once more by 1999, together with expanding revenue inequality.

In spite of the stabilizing of rising living standards, Menem's plans stopped working to attend to prevalent poverty and also unemployment inevitably worsening the socio-economic situation. The strength of the Convertibility Plan, attributed to finishing hyperinflation, additionally added to the financial crisis of 2001/2002 better-growing poverty as well as unemployment.

On the other hand, Kirchner's presidency from 2003 saw financial development and also lowered hardship and unemployment. While poverty remains a difficulty the fad under Kirchner has actually been favorable, differentiating with the boosting hardship throughout Menem's period in spite of durations of financial development. Contrasting unemployment under Menem as well as Kirchner discloses a shift in fads: unemployment climbed throughout favorable financial development under Menem however reduced throughout Kirchner's presidency. Kirchner's management has actually additionally raised social well-being actions consisting of elevating the base pay as well as a pension plan.

The very first two requirements emphasize the significance of higher state control in the growth plan as well as the market. Instances sustaining this consist of Kirchner's postponement of liberalization with Brazil and also constraints on temporary risky funding circulations, showing an effort to regulate the speed as well as the timing of market combination. Kirchner's technique for opening up Argentina to worldwide markets, especially in regulating monetary conjecture, is a considerable factor to consider. Nevertheless, his plans have actually resulted in a boost in rising living standards which he has tried to take care of via price controls. In spite of this, there has actually been a significant rise in manufacturing capability because Kirchner took office.

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