

ABSTRACT

Title of Dissertation: THE ORIGINS AND LEGACY OF A
CURRENCY BOARD IN ARGENTINA

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This is a qualitative case study of the adoption of a currency board in Argentina in 1991. It presents a discursive analysis and intellectual history of four overlaying and mutually influencing stories of Convertibility's adoption. It is (1) the story of how Menem aligned himself to the Washington Consensus as a means to win a Presidential election. This ideological alignment influences and is influenced by a (2) reconstitution of the Peronist Party's historically entrenched identity. This in turn re-fashion the whole system of interest articulation and relative power of interest groups in Argentina. The adoption of a currency board also marks the pace of (3) the entrenchment neoliberal interests across a domestic network of neoliberal think-tanks, technocrats, politicians, and "technopoles" articulating neoliberal interests outside of the Washington Consensus, within an International Neoliberal Network. Argentina's adoption of a currency board falls in line with the Corner Solutions, a neoliberal doctrine promoted to influence developing countries to adopt two forms of exchange rate regimes that allow for less government involvement, including a currency board.

Argentina starts as a test country and then becomes (4) an ideological stepping stone to help promote the creation of currency boards across more “developing” countries. These stories are not sequential but concurrent, and they help advance an alternative critique of neoliberalism that focuses on specifics to induce case-specific lessons versus a theory claiming to provide any universal truth.

THE ORIGINS AND LEGACY OF A CURRENCY BOARD IN ARGENTINA

by

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Figure 1: Major think tanks/networks behind Menem era neoliberalism.

Source: Plehwe (2011), p. 138.

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Chapter I: Introduction.

Do Free Markets make for Free People in Argentina?

On January 6th, 2002, to the surprise of many economists and political scientists alike, the Argentine currency board arrangement (CBA), herein referred to as Convertibility, adopted ten years before in 1991, suddenly crumbled. Up until a few months before its collapse, many economists across domestic¹, foreign², and multilateral organizations³ praised the Argentine model as an example for other developing countries to follow. It was, by all accounts, a successful application of a neoliberal⁴ program in Argentina. The crisis however silenced most, although surprisingly not all.

A policy recommended as part of a mainstream neoliberal economic program known as the “Corner Solutions”, its failure has caused many practitioners and theorists alike to wonder what went wrong while its most adamant supporters continue re-investing commitments to CBAs in other countries, preaching its benefits and promoting it across other countries to this day. After thirty (30) years of mixed results and an enumerable amount of criticism on the effects of neoliberalism in Latin America, it begs the question: why keep promoting policies whose results

¹ See Kiguel, M. A. (1999). *The Argentine Currency Board*. Buenos Aires, Argentina: Universidad del CEMA; and Rodríguez, C. A. (1995). *Ensayo sobre el plan de convertibilidad*. Capital Federal [i.e. Buenos Aires: C.E.M.A.

² Hong Kong Monetary Authority & Yam, Joseph. (2000, December 14) *The Two Corner Solutions*. Retrieved at: <http://www.hkma.gov.hk/eng/publications-and-research/reference-materials/viewpoint/20001214.shtml>

³ International Monetary Fund. (2001, September 7) *IMF Augments Argentina Stand-By Credit to \$21.57 Billion, and Completes Fourth Review* [Press Release No. 01/37]. Retrieved at <https://www.imf.org/external/np/sec/pr/2001/pr0137.htm>

⁴ Neoliberalism is a term used by its critics to define an orthodox ideological school that believes free markets leads to free people I describe in Chapter II. As they do not self-identify by this name I will not capitalize it in this dissertation out of respect for those who do recognize this moniker.

at best seem ambiguous and at worst have deepened existing income inequality⁵ and arguably created more crisis-prone and weakened markets?

Up until very recently, neoliberal policies have been supported by mainstream (and therefore the majority) of academics and practitioners in fields related to international political economy: this theoretical/ideological posture has been setting the tone of economic development research and agendas in developing countries for the past 30 years. They have been molding the North's ideas of economic, social, and political interaction longer still, since the end of WWII. The IMF, which oversees the international monetary system, and is representative of the above mentioned research, has been at the forefront of these changes which until recently have reflected Maurice Obstfeld's (1998) position that "economic theory leaves no doubt about the potential advantages" of capital account liberalization [one of the three pillars of Neoliberalism⁶]. This view has recently changed⁷.

This new critique of adopting neoliberal policies in developing countries by the IMF is surprising. Traditionally, it has been its staunchest supporter and the co-architect of these policies across its member countries, not surprisingly so as it usually represents the mainstream position of its staff's field: economics. This critique however is nothing new. For decades now, there have been innumerable critiques of Neoliberalism⁸, its spread through Latin America and even its rise

⁵ See Quiggin, J. (January 01, 1999). Globalization, Neoliberalism and Inequality in Australia. *Economic and Labour Relations Review*, The, 10, 2; Schneider, G. (2003). Neoliberalism and economic justice in South Africa: revisiting the debate on economic apartheid. *Review of Social Economy*, 61(1), 23-50; Fiorentini, R., & Montani, G. (2012). *The new global political economy: From crisis to supranational integration*. Cheltenham, Glos, UK: Edward Elgar; and Evans, P. B., & Sewell, W. H. (January 01, 2013) Neoliberalism: Policy regimes, international regimes, and social effects. *Social Resilience in the Neo-Liberal Era*, 35-68.

⁶ We take this statement to mean Obstfeld believes that economic theory undeniably supports the promotion of neoliberal policies. Neoliberals do not self-identify as such, and rarely use the term themselves.

⁷ See Ostry, Jonathan D., Loungani, Prakash & Furceri, Davide. (June 2016) Neoliberalism: Oversold? *Finance & Development*, Vol. 53, No. 2 for one of the IMF's recent, less orthodox views on capital account liberalization and the potential detriments of applying orthodox neoliberal policies.

⁸ See Blomgren, A.-M. (1999). *Neo-liberal political philosophy: a critical analysis of Milton Friedman*. TPB; Bourdieu, P. (1998). *The essence of neoliberalism: What is neoliberalism?: A programme for destroying collective structures which may impede the pure market logic: utopia of endless exploitation*. U.st: Le Monde Diplomatique;

in Argentina under Carlos Saul Menem's presidency⁹. Each has brought us a bit closer to understanding the 90s and the apogee of neoliberal policies in Latin America, its ins and outs, threats and weaknesses, causes and consequences.

Unfortunately, while each is a bit more insightful than the next, current critiques of neoliberalism remain somewhat vague and therefore difficult to learn from. Namely, these critiques usually think in general or abstract terms, attributing the broad-stroke effects one or several of these policies has without getting to far into detail. States are usually considered unitary actors, neoliberal policies are recommended or enforced by a broad "Washington Consensus," and the lowest level of analysis often reached is usually institutional. If the IMF's changed posture is indicative of an inflection point in mainstream economics' appreciation of neoliberalism, I believe we could benefit from a more detailed critical analysis, on a policy by policy case, in order to extract recommendations for alternative/future policy insight.

The critique I therefore advance of neoliberalism is specific, about the implementation of a CBA in Argentina. I focus on one policy, exchange rate regime policy, using historical evolutions domestically and internationally to place its adoption into context. I consider the deeds and words of domestic and international actors involved in its inception with individual economists and politicians as my smallest unit of analysis, followed by domestic and international think tanks, political parties, and interest groups, ending with multi-lateral agencies and agreements –

Bourdieu, P. (1998). *Contre-feux: Propos pour servir à la résistance contre l'invasion néo-libérale*. Paris: Editions Liber ; Bourdieu, P. (2001). *Contre-feux: Pour un mouvement social européen*. Paris: Raisons d'agir Editions; Giddens, Anthony. (1998). *The Third Way. The Renewal of Social Democracy*. Cambridge, MA: Polity; Chomsky, N. (1999) *Profit over people: Neoliberalism and global order*. New York: Seven Stories Press; Campbell, John L. and Ove K. Pedersen, eds. (2001): *The Rise of Neoliberalism and Institutional Analysis*. Princeton, New Jersey: Princeton University Press.; Touraine, A. (2001). *Beyond neoliberalism*. Cambridge, UK: Polity Press;; Rapley 2004; and Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press.; and Hagen, Roar. (2006). *Neoliberalism and the social sciences - reflection theories of modern society*. Oslo: University Press.

⁹ See Plehwe, D., Walpen, B., & Neunhöffer, G. (2006). *Neoliberal hegemony: A global critique*. New York: Routledge.

describing the supranational, international, domestic, and institutional network of actors at play and their relation to one another.

Mine however, is not the only critical analysis on Convertibility. From January 1991 to May 2016, there have been hundreds of books and articles that directly or indirectly discuss the Argentine currency board in English¹⁰, for example there are three hundred and sixty-one (361) Spanish-language articles published specifically on Argentine Convertibility, averaging a rate of fourteen (14) per year with a high of twenty-eight (28) publications in 2008 and a low of four (4) in 1997¹¹. None of these has, to my knowledge, studied the political reasons behind why Convertibility was adopted in Argentina, only the need to fight hyperinflation or other structural economic concerns are given. A study that simultaneously critiques neoliberalism and specifies the political determinants behind Convertibility's adoption, to my knowledge, does not currently exist.

For the most part, it seems that authors interested in studying Convertibility are more interested in the economic¹², and technical aspects¹³ of it. Only a handful of publications are

¹⁰ This number was found first using WorldCat and the Library of Congress search engines using the terms "Argentina", "currency board", and "Convertibility", then going over each document and confirming its relation to Argentina's currency boards.

¹¹ This literature review was conducted in the Libraries of Congress of the United States and Argentina, using WorldCat and local dewey decible catalogues using "Argentina", "caja de conversion", and "convertibilidad" as key word searches.

¹² See Obstfeld, M., Shambaugh, J. C., Taylor, A. M., & International Monetary Fund. (2007). *Financial stability, the trilemma, and international reserves*. Washington, D.C.: International Monetary Fund; Bagliano, F. C., Favero, C. A., & Franco, F. (1999). *Measuring monetary policy in open economies*. London: CEPR; Debowicz, Dario. (2016, April 1). Does the microsimulation approach used in macro-micro modelling matter? An application to the distributional effects of capital outflows during Argentina's Currency Board regime. *Economic Modelling*, 54, 1, 591-599.

¹³ See Mendoza, E. G., Uribe, M., & Board of Governors of the Federal Reserve System (U.S.). (1998). *The business cycles of currency speculation: A revision of the Mundellian framework*. Washington, D.C.: Board of Governors of the Federal Reserve System; Levy-Yeyati, E., & Sturzenegger, F. (2005, January 01). Classifying exchange rate regimes: Deeds vs. words. *European Economic Review*, 49 (6). pp. 1603-1635.; Cavallaro, E., Maggi, B., & Mulino, M. (September 01, 2011). The macrodynamics of financial fragility within a hard peg arrangement. *Economic Modelling*, 28, 5, 2164-2173; and Kose, N., & Togay, S. (2009). *Money price relationship under the currency board system: case of Argentina*. Ankara.

interested in the political facets of Convertibility¹⁴, and those generally tend to focus on the crisis it generated¹⁵, its consequences¹⁶, whether it is the same as other crises¹⁷, different¹⁸. Normative or discursive analysis in studies on exchange rate regimes policy are non-existent, and the idea is so far from any authors mind, that this dissertation's consideration rare and possibly even offensive to some. Those authors that look at Argentina's CBA and its evolution tend to develop political histories¹⁹, study the effect it had in supplanting or promoting domestic interests²⁰, the effects it had across the region²¹, or how the crisis' wake had ripple effects on the rest of the economy²², fiscal federalism, unemployment, the banking sector. No one seems interested in the interests promoted by its creation; nor the ideological and normative considerations but me.

When Domingo Cavallo, minister of Economy under president Carlos Menem, introduced the Law of Convertibility (Law N° 23.928) to Congress on March 21, 1991²³, it was justified as a means to curb hyperinflation and bring economic stability²⁴. Enacted on March 27th, the law established a currency board, an orthodox form of anchoring the Argentine Peso to the U.S. Dollar

¹⁴ See Curia, E. L. (1997). *La Convertibilidad: ¿El peronismo en crisis?* Buenos Aires: Corregidor.

¹⁵ See Flood, R. P., Marion, N. P., & National Bureau of Economic Research. (1998). *Perspectives on the recent currency crisis literature*. Cambridge, MA: National Bureau of Economic Research.

¹⁶ See Jonas, Jiri. (2002, June 27-29) Argentina's crisis and the implication for the exchange rate regime debate. *Dubrovnik Conference organized by the Croatian National Bank, Dubrovnik*. Dubrovnik: Hotel "Croatia", Cavtat. Draft version.

¹⁷ See Dornbusch, R., Goldfajn, I., & Valdés, R. O. (January 01, 1995). Currency Crises and Collapses. *Brookings Papers on Economic Activity*, 2, pp. 219-293.

¹⁸ See Didier, T., & Schmukler, S. L. (2013). Financial development in Latin America and the Caribbean: Stylized facts and the road ahead. Washington, DC: World Bank, Latin America and the Caribbean Region, Office of the Chief Economist.

¹⁹ See Buchieri, Flavio. (2012). *Repensando las crisis financieras: el caso de una economía emergente y con arreglos cambiarios rígidos*. Universidad de Alcalá: Instituto Universitario de Análisis Económico y Social (SERVILAB); and Salvia, Sebastian P. (2015). "El nuevo desarrollo en la Argentina post-convertibilidad" *Revista de Economía Crítica*, 19 (2015), pp. 178-196.

²⁰ See Salvia, Sebastian (2014). Asociaciones empresarias del agro y crisis de acumulación, 1998-1999. Un antecedente de la Mesa de Enlace. *Mundo Agrario*, 15 (28), pp. 1-30.

²¹ See Loaiza, M. R. A., Gomez-Gonzalez, J. E., & Melo, V. L. F. (2015, January 1). Latin American exchange rate dependencies: A regular vine copula approach. *Contemporary Economic Policy*, 33 (3), pp. 535-549.

²² See Dagdeviren, H. (2012, January 01). Crisis, sustainability of electricity prices and state interventions in Argentina. *Industrial and Corporate Change*, 21 (2), pp. 403-427.

²³ Enviarán al Congreso un Proyecto de libre convertibilidad del austral. (1991, March 21) *La Nación*, p. 1.

²⁴ De Simone, Eduardo (1991.March 21). Debaten el transito hacia el tipo de cambio fijo en abril. *La Nación*, p. 12.

at par value (\$1 = 1 peso). Immediately thereafter, executive decree 529 established its regulations and executive decree 530 established exchange rate freedom in Argentina. All three were published on April 1 in the Official Bulletin, the government body that publishes laws sanctioned by Congress and the acts and decrees issued by the executive branch.

A textbook currency board is not simply an exchange rate regime, but also an institution that replaces the central bank of a country, in our case the BCRA (Banco Central de la República Argentina), with one that relinquishes domestic monetary policy in favor of following that enacted by the anchor currency's central bank. Such an institutional arrangement requires the currency board to:

- maintain sufficient reserves in the foreign currency it is fixed to, in this case dollars, in order to cover domestic notes and coins, in our case Pesos, so each one can be converted into the reserve currency.
- maintains an absolute convertibility between its notes and coins and the currency against which it is pegged (the anchor currency), at a fixed rate of exchange, with no restrictions on current-account or capital-account transactions.
- can only earn profit from interests earned on foreign reserves (less the expense of note-issuing). In Argentina's case they earned 4-5% annually²⁵,

²⁵ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta, p. 178.

- Cannot attempt to manipulate interest rates like a central bank by establishing a discount rate. The interest rates and inflation of the anchor currency (the US dollar) alone dictate the domestic rates.
- relinquishes all discretionary powers held by central banks to affect monetary policy, like emitting or contracting money supply,
- relinquishes a central bank's function of a lender of last resort to commercial banks, and does not regulate their reserve requirements, nor is it supposed to lend to the government.

Argentina's currency board had slight variations in design from the onset that gave it additional features than above, differences we will discuss in more detail later such as keeping the BCRA but amending its functions by changing its organizations charter. For the most part, Convertibility conformed in practice and in spirit to the above constitution quite closely.

Except for Hong Kong (1983) really, no other contemporary developing or developed country was operating a currency board at the time²⁶. Argentina's was also the first ever to be accompanied (preceded and succeeded) with radical financial reforms, privatizations, and structural adjustments as recommended by what many refer to as the "Washington Consensus". The last time currency boards were ever popular was during Colonization as a means to keep the satellite economies of colonial powers integrated into a colonial-constrained inter-national economic system stabilizing the colonial economy for exploitation and domination from the

²⁶ Hong Kong's currency has actually been fixed to the Sterling Pound and then the US Dollar since 1863, except for a brief nine years between 1974-1983, during which time it has been under the political rule one or another country, so I think it presents a very unique, incomparable case.

metropolitan economy²⁷, facilitating trade and economic integration along asymmetrical terms while constraining it within the colonial relation.

Some at the University of Chicago would argue that Argentina adoption of a C.B.A. is not a new affair, but rather that the country has always had a strong history with currency boards, as it adopted one for over half a century from 1880-1935²⁸. Others would advance a position that peripheral countries have always been exploited by metropolitan centers, so while the instruments of that relationship change, the relationship itself stays the same(WST). Neither one of these positions though can explain why, out of the vast array of other exchange rate regime policies in existence, Argentina adopted to curb inflation and stabilize the economy by adopting a CBA. Why did it enact such a drastic, orthodox policy reaching back to Colonization, historically rooted or not? The U.S. or some other core country did not impose this decision on Argentina, it was enacted by Argentine Congress, so how exactly did it come to be; who were the actors involved and why did they choose Convertibility?

To complement the structural considerations of my analysis I have mentioned, I try to place these actors and their organizations into historical perspective in order to observe the specific processes by which Convertibility was implemented in Argentina; I therefore cover the political period leading up to Convertibility, namely the second presidential election after re-Democratization in Argentina. I elaborate on the lobbying efforts of local neoliberal think-tanks and an international network of policy promotion and consultancy spearheaded by Steve Hanke and Kurt Schuller, making explicit the local and international efforts in promoting a CBA in

²⁷ Reinert, Kenneth A., Rajan, Ramkishen S., & Glass, Amy Joycelyn. Currency Board Arrangements (CBA). *The Princeton Encyclopedia of the World Economy*. Princeton: Princeton University Press. p. 241.

²⁸ Della, P. G., & Taylor, A. M. (2001). *Straining at the anchor: The Argentine Currency Board and the search for macroeconomic stability, 1880-1935*. Chicago: University of Chicago Press. advances this theory though I haven't checked its veracity as it falls outside of my analysis.

Argentina. I conclude my descriptive qualitative analysis determining how and what these authors, international economists, Argentine politicians, and interests' groups benefited or loss as a result of its implementation, moving past the usual discursive analyses of neoliberalism in Argentina to relate the adoption of Convertibility with the articulation of power.

I'd like to clarify that I make no broad claims about how neoliberalism is changing the world; ideologies do not change the world. The people who believe in them, promote them, or simply use them to advance their own interests change the world. What I therefore advance, as a conclusion, abstraction, to my analysis is how neoliberalism teaches us, the individual around which it centers its analysis, that we ought not deliberate on the means but only on the narrow ends of our actions. As an ideology, neoliberalism provides us with a given ultimate end, freedom - an end we can all agree to be noble and worthwhile. Therefore, the actual end(s) it asks us to deliberate on are proximate ones, namely how to establish free markets. If we secure free markets and abide by them, we will – it is said - become free peoples. Any obstacle towards this end, towards “progress”, such as government, should be trimmed or eliminated, otherwise we will not be free. Will securing free markets in Argentina make for free-er people?

History too tries to teaches us. Not just recently as with neoliberalism, but time and time again. History reveals **how** we reach human goals is oft more important than **what** we achieve, that is why in Republics we strive towards Democratic ideals (ends) that are more concerned with the process of citizenship, of perpetually re-constructing citizens, however inefficient and messy that process may be, since that is how the end is reached, and in the event that it be threatened by others or itself, individuals carry the seed in them to rekindle the Democratic candle when it grows dim. Democratic freedom is achieved by acting democratically, one cannot forcefully impose Democracy or expect it to be achieved by other means, such as securing free markets. Democratic

refers to a type of citizen not some external object. As long as that flame remains, history will never end, though some like Fukuyama (DATE) would wish it to.

Since World War II, there have been many attempts to create free markets in Latin America by undemocratic means, none of which have ever created free or free-er people. The U.S. has participated in this process, first through military intervention and supporting/training dictators and their military in places like the School of Americas, deposing democratically elected leaders in 1954 Guatemala, 1961 in Cuba under Operation Mongoose, 1965 in the Dominican Republic under Operation Power Pact, 1969 and 1973 in Brazil under Operation Brother Sam, and 1971 in Bolivia. After a decade of military intervention, markets were freed to generate American wealth but it did not secure people's freedoms in these countries. If anything then, the 70s and 80s taught us that free markets imposed militaristically from outside or within a country did not make for free people.

By 1971, as part of Nixon's new Prosperity Without War Pact, the U.S. pledged not to continue to intervene militarily in Latin America, though it did, but now in combination with neoliberal-guided economic interventions as well. If military power could not bring free markets and make free people, maybe subtler techniques would bring better results. New methods required new institutions, so these new interventions were largely coordinated with the participation of U.S. Aid, through its Office of Public Safety (OPS), a branch of US Aid that sustains a close working relationship with the CIA still operating, and occasionally causing a headline or two to this day²⁹.. In 1973, it helped establish Pinochet and the Chicago Boys under Operation Condor, 1973 in Uruguay, 1976 in Argentina, 1979 in Nicaragua, 1980 in Bolivia, 1989 in Panama. Again, freedom for goods and services were secured, but not so much so for people. At the time, Milton Friedman

²⁹ For a recent example, see Pagliery, Jose and Lope, Elwyn. (2014, April 3) U.S. denies trying to overthrow Castro with Twitter clone *CNN MONEY*. Retrieved from <http://money.cnn.com/2014/04/03/technology/cuban-twitter/>

“hailed Chile as an “economic miracle.””³⁰, but at what cost were neoliberal policies achieved/nudging countries along? How do free markets create free peoples in dictatorships?

The post-WWII Latin America experience with the establishment of free markets and neoliberalism was a violent one. From 1947 to the end of the Cold War with the fall of the Berlin Wall in 1989, neoliberalism promoted at the end of a bayonette (coercion); onward and to date, through the lobbying efforts of economic think-tanks and “leveraged” as conditions in order to receive loans from private and multi-lateral development banks (co-optation). With such a recent conflictual experience can neoliberalism ever be trusted as an ideology that frees all peoples by developing free markets in Argentina?

There are many critics that suggest that this will never be the case, that neoliberalism in fact, is a form of articulating human behavior that strikes at the core of Democratic principles and erodes not erects human freedom. This dissertation means to look at the last occurrence of neoliberalism in Argentina to determine whether this is the case, or whether there are in fact some routes to freedom at the end of the road from neoliberalism. Rather than adopting an existing theory or edifying a new critique of neoliberalism to answer this question, using a broad examination of the large scale effects neoliberalism has had on Argentine politics, we narrow our scope to the adoption of a CBA to observe specifics. Before advancing our own analysis, we first consider what contemporary critics of neoliberalism have to say in Chapter II both to inherit from the insights of a rich and diverse literature but also to place this dissertation relative to its tradition.

In the end, our case study in Chapter III, tells the story of Convertibility’s birth in reference to power, which as it turns out, is a layer cake of several stories, all occurring at the same time, of those who benefited and lost from its adoption. The first and most obvious of these stories is that

³⁰ Quoted in Ostry, Jonathan D., Loungani, Prakash and Furceri, Davide. (2016, June). Neoliberalism: Oversold? *Finance & Development*. Vol. 53 (2).

of **(H.I) how Carlos Menem won the 1989 presidential election conforming to the Washington Consensus**, one of two forms of neoliberalism we identify from our case study. In the first part of his campaign, including the Peronist primaries, Menem adhered to a traditional Peronist platform for economic development referred to as the “Productive Revolution”, a general populist state-interventionist policy package.

Six months away from the elections Menem began a process of generating support from the United States, with creditor banks, the US Treasury and other parties interested in Argentina pursuing free market reform by espousing the neoliberal ideology that supported it globally, within and beyond Argentina, as the most popular policies in the 90’s socio-economic development circles. This dramatic “volte-face” in Peronist identity also translated into a shift in the interests the party would promote during his presidency.

The story of Convertibility’s rise therefore also the story of **(H.II) how neoliberalism helped re-constitute a political identity, Peronism, in-turn changing all other Argentine political identities, reconstituting the entire system of interest articulation in Argentina**, consolidating the power of agribusiness and export-oriented industrialist power over organized labor. Despite a year and nine months of structural reforms conforming to the Washington Consensus, Menem’s early presidency was - like his predecessor’s - marked with growing inflation. Menem’s adoption of neoliberalism, the quick succession of three ministers of economy, and lingering inflation created a space for Domingo Cavallo, Menem’s then Minister of Foreign Affairs, to anchor a local network of neoliberal think tanks and economists to move past the Washington Consensus as his tenure as Minister of Economy. The rise of Convertibility is the story of **(H.III) how a domestic portion of a larger International Neoliberal Network (INN)**

advanced more close-to-the-original and thus orthodox forms of neoliberal reforms, such as Convertibility, as a political end in their own right.

In expanding the domestic enclave of the INN think-tanks, technocrats, politicians, and “technopoles”, no half-measured conciliatory approach to reform was necessary, as exemplified by the adoption of a currency board. The Law of Convertibility however tells us more not only of Neoliberalism’s deepening in Argentina, but also its widening beyond Argentina, across the Developing World. Besides Menem, Cavallo, and the domestic interest groups that directly benefited from Convertibility, this larger network of domestic and foreign politicians, theoreticians, and think-tanks interested in promoting neoliberal exchange rate policy also had something to gain or lose from Convertibility’s rise and fall.

As it turned out, Argentina’s CBA was decades in the making. Economists like Steve Hanke and Kurt Schuller helped design it, are but two out of many theorists/paid consultants that had something to gain from its adoption and success professionally, academically, but also ideologically. The adoption of Convertibility is also a story that begins prior to Menem’s presidential bid and outside of Argentina, one that tells the story of **(H.IV) how CBAs are being promoted across developing countries as a neoliberal form of exchange rate regime, making Argentina an ideological stepping-stone** to influence other countries.

Decades prior to its adoption, neoliberal economists were trying to form a consensus amongst practitioners about what constitutes optimal exchange rate regime policy for developing countries, a consensus that was made possible in large part with Argentina providing an example of a successful CBA in combination with a whole literature developed rationalizing the neoliberal belief that exchange rate policy was best left out of the hands of government called the Corner Solutions, a set of theories suggesting that adopting fixed or floating exchange rate regimes was

best for developing countries based on limitations they faced set by forth by the economic reality of a Trilemma. The trilemma is a hypothesis that states that governments in an open economy cannot simultaneously maintain a stable foreign exchange rate, free capital mobility (ie. absence of capital controls), and independent monetary policy.

Though not made explicit in the Corner Solutions literature, yet freely disclosed at professional conferences, the core belief around which this literature revolves is the idea that governments in “less developed” countries should not intervene in monetary policy where more efficient systems like markets could do this better, an all too familiar neoliberal argument. Hanke and Schuller not only served as consultants and traveled to Argentina to promote and help design Convertability, but they also published several works meant to influence policy through discourse and theory, promoting CBA beyond Argentina to other developing countries, such as in in Easter Europe³¹ and Russia³².

Besides the material benefits Hanke enjoyed running an equity market firm out of Buenos Aires trading futures relative to fluctuations in Convertability’s rise and eventual crisis, as well as those investments he was making in equity firms in the US, and the other countries he helped develop CBAs in, not to mention any consulting fees, there are professional and ideological costs too related to Convertability’s adoption and collapse. Failure in Argentina, for example, could suggest accepting possible failure in other places too. Therefore, when Hanke and other authors

³¹ Hanke, Steve H., & Schuler, Kurt. (1991). *Currency boards for Eastern Europe*. Washington, D.C., U.S.A.: Heritage Foundation. Retrieved at <http://www.heritage.org/research/lecture/currency-boards-for-eastern-europe> for a copy of said package; Hanke, Steve. H. & Schuler, Kurt. (1991a). *Teeth for the Bulgarian Lev: A Currency Board Solution*. Washington, D.C., U.S.A.: International Freedom Foundation; and Hanke, S. H. 1991). A Market Economy Manifesto for Bulgaria. *Studies in Applied Economics*, Working Paper No. 5. Baltimore, M.D.: Johns Hopkins Institute for Applied Economics, Global Health and the Study of Business Enterprise.; and Hanke, Steve. H. (1991b), *A Currency Board Solution for the Albanian Lek*, Washington, D.C.: International Freedom Foundation, 1991.

³² Hanke, Steve H.; Jonung, Lars; and Schuller, Kurt. (1993). *Russian Currency and Finance: a currency board approach to reform*. London: Routledge.

attributed Convertibility collapse and ensuing crises as the natural consequence of: inappropriate³³ or corrupt³⁴ execution, one can hold reasonable reservation as to whether these concussions are theoretically derived or simply ideologically and professionally driven justifications is they too benefited from its implementation.

To be clear, I'm not making a judgment here on whether this invalidates neoliberal policy proposals on a whole or in part, nor do I imply that all studies are aimed at influencing policy makers, but rather that - in the adoption on Convertibility in Argentina - Hanke and Schuller were working alongside others actively engaged interested parties to convince Menem to adopt a currency board, and that using theoretical arguments such as "The Corner Solutions" and "Trilemma" were the normative justifications to adopt Convertibility rather than mere economic speculation and models, despite their airs or self-descriptions as purely positive a-political/a-ideological works.

Yes, Domingo Cavallo, the former Minister of Economy, was the economist that implemented Convertibility; he helped anchor neoliberalism to Argentina politics in the 90s. Export-oriented industry and agri-business to played a role and benefit in Convertibility's implementation, However, a longer process, decades in the making, through an intricate network of policy promotion headed by Hanke and Shuller's involvements in Argentina too benefited in Convertibility's adoption. This has two implications for my research; first, theory in my case study

³³ See Hanke, S., & Schuler, K. (January 01, 2002). What went wrong in Argentina? *Central Banking*, 12, pp. 43-48. See Spiegel, M. M. (2002, July 14-17). Argentina's currency crisis: Lessons for Asia: presented at the Asia-Pacific Finance Association annual conference in Tokyo, Japan, Washington, DC: Inter-American Development Bank; Mussa, M. (2002). *Argentina and the Fund: From triumph to tragedy*. Washington, DC: Institute for International Economics.; & Galiani, S., Inter-American Development Bank., & Latin American Research Network. (2003). The costs and benefits of privatization in Argentina: A microeconomic analysis. Washington, D.C: Inter-American Development Bank, Research Dept., Latin American Research Network.

³⁴ See Krueger, Anne. (2002, July 17). Crisis Prevention and Resolution: Lessons from Argentina. *Speech to National Bureau of Economic Research Conference on The Argentina Crisis*. Cambridge, MA. Retrieved from <http://www.imf.org/external/np/speeches/2002/071702.htm>

has been used to influence policy as justification, so I needed to study and judge the merits of its normative positions in addition to its positive claims.

Second, despite their airs and self-identification as purely positive forms of inquiry, some or possibly all economic and political theories related to Convertability may in fact sustain normative positions that authors do not explicitly state, making unmasking their normative positions equally important. Some authors, such as Schram (2012) for example, suggest interpretation is a practice of power, so any ideology or theory engaging in interpretation that affects practice claiming absolute objectivity requires further scrutiny since it may be masking the articulation of power³⁵. Chapter V takes a closer look at the role that Peronist identity and neoliberal ideology played, not only in reconstituting interests in Argentina, but also in justifying Convertability. Extrapolating from our case study, we develop an abstract picture of how neoliberalism, as an ideology, deals with normative and positive statements, and how this in turn affects our views on political and economic citizenship.

To be clear, determining the interests behind the adoption of Convertability – political, economic, ideational, and ideological - isn't just a theoretical exercise, but an ethical one too: the crisis that followed Convertability plunged over 50% of its population below the poverty line overnight and decreased real household spending by 32%. Social unrest and insecurity also increased with about "Twenty percent (20%) of Argentine households claim[ing] to have fallen victim to crime or violence"³⁶ in the last six months of 2001 as mass protests increased exponentially. The collapse of "Convertability" also generated international costs through

³⁵ Schram, Sanford. Phronetic social science: an idea whose time has come. in Flyvbjerg, B., Landman, T., & Schram, S. (2012). *Real social science: Applied phronesis*. Cambridge: Cambridge University Press, p. 18.

³⁶ For more details on the domestic social impacts of the crisis see Fiszbein, A., Giovagnoli, P. I., & Aduriz, I. (January 01, 2003). The Argentine crisis and its impact on household welfare. *CEPAL Review*, 79, pp. 143-158.

contagion, generating several economic after-shocks all throughout Latin America and the rest of the world. It is actually considered by many as one of the largest economic crisis in recent history; this alone warrants a closer look at its adoption and the interests behind it.

Unfortunately, studies of exchange rate regimes in political economy are usually very technical in nature, and despite the fact that the object of its study is also its subject - and an ineffable one at that - it is largely modeled like and self-identifies as balanced by a natural order regulated by economic “laws” considered as rigid as gravity or time, which, ironically, have recently been found by the natural sciences to be anything but rigid themselves, rather relative actually³⁷. Studying ideology or the ethical considerations of exchange rate regimes is viewed as awkward, erroneous, and even blasphemous; many authors are adamantly averse to it. If only for this, I find it crucial.

³⁷ The definition of gravity in Einstein’s General Theory of Relativity (1915) which contests Newton’s Law defining gravity not as a force but rather as a consequence of the curvature of space/time caused by the uneven distribution of mass/energy suggest that gravity is different based on where it occurs, and is thus relative. The Laser Interferometer Gravitational-Wave Observatory (LIGO) Group published an article in February of this year indicating they proved the theory correct. See Abbott, B. P., Abbott, R., Abbott, T. D., Abernathy, M. R., Acernese, F., Ackley, K., Adams, C., LIGO Scientific Collaboration and Virgo Collaboration. (January 01, 2016). Observation of Gravitational Waves from a Binary Black Hole Merger. *Physical Review Letters*, 116 (6).

Chapter II: Neoliberalism and Its Critics

There are as many critiques to neoliberalism as there are versions of this ideological position that have come out since its first apparition in theory and practice at the end of WWII. In the last 30 years, the critiques have grown exponentially, across disciplines and theoretical positions, highlighting one or several of neoliberalism's characteristics and/or effects, in great part due to its apparent failures in sustaining healthy markets and free people (cf. e.g. Blomgren 1997; Bourdieu 1998; 1998a; 2001; Giddens 1998; Chomsky 1999; Campbell and Pedersen 2001; Touraine 2001; Rapley 2004; Harvey 2005; Hagen, Roar 2006; and Plehwe et al. 2006)³⁸. The literature is extensive and rich; it's contributions cannot be trivialized.

Where Wacquant introduces us to neoliberalism's marginalization of segments of society, Boudrieu makes us aware of the conservative revolution and historical restoration it represents. Be it philosophical or econometric in nature, many of these studies point to neoliberalism's deleterious effects since the end of WWII. From aggravating income inequality, commodifying all human transactions and humans themselves, to the anti-democratic values it attempts to advance in lieu of republican ideals - what follows is a brief review of these critiques, framed around what I consider an umbrella critique located somewhere between political theory, international relations, and development economics advanced by Harvey (2005).

³⁸ This list is very close to one found in Thorsen, Dag Einar and Lie, Amund. (2011). What is Neoliberalism? Department of Political Science University of Oslo, p8.

This brief analysis reveals a certain “fog of ideology” surrounding neoliberalism and its critics. Diverse and differentiated, the wealth of their work’s insight equally defines its limits. Contemporary critiques can describe such large historical movements that they become (1) unspecific and vague; they provide a wealth of meaning through strong discursive analyses yet (2) fail to link this ideological articulation to power; they account for so much change globally yet (3) advance a simple sometimes unitary-actor account of change versus detailing the complex network of actors and relationships involved. They are however not alone, neoliberal theorists too are foggy, conflating. A closer look at the Corner Solutions reveal all sorts of limits we will explore in Chapter III, including the conflation of normative and positive statements.

As a modest complement to existing literature, I advance a critique to neoliberalism that - in focusing on a detailed analysis of the small part of this process – hopes to contribute those intuitions that come only from looking at the specifics of a single case. I therefore advance a “1 policy, 1 agent, 1 theory” framework of the individual actors involved in conjugating neoliberal policies in Argentina in the 90s with a specific focus on the adoption of a CBA. In Chapter IV I adopt this detail exploring (a) those individuals and shared interests that gained or loss from its implementation, (b) the varied and complex processes and relations through which neoliberalism is conjugated, (c) as well as – when possible - the sequencing of events - ideas, interests, discourse, and power – in Convertibility’s birth.

In Chapter V we meditate on the impact these neoliberal processes have had on Argentine exchange rate regimes, politics, and citizens through Convertibility’s adoption and advance a modest recommendation for future policy. We suggest that the means by which these policies are implemented may be more important than what is implemented. For now thought, what follows is an overview of current neoliberal critiques, their limits, and an alternative that hopes to transcend

these limitations. In the process of exploring this literature we reveal a conflation made between neoliberalism as an ideology and the processes by which it is articulated, specifically the Washington Consensus and what I refer to as the International Neoliberal Network (INN), we explore in greater depth in Chapter III.

II. A. Contemporary Critique

The first modern use of neoliberalism as a term dates back to a doctoral thesis³⁹, describing neoliberalism as a “political ideology which resulted from a few efforts at reinvigorating classical liberalism in the period immediately before and during World War II, by political theorists such as Wilhelm Röpke⁴⁰, and Friedrich von Hayek⁴¹.

“Cros’ main argument is, basically, that these “neoliberals” have sought to redefine liberalism by reverting to a more right-wing or *laissez-faire* stance on economic policy issues, compared to the modern, egalitarian liberalism of Beveridge and Keynes. Cros generally applaud these “neoliberals” for speaking out against totalitarianism at a time when only few people did so, especially among intellectuals. He remains skeptical, however, to their central thesis, common to most classical liberals, that individual liberty depends on there

³⁹ Cros, J., & Université de Toulouse. (1951). *Le néo-libéralisme" et la révision du libéralisme*. Toulouse: Imprimerie moderne.

⁴⁰ See Röpke, W. (1944). *Civitas humana: Basics of Social and Economic Reform*. Erlenbach-Zürich: E. Rentsch; Röpke, W., Faesi, H., & Reichard, C. (1945). *La crise de notre temps*. Neuchâtel: Ed. de la Baconnière.

⁴¹ See Hayek, F. A. (1944). *The road to serfdom*. Chicago, IL: University of Chicago Press.; and Hayek, F. A., Pierson, N. G., Von, M. L., Halm, G. N., & Barone, E. (1935). *Collectivist economic planning: Critical studies on the possibilities of socialism*. London: G. Routledge.

being a free-market economy, where the state has voluntarily given up its ability to control the economy for the good of society as a whole, or the interests of its own citizens”⁴².

It is worth mentioning that while at its foundation neoliberalism has indeed been credited ideologically by many authors as opposed to all forms of autocratic, totalitarian regimes, the involvement of its economists with them, particularly in Latin America, tells another story all together, a topic I visit in more detail in Chapter III. At its core though, we can state - without reservation - that neoliberalism is an ideological strand of Liberalism that asserts that free markets lead to free people.

We use the term ideology, as defined by De Tracy⁴³, a systematic set of ideas and beliefs shared by a group of people (philosophers, citizens of a nation, politicians, people who wear blue shirts, theorists, friends, etc.) as to how and why we should direct human endeavors from where we are to where we think we should be⁴⁴. In the human sciences, ideology is thus the bridge between normative and positive components of a theory, one we cross in greater detail in Chapter V. The role ideology plays is crucial in that it binds theoretical components into comprehensive models and generally directs social science inquiry towards a particular and justified end. In the case of neoliberalism, individual freedom is the ultimate end and developing free markets becomes the intermediary end that makes it possible, I detail this further when elaborating our particular critique of neoliberalism in the later part of this chapter.

⁴² Thorsen, Dag Einar and Lie, Amund (2011). *What is Neoliberalism?* Department of Political Science University of Oslo, pp. 9-10.

⁴³ See Volumes 1 through 4 of Tracy, D. (1970). *A Treatise on political economy to which is prefixed a supplement to a preceding work on the understanding or, elements of ideology* (1817). New-York: Augustus M. Kelley.

⁴⁴ See Head, B. (1985). *Ideology and social science: Destutt de Tracy and French liberalism*. Dordrecht: M. Nijhoff.

The usual complaint levied against these critiques is often the thing that also makes them so attractive: there are so many of them. On the one hand, authors can accord neoliberalism an overwhelming significance, making cross-culture generalizations while others are just as “happy to leave the concept of “neoliberalism” completely undefined, claiming that it “defies definition”⁴⁵. neoliberalism has therefore come to mean everything and nothing all at once⁴⁶. There are so many different theories that I have decided to survey a handful of what I consider both the most influential and representative of the diverse of critiques to neoliberalism, contrasting their ideological opponents’ views to determine any contributions/limits this new literature offers, indicating this dissertation’s relative position in this analysis.

According to Saad-Filho and Johnston (2005), for example, “we live in the age of neoliberalism”⁴⁷, a phrase many, including authors such as Thorsen and Lie, critics of the critics, find as a “common, but not necessarily factually accurate, view that power and wealth are, to an ever increasing degree, concentrated within transnational corporations and elite groups, as a result of the practical implementation of an economic and political ideology they identify as “neoliberalism”⁴⁸.

Where defenders of neoliberalism, which incidentally usually do not self-identify as neoliberals, claim to be scapegoats for all manner of evils⁴⁹, its critics go so far as to account for its effect on Australian cinema⁵⁰ facilitating the complaint that “the concept of neoliberalism [...

⁴⁵ Thorsen, Dag Einar and Lie, Amund (2011). *What is Neoliberalism?* Department of Political Science University of Oslo, p8 for a list of critics that advance that notion.

⁴⁶ See Clarke, J. (2008). Living with/in and without Neo-liberalism. *Focal*, 51, p. 138 for a catalogue of the different contexts for which “neoliberal” has come to be deployed as an adjective.

⁴⁷ Saad-Filho, A., & Johnston, D. (2005). *Neoliberalism: A critical reader*. London: Pluto Press., p.1.

⁴⁸ Thorsen, Dag Einar and Lie, Amund. (2011). *What is Neoliberalism?* Department of Political Science University of Oslo, p8.

⁴⁹ Venugopal, R. (2015, January 01). Neoliberalism as concept. *Economy and Society*. 44 (2). p. XXX.

⁵⁰ See Stratton, Jon. (2011). *The Murderous State: The Naturalisation of Violence and Exclusion in the Films of Neoliberal Australia*. University of Technology, Sydney.

is an] overwhelmingly mobilized and deployed by left-wing academics and political activists”⁵¹ versus an a-political term naming an existing contemporary ideological position. The debate surrounding neoliberalism is tense.

Indeed, the very acknowledgement that an entity such as a “neoliberal” exists seems to ignite quite visceral reactions on all sides of the varied theoretical and ideological camps engaged in this debate. Even members within a same “camp” seem to define neoliberalism quite differently. I hope not to succumb to either side’s emotivism, objectively contrasting the critics of neoliberalism in what follows. Instead I attempt to contrast diverging opinions with as little prejudice or bias as possible, delineating what specific processes, actors, structures, levels of analysis, and theoretical foundations – both positive and normative - are actually being evoked when referring to neoliberalism.

The most expansive of contemporary critics, David Harvey, argues that neoliberalism is the engine behind Globalization, a process he sustains did not simply “just occur”⁵². Instead of thinking of Globalization as a process that creates obstacles or incentives directing human will, and independent of it, he sees it as the product of the will of elites, bringing agency back to our understanding of international economics. Harvey consequently defines neoliberalization (Globalization) as either:

“[1] a utopian project to realize a theoretical design for the reorganization of international capitalism [which so far has failed] or [2] as a political project to re-establish the conditions for capital accumulation and to restore the power of

⁵¹ Lerner, W. (2006). Review of A Brief History of Neoliberalism. *Economic Geography*, 82, pp. 449-451, p. 450 in Barnett, C. (2009) ‘Publics and markets: what’s wrong with neoliberalism?’ in S. Smith, S. Marston, R. Pain, and J. P Jones III (eds), *The Handbook of Social Geography*. London: Sage. p. 2.

⁵² Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, pp. 1-2.

economic elites. [... Because] Neoliberalization has not been very effective in revitalizing global capital accumulation, but it has succeeded remarkably well in restoring, or in some instances (as in Russia and China) creating, the power of an economic elite.⁵³”

Harvey concludes that neoliberalism is the later; the former utopian vision simply being a justification for the use and/or abuse of power.

Neoliberalism, according to this view, is the instrument through which elites consolidate their power in society, a process he refers to as “creative destruction”⁵⁴, a term originally coined by Schumpeter (1942) to refer to the “incessant product and process innovation mechanism by which new production units replace outdated ones”⁵⁵ central to Capitalism. While its Marxist language is certainly not common amongst all critics, its basic tenants of marginalization, income inequality, commodification of all human relations, and contra-republican practices reflects most theories concerns. Further, its simultaneous consideration in development economics, international relations, and political theory facilitates a multidisciplinary conversation.

The utopian model Harvey says neoliberalism presents is one we are familiar with; advancing the notion that free markets make free people, one openly expressed quite emphatically by neoliberalism’s own founders and promoters:

“I regard the preservation of what is known as the capitalist system, of the system of free markets and the private ownership of the means of production, as an essential condition of the very survival of mankind”.

⁵³ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 19.

⁵⁴ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 3.

⁵⁵ Schumpeter, J. A. (1942). *Capitalism, socialism, and democracy*. New York: Harper & Bros.

“Underlying most arguments against the free market is a lack of belief in freedom itself”⁵⁶.

“...without the diffused power and initiative associated with these institutions [private property and the competitive market] it is difficult to imagine a society in which freedom may be effectively preserved”⁵⁷.

Harvey continues, “[t]he assumption that individual freedoms are guaranteed by freedom of the market and of trade is a cardinal feature of neoliberal thinking, and it has long dominated the U.S. stance towards the rest of the world”⁵⁸.

Harvey’s critique of neoliberalism advances what many on both sides of the fence call the “night watchmen” view of government, a neoliberal conception of government limited to the very basic functions necessary to sustain free markets and the rule of law. Neoliberals do not advocate for the elimination of government but for its reduction to what is only necessary. There is – here, of course – very little agreement as to what is considered “necessary” (even amongst neoliberals), but for the most part this definition seems to be prevalent amongst most people that acknowledge neoliberalism as a real and theoretical construct, be they supporters or critics.

While there are also many arguments that have been advanced as to why markets are deemed more appropriate human coordinators than governments, the most shared and popular qualifiers revolve around information and costs. Governments are believed to possess less perfect information than markets about participants’ wants and/or markets are deemed more efficient

⁵⁶ Friedman, M. (2009). *Capitalism and Freedom: Fortieth Anniversary Edition*. Chicago: University of Chicago Press. p. 15.

⁵⁷ Statement of Aims. (1947, April 8). Retrieved from: <https://www.montpelerin.org/statement-of-aims/>

⁵⁸ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 7.

coordinators than government. Consequently, unfettered market competition will achieve a Pareto optimal allocation of resources.

What is so striking is how this efficiency is considered normatively desirable in its own right because of the consequences occurring as a result of reducing coordinating costs and its ability to better reflect participants (citizens) wants and needs. A supposed benefit becomes and ethical judgment, The central analogy of this utopian world, and the means by which to bring it into the world of the real, is thus the marketplace.

“Neoliberalism could also include a perspective on moral virtue: the good and virtuous person is one who is able to access the relevant markets and function as a competent actor in these markets. He or she is willing to accept the risks associated with participating in free markets, and to adapt to rapid changes arising from such participation”⁵⁹.

The market analogy, according to Harvey, has become, through Neoliberalism’s deployment, the prime filter used by citizens to understand their environments, economic, political, social, and even natural. “Neoliberalism has, in short, become hegemonic as a mode of discourse and self-perception. It has pervasive effects on ways of thought to the point where it has become incorporated into the common-sense way many of us interpret, live in, and understand the world”⁶⁰.

“Neoliberalism penetrated ‘common-sense’ understandings. The effect in many parts of the world

⁵⁹ Friedman, Milton. (1980). *Free to Choose*. New York: Harcourt Brace Jovanovich cited in Thorsen, Dag Einar and Lie, Amund (2011). What is Neoliberalism? Department of Political Science University of Oslo, p. 14.

⁶⁰ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 3.

has increasingly been to see it as a necessary, even wholly ‘natural’, way for the social order to be regulated”⁶¹.

Consequently, popular conversations, newspapers, and academic journals have informally and formally begun to use terms such as “marketplace of idea” or modeled behavior such as finding emotional “partners” through a process of supply and demand. Students are no longer regarded by teachers or school districts as “molded” into adults, guided to develop their “full potential” through education but rather “invested in”, meant to choose educations that will promise them higher salaries versus well-rounded forms of thinking or becoming. The market analogy can be construed, as it has most recently been advanced by some like Brown (2015) as a logic to conceptualize many if not all human relations⁶².

Harvey, like Brown, and many a critic, believe the market analogy distorts ethical considerations when considering how it affects human social, economic, and political interaction. While Brown suggests neoliberalism is the “rationality through which capitalism finally swallows humanity”⁶³, Harvey suggests the analogy is considered by its progenitor and users alike as an ethic in itself:

“In so far as neoliberalism values market exchange as “an ethic in itself, capable of acting as a guide to all human action, and substituting for all previously held ethical beliefs”, it emphasizes the significance of contractual relations in the marketplace. It holds that the social good will be maximized by maximizing the

⁶¹ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 41.

⁶² See Brown, W. (2015). *Undoing the demos: Neoliberalism's stealth revolution*.

⁶³ Brown, W. (2015). *Undoing the demos: Neoliberalism's stealth revolution*, p. 44.

reach and frequency of market transactions, and it seeks to bring all human action into the domain of the market”⁶⁴.

While the two authors above, and the many others we have enumerated and have yet to mention, all advance compelling arguments with powerful insights, few describe what the specific process(es) through which the above mentioned ethical replacement occurs look like. How exactly did the market analogy develop in Argentina as an ethic of its own? What effects did it have on organized labor? Do neoliberal ideals and policies affect policy-makers, or can the relationship be inverted? Who benefits and loses in these processes?

It seems like there is still very much left to be explored on the effects neoliberalism’s increasing popularity has in human economic and political spheres. One such undiscovered country is focusing on a single neoliberal policy, looking at those individual actors that directly benefit and loose from its adoption. What theories supported the adoption of such a policy; did they serve as justification or rather as an independent theoretical support? What comes first: economic interests, political ideology, economic theory?

Because exchange rate regime theory is so technical in nature and has historically been averse to discursive and ideational analysis; because exchange rate regime theory invests a great portion of its energy on measuring participant confidence and policy credibility; because the very value of a currency is dependent on its perceived value versus some independent unchanging endogenous worth, I decided to study the Argentine adoption a CBA in 1991 to see what, if anything, it revealed about Argentine neoliberalism.

⁶⁴ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 3.

II. B. The Limits of Contemporary Critiques

A broad view of neoliberalism is necessary to understand what neoliberalism is, to map out its edges, to define it and gauge what realms it operates in and how far it reaches within them. Existing literature therefore provides us with a strong working definition of what neoliberalism is, and what it does, as seen above. Like most stories though, the interesting part resides in the why and how; the more detailed the answer, the more interesting the story, and the more focused our understanding of how neoliberalism operates, consequently, the more we can learn from it.

Present research in this field has helped define and broadly connect the dots of how a discourse has been able to influence policy across countries, topics, and time - from its inception after WWII to our present day. Current critiques recognize the crumbs left in neoliberalism's global wake, retracing the paths several authors, institutions, and politicians have taken from our current conceptions and uses of the market analogy to its origins in classic liberalism. I propose a closer look to overcome some of the common complaint that such theories remain too vague in their descriptions, oft referring to seemingly unitary but undefined actors such as the "Washington Consensus", which in many cases can be referred to as a process and a subject in a same text.

Current literature could benefit from a closer, specific look at the exact means by which individual actors articulate neoliberal discourse but also how this relates to power and promoting not some vague elite power but rather that of say exporters, manufacturing companies, agri-business, or labor – drilling down to the smallest unit of analysis we can reach. I choose to focus on a single theory advanced by the ideology, namely the Corner Solutions, the prevailing

neoliberal theory on exchange rate regimes. This theory advances two preferred policies; free floats and hard fixes such as CBA, the latter being the one adopted in Argentina.

If we observe a part of the whole, if we focus on a single crumb, we can likely identify the specific “where”s, “what”s, and “who”s at play. We can observe the specific authors that advance the Corner Solutions, determine by what means their works influence or are influenced by Convertability, and how this helps or hinders the articulation of power for several Argentine interests and how they benefit and loose in a CBAs promotion. This in turn should allow us to infer the specific processes by which neoliberal agents have advanced policies such as Convertibility in Argentina, adding something the critics of neoliberalism may have overlooked.

An auxiliary benefit of a detailed case study is that it may assuage concerns such as Barnett’s (2009) that “theories of neoliberalism are remarkably flexible in the face of empirical evidence [...thus the] Political-economy approach breaking point when they have to account for the observable empirical fact that, contrary to the objective they project onto the ‘neoliberal project’, it is found that states have not straightforwardly withdrawn from welfare provision or other forms of social regulation at all”.

Over-generalization and lack of specificity creates misunderstanding such as the one above that can be easily avoided by focusing on the details of empirical fact to demonstrate what – if any – power is articulated by those promoting neoliberalism or simply using neoliberal polices as a means to promote their own interest. The deeper one delves into detail the less unitary neoliberalism’s beneficiaries and benefactors seem. There is a rich network of domestic and international interests that advance neoliberal agenda’s across several processes, each with variegated ends. Sorting what we refer to when using the term “neoliberalism” to represent a set of agents seems necessary and worthwhile.

The easiest vagueness in contemporary theory we can clear up is the fog that revolves around neoliberal agents. When discussing neoliberalism's spread to Argentina, many authors describe the ideological influence of the North (embodied by the Mt Pelerin Society, Chicago School, U.S. government, World Bank, or more broadly the "Washington Consensus") and some asymmetrical relation to the Argentine government. A small group of authors such as Dominguez (1997), Ronchi (2007), Plehwe (2011) have described the rich domestic institutional neoliberal network of actors in institutional histories that present a far richer and more complex network of neoliberal agents. Unfortunately, while this clears up some of the fog, it does not provide the relation this discourse and institutional analysis has to power and the articulation of specific economic and political interests in Argentina. We therefore advance our own "1 Agent, 1 Policy, 1 Theory" methodological approach to studying Argentine Neoliberalism.

According to Harvey's critique, and many historical accounts, Neoliberal discourse is a process that historically originates in the US and Europe, mainly concentrated around two organizations, the Mont Pelerin Society (MPS), and the Chicago School (CSE). "A small and exclusive group of passionate advocates—mainly academic economists, historians, and philosophers—[...] gathered together around the renowned Austrian political philosopher Friedrich von Hayek to create the Mont Pelerin Society (named after the Swiss spa where they first met) in 1947 (the notables included Ludvig von Mises, the economist Milton Friedman, and even, for a time, the noted philosopher Karl Popper)".

This is historically accurate and has been independently verified; a history shared by critics and non-critics alike⁶⁵. Two complaints however commonly arise when critiques advance the idea

⁶⁵ See Hartwell, R. M. (1995). *A history of the Mont Pelerin Society*. Indianapolis: Liberty Fund.; and Jamie, P. (February 01, 2008). *Remaking laissez-faire*. *Progress in Human Geography*, 32, 1, 3-43; Turner, P. & Bank for

that these organizations – as unitary actors, alone – somehow steered this powerful global reconfiguration of power and the minds of men/women. The first originates from a minority within the group of critics with experience in developing countries where their country-specific experience with local neoliberal think-tanks and organizations has shown themselves to be active participants in promoting neoliberal policies and discourse domestically.

The second complaint comes from the side of the non-critics. It usually is expressed in ridiculing the idea of some re-composition of power, occurring at the global level, characterizing these critiques as either conspiracy theories spouted by ideologues and mad men, or worst still, simple over-generalized theoretical suppositions or considerations with no actual factual support or specifics. Such histories at best are considered unsubstantiated opinion that reflect some left-leaning aversion to Capitalist articulation or preference for defunct Keynesian ideals or, at worst the raving of lunatics with doctoral degrees.

“[...] Leaving aside the tendency of scholars to read too much into the influence of scholarly ideas on policy and politicians, these connections are weak and often based on exaggerated projections of the present into the past⁶⁶.”

This dissertation finds the idea that there is some dark specter of neoliberalism haunting XXI century developing countries absurd. To paraphrase, neither the Pope, Tsar, Metternich or Guizot are entering a wholly alliance to exercise such a dastardly demon. It would nonetheless be

International Settlements. (2008). Financial globalization and emerging market capital flows. Basel, Switzerland: Monetary and Economic Dept., Bank for International Settlements; Mirowski, P., and Plehwe, D. (2009). The road from Mont Pèlerin: The making of the neoliberal thought collective. Cambridge, Mass: Harvard University Press; and Stedman-Jones, D. (2012). Masters of the Universe. Princeton NJ: Princeton University Press.2012.

⁶⁶ Venugopal, R. (January 01, 2015). Neoliberalism as concept. *Economy and Society*, 44, 2, 165-187, p. 4.

equally as naïve or dishonest to suggest that there are no networks of think tanks, politicians, philosophers, and policy experts engaged in ongoing efforts to promote ideologies worldwide, neoliberal or otherwise. Disproving the existence of a neoliberal conspiracy does not imply the existence of networks of ideological promotion. Hayek himself argued that the battle for ideas was key, and that it would probably take at least a generation for that battle to be won, not only against Marxism but against socialism, state planning, and Keynesian interventionism⁶⁷.

Ideologies are alive and well. They help guide, fashion, and justify human action, explicitly or discreetly. They are used by or themselves (through their promoters) use politicians, parties, interest groups, wielding power to shape the world in an image they hold as worthy ultimate ends. Despite some's claims that such days will soon come to an end⁶⁸, or that they have already come to pass, history, the story of humanity's unchanging past, only ends when mankind does. This dissertation is the story of how neoliberal ideology became popular in Argentina and promote the adoption of a CBA. Unlike the many oft insightful critiques of neoliberalism's effect on Argentina that precede this dissertation, our focus is more specific and particular.

In development economics, this lack of clarity is often seen in the myriad of articles conflating neoliberalism with other terms like the "Washington Consensus" or the IMF, which indeed have been influenced by neoliberalism, but by no means are synonymous with it. If anything, my research reveals and helps distinguish between a domestic Argentine network of neoliberals and its ties to the MPS and SCE, but with a diversity of opinions and interests working outside and within intuitions like the IBRD and IMF that embody the Washington Consensus, a set of policy recommendations first suggested by Williamson (1989) that – as its name indicates –

⁶⁷ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 21

⁶⁸ Fukuyama, F. (1989). *The end of history?* Washington, D.C: National Affairs, Inc.

recommends policies reflecting the Keynes-White compromise enshrined by the afore mentioned Bretton Woods institutions and NOT a purely neoliberal position.

My case study in Chapter IV advances and takes care to describe a more detailed set of neoliberal agents and agencies supporting Convertibility, domestically and internationally. This implies that, in addition to direct efforts to lobby Argentine politicians from within and outside the country, the adoption of a CBA also reflects a “buy-in” from domestic interests and politicians. Argentina’s adoption of a CBA is not the consequence of an international ideology forcing its way on its government, some one-way homogenous influence originating from Washington, conducted by a unitary actor or ominous set of actors. Rather, Convertibility reflects the interplay of a heterogeneous group of actors, with separate interests, involved in a cross border set of relations of ideological, discursive, and political articulation of power.

It would be naïve to assume that a single set of organizations is responsible for such a transformation in ideological position and “logics of behavior”; an amount of buy-in seems necessary to sustain such Convertibility for ten (10) years. This raises a larger question still: “[...] what were the forces that made it [neoliberalism] so hegemonic within global capitalism⁶⁹? The more specific and detailed the case study’s consideration of power and its articulation across individual actors and agencies, I believe the closer I can get to the heart of the varied appeals of neoliberalism practical and theoretical uses across the actors I will consider, allowing us to advance some basic abstraction/generalization I make in chapter V about what neoliberalism teaches us.

There are but a few critiques of neoliberalism that consider domestic actors, such as Phlewe (2011). His and Rodriguez’ es (1997) institutional histories and biographies are excellent. Unfortunately, where they fall a little short is relating these very detailed neoliberal networks they

⁶⁹ Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press, p. 9

describe of think-tanks and agents with the interest-based domestic groups, political parties, and individual policy-makers they work with to articulate their interests through political power. Who exactly benefits from adopting a CBA in Argentina? Local farmers? Exporters? Barnett (2009) advances a similar critique to ours:

“The claim that neoliberal ideas are enshrined in global ‘rules’ and circulated by a set of global regulatory agencies such as the WTO, IMF and World Bank which discipline states around the world is sustained through an entrenched vocabulary of ‘discourse’ and ‘material practices’. The term ‘discourse’ has come to serve as a kind of inferential transponder that explains away just how highly abstract philosophical principles (from Hobbes or Locke or Smith) and highly arcane social science theorems (from micro-economics and public choice theory) manage to bring-off disciplinary effects on national governments, state agencies, and ordinary citizens.⁷⁰”

While I do not share Barnett’s opinion on discourse analysis, I see how such a claim can be made when there is a lack of precision in the details of the processes by which neoliberalism’s advocates influence policy, lumping them all together as a single entity “neoliberalism” or the “Washington Consensus” that goes around promoting neoliberal policies globally, as if some singular entity rather than a complex structure of different agents is involved.

⁷⁰ Barnett, C. (2009). Publics and markets: what’s wrong with neoliberalism? in Smith, S., Marston, R. Pain, and Jones III, J. P. (eds), *The Handbook of Social Geography*. London: Sage, p.8.

The art of qualitative case study lies in the “why”s: the ability to read between the crumbs, to connect the smaller piece to a larger process. For every decision, there is a cause and effect. For every policy, a motive. And for every motive, a passion. The art of a detailed qualitative case study is the ability to look at the details, and see the passion. What follows is a description of my method and what it reveals, the two institutional designs defining unique processes of neoliberal articulation in Argentina my case study revealed: an institutional representation of (1) the Washington Consensus and an (2) International Neoliberal Network (INN). Two processes that have till now usually have been conflated with one another.

II. C. “1 Agent, 1 Policy, 1 Theory” Critique

Contemporary critiques of neoliberalism have been necessary to advance and sustain the concerns our discipline has with this ideology; they are the basis for my analysis and the origin of a lot of powerful insights and advances in critical political science. To further develop it, I propose a specific case study methodology that considers a “1 agent, 1 policy, 1 theory” approach. My analysis considers agents at the lowest level of analysis possible (the individual), focusing in one policy my analysis on one neoliberal policy (the Argentina CBA of 91-01), and the theory that either independently supported or political justified it (the Corner Solutions). I focus for example on the relation between:

- presidential candidates: Menem, Alsogaray, Duhalde, ...
- their political parties: Peronism, UCD, UCR, ...

- ministers of economy: Cavallo, deHoz, Bunge, ...
- theorists: Hanke, Schuller, Dornbush, ...
- and the institutions they belong to: IIERAL, MPS, ...

to determine the specific winners/losers of adopting Convertibility, the interests they represent, and how they relate to one another.

In focusing on the CBA versus considering the whole slew of structural adjustment neoliberal policies implemented in Argentina during the 90s, we can hone in on the specific relations between these individuals, their political actions, discourse, the theories such as the Corner Solutions that justify their choices, and how this all accounts for Convertibility's adoption. With greater precision, our case study comes a stronger grasp on the relative weight of neoliberal ideology, economic interests, and political ends motivating the birth of Convertibility.

Unfortunately, what prove more difficult and is missing from contemporary critiques besides what have already mentioned, is the sequencing in events. Did ideology influence policy as constructivist and discursive studies suggest; or did the interest group and political parties use ideology to reach their interests as more traditional realism suggest? While there is no quick fix to resolve this problem, and sequencing does not by any means imply causality, I adopt three ways to mediate it. The first is to use as much first hand material as possible, the second is to get all actors perspectives and compare and contrast them to one another to find some middle point close to the truth. No individual involved in a same process ever account for it the same, but in considering all points of view we may develop a shared version. The third means is to use newspaper clippings to split political discourse and action to a day-to-day unit of measurement and provide an independent, small unit of time, tie breaking medium to sequence events.

Contemporary critiques with broad analyses tend to study neoliberal policies as a package rather than individual policies. This raises a real theoretical problem that is usually followed not by a fruitful report but usually some unfair characterizations characterizing the critique as a “one-sided, morally laden uses of terms by non-economist”⁷¹. This debate is ideologically tense as revealed by how many are willing to dismiss a critique by mocking it an ideologically-motivated knee-jerk reaction versus developing a more fruitful critique such as:

“Neoliberalism reduces democracy, creates poverty and inequality, and is imposed either from the outside or by unaccountable elites. The conceptual analysis of neoliberalism is therefore always already critical, but at a cost. They are condemned to invoke their favoured positive values (e.g. the public realm, collective solidarity, equality, democracy, care, social justice) in a moralistic register without addressing normative problems of how practically to negotiate equally compelling values. And in so far as theories of neoliberalism dismiss considerations of rational action, motivation, and decentralised coordination as so much ‘ideology’, they remain chronically constricted in their capacity to reflect seriously on questions of institutional design, political organization and economic coordination which, one might suppose, remain an important task for any critical theory.”⁷²

⁷¹ Venugopal, R. (2015, January 01). Neoliberalism as concept. *Economy and Society*, 44 (2), p..

⁷² Castree, N. (2008). Neoliberalising nature: processes, effects and evaluations. *Environment and Planning*, p. 34.

A fog of ideology permeates these debate, emanating from both side, usually lingering over the causes and effects of neoliberalism. As long as we think of the consequences of neoliberalism as some unidirectional, unitary and asymmetric process, I'm not sure what we can learn from wither defending or criticizing its ideological spread.

Venugopal (2015), for example, offers a navigational chart out of the fog. He suggests the three ways for a critique of neoliberalism to advance a coherent critique would be to either (1) explore neoliberalism as a doctrine⁷³ by “rereading these texts to extract authentic interpretations and deeper meaning, uncovering the provenance and trajectory of those ideas, contextualizing the circumstances in which they arose, and documenting the lives and travails of the key thinkers”, (2) identifying existing neoliberalism in the real world, and (3) exploring its conceptual landscape, with “adequate conceptualizations [...] to both the local peculiarities and the generic features of neoliberalism” (p8). This dissertation does all three, taking the strictest barometer for criticizing neoliberalism and seeing if our case study holds water.

I (1) examine the intellectual origins of the Corner Solutions, the neoliberal justification behind its preferred choices in exchange rate regime policy, namely ones with as little or no government involvement as possible. I (2) identify the Argentine CBA as a form of neoliberalism, describing it in terms of its domestic and international origin and effects, clarifying each specific interest, beneficiary, losers and the processes in which it all occurred. Finally, I (3) explore Neoliberalism's intellectual landscape borrowing from Mirowski and Plehwe (2009) describing the connection between Argentine neoliberal agents and agencies with the structure promoting neoliberalism internationally. Once done, I contrast all three to one another to see how they co-

⁷³ A good overview of this is Bourdieu, P. (1998, December 8). The essence of neoliberalism: What is neoliberalism? A programme for destroying collective structures which may impede the pure market logic. *Le Monde Diplomatique*. Retrieved at: <http://mondediplo.com/1998/12/08Bourdieu>.

relate. Unlike neoliberalism's critics or defenders, we leave as little as possible vague or unspecified.

I chose to consider only the specific actors, academics, think-tanks, political parties, unions that benefit or lose something from the adoption of a CBA in Argentina. I consider their specific deeds and words through – when possible – archival analysis of original documents and contrasting varied accounts of punctual events in order to get as precise and well-rounded an interpretation as possible. When helpful, I also provide ideological, institutional, and biographical histories placing all the above into context. I do so in order to place the story of Convertibility's birth within the "meaning" of its time, according to a specific progression and influence of historical events. I do all the above to evaluate the claim, specific to Argentina and Argentina alone, of whether free markets can indeed bring free people. I leave it to a more capable and willing mind to generalize if they please, though I think no such universals can be extrapolated from a single case.

Whereas neoliberal adherents advance one-size-fits-all solutions across developing countries, suggesting a CBA would be as appropriate for Argentina or Estonia, or blanket capital liberalization is good for all, critics of neoliberalism suggest its effects are universally comparable and equally as detrimental to all countries, oft suggesting a small set of actors impose policy choices uniformly to all developing countries. These propositions are simply empirically untrue and theoretically troubling. While each side criticizes the other's generalizations, this discourse seems visceral, bordering on insanity. Both sides seem more ideologically influenced in their arguments than theoretically seeking some truth. I don't advance any of cross-country generalization because I find this would serve no practical purpose nor mimic any truth in the real world.

Mine is thus a case study from which we can abstract conclusions and make recommendations for future exchange rate regime policy in Argentina, and Argentina only. One can derive practical lessons from an environment and apply them within that same environment at a future time. I don't think anything about the specific anchoring of Argentine neoliberalism in the 90s can be learned and applied to other countries. Certainly, there will likely be similarities, but more likely just as many if not more differences.

Perhaps developing individual, detailed case studies, across countries, on specific neoliberal-supported policy could provide a rich body of work to seize the nature of how all neoliberal actors, across countries, articulating varied interests across even more differentiated structures of power reveals some insight on this single policy position in terms of a broader global articulation of power, I cannot say. I do not imagine what such a body of work would look like and I feel it would be a waste of time. All my case study allows me to state is that neoliberal ideology spreads through a complex multi-directional processes involving actors in parallel networks that actively "promote" and passively "buy into" the ideology and facilitating its hedratic spread. I have identified two, but there may be more.

One might ask what the point of a case study without universal or generalization is, or what then distinguishes it from a simple descriptive historical account versus an analytical work in the social sciences. First, like others, I have already expressed I have serious concerns "Whether it is theoretically coherent to ascribe general features to such a variable phenomenon, and whether the sorts of generalization from specific cases that these sort of claims require is coherent, is far from certain"⁷⁴.

⁷⁴ See Castree, N. (2006). From neoliberalism to neoliberalization: consolations, confusions and necessary illusions. *Environment and Planning A* 38, pp. 1-6.

The specific way in which different supporters of neoliberal policies promote them in their respective countries and what effect they have as a result is a case-by-case proposition. There may very well be similarities or differences between countries, but implying them from one case and transposing them across others is only inviting errors of inference best left to quantitative analysis. A hammer will always see nails, even when there are in fact screws or something entirely different in front of it.

The benefit of such precision in analysis is that I can move past the rich and necessary narrative analyses currently developed around the influence of neoliberalism and (3) relate these insights with the articulation of power. Neoliberalism is an ideology, but through its adherents, it becomes political action that can a) articulate “ideologically” motivated actions, be used (b) as justification simply to enhance and maintain their power, (c) redefine interests and identity as a means to restructure structures of power, and much more. Argentina’s case is particularly interesting then because it provides examples of each one of these.

Once we have teased out the singular effects neoliberalism – and more specifically the creation of an Argentine CBA - had in relation to the articulation of power in Argentina, we can (4) meditate on the larger rationalities that neoliberalism asks individuals to employ in Chapter V. If Neoliberalism is an ideology, and it influences policy through political action, there must be an overarching rationality, a *modus operandi* (technique) and *modus ponens* (logic of inference) it advances; a sort of road map that connects the positive statements neoliberalism makes of what the World is to the normative declarations it advances of what the World should be. A road map of how to think and act in order to free individuals with free markets.

The enduring legacy of neoliberalism, and I believe perhaps the greatest impact its supporters have had on Argentina, could be costlier than the disproportional trophies handed to

the “winners” and hardships imposed on the “losers”. Neoliberalism has taught us all – winners and losers alike - to value ends over means. While current critics discuss how neoliberal values, for example, clash with Republican ones

(a) [... breaking the link between national sovereignty and citizenship” advancing a form of “graduated citizenship [... advancing] differential modes of treatment of populations in advanced neoliberal states”⁷⁵ or how it

(b) promotes political practices that seems to permit – encourage, even – the type of self-interest that so often conceals the more important public or collective interest versus “to formulate their interests in a manner attractive to the mass of citizens” (Elkin p.62).,

(c) or some other normative end or social good

A closer look however at the specific process(es) that advance them reveals neoliberalism teaches us citizens/individuals to free ourselves of responsibility. Markets not governments nor individual ethical considerations guide human actions, freeing us from the burden of responsibility and inhibiting us to blame those that may harm us.

In essence, neoliberalism asks us to revert to some original state of nature, a natural capitalism, savage, mimicking the things we first fled from when organizing our first societies: the harsh, solitary, unfair embrace of nature, or in its modern neoliberal form: un-tempered human self-interest. We view this more in chapter V, let us take a closer look at the processes by which neoliberal adherents promote policy.

⁷⁵ Papadongona, Panos. (2013). A Short Literature Review of Neoliberalism and The New World Order. *University Paper*. Amsterdam: College of Social Sciences Department of Geography, Urban Planning and International Development, p. 15. referring to Ong, A. (2006). *Neoliberalism as Exception: Mutations in Citizenship and Sovereignty*. Durham and London: Duke University Press.

This dissertation is a critique of neoliberalism that addresses some of the current limits of the body of literature it belongs to by (1) specifying the individual actors and processes involved by keeping our analysis to what I refer to as a 1 agent, 1 policy, 1 theory rule. Our smallest unit of analysis are individuals' actors, one policy (Convertibility), and how the "Corner Solutions" literature influenced as was influenced by this case. I (2) refrain from drawing any global universalism but rather describes the unique unfurling of neoliberalism in Argentina, abstracting analytical conclusions and recommendations for future policy for Argentina alone.

This precision in our qualitative case study allows us to relate it to the articulation of power and thus (3) determine specifically who benefited from Convertibility's adoption, by what means, whether this is something good, and what can be done if it is not. There are specific winners and losers, but I conclude that (4) neoliberalism in the end affects all parties equally in asking all participants to deliberate on the means not the ends of their actions. I present my findings according to the four distinct ways neoliberalism influenced the adoption of a CBA in Argentina and its overall effect on Argentine politics, telling the story of:

- I. How **neoliberalism was a means** for Menem to sustain and legitimate his power,
- II. How **neoliberalism was constitutional** of Peronist identity, redefining the party by the ensuing reconstitution of interests and consolidation of power of agribusiness and industrialist power over organized labor,
- III. How **neoliberalism and Convertibility were proximate political ends** developed by a local network of Neoliberal activists think-tanks, technocrats, politicians, and "technopoles" that took 46 years to develop,

IV. How **Convertibility was an ideological stepping stone** to spread CBAs globally to other developing countries by Steve Hanke and Kurt Schaffer.

To understand Convertibility's aegis in Argentina I describe how local interest benefited or lost from Convertibility, advancing a domestic coalitions approach that conforms to Lewis'⁷⁶ and Manzetti's analysis of Argentine economic and political interests – such as large-scale agricultural exporters, banker and financial operators, and organized labor - as represented by their respective institutional advocates – the Sociedad Rural Argentina (SRA), Union Industrial Argentina (UIA), and the Confederación General del Trabajo (CGT). Convertibility, in the words on Cavallo, was meant to “help sustain export-oriented growth with the resistance of industrialists or producers that produced for domestic markets seeking various gradients of domestic market protectionism⁷⁷” It ended up being a story of several stories, including the above.

Convertibility is the confluence of direct and indirect involvement of foreign economists such as Hanke and Shuller, the creation and support of active converts like Domingo Cavallo, Juan Jose Llach, Horacio Llendo, and Alvaro Alsogaray, through the slow burn of theoretical development of think tanks and research centers intellectually supporting the strong hand of neoliberal structural adjustment via the IBRD and IMF, the US treasury Department and State Department, all in a concerted effort to bring about Convertibility and other neoliberal policies to Argentina.

To organize this complex case study, I have organized it thematically by type of relationship, it coincidentally also reflects the chronological progression of neoliberalism across

⁷⁶ See Lewis, P. H. (1992). *The Crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press.

⁷⁷ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p 47

Argentina, save the changing identity of Peronism I keep for Chapter V which draws conclusions and recommendations relevant to Argentina. Skipping between institutional, domestic, and international levels of analysis, indicating when/where political/economic interest, theoretical or popular discourse, or identities and norms are being used to bring about Convertibility or vice-versa. I complement each thematic section with both intellectual or institutional histories when appropriate as well as very detailed periodical-based sequences of events and discourse.

These detailed analyses evidence how neoliberalism was spread though (a) the Bretton Woods institutions (IBRD and IMF) as the “Washington Consensus” and (b) through direct institutional links, extending to and from an ideological core and the Argentine contingent of a complex network of neoliberal institutions and agents. I intend to highlight by which means the neoliberal project and some of its domestic authors such as Menem, Cavallo, and Alsogaray that benefited from it.

I also specify the international authors such as Hanke and Schuller whom simultaneously benefited from the adoption of a CBA in Argentina and then, when faced with a potential loss of credibility from helping birth and support it, found the rhetorical and theoretical means by which to distance themselves from Convertibility while still advancing their goals of converting more countries to adopt currency boards as a means to maintain ideological force, thus turning the “Argentine case” into a theoretical stepping-stone.

III. The Corner Solutions and the Difference Between The Washington Consensus and the International Neoliberal Network (INN)

Traditionally, when authors inscribed in critical analyses of neoliberalism have referred to its growing influence in Latin America or in Argentina, they usually refer to the “Washington Consensus” and the implementation of structural adjustment programs established through cooperation, co-optation, or compulsion throughout the 90s. What do these authors mean by the Washington Consensus? In many cases, they conflate its use with the term “neoliberalism.” Are they suggesting the Washington Consensus and neoliberalism are one and the same thing?

As I understand it, the Washington Consensus represents a middle-ground, as its name indicates, in terms of policy preference, one reached between neoliberal and Keynesian positions on international economics established at the end of WWII to define the post-war international financial order we now live in, or at least did so until very recently. While the Bretton Woods agreement collapsed in the 70s, the institutions it created, the IBRD and IMF, persist and have even thrived, shifting from promoting Reconstruction in Europe to promoting economic development in the post-colonial South, maintaining this compromise alive and well within the confines of its organizations.

Consider the Corner Solutions, one of the many theories advanced by neoliberal theory, advocating for exchange rate regimes with as little government involvement as possible, including CBAs like the one adopted in Argentina in 1991. Just because its supporters and critics alike tend to subsume its preferred policies within the Washington Consensus, that does not make it so. As

its originator insists, the Washington Consensus never promoted CBAs; the IMF was adamantly opposed to the Argentina's adoption of one and at first did not support it.

Neoliberalism (nor its component parts) despite many an authors' use of the term, is not synonymous with the Washington Consensus, rather it is one voice within it. The neoliberal position within the Washington Consensus does support CBAs; and while its voice within the Washington Consensus has grown and the Corner Solutions gain momentum, neoliberal authors also advance it through any other parallel institutional mechanisms that facilitate its ideological spread. What follows is thus a clarification of the process we refer to as the Washington Consensus as used in our case study in Chapter IV.

By honing our gaze on the Corner Solutions, one of the theories used to promote preferred neoliberal exchange rate regimes, including CBAs, we see how neoliberalism has used the Washington Consensus to promote its policies, but in the case of CBAs, has also used a parallel network of international and Argentine neoliberal think-tanks, politicians, technocrats, and theorists we will refer to as the International Neoliberal Network (INN). The Corner Solutions intellectual origins reveal the chronology of its spread within the INN, first as an ideological position, second as a neoliberal practice, and finally as a theoretical justification.

We begin by defining what the Corner Solutions is and the policies it recommends by tracing its intellectual origins and evolution. We reserve the detailed analysis of the agents, interests, and authors responsible for its relation to Argentine adoption for Chapter IV.C of our case study. We will however, at this point of our argument, share what we have inferred from our detailed case study: that the Corner Solutions were not part of the Washington Consensus **until after** Argentina adopted it. Until then the CBA was being promoted within the INN. The Argentine

adoption of a CBA is what turned the Corner Solutions into the theoretical justification to adopt CBAs in other countries within the Washington Consensus afterwards.

III. A. The Corner Solutions: A Doctrine

The Corner Solutions is often referred to as a contemporary consensus as to which exchange rate regimes are best for developing countries to follow. It has been given many names⁷⁸ and in essence claims that – within the spectrum of fully floating to fully fixed exchange rate regimes – developing countries **are** choosing to stay away from intermediate exchange rate regimes AND that developing countries **should** not pursue these. This chapter will attempt to define exactly what, if anything, is “hollowing-out” on how this one neoliberal theory helps identify two processes of ideological dispersion in Argentina: the WC and INN.

If one defines consensus as a middle ground reached by two opposing views, such as the synthesis of Keynesian and neoliberalism ideals reached in the Bretton Woods agreement, this is certainly not a consensus as the “solutions” it advocates are an uncompromising set of orthodox neoliberal policies that neither leaves room for any other position nor a more relaxed version of its position to co-exist. If, on the other hand, one defines consensus as what is popular amongst most professionals and academics concerned with exchange rate regimes for developing countries, then we can say, again, this is not a consensus, though it attempts to promote itself as one.

Since its first academic appearance in Eichengreen (1994), there has been a critic to each set of its proponents; while it is certainly the louder of voices in the room, it is not the only one

⁷⁸ Known as the “Corner solutions”, “Corners Solution”, the “hollowing out hypothesis”, “the vanishing middle”, the “zeal for extremes”, the “bipolar view”, or the “law of the excluded middle”.

and after questionable results, it remains loud but not as popular as it was in the 90s. The Corner Solutions is no consensus, but rather a doctrine - an organizing principle according to which academics and professionals alike have aligned themselves; switching from the previous held fixed vs. floating dichotomy that organized most debates on exchange rate regimes previous to it. “Preferences for exchange rate regimes appear to move in cycles”⁷⁹ and this is the latest.

This chapter will consider the Corner Solutions proponents and critics arguments alike in order to understand what this “solution” is, what brought it about empirically and theoretically (what problem it is meant to solve), and why authors and architects alike claimed and continue to claim it to be a consensus in international finance. A closer look at its theoretical origins, empirical results, limits, and opportunities reveal the ambiguous and even sometimes deceptive nature of this “solution”.

Specifically, while it claims to be an observation of a reality and a set of policy recommendations based on these observations, it remains unclear whether the phenomenon is actually occurring or not and whether such policies – in fact - favor or disadvantage developing countries. There is no conclusive evidence to support either side, and yet, certain regimes like the Argentine CBA are being privileged as appropriate exchange rate regimes across developing countries using this “solution” as its justification despite its tenuous foundations and its ideologically not theoretically driven conclusions.

I advance the claim that the Corner Solutions is a consensus in that it is a popular theoretical justification to eliminating developing government involvement in exchange rate regime policy based on neoliberal ideology, not empirical fact. As such it is a consensus that certain authors are trying to generate, one currently in the process of being established, advancing a set of neoliberal

⁷⁹ Hefeker C. (Fall 2000) Sense and Nonsense of fixed Exchange Rates: On Theories and Crises, *Cato Journal*, Vol 20, (2), pp. 159-178.

“one-size-fits-all” exchange rate regime policies across developing countries. In the end then, it is a consensus in aspiration.

“When it comes to international monetary economics, it is said that the exam questions stay the same over time, but the correct answers to them change”⁸⁰.

Frankel, J. A., Schmukler, S. L., Servén, L., & National Bureau of Economic Research. (2000).

Verifiability and the vanishing intermediate exchange rate regime. Cambridge, MA: National Bureau of Economic Research, pp. 59

There are many types of exchange rate regimes⁸¹, means by which a country’s government manages its currency in relation to other currencies and on foreign exchange markets. According to the 65th issue of the Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER), an IMF series that “provides a yearly description of foreign exchange arrangements, exchange and trade systems, and capital controls of all IMF member countries [188 at the time]⁸²”, there are currently ten (10) types of exchange rate regimes, themselves organized into three

⁸⁰ Frankel, J. A., Schmukler, S. L., Servén, L., & National Bureau of Economic Research. (2000). *Verifiability and the vanishing intermediate exchange rate regime*. Cambridge, MA: National Bureau of Economic Research, p. 59.

⁸¹ Edwards, S., Savastano, M. A., & National Bureau of Economic Research. (1999). Exchange rates in emerging economies: *What do we know? What do we need to know?* Cambridge, MA: National Bureau of Economic Research, p. 5.

⁸² See International Monetary Fund. (2014). *Annual Report on Exchange Arrangements and Exchange Restrictions*. Washington, D.C: International Monetary Fund, p. 1.

(3) broad categories: hard pegs⁸³, soft pegs (also referred to as intermediary regimes)⁸⁴, and floating exchange rate regimes⁸⁵. Here is an example of eight of them:

- Dollarization: When a foreign currency acts as legal tender. Monetary policy is delegated to the anchor country.
- Currency Boards: A foreign-currency-fixed regime, backed by an independent institution with minimum reserves in the foreign currency.
- Monetary Union: A group of countries using a common currency
- Traditional Peg: Fixed rate against a single currency or a currency basket.
- Crawling Peg: A rule-based system for altering the par value, typically at a predetermined rates and or intervals.
- Currency Bands: Exchange rate is flexible within a preset band; endpoints defended through intervention, typically with some intra-band intervention.
- Float with discretionary intervention: Exchange rates are determined in the foreign exchange market. Authorities can and do intervene, but are not bound by any intervention rule.
- Pure Float: The exchange rate is determined in the market without public sector intervention.

Since the end of the Bretton Woods Agreement in 1972, there has been no consensus, including exclusively only amongst IMF authors (across departments and time) on the amount of regimes that exist, how to define them, measure them, verify their existence, or even what we

⁸³ Comprised of exchange arrangement with no separate legal tender (eg. Dollarization) and currency board arrangements.

⁸⁴ Comprised of a conventional peg, a pegged exchange rate within horizontal bands, a stabilized arrangement, a crawling peg, a crawl-like arrangements.

⁸⁵ Comprised of floating and free floating arrangements.

should call them. In broad strokes though, when adopting a pre-90s taxonomy, there exists a spectrum of options with “fixed” exchange rate regimes on one end - when a nation’s currency is pegged to another’s value – and “floating” exchange rate regimes – when a nation’s currency is allowed to fluctuate in response to foreign-exchange market mechanisms – on the other end.

What remains, everything else in “the middle”, is considered a “managed” regime (a managed float or managed fixed regime based on where they are on the spectrum). Managed here indicates that in addition to being “fixed” or “floating”, these regimes have pre-determined institutional arrangements governments use to influence (manage) the currency’s value. While a rather rudimentary form of organizing regimes, this atavism of classical exchange rate regime theories remains a northern star in a violent sea of exchange rate regime literature that is in constant change.

“The theoretical literature on the selection of an exchange rate regime is vast and can be divided into two broad categories: classical and modern theories. In the classical exchange rate literature, the choice is often portrayed as being either a completely fixed exchange rate regime or a fully flexible one. The general assumption in this kind of literature is that the prices of commodities are relatively sticky compared to exchange rates, implying that shocks to the economy may lead to fluctuations in economic activity”⁸⁶.

There have been many shifts in our appreciation of exchange rate regimes; they usually shift based on some theoretical reference point by which authors relate their work. In the Bretton

⁸⁶ Cruz-Rodriguez, Alexis. (2013, October 1). Choosing and Assessing Exchange Rate Regimes: A Survey of the Literature. *Revista de Analisis Economico*, Vol. 28 (2), p. 43.

Woods period influenced by the classical theorists referred to above, for example, little thought was placed on differentiating between developed and developing theories of economic exchange rate regimes theories; all countries were considered similarly. As the Keynes-White compromise was in effect, exchange rate policy reflected this posture, often expressing the benefits of intermediary regimes over fixed or floating one.

Keynes for example recommended countries follow a banded adjustable peg and other intermediary regimes⁸⁷ as expressed at the Genoa Conference in 1922. Others like Maurice Scott (1959) similarly favored the intermediary regime, in his case a crawling peg because he believed that government should be able to intervene and to help reconcile internal and external shocks resulting from speculative crisis which had already occurred because of capital mobility. George Halm (1965), Roy Harrod (1933), and many more all favored intermediary regimes⁸⁸.

While many authors thus expressed the Classic benefits of fixed versus floating exchange rate regimes like James Mead (1955) and vice-versa, none singled-out intermediate regimes to be inappropriate except for Milton Friedman, symbolizing the entry of neorealism into the realm of exchange rate regime theory with the first expression conforming to the Corner Solutions, which in the end simply means, monetary policy without government involvement⁸⁹.

This position was later re-enforced with Flemming's adaptations⁹⁰ of Mundell's Optimum Currency Area theory⁹¹ in what we now know as the Mundel-Fleming Theory which posits a

⁸⁷ Keynes, J. M., & Moggridge, D. E. (1981). *Activities 1922-1929: The return to gold and industrial policy*. London: Macmillan. p. 365.

⁸⁸ See Halm, G. N. (1965). The "band" proposal: The limits of permissible exchange rate variations. Princeton, N.J: International Finance Section, Department of Economics, Princeton University and Harrod, R. (1933). *International economics*. New York: Harcourt, Brace.

⁸⁹ See Friedman, M. (1953). *Essays in positive economics*. Chicago, Ill: University of Chicago Press.

⁹⁰ See Flemming, M. J. (1962). Domestic financial policies under fixed and under floating exchange rates, *IMF Staff Paper* 9, pp. 369-379 and Mundell, R. A. (1963). Capital mobility and stabilization policy under fixed and flexible exchange rates, *Canadian Journal of Economics and Political Science* 29, pp. 421-431.

⁹¹ Mundell, R.A. (1961). A Theory of Optimum Currency Areas, *American Economic Review* 51 (4), pp. 657-665.

framework in which perfect capital mobility (globalized economies) imply international arbitrage across countries in the form of uncovered interest parity (a condition representing an equilibrium state under which investors will be indifferent to interest rates available on bank deposits in two countries). “The Mundell-Fleming model [itself] led to [the development] in the theory of the impossible trinity or the trilemma⁹².” The Trilemma, also known as the Impossible Trinity or Unholy Trinity, holds the belief that countries cannot simultaneously achieve the domestic goals of exchange rate stabilization, capital market integration, an independent monetary policy⁹³.

Contemporary theories of exchange rate seem to vacillate then, between a neoliberal body of literature that has emerged referred to, among other things, as the “hollowing-out” hypothesis or Corner Solutions. The first name refers to a current tendency of developing countries to avoid intermediate exchange rate regimes; whereas the second name refers to a set of policy recommendations made by neoliberal theory, suggesting that fully fixed or floating regimes are optimal choices for developing countries. While one presents a positive statement, the latter is a normative one. Only very few authors that refer to either one of these terms differentiates between these.

The successive financial crises witnessed in the 90’s in developing countries invigorated the neoliberal literature on exchange rate regimes as it gained popularity in response to the apparent failures of soft-peg managed regimes many of the crises-hit countries were following. Dubbed the Corner Solution, the “vanishing of the intermediate regimes”, the “hollowing-out hypothesis”, the “zeal for extremes”, or the “law of the excluded middle” this literature suggests both as an

⁹² Bordo, M. D., & National Bureau of Economic Research. (2003). Exchange rate regime choice in historical perspective. Cambridge, Mass: National Bureau of Economic Research, p. 5.

⁹³ See Cruz-Rodriguez, Alexis (2013, October 01). Choosing and Assessing Exchange Rate Regimes: A Survey of the Literature. *Revista de Analisis Economico*, Vol. 28 (2), pp. 37-61,

empirical fact and a normative judgment that developing countries' have and/or should only choose between flexible exchange rate regimes on one hand and "credible" pegging on the other⁹⁴.

Part of the confusion surrounding this debate is that no clear language to differentiate between what economists see as fact and what they suggest as appropriate policies to follow in any of the articles. This however is not the only source of theoretical fog surrounding our understanding of the Corner Solutions. If exchange rate regime theory is characterized by any singular common trait, is that there are more differences of opinions than any shared conventions. No one even knows what to call or how to measure an exchange rate regime, any regime,

If there is no consensus on whether this is an actual observed tendency or not, let alone whether such a policy would benefit or limit developing countries is part due to a theoretical difference among scholars on how to measure and classify exchange rate regimes. In other words, not all scholars define what we are studying in the same way. Some consider nominal exchange rate regime reported by financial institutions, such as defined by national central banks or the IMF ("de jure" measurements). Others create "de facto" classifications derived from calculated differences between reported nominal exchange rate regimes and parallel government intervention in money markets⁹⁵.

While "de jure" classification, for example, are based on the stated intentions of the monetary authorities reported in the International Monetary Fund's Annual Report on Exchange Arrangements and Exchange Restrictions, under the Second Amendment of the IMF's Articles of Agreement, there is nothing requiring member countries to inform the IMF of their choices or any

⁹⁴ Edwards, Sebastian. (1999, September) Exchange Rate Regimes, Capital Flows and Crisis Prevention. *NBER Working Paper* 7338, p. 13.

⁹⁵ For a good example used across several articles, see Bubula, A. and I. Otker-Robe. (2002), The Evolution of Exchange Rate Regimes Since 1990: Evidence from De Facto Policies. *IMF Working Paper*, No. WP/02/155. Washington, DC: International Monetary Fund.

changes to their regimes. Countries may choose to inaccurately report, say to mask volatile fluctuations in regime or maintain credibility at the cost of mis-information.

De facto classifications are not without their own drawbacks too, for as they may be more accurate, that depends greatly on how and whom is doing the measuring. By nature too they are inherently backward-looking as fluctuations in value and other official indicators take time to collect, synthesize, and report. There are many articles presenting the benefits of “de jure” or “de facto” measurements⁹⁶. Until 1999, the IMF only used a “de jure” classification system.

No one of course agrees which is definitively best, but many authors do agree that which one elects to use makes a difference in our perceptions of what is⁹⁷, what policies should be chosen, and their general effect on the economy⁹⁸. Germaine to our case, the former suggests the hollowing out hypothesis is occurring while the later in large part dismisses the existence and benefits of adopting a corner solution⁹⁹.

If measurement were not the only theoretical point of contention, so too is the rationale for choosing one regime over another:

“Since the breakdown of Bretton Woods, a large literature has developed around the choice of exchange rate regime. One strand, drawing on the theory of optimum

⁹⁶ See Frankel, J. A., Wei, S.-J., & National Bureau of Economic Research. (2008). Estimation of de facto exchange rate regimes: Synthesis of the techniques for inferring flexibility and basket weights. Cambridge, Mass: National Bureau of Economic Research; Bubula, A. and I. Otker-Robe. (2002), The Evolution of Exchange Rate Regimes Since 1990: Evidence from De Facto Policies. IMF Working Paper, No. WP/02/155. Washington, DC: International Monetary Fund; Reinhart, C., Reinhart, Carmen, & Rogoff, Kenneth. (2004). The modern history of exchange rate arrangements: A reinterpretation. *Quarterly Journal of Economics* Vol. CXIX (1). pp. 1-48; and Levy-Yeyati, E., & Sturzenegger, F. (2005, January 01). Classifying exchange rate regimes: Deeds vs. words. *European Economic Review*, 49 (6). pp. 1603-1635.

⁹⁷ See Ghosh, A. R., Gulde, A. M., & Wolf, H. C. (2002). *Exchange rate regimes: Choices and consequences*. Cambridge, Mass: MIT Press.

⁹⁸ See Calvo, Guillermo A. and Reinhart, Carmen M. (2000, November). Fear of Floating, *NBER Working Paper*, 7993. MA: National Bureau of Economic Research.

⁹⁹ Calvo, Guillermo A. and Reinhart, Carmen M. (2000, November). Fear of Floating, *NBER Working Paper*, 7993. MA: National Bureau of Economic Research.

currency areas, asks why countries adopt the exchange rate regime they do (see Honkapohja and Pikkarainen 1992, Rizzo 1998, and Edwards 1999). Another explores the implications of that choice for real and financial variables such as interest rate volatility, business cycle co-movements, real exchange rate variability and financial stability (see Mussa 1986, Baxter and Stockman 1989, and Hausmann, Gavin, Pages-Serra, and Stein 1989). It is fair to say that these questions have come to constitute one of the principal preoccupations of empirical international economists”¹⁰⁰.

All of the above suggests that everyone defines “intermediary” regimes in a variety of ways, pitting us against the second obstacle in determining the validity of the “hollowing-out” hypothesis and Corner Solutions. Putting the problem of measurement aside, let us look at some of the arguments in support and against the “hollowing-out” hypothesis and Corner Solutions.

Some economists like Stanley Fisher argue that the “hollowing-out” hypothesis is a fact; there is “evidence for the view that countries are moving away from the center”¹⁰¹. For all countries, especially those open to international trade, intermediary forms of exchange rate regimes such as “adjustable peg exchange rate systems have not proved to be viable for the long term, and should not be expected to be viable”¹⁰². The author therefore also states that the Corner Solutions are an appropriate policy to follow. He bases his opinion in great part on what is often

¹⁰⁰ Eichengreen, B. J., Razo-Garcia, R., & National Bureau of Economic Research. (2011). How reliable are de facto exchange rate regime classifications? Cambridge, Mass: National Bureau of Economic Research, p. 1.

¹⁰¹ Fisher, Stanley. (2001, January 6) -Exchange Rate Regimes: Is the Bipolar View Correct? *Journal of Economic Perspectives*, 15 (2), p. 2.

¹⁰² Fisher, Stanley. (2001, January 6) Exchange Rate Regimes: Is the Bipolar View Correct? *Journal of Economic Perspectives*, 15 (2), p. 3.

referred to as the “Unholy Trinity,” the “Irreconcilable Trinity,” the “Inconsistent trinity” or the Mundell-Fleming “Trilemma.”

The trilemma argues that a country cannot simultaneously maintain a fixed exchange rate, free capital movement, and an independent monetary policy. In our case, when capital mobility is a given, a country can’t have both fixed exchange rates and monetary policy autonomy¹⁰³. “In a world of freely flowing capital there is a shrinking scope for countries to occupy the middle ground of fixed but adjustable pegs”¹⁰⁴.

In general, those that share this point of view are divided amongst those who favor hard pegs¹⁰⁵ and those who favor floating exchange rate regimes¹⁰⁶. Fisher himself sees currency boards, Dollarization, or currency unions on the hard peg side and floating exchange rates as viable policies for all countries “depending on the characteristics of the economy, and in part on its inflationary history. The choice of hard pegs makes sense for countries with a long history of monetary instability”¹⁰⁷.

According to other economists such as Frankel, “no single currency regime is best for all countries, and that even for a given country it may be that no single currency regimes is best for all time”¹⁰⁸. He dismissed the “hollowing-out” hypothesis based on the notion that it is not a

¹⁰³ For more on the Trilemma, see Garrett, G. (1995, January 1). Capital mobility, trade, and the domestic politics of economic policy. *International Organization*, 49 (4), pp. 657-687.

¹⁰⁴ Summers, Lawrence. (1999, January 29) *Testimony before the Senate Foreign Relations Subcommittee on International Economic Policy and Export/Trade Promotion*. Washington DC: U.S. Senate, 106th Congress., 1st Session.

¹⁰⁵ See Calvo, Guillermo A. and Reinhart, Carmen M. (2000, November). Fear of Floating, *NBER Working Paper*, 7993. MA: National Bureau of Economic Research.; and Eichengreen, Barry and Hausmann, Ricardo. “Exchange Rates and Financial Fragility”, NBER Working Paper 7418. November, 1999.

¹⁰⁶ See Nilsson, K. & Nilsson, L. (2000). Exchange Rate Regimes and Export Performance of Developing Countries. *The World Economic*, 23. pp. 331-49; Tonell, A. & Velasco, A. (2000) Fixed Versus Flexible Rates: which Provides More Fiscal Discipline? *Journal of Monetary Economics*, 45. pp. 399-436; and Gavin, M. & Perotti, R. (1997). Fiscal Policy in Latin America, *NBER Macroeconomic Annual*, 12. pp. 11-71.

¹⁰⁷ Fisher, Stanley. (2001, January 6) Exchange Rate Regimes: Is the Bipolar View Correct? *Journal of Economic Perspectives*, 15 (2), p. 22.

¹⁰⁸ Frankel, Jeffrey. A. (1999, April 20). No single currency regime is right for all countries or at all times. *Graham Lecture Series* Princeton, NJ: International Finance Section, Dept. of Economics, Princeton University, p. 2.

necessary corollary of the Trilemma. “There is nothing in existing theory [...] that prevents a country from pursuing a managed float in which half of every fluctuation in demand for its currency is accommodated by intervention and half is allowed to be reflected in the exchange rate”¹⁰⁹.

One can give up a bit of both (a fixed exchange rate and an independent monetary policy) to have little flexibility in each rather than choose one over another. This position is shared other authors that relax the assumption that the Trilemma necessarily implies an all-or-nothing orthodoxy in applying regime design based on it. Jeffrey Frankel, Sergio Schmukler and Luis Servén (1999, 2000) for example suggest, can have “half- stability and half-independence in monetary policy”¹¹⁰. Bhagwati 1998a and 1998b, Rodrik 1998 further argue that the impossible trinity poses a false dilemma because there is nothing in theory or practice that suggests development countries have to permit free mobility of capital.

Frankel goes on to explain the benefits and costs of pursuing different exchange rate regimes adding that when one decides to choose one over another, a policy maker should include other factors, namely forms of monetary policy that can help mitigate the costs of increased exposure to international financial trends and dampen economic crises. He goes on to illustrate many examples to show how all sorts of exchange rate regimes can benefit all different developed and developing countries, not only re-introducing intermediary regimes as a viable alternative, but suggesting that they are “often more likely to be appropriate than corner solutions”¹¹¹.

¹⁰⁹ Frankel, Jeffrey. A. (1999, April 20). No single currency regime is right for all countries or at all times. *Graham Lecture Series* Princeton, NJ: International Finance Section, Dept. of Economics, Princeton University. p. 7.

¹¹⁰ Frankel J., Schmukler S., Servén L. (1999, September). Verifiability: A Rationale for the Failure of Intermediate Exchange Rate Regimes. *Inter-American Seminar in Economics, Buenos Aires*, p. 6.

¹¹¹ Frankel J., Schmukler S., Servén L. (1999, September). Verifiability: A Rationale for the Failure of Intermediate Exchange Rate Regimes. *Inter-American Seminar in Economics, Buenos Aires*, p. 37.

In a subsequent article, Frankel, frustrated with the fact that there is no explicit rationale for the “hollowing-out” hypothesis among its supporters, re-traces the historical evolution of the debate which in fact is short-lived, originating in literature on the European Exchange rate Mechanism in 1994¹¹². Along with other authors he modifies his previous position suggesting that the Corner Solutions, as a normative suggestion, may be a viable alternative for developing countries because “a simple float [or pegged regime] may be more verifiable by market participants than a more complicated intermediate regime”¹¹³.

His argument however is subtle because he seems to change his mind in order to give the theoretical justification for the Corner Solutions rather than suggest that it is the only solution. This subtly is best illustrated when he affirms that the “hollowing out” of exchange rate regimes as a statement of truth is incorrect; “the facts do not support the claim that countries are rapidly moving towards the corners and vacating the middle”¹¹⁴. As such he defines the Corner Solutions as a normative judgment on what developing countries should perceive as appropriate policies based on people’s behavior rather than a naturally occurring consequence of countries decisions and the nature of the international monetary system.

If the Corner Solutions are less of an observed tendency rather than a fashionable policy currently being promoted in international development circles, what exactly does this suggest? If the author is correct, such a tendency would be less of an observed reality than a normative judgment international agencies such as the IMF hold vis-à-vis countries and the exchange rate policies they should adopt. This is an interesting topic because it raises a more general question

¹¹² Eichengreen, Barry. *International Monetary Arrangements for the 21st Century*. Brookings, 1994.

¹¹³ Frankel, Jeffrey; Schmukler, Sergio; and Servén, Luis. “Verifiability and the Vanishing Intermediate Exchange Rate Regime”. NBER Working Paper No. 7901(September 2000) p 60.

¹¹⁴ Frankel, Jeffrey; Schmukler, Sergio; and Servén, Luis. “Verifiability and the Vanishing Intermediate Exchange Rate Regime”. NBER Working Paper No. 7901(September 2000) p 66.

about the relationship ideas and interests have on decision making. Do international financial debates limit national decision making preferences based on international consensus on appropriate' policy¹¹⁵, or do domestic decisions on exchange rate regime influence international financial debate? This is one of the questions we explore in our case study

Are exchange rate regimes internationally “hollowing out” due to multiple and independent domestic choices of exchange rate regimes, or has international discourse influenced policy makers to adopt a Corner Solutions because it is a more internationally popular set of exchange rate regimes? One could adopt a general position and it would be interesting to develop a discursive analysis or Constructivist approach to explore these questions. Instead of answering this question with a theory-driven approach, we rather take a look at the specifics of our case as see what it reveals for the adoption of Convertibility in Argentina.

Until recently, no distinction was made between what is best for developed and developing countries, but rather what was good for one group was considered good for the other. For the longest time too, most of the literature related to exchange rate regimes favored fixed or floating regimes; with the occasional discussion on the benefits or costs of perusing a specific variation of one, another, or something in between. As many authors phrase it, our conceptions of what constitutes best exchange rate regimes seem to swing on a pendulum, from one end of the spectrum to another.

“In the debate over the merits of fixed versus floating exchange rates, the preponderance of learned opinion has experienced several swings of the pendulum. At the time of Bretton Woods (1944), the architects of the postwar

¹¹⁵ For examples see Barnett, Michael and Finnemore, Martha. (2004) *Rules for the World: International Organizations in Global Politics*. Ithaca: Cornell University Press; and Momani, Bessma. (2007, March 3). IMF Ideas and Research Through the Lenses of Organizational Culture. *ISA Annual Conference, Chicago*.

system favored fixed rates, attributing the economic instability of the interwar period in part to flexible exchange rates. During the 1960s, a growing number of economists came to favor floating rates, responding in particular to the widening U.S. balance-of-payments disequilibrium, a view that events in the early 1970s forcibly ratified by the breakdown of the Bretton Woods system. During the 1980s, the accumulating experience with high inflation in many parts of the world brought the pendulum back, at least in an intellectual sense. Setting a target for the exchange rate came to be viewed as one way for central banks to put some steel behind attempts at monetary stabilization. New theories of rational expectations and dynamic consistency concluded that a commitment to such a nominal anchor, if credible, would even allow disinflation without the usual costs of lost output and employment”¹¹⁶.

The Corner Solutions are thus a break from the long-standing Fixed vs. Floating dichotomy around exchange rate regimes debates in favor of a new dichotomy around which to organize debates, namely choosing between extreme options (Fixed or Floating regimes) versus those that lie in between. Some of the champions of Fixed or Floating regimes perdure, only the debate now more often than not occurs in Corner Solutions terms, as a choice of one over the other extremes. Whether these preferences are simply expressed in different terms or a result of this new mental framework varies by author and how one interprets their work.

Despite its highly technical nature, and extreme aversion to discuss normative analyses of its theories and the ideologies behind them, changes in theory and their popularity continuously

¹¹⁶ Frankel, J. A., Schmukler, S. L., Servén, L., & National Bureau of Economic Research. (2000). Verifiability and the vanishing intermediate exchange rate regime. Cambridge, MA: National Bureau of Economic Research, pp. 59-60.

alter our perceptions of what constitutes “good” exchange rate regime policy. While a broader discursive and/or constructivist analyses on the nature of exchange rate debates could help understand the ways in which ideology shifts our understanding of accelerate regime, for our purposes, I advance the specific intellectual history of the Corner Solutions in what follows, in order to understand how it played a role, along with Convertibility, in promoting currency boards across other developing countries in sub-chapter IV.C.

III. B. The Corner Solutions: An Intellectual History

The first contemporary theoretical mention of the Corner Solutions came out in 1994¹¹⁷, It originally was not meant to refer to developing countries, but rather was a response to the European Exchange Rate Mechanism (ERM) crisis of 92-93 in which countries like Italy and the United Kingdom were forced to either devalue or exit the ERM as a result of speculation against the British Pound spearheaded by George Soros.

The ERM was introduced in 1979 to reduce exchange rate variability and achieve monetary stability in Europe adopting a soft-peg currency exchange with a set of margins in which member’s currencies are allowed to vary to the value of the Euro (a calculated average of all countries and their relative weights) in order to respond to changing business cycles. Since this crisis in 1992, the Euro continues to operate and includes new members and their currencies like the latest addition of the Danish Krone in 2016. The recent Brexit referendum will likely have some effect

¹¹⁷ See Eichengreen, B. J. (1994). *International monetary arrangements for the 21st century*. Washington, D.C: Brookings Institution.

on its future and redirect the Corner Solutions gaze back on Europe, but that is a topic to address in future research.

Eichengreen's book came at a serendipitous time, from the perspective of advancing neoliberal ideology. This was most certainly not Eichengreen's book's original intent, but in conjunction with Argentina's adoption of a CBA, it became the theoretical basis in the promotion of neoliberal exchange rate regime policies in the developing world. Many Latin American countries, including Argentina, were undergoing serious crises and battles with hyper-inflation highlighting the importance of exchange rate and monetary policy in the developing world and this created the new doxa by which to organize debates on optimal exchange rate regime policy.

As mentioned previously, local and foreign neoliberal think-tanks were already engaged in promoting austere policies in other realms of economic activity in which the role of government was being reduced and replaced with institutions conforming with market analogies. The adoption of the Corner Solutions by efforts to promote neoliberalism in Latin America only grew stronger in response to the deterioration of the Mexican peso leading to a succession of massive financial crises many believe

“forced economists to thoroughly rethink the role of exchange rate regimes in emerging markets”¹¹⁸ advancing that “...contingent policy rules to hit explicit exchange rate targets will no longer be viable in the twenty-first century...

¹¹⁸ Edwards, S., Savastano, M. A., & National Bureau of Economic Research. (1999). Exchange rates in emerging economies: What do we know? : what do we need to know?. Cambridge, MA: National Bureau of Economic Research. p. 2.

Countries... will be forced to choose between floating rates on the one hand and monetary unification on the other.¹¹⁹”

Today, several XXI century proponents of the Corner Solutions have suggested the first academic reference to this “reality” occurred earlier with Swoboda (1986). This however seems more of an attempt by the neoliberals that use the Corner Solutions to advance their ideological position to lend the “solution” an earlier theoretical precedent, one that does not display an austere and intransigent neoliberal form. Their objective is to lend a sense of longevity and independent theoretical support as a response to the severe critiques the Corner Solutions received at the end of the 90’s I discuss a la suite than actually being the actual theoretical origin of the Corner Solutions or at least neoliberalism’s version of it.

Of course, not everyone agrees with the Corner Solutions or the fact that Swoboda (1986) was its first author, including Swoboda (2005). Paul Masson (2000) for example criticizes the Corner Solutions as a static binary approach that takes exchange rate regimes as unchanging and subsequently listing the benefits of intermediary solutions that adapt to business cycles. Williamson (2000), on the other hand, questions the description of Corner Solutions as being crises-proof. He argues that even a currency board can lose confidence, be subject to capital flight and eventually crash. A year after he published his article, Argentina’s CBA imploded.

Swoboda’s publication of a follow-up article referring to the Corner Solutions in 2005 confirms this initial intuition that ideological positions were advancing this set of solutions, one he does not conform to. His article advances a position that concludes “a unipolar corner solution of floating exchange rate would not be sustainable for low-income countries with soft currencies

¹¹⁹ Eichengreen, B. J. (1994). *International monetary arrangements for the 21st century*. Washington, D.C: Brookings Institution, pp. 4-5.

[in reference to the process of currency substitution in a developing country]. Rather a unipolar regime with a hard fixed exchange rate or even a middle-ground solution of fixed but adjustable exchange rate becomes optimal as long as the mobility of financial capital is restricted.”¹²⁰.

In other words, Swoboda refutes one corner of the “solution”, acknowledges an intermediate solution (with government intervention) as optimal, and relaxes assumptions of full capital mobility, three theoretical considerations/positions no neoliberal would support, and effectively remain absent from any other author promoting the Corner Solutions post 2005. As this does not seem to conform with the orthodoxy of the Corner Solutions literature of the 90s, there seems to be more than one set of authors that promote the Corner Solutions in play.

It is usually relatively easy to identify the neoliberal orthodox ideologues from the independent theorists since the former tend to advance their position of the Corner Solutions as an axiom, a statement so evident or well-established, they ask us to accept its “truths” without controversy or question.

“No one would dispute that in the intervening eight years [since 1993] there has been considerable movement away from the middle of the exchange-rate spectrum”¹²¹.

“The conclusions that were drawn from the experience of the 1990s is that in a world of relatively free capital movements, the prerequisites for maintaining a

¹²⁰ Yasuyuki Sawada and Pan A. Yotopoulos (2005) Corner Solutions, Crises, and Capital Controls: A Theory and an Empirical Analysis on the Optimal Exchange Rate Regime in Emerging Economies

¹²¹ Eichengreen, Barry. (2001, July). From Bretton Woods to Bipolarity: Singapore and the World. Comment on John Williamson’s “From Bretton Woods to Bipolarity: The Evolution of Thought on Exchange Rate Regimes, 1971-2001,” for presentation at the 30th anniversary conference of the Monetary Authority of Singapore, p. 2.

successful fixed exchange rate regime have increased significantly – so much that a soft peg does not actually represent a viable currency regime for most if not all emerging market countries”¹²².

Only an ideological position would advance such bold statements without empirical support, citing theoretical precedent, or allowing for falsifiability with so many critics creating more than a reasonable doubt as to the very existence of a hollowing-out. This axiom does not hold, especially in a field of research where little to no consensus last very long.

While the majority of its adherents and critics alike consider the Corner Solutions a theory, a more or less loose system of ideas intended to explain why developing countries do not or should not choose intermediate exchange rate regimes, based on general principles independent of the thing to be explained. Yet no one has empirically proven this to be true nor has a theory been advanced, independent (or otherwise) that leads to these hypotheses through means which can be disproved, except perhaps unsurprisingly Swoboda (1986).

Instead, the Corner Solutions seems to be a varied set of different hypothesis advanced to explain a yet unconfirmed phenomenon and simultaneously a list of preferred exchange rate regime policies, not logically linked to one another, but rather simultaneously implied. It is a confused set of conflated positive propositions, “developing countries are adopting less intermediary regimes” with normative propositions, “developing countries should adopt less intermediary regimes.”

¹²² Jonas, Jiri. (2002, June 27-29) Argentina's crisis and the implication for the exchange rate regime debate. *Dubrovnik Conference organized by the Croatian National Bank, Dubrovnik*. Dubrovnik: Hotel "Croatia", Cavtat. Draft version, p. 3.

As mentioned earlier, some suggest Swoboda (1986) was the intellectual originator of the Corner Solutions because he advanced the idea that “intermediate exchange rate regimes such as target zone and adjustable peg are not credible and frequently become inconsistent with conducted macroeconomic policies” despite his lack of orthodoxy from the very people that cite him. Swoboda conclusions support and ideologically position already held by others which borrow his work to advance their ideological posture theoretically.

Instead, after putting the evolution of Swoboda’s arguments into context, it seems he simply developed a theory independently advancing theoretically-contestable results that would a decade later reflect the opinion held by neoliberals arrived at through irrefutable ideological preference. While Swoboda developed theory that lead him to independent conclusions; a group of neoliberal proponents developed an argument that the Corner Solutions were good based on an ideological position that claim Swoboda’s as a theoretical antecedent.

The earliest mention of the Corner Solutions as an ideological position I could find is one advanced by Milton Friedman, an active supporter and promoter of neoliberal economics. When referring to an intermediary regime, he first stated in 1953:

“In short, the system of occasional changes in temporarily rigid exchange rates seems to me the worst of two worlds: it provides neither the stability of expectations that a genuinely rigid and stable exchange rate could provide in a world of unrestricted trade and willingness and ability to adjust the internal price structure to external conditions nor the continuous sensitivity of a flexible exchange rate.¹²³”

¹²³ Friedman M. (1953). *Essays in Positive Economics*. Chicago and London: The University of Chicago Press, p. 164 in Vandrovych, Vitaliy. (2003, May). Two-Corner Hypothesis for Exchange Rate Regimes and its Relevance

A position he recently re-affirmed in a discussion shared with Mundell in 2001:

“Discussion of this issue requires replacing the dichotomy fixed or flexible by a trichotomy: 1. hard fixed (e.g., members of Euro, Panama, Argentine currency board); 2. pegged by a national central bank (e.g., Bretton Woods, China currently); 3. flexible (e.g., US, Canada, Britain, Japan, Euro currency union). By now, there is widespread agreement that a global move to pegged rate [intermediary] regimes would be a bad idea. Every currency crisis has been connected with pegged rates”¹²⁴.

And is confirmed by others, such as:

After the East Asian crises Friedman continues to insist that “of the three possible exchange rate regimes for a developing country, either a truly fixed rate with no national central bank or a floating rate plus a national central bank is preferable to a pegged exchange rate”¹²⁵.

This dissertation advances the claim that the Corner Solutions was developed both as an honest theoretical construct by one set of authors but also as a vehicle to recommend markets and not

for Transition Economies. *Graduate School of International Economics and Finance Paper*. Waltham, MA : Brandeis University, p. 3.

¹²⁴ Friedman, M. and Mundell, R. "One World, One Money?" *Options Politiques*, May 2001, p10

¹²⁵ Friedman M. (1998, November 02). A Primer on Exchange Rates. *Forbes*, Vol.162 (10). p. 54 in Vandrovych, Vitaliy. (2003, May). Two-Corner Hypothesis for Exchange Rate Regimes and its Relevance for Transition Economies. *Graduate School of International Economics and Finance Paper*. Waltham, MA : Brandeis University, p. 3.

governments should manage exchange rate regimes in line with neoliberal ideology. I will therefore explore the theoretical basis and support of the Corner Solution as the later. Eichengreen (2000) himself, the first contemporary to propose the Corner Solutions in 1994, confirms that there are indeed two groups that support the Corner Solutions: ideologically-defined neoliberal economists and those that “worry that intermediate arrangements are fragile, conducive to crises, and prone to problems of multiple equilibrium”¹²⁶.

What follows is a description of an international neoliberal network (INN) that helped promote and sustain neoliberal theory and the policies they advance, like the Corner Solutions and particularly CBAs by two of its members, Steve Hanke and Kurt Schuller. In chapter IV I detail the role they played in Convertibility’s design, promotion, and implementation it in conjunction with local members of this network, namely Domingo Cavallo, Carlos Sanchez, Juan Jose Llach, and Roque Fernandez. In Chapter IV, I also advance how their efforts in Argentina were part of a larger and sustained effort to continue promoting CBAs across multiple developing countries. For now though, I demonstrate how a close look at the Corner Solutions helped me distinguish between two processes and institutionalized forms of neoliberal theory and policy promotion

III. C. The Corner Solutions: Differentiating the Washington Consensus from the International Neoliberal Network

The Washington Consensus was originally coined in 1989 by Williamson at an Institute for International Economics (IIE) conference. Its then director Fred Bergsten organized the

¹²⁶ Eichengreen, B. (2000, November 1). Solving the Currency Conundrum. *Economic Notes*, 29, (3) p. 3.

conference to give the author a platform to convince economists and US Congressmen alike of the merits of supporting the Brady Plan¹²⁷, a debt forgiveness systems aimed solving the 80s Latin America Debt Crisis, which looked like it would end with massive defaults¹²⁸. Williamson was hoping to convince Congress that Latin American countries were following policies, the neoliberal policies advocated by “Washington”. Since that day the term “Washington Consensus” has been quoted to mean many different things to different people, Williamson has consequently felt the need to re-clarify his intended definition several times since then.

The Washington Consensus is embodied by the IBRD (World Bank) and IMF, both institutions born out of the Bretton Woods Agreement of 1944, and while many who discuss economic development paint a picture that portrays this consensus as being an intransigent global neoliberal agenda, I argue that they are in fact institutional creations based on a compromise, as the name indicates, and neoliberalism is but one of its voices, albeit a very strong contemporary voice, that inhabits these institutions.

Because of their institutional origin, built as a compromise between White’s neoliberal position advanced by the U.S. and the Keynesian posture held by the U.K., these institutions are inherently conciliatory and actually try not to be intransigent. This original compromise enshrined in these organizations institutional design is reinforced by the composition of its staff which hail from all corners of the globe, and hold all sorts of perspectives, as perhaps best reflected by its

¹²⁷ Designed by U.S. Treasury Secretary Nicholas F. Brady, it called for bank creditors granting partial debt relief in exchange for greater assurance of collectability in the form of principal and interest collateral; (2) accompanied by structure adjustment reforms and (3) allowing the remaining debt to be highly tradable, allowing creditors to diversify their risk by trading debt.

¹²⁸ See Williamson, J. (September, 24-25, 2004). A Short History of the Washington Consensus. *From the Washington Consensus towards a new Global Governance*. Paper commissioned by Fundación CIDOB for a conference. Barcelona; Kuczynski, G. P.-P., and Williamson, J. (2003). *After the Washington consensus: Restarting growth and reform in Latin America*. Washington, DC: Institute for International Economics.

working papers: strong intellectual creations that hold all sorts of varied opinions on what constitutes best policies for the “developing” world¹²⁹.

Many practitioners in these agencies have learned through experience, and working in direct contact with loan recipients, that strong ideological positions serve of very little use in applied economics where the constraints of the field and contingency in economic affairs always come to contest whatever conception of ideal rules we hold of “what is best”. Experience, institutionalized compromise, and plurality usually temper any extreme/orthodox vision encased within it, including the neoliberal one, when it passes through the IMF and IBRD. So historically, where does this compromising institutional perspective and compromising professionalism come from?

In a book edited by Goldstein & Keohane (1993), Ikenberry explains the role ideas had in influencing the formulation of the Bretton Woods Agreement, tracing not only the historical evolution of an intellectual compromise between the US (as represented by White’s neoliberal posture) and the UK (as represented by Keynes) perspectives, but also showing how this formed the ensuing international monetary regime to be adopted among liberal democracies around the world¹³⁰.

The article successfully explains how and why two opposing world views were able to reach a compromise institutionalized in the Bretton Woods Agreement, providing an intellectual history behind what we now know as the international financial system. Unfortunately, the analysis does not consider the impact these ideological shifts had on developing countries, as the case study

¹²⁹ For a great explanation on the plurality of voices the World Bank papers represent, not to mention a great history of the World Bank, see Boughton, J. M. (2001). *Silent revolution: The International Monetary Fund, 1979-89*.

¹³⁰ See Ikenberry, John. G. *Creating Yesterday's New World Order: Keynesian "New Thinking" and the Anglo-American Postwar Settlement* in Goldstein, J., Keohane, R. O., & Social Science Research Council (U.S.). (1993). *Ideas and foreign policy: Beliefs, institutions, and political change*. Ithaca: Cornell University Press.

is mostly developed country-centric, nor does it detail how one particular country's policy, be it the US or UKs, was affected directly as the result of this ideological shift.

The authors' contributions can be paramount in my consideration of the influence neoliberalism had on Argentine policy in that it helps describe the Washington Consensus, not as some unitary actor or set of neoliberal actors influencing policy in developing countries but rather as a process, one of the two historically-defined international set of institutions¹³¹ through which neoliberal ideology articulated its interests in Argentina, the Washington Consensus. The authors fall short is in relating how this specifically relates to Argentina, or how this process was experienced by developing countries, but that does not mean it is no possible.

Indeed, this dissertation expands on Ikenberry's work by making explicit how specific neoliberal ideas about exchange rate regimes, their creation, dissemination, and perception account for the dramatic volte-face witnessed in Argentine exchange rate policy through the two mechanism we have mentioned. This compromise being one of them, the other a set of domestic and international neoliberal think-tanks, authors, technocrats, and politicians we refer to as the INN. For now, I simply wish to indicate how the conciliatory tone of the Bretton Woods institutions generated a form or Neoliberal promotion in Argentina; it's milder of forms, we refer to as the Washington Consensus.

Confirming our distinction but in the more specific case of the Corner Solutions, Williamson recently re-counted that the Washington Consensus was meant to represent a list of 10 policy preferences he believed the World Bank, IMF, and US Congress could agree on at the end

¹³¹ For a better description of the theoretical model in which Ikenberry's work confirms, see Golstein, Judith, and Robert O. Keohane. "Ideas and Foreign Policy: An Analytical Framework." *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*. Eds. Judith Golstein and Robert O. Keohane. New York: Cornell University Press, 1993.

of the eighties. One of these was what he referred to as a “competitive exchange rate”, which he elaborates on as follows:

“I fear I indulged in wishful thinking in asserting that there was a consensus in favor of ensuring that the exchange rate would be competitive, which pretty much implies an intermediate regime; in fact **Washington was already beginning to edge toward the two-corner doctrine which holds that a country must either fix firmly or else it must float “cleanly.”** [Emphasis Added, Note 2:] I have seen it asserted that a competitive exchange rate is the same as an undervalued rate. Not so; a competitive rate is a rate that is not overvalued, i.e. that is either undervalued or correctly valued. My fifth point reflects a conviction that overvalued exchange rates are worse than undervalued rates, but a rate that is nether overvalued nor undervalued is better still.¹³²”

Williamson’s clarification is insightful as it confirms that (a) the Washington Consensus never included CBAs as optimal recommendations for developing countries, but rather that they came from a “Two-Corner Doctrine” that was becoming popular in development economic circles by 1989 and was trying to elbow its way the Washington Consensus. This suggests that a process outside the Washington Consensus was at work.

Domingo Cavallo, the minister of Economy who implemented Convertibility under President Menem, a Chicago School alumni, the founder of the IREEAL (an Argentine neoliberal

¹³² Williamson, J. (2004, September 24-25). A Short History of the Washington Consensus. *From the Washington Consensus towards a new Global Governance*. Paper commissioned by Fundación CIDOB for a conference. Barcelona, p. 3.

think-tank), in sharing his account of how Convertibility came to be, supports Williamson's theoretical distinction with a confirmation in practice, indicating that the World Bank and IMF were surprised and were initially opposed to Convertibility. This confirms that while neoliberal actors may have articulated this policy preference, they must have done so through some process other than the Washington Consensus whose institutions were originally opposed to it. If the Washington Consensus is not the original mechanism promoting the "two-corner doctrine" than which is?

We advance, based on other authors accounts and what our case study has itself revealed, that an international neoliberal network (INN) of organizations and agents works directly in influencing governments and other groups. As ideologies are entities that grow and change through time, they can inhabit several institutions and tend to inherit their characteristics. Neoliberalism's deployment through a conciliatory-based Washington Consensus and its institutions has supported neoliberal policy promotion, but tempered with the practical knowledge that some suggests comes with experience and a historically conciliatory position. A currency board is an orthodox neoliberal policy, so this would suggest that the INN is orthodox in stance too. Let us take a closer look at this network.

For anyone that has worked with or inside of the non-profit sector in the nineties or first decade of the 21st century, there are three invariable catch-phrases you hear on a daily basis: "milestones", a means to quantify progress and anticipate how to justify potential failure; "planning meetings", a meeting to discuss and prepare for a future meeting; and "ideas into action", typically the name of the organization's newsletter or featured somewhere prominently under the actual title.

Each of these, from my professional experience is meant to justify the organization's actions to funders and staff alike by clearly indicating how monies are spent on what seems like esoteric research, staffing, and overhead actually have a practical impact on the world in advancing their cause. In most cases this is true. There are however a few organizations that exist and spend vast amounts of money on purely theoretical endeavors without ever suggesting their practicality because they are intended to shape minds, and that, I have found, alters the world far beyond any "in action" idea. Change the world and it may change a man or two; but if you can change men's minds, it will ultimately change the world and how all perceive it. This is the purpose of the INN, or any other network created to promote an ideology.

Argentine Convertibility is thus a perfect example of how ideas designed to change individuals' minds have subsequently changed the world we live in. I explore how Convertibility, as an example of neoliberal ideology, changed individual conceptions of citizenship in Chapter 5, and explore how it reconfigured the power structure of political interest groups in Argentina, redefined a political party's identity, and became a model for all developing countries to adopt and most recently became an example of how not to do things in Chapter IV. Here, I deconstruct, describe, and explain how this process occurred through the INN - like salmon- re-tracing the popularity of currency boards for developing countries upstream to their original birthplace and source of dissemination.

Domingo Cavallo was the economist who implemented Convertibility in April of 1991 as the Argentine Minister of Economy under Menem's Peronist presidency, he did not do so in a vacuum. Convertibility was made possible with the help of Argentine export-oriented businessmen for which this policy was tailored¹³³, a family of neoliberal institutions that were created as early

¹³³ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p. 43.

as forty years earlier, and the economists trained within and recruited by Cavallo placed throughout government ministries – he himself having founded one of them, the IREAAL foundation, to promote neoliberal research and policy design across Argentina.

The MPS and Chicago School, international members of the network, helped from abroad, sending foreign economists to Argentina Cavallo studied with/under at Harvard like Steve Hanke, Kurt Schuller, Jeffrey Sachs, as well as Rodiger Dornbush. Whilst there, they lent their technical and ideological support, helping draft laws, present policies to Argentine Congress, and the president himself.

While some would argue these individuals should be considered theorists in what they write, their political consultancy, Argentine business endeavors, and political defenses of neoliberalism in popular media and congressional committees make them, in this dissertation's position, political operators. Some of them are very familiar with Argentina, while others as Dornbush for example have expressed a limited understanding of Argentine politics and quite overt ideological blinders when referring to Argentines as “British unions with Italian tax payers”¹³⁴. My objective however, at this point, is not to judge the appropriateness of these political operatives' statements or positions but simply their role in the process of neoliberal ideological anchoring in the Menem presidency.

The INN, as seen above, is a loose set of actors supporting neoliberal ideology and policies in theory and in practice across government, media outlets, and all organizations of interest that further its ideological spread. Historically, the first members of this network were the founders of the Mt Pelerin Society (MPS) and Chicago School of Economics (CSE).

The MPS is a Neoliberal organization designed to promote policy and research across the globe through technical assistance and the training of native economists such as Domingo Cavallo

¹³⁴ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p. 135.

with the purpose of sending them back to their native lands, like caciques or modernizers, to ideologically influence or educate (based on your point of view), a sort of economic school of the Americas.

Founded on April 10th, 1947 (69 years and 9 months prior to that of Convertibility) by economists and philosophers such as Friedrich Hayek, Frank Knight, Karl Popper, Ludwig von Mises, George Stigler, and Milton Friedman, the MPS advocates for economic liberalism as the source of political liberalism. In essence, it believes that free markets are the true source of political liberalism, including the elimination of the state, perceived by classical liberals as the guarantor of political liberalism. Taken into historical context, it is a philosophy marked by the Cold War and fear of Communism and those promises made by corporatist states to reach the same ideals as democracy but through state planning and intervention in most aspects of human activity.

This political fear of losing adherence and strength of message inspired neoliberalism to place primacy of economics over politics as embodied in the belief that free markets invariably lead to free men. While it claims to aspire to democratic ideals, when push comes to shove, in Argentina, it supported the implementation of these policies by authoritarian governments such as the military Junta in 70s, and similar regimes in other Latin American countries, so long as they supported Capitalism. The first application of neoliberal policy in Argentina was during a military dictatorship, further detailed in Chapter 4.

When under pressure from external crisis, such as the Tequila or East Asian crises, the Argentine Government, its foreign consultants, and multi-lateral agencies believed it necessary to protect Convertibility using extra-democratic practices such as executive decrees that circumvented normal legislative processes in order to maintain this and other neoliberal policy. Under this logic, any form of government that promotes free markets is acceptable as long as it

does not interfere with the free flow of goods and services. Where some as myself would see contradiction here, others believe the means justify the ends (which they argue will come, in time); I see the justification of power. This primacy of reaching ends over deliberating on the means is further explained in Chapter 5.

In this light, neoliberalism contrasts to classical Liberalism, first a political ideology, then an economic program, advocating civil liberties and political freedom with representative democracy under the rule of law as enabling economic freedom. While Adam Smith and Richard Cobden for example argued that the free exchange of goods between nations could lead to World peace, they believed it needed to be in parallel to political development, and with limits. Contemporary neoliberalism does not acknowledge this set of social needs, according to Smith and Cobden, condition the possibility of free markets. As highlighted by Cornell West's "free-market fundamentalism" and Karl Polanyi "Great Transformation", Smith's original social considerations/requirements for free markets and limiting their excesses. Funnily enough, though not surprisingly, where Smith was most explicit of these limits was in specific relation to monetary policy – exchange rate regimes inclusive - as expressed by this quote from the *Wealth of Nations*:

“To restrain private people, it may be said, from receiving in payment the promissory notes of a banker, for any sum whether great or small, when they themselves are willing to receive them, or to restrain a banker from issuing such notes, when all his neighbors are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law not to infringe, but to support such regulations may, no doubt, be considered as in some respects a violation of natural liberty. But those exertions of the natural

liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments, of the most free as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty exactly of the same kind with the regulations of the banking trade which are here proposed”¹³⁵.

The INN's true strength and enduring effect on the world however has less to do with this seemingly direct relation to governments and to their policy makers, as solidified through lobbying and technical cooperation, but rather with the long-lasting sustained and internalized effect they have on individual economists and citizens through their research, professional meetings, the articles published in *La Nacion*, and the Repetitive Persuasive Messages (RPMs) it uses – as the market analogy - that is now used by layman everywhere to discuss any form human endeavor. RPMs are statements, that in their repetition, increase the persuasion of their own existence of the messages position, most commonly used or referred to in advertising, campaigning, and advocacy¹³⁶.

Be it on a practical level with their economist's dissemination of white papers and research conducted in multi-lateral agencies like the “Hollowing Out Hypothesis/Corner Solutions” was developed within the IBRD and IMF or through more academically-oriented arenas, as articles

¹³⁵ Smith, A. (ed.) Cannan, E., & Lerner, M. (1937). *An inquiry into the nature and causes of the wealth of nations*. New York: The Modern library, p. 308.

¹³⁶ For early work in this field, see Miller, R. C. (1976). Mere exposure, psychological reactance, and attitude change. *Public Opinion Quarterly*, 40, pp. 229-233 as to how persuasion relates to repeated presentations of an assertion or political slogan; or Cacioppo, J. T., & Petty, R. E. (1980). Persuasiveness of communication is affected by exposure: frequency and message quality: A theoretical and empirical analysis of persisting attitude change in J. H. Leigh & C. R. Martin (Eds.), *Current issues and research in advertising*. Ann Arbor: University of Michigan Press. pp. 97-122 on how repeated presentations of a “single set of message arguments” support a recommendation.

published in journals and shared at conferences such as those sustaining a Trilemma; these propositions have built a strong theoretical identity and system of justification. Individually, these bodies of literature present strong neoliberal arguments, but when working in unison and towards a purpose, they are an almost unstoppable political force difficult to contend with.

I believe that the specific institutional means by which neoliberalism was imported to Argentine economists, politician, and citizens alike has an effect on its political strength, its applicability, and ultimately its popularity. The genius behind neoliberalism hederaceous spread is that it is designed to influence by various means; theoretically, practically, and through various avenues/institutions.

At its origin neoliberalism was a simultaneous response to Keynesian economics and Communism, the first being a point of theoretical contention and the second considered a matter of survival. A sort of Liberal revival, it was a response to the contestation of Capitalism that occurred after WWII, politically and militarily by Communism and theoretically and even philosophically by Keynesian Economics.

The first confrontation spawned a self-proclaimed and in some cases self-identifying natural science of liberalism. An intransigent view that sustained that free-markets make free societies, this view came to mark the tone for the Reagan-Thatcherite “There is Not Another” (TINA) neoliberal doctrine that through U.S. Aid Agencies and the U.S. Treasury Department promoted the first wave of Structural Adjustment across Latin America. The second was a less intransigent strand of neoliberalism, embodied by what is referred to as the Washington Consensus (WC), a looser set of guidelines that - while promoting the same ideals - does so in a less confrontational and flexible manner (though many do not make this distinction) or use the WC to

mean all manner of things. I will discuss this at greater length later, using Williamson's own definition of the term he coined.

I think this difference is due to the two institutional mechanisms through which they were promoted; the first is an all-out ideological and political Cold War reaction that spawned an intricate and self-regulated network of individuals and organizations fighting against "godless" Communists whereas the second was a strong point of view in an institutional compromise reached between Smith and Keynes when creating the IBRD & IMF. While these differences may not seem like much, it makes visible the varied institutional means by which Argentine Convertibility came to be and the subsequent evangelization of developing countries to adopt neoliberal exchange rate regimes.

The exact shapes each process takes is made evident in our case study; these shapes no doubt have an effect on the survivability of neoliberalism's message in development economic circles, and more specifically, in the minds and hearts of domestic economists. For now, where is germane to our case is that I need to disassociate the Washington Consensus from the more orthodox Neoliberal program not only theoretically, as done in this chapter, but also in practice as evidenced through my case study.

While both mechanisms work simultaneously, I differentiate two periods of neoliberal expansion under Menem. The first was exerted when Menem was running for president and came in the form of the Washington Consensus, as he let go of his party's traditional identity to align with the IMF, IBRD, and U.S. recommendations – first while he was campaigning for the presidency and then for the first year and a half as president. The second period accounts for when the orthodox INN process overtook the one initiated by the Washington Consensus, initiated at the

beginning of Minister of Economy Domingo Cavallo's tenure and crystallization of less compromising neoliberalism as marked by the adoption of a CBA.

Indeed, the story we recount in Chapter IV of Argentina's adoption of a CBA is not just one but several stories overlaying each other. It is first a story of how Menem appealed to the Washington Consensus and aligned himself to its articulation of neoliberal policies as **(H.1) a means to win the Presidential election**. This ideological addition, **(H.II) reconstituted the Peronist Party's identity he belonged to, but also reconstituted the whole system of interest articulation and relative power of interests groups**, namely agribusiness and export-oriented industrialist power over organized labor

Domestically, Convertibility's adoption also signals **(H.III) the anchoring of Argentine network of think-tanks, technocrats, politicians, and "technopoles" from within**, qualifying Convertibility as political ends Internationally, Convertibility's adoption in line with the development of an exchange rate regime doctrine referred to as the Corner Solutions helped the INN promote the creation of more currency boards across other developing countries, transforming **(H.IV.) Convertibility as an ideological stepping stone to promote the creation of CBAs across more "developing" countries**.

IV. CASE STUDY: Neoliberalism in Argentina and the Birth of Convertibility

Before becoming president, Menem was the Peronist governor of La Rioja, one of Argentina's poorest provinces. His record was that of an ideal-type Peronist adhering to economic nationalism, strong state price regulation, and state intervention that promoted economic growth and income redistribution. His whole presidential campaign reflected these values in rhetoric, most explicitly evident in his slogan announcing a platform designed to achieve an Argentine "Productive Revolution", designed by Eduardo Curia¹³⁷.

It is unclear exactly when and how Menem made the decision (**check bios**), but six months previous to the election, he takes clear rhetorical steps to distance himself from traditional Peronism, signaling the domestic and international community of his intent to adhere to the Washington Consensus in what he refers to as a model of "popular market economy"¹³⁸, a middle ground position espousing free-market neoliberal ideals with a Peronist social awareness, the very position espoused by a faction of Peronism calling themselves the "Renovadores" he won against in the Peronist primaries by adhering to more traditional form of Peronism for his Presidential bid.

In practice too, Menem distanced himself from Peronism's traditional interest groups and political basis, labor, initiating a "rapprochement" with traditionally opposing interest groups such as the landed elite and agricultural producers represented by the Sociedad Rural Argentina (SRA)

¹³⁷ Manzetti, Luigi. *Institutions, Parties and Coalitions in Argentine Politics*. Pittsburg: University of Pittsburg Press, 1993. p64.

¹³⁸ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p58.

and manufacturing and industrial business interests represented by the Union Industrial Argentina (UIA). This distance would culminate in a political alliance with the Union del Centro Democrático (UCD), an Argentine libertarian party, creating a three party split that shift the election in Menem's favor with their support. This distance from traditional Peronism was the first of many steps taken in the crystallization of neoliberalism's power in Argentine politics.

Traditional critiques of neoliberalism tend to emphasize the influence and/or imposition of policies in the South by the Washington Consensus, implying a unidirectional relationship. While neoliberalism and the Washington Consensus are usually conflated as the same thing, we distinguish the two; the Washington Consensus being a process and institutional arrangement developed after the Bretton Woods conference that embodies both neoliberal and Keynesian economic perspectives, based on the original White-Keynes compromise that gave birth to the IBRD and IMF. Its ideological forms, as a compromise, are usually less orthodox and multi-directional in influence.

When adopting a more detailed case study of neoliberalism's resurgence in Argentina, I find the relationship far more complex, transmitting discourse internationally from the North to South, but also being used and promoted by domestic interests towards their own ends, such as **(I) how Menem used a rapprochement to the Washington Consensus as a means to win the Argentine presidential election of 1989** by co-opting its ideological position but mostly broadening his political base of power, associating with the interest group that supported it domestically, coincidentally old political rivals, and the Libertarian party that till then represented them. Sub-Chapter A is dedicated to explaining how this occurred.

After winning the elections, Menem consolidates Peronism's adherence to the Washington Consensus, promoting the "first wave of free-market" structural adjustment policies including the usual currency devaluations, cuts in state-supplied social services, and removal of protection for domestic industry against global competition they herald across all Latin American countries. Though marking a notable shift towards the popular neoliberal position of the Washington Consensus, these policies were tempered with a development economics socially-aware balance within a historically entrenched labor-conscious Argentine economy.

The process was also politically developed through consensus as a patient and expansive coalition building abroad which, in turn, created new domestic alliances and an increasingly intimate closeness of neoliberal think-tanks with government. While this first type of neoliberalism Menem implements is still relatively tempered and balanced with a less orthodox application and tempered with the maintenance of social programs, Sub-Chapter B explores how an existing domestic network of neoliberal think-tanks - connected to the specific interests and political operators had their own ambition, to redefine Argentine neoliberalism in modern democratic terms, escaping the legacy of its first application under a dictatorship of the 70s.

Sub-chapter B therefore examines the historical origins of neoliberalism in Argentina, demonstrating that, in addition to the oft mentioned Washington Consensus, another mechanism of neoliberal ideological articulation operated parallel to the to it, one relating local neoliberal institutions directly to a larger International Neoliberal Network, without the intermediation of the IMF and IBRD, helping consolidate a more orthodox neoliberal beachhead in the first year and a half of Menem's presidency. This mechanism was far less compromising than the Washington Consensus because it occurred outside of Bretton Wood-inspired institutions that temper any ideological vision.

Sub-Chapter C therefore describes this International Neoliberal Network and how it ushering in a second stage of more orthodox neoliberal policies, including Convertibility. While foreign influence had its effect in this second stage, this movement was principally driven by local “technopoles” like Domingo Cavallo, an MIT-trained economist and staunch promoter of neoliberalism in Argentina that, once nominated as Minister of Economy, began the more orthodox phase of Argentine neoliberalism. I specifically focus on the domestic and international efforts taken to adopt Convertibility in Argentina in Sub-Chapter D.

A second purpose of Sub-Chapter A, as related to the entire dissertation, is then to demonstrate how an over-generalized critique of neoliberalism fails to see that in addition to influencing policy in developing countries, the Washington Consensus can be used to consolidate power by local politicians, calling for a closer look at the domestic forces that facilitate neoliberal ideological transmission. In this light, Sub-Chapter B provides a description of how a local neoliberal contingent of a greater international network supported the consolidation of the Washington Consensus in Menem’s first year and as president, and subsequently helped **(H.II) redefine Peronist identity and subsequently the whole system of interest articulation in Argentina.**

Sub-Chapter B is thus important because it distinguishes the two mechanism of ideological promotion I theoretically distinguish in Chapter III and describes how they operate in practice, a detailed analysis linking interests and power I think current critiques of neoliberalism could benefit from. This section theoretically enhances the work of authors such as Plehwe (2011) and other critical analyses of neoliberalism that consider the domestic affiliates at work advancing neoliberal ideology and policy but fail to relate these agents to the specific interest groups that benefit from

their labors. Chapter B therefore also exposes the domestic economic and political interests that benefit from the anchoring of neoliberal ideology in Argentina.

Sub-Chapter C on the other hand explores Cavallo's tenure as Minister of Economy describing the shift to more orthodox policies implemented and the domestic political consequences of this shift. It explores how **(H.III.) Neoliberalism and Convertibility were political ends** to anchor neoliberalism's position in the government by deploying local neoliberal supporters across all of the executive departments of government. Sub-Chapter C also evaluates the winners and losers on the international level, paying particular attention to the operators involved in implementing Convertibility in Argentina and how it became **(H.IV.) an ideological stepping-stone to promote CBAs across more developing countries** by Steve Hank and Kurt Schuller.

My hope for this dissertation is to provide a detailed analysis of one policy, the adoption of the CBA, considering the domestic and international agents involved at the individual-agent-level, and relating these to the theory that supports/justifies a CBAs adoption in Argentina, namely the Corner Solutions. Sub-Chapter D is thus the end of this dissertation to which all other parts lead. I leave the normative evaluations of neoliberalism's consequences on Peronism, Argentina, and its exchange rate regimes to Chapter V.

The following case study is organized thematically, dedicating a sub-chapter to each of the relationships identified in neoliberalism's promotion in Argentina, through the Washington Consensus and the INN, and relating these processes to how Argentina came to adopt a CBA in 1991. Since I observe political events, changes in ideology, developments in theory, shifts in international discourse, and actual policy changes and relate them to one another, I tend – when possible – to be as precise as possible, providing for each sub-chapter, at least one section that

details a day-by-day succession of events in a chosen period to illustrate each one of the four relationships in a sequential manner.

I do not believe there is a linear causal chain in this case, and I suspect the same is true of most cases. I do hope to provide a clear (as possible) story of how these relationships developed, describing a multi-directional and dimensional construct of mutually corresponding causes and consequence. I do not suggest there is no order or cause and effect; quite the contrary. I define a timeline that specifies what comes first and what follows: suggesting a specific sequence of events versus proposing some vague notion that these things simply mutually influence each other without proving any specifics as to how and by whom.

I simply believe the story of Convertibility's adoption is a story of stories, and that these stories all have their own agents, ends, and arcs. Conventions like the vague notions of the Washington Consensus have served their purpose in identifying ideological shifts in development economics and the rise of an orthodox ideology and its influence on and form within Argentina. Conventions however are boundaries, waiting to be transcended. One may transcend any convention if only one can first conceive of doing so; this dissertation is an attempt to transgress such a boundary and in order to learn something about how Convertibility came to be in Argentina that may guide future exchange rate policy in Argentina.

IV. A. Menem's use of the Washington Consensus: Neoliberalism not as a hegemonic influence but as a political means.

In January 1989, six (6) months prior to Menem's election, the radical government was under attack, from outside and within. The economy was in a downward spiral, and despite Alfonsín's various attempts to stabilize the economy and overcome the debt crisis inherited by the previous dictatorship, interest groups, foreign commentators, and even his own political party members were beginning to distance themselves from him. This is first the story of how **(H.II) Menem aligned himself with the Washington Consensus as a means to gain its support, and consequently, that of its domestic presence.**

Historically speaking, Peronism and Radicalism have always been the two major opposing parties in Argentina, the first representing traditional popular state interventionism and modernization giving primacy to the working class, domestic market produces, and labor while the Radical party (this election represented by Eduardo Angeloz) historically represented the landed and manufacturing elite¹³⁹. This election year, a centrist coalition of the *Partido Demócrata Progresista*, PDP, and *Unión del Centro Democrático*, UCD were also running a candidate, the UCD founder and one of neoliberalism's first and greatest defenders in Argentina, Alvaro Alsogaray.

Alsogaray was a former army engineer turned Minister of Industry under Frondizzi (1959-1962) when he implemented Argentina's first what-equates-to structural adjustment policies referred to as the "Frondizi-Frigerio neoliberal scheme"¹⁴⁰. In 1965 he founded the Instituto de

¹³⁹ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. pp. 18-19.

¹⁴⁰ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. pp. 259-304.

Economía Social de Mercado (IESM), one of Argentina's first Neoliberal think tanks¹⁴¹. That very same year, the Fundación de Investigaciones Empresarias Latinoamericanas (FIEL) was established by the largest Argentine manufacturing association (UIA), large agribusiness (SRA), the Buenos Aires chamber of commerce (BCBA) and the Argentine commercial chamber (CAC).

According to Ramirez¹⁴², the representativeness and orthodoxy of FIEL was further strengthened by the backing obtained from other corporate groups, namely the large scale industrialists (MIA) and the Argentine group of largest business owners (CEA). More than half the funding for IESM and FIEL promotion of orthodox economic liberalism came from foreign corporations and one American foundation¹⁴³. These organizations have thus been connected within a financial, ideological, and theoretical international neoliberal network (INN) prior to the advent of the Washington Consensus.

The key local interest groups supporting neoliberalism since it first appeared in Argentina were the UIA (Unión Industrial Argentina) and SRA (Sociedad Rural Argentina). At its origin, the UIA was an 1887 merger between a lobbying group of foreign industrialists, local manufacturers, and agro-industrialists sharing liberal classical economic beliefs and anti-labor policies¹⁴⁴. They virulently opposed Peronism during both presidencies¹⁴⁵. By the time the Military took over, they supported Martínez de Hoz rejection of ISIS in favor of the first neoliberal policies in Argentina,

¹⁴¹ Ramirez, H., (2007). *Corporaciones en el Poder: Institutos económicos y acción política en Brasil y Argentina: IPES, FIEL y Fundación Mediterránea*. San Isidro: Lenguaje claro editora, p. 231.

¹⁴² Ramirez, H., (2010). Genealogías del consenso: Brasil y Argentina, 1961–1991. *A Contra corriente. Una revista de historia social y literatura de América Latina*, 7 (3), 185–218, p. 193

¹⁴³ Ramirez, H., (2007). *Corporaciones en el Poder: Institutos económicos y acción política en Brasil y Argentina: IPES, FIEL y Fundación Mediterránea*. San Isidro: Lenguaje claro editora, p. 204 cited in Plehwe, D. (2011, July 01). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the 'Washington Consensus'. *Critical Policy Studies*, 5 (2). pp. 127-148. p. 134.

¹⁴⁴ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. pp. 88-90.

¹⁴⁵ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. p. 424.

a reflection the UIA's free market identity. Slowly but surely, as Jorge Rafael Videla military reign marched to its end, the UIA separated into the MIA, the Argentine Industrial Movement, maintaining its orthodox liberal principles keeping the name of the UIA to designate an umbrella organization to cover all Industrial interests from there on in¹⁴⁶.

The SRA is a little bit older than the UIA; it was founded in 1866 to promote modernization and represented large cattle owners, the first big interest in Argentina, the landed oligarchy¹⁴⁷. Previous to the great depression, the SRA did not promote liberal free market policies but rather any policy sustaining the sale of commodities abroad¹⁴⁸. during Peron, the SRA's president Jose Maria Baustillo was in opposition to the government and refused to articulate their interests through a government agency, so he resigned.

Peron's intransigence forced both the UIA and SRA to drop all pretense of being non-partisans and coerced cooperation¹⁴⁹. While Peron's persistence secured Labor's allegiance, it found it difficult to subsume business and the landed elite into his project. After Peron, the SRA saw the value of following neoliberal polices that promoted their export interests, so they aligned their interests with that of the nascent neoliberal think-tanks of the time.

During most of his political campaign, Menem rhetorically seemed to represent traditional Peronism, as his speech continued to adhere to its core language and supporting its same historically rooted interests such as organized labor. An example epitomizing this is how he congratulated Castro for 30 years of good government, a comment immediate followed by

¹⁴⁶ La Nacion, 28 February 1929, quoted in Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press, p. 460.

¹⁴⁷ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. p. 20-21

¹⁴⁸ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. pp. 84,85

¹⁴⁹ Lewis, P. H. (1992). *The crisis of Argentine capitalism*. Chapel Hill, N.C: University of North Carolina Press. p. 154.

criticism he received from Alvaro Alsogaray¹⁵⁰, a Libertarian candidate running against Menem, rhetorically more representative of the international community's ambivalence of supporting a Communist regime, a hold-out in a world of market deregulation and republicanism. This criticism however only reinforcing Menem's "authentic" Peronism.

This however would be the last of such comments as the month of January 1989 would mark the beginning of a slow but marked shift in Menem's rhetoric and political allegiances, foreshadowing Menem's radical departure from state-lead modernization Peronism-promoting labor interests and domestic markets to favoring neoliberal structural adjustment and privatizations expressed within the Washington Consensus, and beyond, eventually espousing more orthodox approaches as embodied by the adoption of Convertibility two (2) years and three (3) months later.

This last six months of Menem's Presidential campaign are therefore marked by (1) Menem's first distance from traditional Peronism as a means to ally to the Washington Consensus and its supporters, and (2) Industry and Agribusiness' disillusionment with the UCR, and a deteriorating economy. This period also embodies Menem's rapprochement to the local neoliberal institutions establishing (3) the first Menem-neoliberal power agreement: The Menem-Alsogaray Pact, that – in essence – guaranteed Menem's ascendance to the Presidency.

¹⁵⁰ Alsogaray critico a Menem por sus elogios a Castro. (1989, January 4). *La Nacion*. p. 4.

IV.A.1 Menem's Distance from traditional Peronism in Rhetoric and Practice

Menem's first distance with traditional Peronist political positions, and the CGT in particular, was when he suggested he would not endorse a debt moratorium but rather pay Argentina's eternal debt when elected¹⁵¹. This remark was meant to signal to the international creditors he would be meeting in a couple days¹⁵² that any promise made would be followed by action. No records of these meetings exist, or if they do, I was unable to find them. This of course concerned the CGT's president, Saul Ubaldini, whom asked to meet with Menem. When they met a week later, Ubaldini proposed a "28-point economic program", a set of economic measures aimed at protecting labor's position in the economy. A proposal that Menem rejected outright.

Shortly after their meeting, *La Nación*, one of two of Argentina's largest newspapers reported Menem sending union representatives "he trusted", but none of the CGT's leadership, to travel to US to meet with different US representative to express Menem's and Peronism's wish to integrate to the world economy under its renewed banner of liberal economic politics¹⁵³, coincidentally the day George H. W. Bush is inaugurated. The transcripts of these meetings are not public, but it's safe to say that Menem approached the US to reassure them that he would abide by their political, economic, and ideological interests – as embodied by the Washington Consensus and excluded labors' leadership from this conversation.

A little over a week earlier, Menem sent a similar group to meet with Argentine creditors in US to discuss the Argentine debt¹⁵⁴, necessary allies for any upcoming president in a country that historically has depended on access to counter-cyclical finances. It is interesting to note here

¹⁵¹ Diferencias entre Menem y la CGT por la deuda externa. (1989, January 10) *La Nación*, p. 4.

¹⁵² Viajara a EE. UU. Una misión justicialista. (1989, January 13). *La Nación*, p. 11.

¹⁵³ Delegación Gremial a los Estados Unidos. (1989, January 20) *La Nación*, p. 3.

¹⁵⁴ Viajara a EE. UU. Una misión justicialista. (1989, January 13). *La Nación*, p. 11.

that while Menem is developing a rapprochement with the US, his opposing presidential candidates – Eduardo Duhalde of the UCR and Alvaro Alsogaray of the UCD - are doing so with Europe instead¹⁵⁵. Before becoming president, Menem then begins to reach out to “Washington” and signals his intention to adhere to neoliberal economics if elected, not because he adheres to neoliberal ideology per se, but because it is the most popular ideology at the time, one that can help him win the election. This is an interested not ideological position.

The point of contention that would ostracize the CGT from Menem’s Peronism beyond repair would be over his new economic plan flown under the new banner of “popular market economy”¹⁵⁶. Menem's economic advisor, Eduardo Curia, upset unions by proposing to “flexibilize” the Argentine labor market. The CGT emphatically opposed it¹⁵⁷. In an attempt to reach some political compromise, the CGT met with Curia to discuss his plan three days later¹⁵⁸ but no consensus is reached. The CGT consequently publicly condemns Curia's proposal of a labor “flexibilization” and drafts a document signed by 15 other labor unions opposing it in solidarity¹⁵⁹, galvanizing labor away from the Menemist platform. The draft outlines an alternative proposal for Menem’s consideration¹⁶⁰ which he immediately refuses.

At this point, Menem’s intentions to succeed from traditional Peronism are undeniable as even popular opinion clearly acknowledges there is an active fault line splitting Peronism apart. Rosende, a local journalist, publishes an op-ed on the CGT's plan and how it contrasts with Menem's dedication to initiate a "Productive Revolution". The Question, as he puts it, is which of

¹⁵⁵ Angeloz comienza una nueva gira por pasises de Europa. (1989, January 15). *La Nación*, p. 4.

¹⁵⁶ Palermo, Vicente & Novaro, Marcos. (1996). *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO. p.140.

¹⁵⁷ Una propuesta laboral que analizan enfrenta a gremialistas. (1989, February 04). *La Nación*, p. 9.

¹⁵⁸ La CGT discute el proyecto laboral de Curia. (1989, February 07). *La Nación*, p. 8.

¹⁵⁹ La CGT rechazo la flexibilización laboral propuesta por Curia. (1989, February 11) *La Nación*, p. 4.

¹⁶⁰ La CGT prepara una propuesta para el PJ. (1989, February 14). *La Nación*, p. 5.

these programs will prevail¹⁶¹ and what this will mean for Peronism. We now know the answer to that question, but for the purpose of developing our argument it symbolically marks popular awareness of Menem's definite distancing from Labor and traditionally help Peronist interests and actors in favor of an adherence to the Washington Consensus and development-oriented neoliberal policies.

This distance from traditional Peronism that Menem takes, both in rhetoric and in practice, was a show of alignment with the Washington Consensus and foreshadows the popularity local neoliberal think tanks and its international counterparts will have in the Menem administration. While these punctual events signal Menem's rapprochement to DC, it also created another opportunity for historically opposed industrial and agro interest to align with Menem and abandon what they felt was a government that was no longer protecting their interests as well as abandon the political party that did not believe could promote their interests, the UCR.

In a slow but progressive move, Menem in essence slowly redefined his political party's identity with interested parties abroad and simultaneously creates a space for disenfranchised UCR supporters to jump ship domestically. This political move obviously demonstrated the skill but mostly the strategy behind Menem's political positioning. His desire to solidify his position and win the election by gaining international support subsequently also brought with it the support of local interests that, although historically opposed to his party, have always been allied with the international interests Menem was approaching. Menem, in this sense, was practical an un-ideological, aligning himself with the interests he thought would secure his nomination to the Presidency versus any ideological affinity.

¹⁶¹ Rosende, Cesar A. Corbellini. (1989, February 20). La propuesta política de la CGT. *La Nación*, p. 6.

IV.A.2 Industry and Agribusiness Disillusionment with the UCR

From the beginning, the UIA was supportive of Alfonsín's presidency but by 1989, they became disenchanted with what has happening all around them. The SRA too would start to slowly distance itself from Alfonsín and by February, for the first time during the campaign, would begin to openly criticize the government's policies. The CAC too begins to express its discontent, upset with the government for delays in implementing promised monetary policy¹⁶². While this of course favored Menem's presidential bid, it would be the UCD's public support by the end that would propel Menem to the Presidency.

Just a month before, at the beginning of the year, in an attempt to quell public concerns, the UIA, CAC, President and Minister of Economy publicly confirmed they would prolong the Plan Primavera 'till June in a concerted effort to work together¹⁶³. The Primavera Plan was originally set in motion in August of 1988 as the Alfonsín government's attempt to stop inflation and stabilize the economy by suspending debt payments, opening the economy, favoring imports, and trying to tackle the budget deficit mainly by devaluing the Austral. The plan was a set of orthodox monetarist policies that developed a government pact with the industrial sector, which, among other things, defined a set of financial transfers from the agricultural sector and other productive sectors to support the development of domestic industry.

To curb the effect of a fluctuating dollar, the central bank intervened in the market with a series of mini-devaluations¹⁶⁴. Jose Luis Machinea, the president of the Central Bank at the time, traveled to the U.S. to discuss loans and ask for the IMF's help¹⁶⁵ where he meets with Allen

¹⁶² Reclamos a Sourouille de la Camara de Comercio. (1989, January 7). *La Nación*, p. 12.

¹⁶³ Se procura extender el acuerdo antiinflacionario. (1989, January 12). *La Nación*, p. 1.

¹⁶⁴ Procuran un acuerdo más favorable sobre la deuda. (1989, January 19). *La Nación*, p. 11.

¹⁶⁵ Procuran un acuerdo más favorable sobre la deuda. (1989, January 20). *La Nación*, p. 11.

Greenspan and Richard Erb, vice president of IMF¹⁶⁶. That very day he signed an agreement with Mediocredito of Italy for \$1,500 million dollars 80% of which is earmarked for the private sector¹⁶⁷. Things look like they may be picking up for the Radical government; but they only seem that way. This intervention upsets industry and argi-business, the later already upset b what if felt was a relationship that already put undue pressure on their sector.

Inflation peaked gain after an article on the Central Bank detailed how it spent \$5,000 million dollars to maintain its currency regime, simultaneously highlighting how, since August, the Central Bank had sold \$1,800 million of its dollars, depleting their reserves hat secured this very monetary stability in favor of dealing with punctual situations requiring liquidity. Machinea, concerned this may further drive speculation against the Austral, announces a new structure for currency exchanges: a twin official exchange rate system with one commercial and another special rate with at a 25% discount rate¹⁶⁸.

This last straw enraged the government's domestic neoliberal support base, and unhappy, the UIA officially and publicly retracts their support of the government¹⁶⁹. The president of UIA specifies that the decision to deplete reserves was made without their support and FIEL's president adds that there is no currency freedom nor was there ever going to be while the CGT could influence government policy¹⁷⁰. Alfonsin's support base simultaneously abandons him, and blames labor's influence on the government of the cause of this latest perceived policy mistake.

These defecting groups find Alsogaray and Menem as alternatives to represent their interests. While the first is a member of a long-standing and powerful party, the later is in a newly

¹⁶⁶ Crespo, Julio. (1989, January 27). Machinea expuso sobre la marcha de la economía. *La Nación*, p. 15.

¹⁶⁷ Ponen en Marcha créditos italianos. (1989, January 27). *La Nación*, p. 18.

¹⁶⁸ Nuevo Esquema para operaciones cambiarias. (1989, February 7). *La nación*, p. 1.

¹⁶⁹ No conforman a los empresarios las medidas económicas. (1989, February 7). *La nación*, p. 10.

¹⁷⁰ Opiniones sobre la reforma cambiaria. (1989, February 7) *La nación*, p. 12

founded coalition group that has no historical power or influence. Menem's rapprochement to the Washington Consensus and potential for power make him the more attractive candidate for these displaced neoliberal interests but his intentions are still mostly developed in rhetoric versus practice. It is hard to say what would have happened had Menem not tried to align with the Washington Consensus, certainly Menem and his campaign considered this, possibly motivating his rapprochement to neoliberalism, we may likely never know.

At this point though, what is clear, is that the press starts to highlight the market uncertainty surrounding Argentina's economy and using more pejorative terms than before to describe how "chaos reigns as markets are overcast by the shadows of price fixing and inflation"¹⁷¹. In response, the President and Minister of Economy meet with UIA, Argentine bankers, the CGT and CAC to reassure everyone that these economic measures will shortly bring stability¹⁷² but by this time it is too late. The media capitalizes on the popular fear as they suggest "confusion erupts" around the government's decision to adjust for the contraction of the money supply based on decrease reserves by emitting \$2,000 million Australes¹⁷³. The government loses all credibility and fed up, the UIA abandons the price agreement it had previously set with the government¹⁷⁴ as a sign of complete dissatisfaction with the government. Alfonsín now stands alone.

The Argentine economy in unraveling and interest groups find themselves un-anchored, afloat in an anomic political structure where their traditional political party is not representing their interests and the political party that historically opposed their interests was not campaigning towards supporting them and taking steps towards the Washington Consensus. While Jeffrey Sachs

¹⁷¹ Incognitas que plante la política de precios. (1989, February 19). *La Nación*, Economic section, Sección 3ª: Economía/Finanza, p. 1.

¹⁷² Prudencia del sector empresario. (1989, February 21). *La Nación*, p. 1.

¹⁷³ Las tasas para depósitos de grandes sumas llegaron al 30%. (1989, February 23). *La Nación*, p. 12.

¹⁷⁴ UIA: abandonaría el acuerdo de precios. (1989, February 25). *La Nación*, p. 1.

is busy aboard organizing meeting with Latin America presidents and President Bush to promote the Brady Plan¹⁷⁵. Richard Shelby, the US democratic senator from Alabama meets with the central bank president Jose Luis Machinea¹⁷⁶ while Allen Greenspan shares his optimism in Argentina's future but insists the country needs to deregulate its economy¹⁷⁷.

In a moment of crisis, the foreign branch of the INN finds an opportunity to influence, not only to support its Argentine branch of economists and politicians, as they have since the 50s, but also address the public at large, and so it begins a process that would follow the entire campaign and Menem's first two years as President of facilitating spokesmen to publish op-ed, appear on tv, and generally promote neoliberalism and its benefits. Michael Novak would be one of the first, an AEI member since 1978 and honorary doctor from Marroquin University in '93, he published an op-ed in La Nation entitled "Democracy is Based On Free Market Economy", an article extoling neoliberalism and its principals¹⁷⁸.

In between Menem's rapprochement to the Washington Consensus, rising inflation, the Alfonsín government's political disintegration, international liberal discourse finds a captive and receptive audience in Argentines citizen looking for a solution amidst economic chaos. This time, instead of calling out to the military, as has been customary in Argentina's past - in moments of crisis to resolve them, a popular sense of hope rallies around the neoliberal program already engaged in efforts to influence policy in Argentina, being advanced all throughout Latin America, and now being followed and supported by Argentina's most popular (in the sense of representing the common man's interests) political party, Peronism.

¹⁷⁵ Proponen en los EE. UU. Una reunión cumbre por la deuda. (1989, January 6). *La Nación*, p. 14.

¹⁷⁶ Crespo, Julio. (1989, January 11) "Hay que cambiar de planes". *La Nación*, p. 16.

¹⁷⁷ Optimismo de Alan Greenspan por la evolución de los países deudores. (1989, January 14) *La Nación*, p. 15.

¹⁷⁸ Novak, Michael. Las economías socialistas. (1989, February 25). *La Nación*, p. 7.

At this point the government has lost most if not all of its internal and international support. In addition, Argentina loses investor trust as foreign banks declare Argentina “investment non-grata” and FDI screeches to a halt. The IMF and World Bank announce their support of the Brady Plan while David Mulford announces the US will start implemented it as early as two months from this day¹⁷⁹ with George Bush’s support. Despite Alfonsin’s earlier promises, the economic cabinet resigns and Pugliese replaces Sourrouille with Garcia Vasquez as Minister of Economy, a former president of the Central Bank which two weeks later implements yet another exchange rate regime, a free market float¹⁸⁰. Not a single promise Alfonsin has made during the presidential campaigns holds true, confirming what even his own party members suspected about his declining power and its negative effects on their candidate, Eduardo Duhalde.

The presidential campaigns continue and while there is nothing to indicate anyone is in the lead, the newspaper coverage in the month of April, presidential candidates press conferences, and general discussion mostly centers around Menem and his positions regarding the current crisis versus the other candidates. There is clear shift in popular opinion as evidenced by the language, primacy, and centrality Menem takes in all future articles – he is the candidate of interest. Menem starts to be asked his opinion on all matters, and emits them freely and with authority as if he has already won, for example wishing Pugliese “luck” in his new job¹⁸¹. Whether this shift in framing and tone is a result of his increasing power or simply the paper’s re-focusing according to popular interests, it marks a clear shift in popular interest and support of Menem’s candidacy.

La Nacion’s editorial opinions increasingly start to focus the debate favoring Menem’s position, questioning the current’s government new floating exchange rate as not being so “free

¹⁷⁹ Pugliese anuncio que regirá un mercado cambiario libre e único. (1989, April 14) *La Nación*, p. 1.

¹⁸⁰ Pugliese anuncio que regiría un mercado cambiario libre y único. (1989, April 14). *La Nación*, p. 1.

¹⁸¹ Menem deseo suerte a Pugliese, aunque dijo que ganaría el PJ. (1989. April 3). *La Nación*, p. 5.

floating” or “free market”, highlighting Menem’s “Productive Revolution” as a social act, placing his position at the physical top of the first article listing the candidates and their economic plans for Argentina¹⁸² while placing the blame for the “Austral’s cost spiral” squarely on the Radical government’s shoulders versus external events or speculators¹⁸³.

Kissinger and Associates takes advantage of this continued anomie to publish another neoliberal op-ed, this time suggesting Argentina will not get better if it does not integrate into the world economy¹⁸⁴, a sentiment shared by the recently Congress-elected US Ambassador to Argentina, Terence A. Todman¹⁸⁵ and David C. Mulford, the U.S. Under Secretary for International Affairs at Treasury¹⁸⁶ at the time and now Vice-Chairman of International Finance of Credit Suisse. Alfonsín’s government is – at hits point- abandoned on all fronts as neoliberalism and Menem are the two popular and positive topics of discussion across media and people.

IV.A.3. The first Menem-Neoliberal Agreement: the UCDs support in the election

Menem is keen to bring up the “Productive Revolution” every chance he can publicly to reinforce the notion that he has a definitive plan to get the country out of its crisis, only unlike before, he changes his message, in tone and substance, stating that it will work but will require time and sacrifice¹⁸⁷, specifying there is no “miracle cure” for the Argentine economy. This change

¹⁸² *La Nación* 1989.04.19, p 16

¹⁸³ Preparan un plan de estabilización. (1989, April 26). *La Nación*, p. 17.

¹⁸⁴ *La Nación*, 1989.04.17, p16

¹⁸⁵ Aprobo el Senado de EE. UU. La designación de Todman como embajador en la Argentina. (1989, April 19). *La Nación*, p. 5.

¹⁸⁶ La Argentina debe cambiar su economía, afirmó Mulford. (1989, April 21). *La Nación*, p. 21.

¹⁸⁷ **La Nación 1989.05.03, p11**

in language and tone can signify many things; I believe it suggests he is more confident he will win the election because of the increasing disappointment with the Radicals as associated to Alfonsín's performance, promises must thus be scaled down to the possible. This may very well also mark the beginning of Alsogaray's support of Menem, though this is more conjecture than confirmation.

I believe this may be the moment when Alsogaray promises his votes to Menem, though I can only infer this from the above change in tone and subsequent announcement later in the campaign. Hindsight suggest this is an inflexion point in their relationship, but no biography of either candidate confirms this, nor is there another historical account that suggest a particular moment when this political union occurred, only time tells that it has. As I have found no proof, no primary or secondary source to support this claim, I simply infer the possibility – here –from a change of discourse in popular media and suggest this may be an infesting period in time for future research.

I believe Menem tempered his message because he sees victory within reach; he may not want to be expected to perform a miracle when he is elected, especially if he now thinks he is certain of this happening. It is easy to promise miracles early on in a campaign, to sway popular opinion; It is an entirely different proposition to do this when you think you may win and be expected to produce this miracle. Alfonsín made plenty of promises throughout this same time period, none of which he was able to fulfill. While this may very well have occurred outside of his control, and certainly wasn't his intention, it cost Eduardo Duhalde very dearly including domestic neoliberalism's vote of no confined and switch to the Peronist party.

Everything that occurs in this week of discourse inflection suggests Menem is everyone's candidate of choice and he has secured Alsogaray's votes. La Nación publishes an article on how

European Peronists will take planes to come vote for the elections¹⁸⁸, never mentioning the UCR. Meanwhile Alsogaray goes on to call the current government measures dangerous¹⁸⁹ while his wife equates voting for Menem's Radical opposition as a vote for Alfonsín¹⁹⁰ indirectly and directly promoting Menem as the only appropriate candidate. Menem and Alsogaray meet publically the following day and though Alsogaray claims no political agreement has been reached¹⁹¹, he proposes a political pact the following day¹⁹² at which point he claims his party and neoliberalism have already won the election intellectually¹⁹³.

It is interesting here to note that this is not the first time Alsogaray said this; a month earlier he sustained the same claim¹⁹⁴, and it seems he was in the right. This political pact in essence secures both Menem's bid for the presidency as well as neoliberalism's ideological victory in terms of political representation, but also popular support. This opportunity gives neoliberalism a second wind; after a history of alignment with dictatorial politics, it now has the opportunity to align with popular Peronist politics. An editorial by Carlos Vega on Washington-backed Structural Adjustment as the only solution out of Argentina's crisis is published¹⁹⁵ and Alsogaray institutionalizes this commitment by announcing the Moncloan pact¹⁹⁶ which he details the following day¹⁹⁷.

The Moncloan Pact represents a tripartite social pact between business, government, and labor to face hyperinflation together and allow for a crisis-free transition at the end of Alfonsín's

¹⁸⁸ Un "Menemjumbo" para los peronistas residentes en Europa. (1989, May 2) *La Nación*, p. 15.

¹⁸⁹ Alsogaray vaticino mercado negro y desabastecimiento. (1989, May 3). *La Nación*, p. 9.

¹⁹⁰ Maria Julia Alsogaray: apoyar a Angeloz es votar por Alfonsín. (1989, May 4). *La Nación*, p. 12.

¹⁹¹ Alsogaray dijo que no copromete a la Ucede. (1989, May 5). *La Nación*, p. 9.

¹⁹² Alsogaray propondrá un pacto político. (1989, May 5). *La Nación*, p. 1.

¹⁹³ Alvaro Alsogaray: intelectualmente, el liberalismo ya ha ganado la batalla. (1989, May 6). *La Nación*, p. 8.

¹⁹⁴ Alsogaray digo que gano intelectualmente. (1989, April, 24) *La Nación*, p. 4.

¹⁹⁵ De la Vega, Carlos R. La inflación en la Argentina. (1989, May 7) *La Nación*, Sección 3: Economía p.7

¹⁹⁶ Alsogaray, su propuesta y el Pacto de la Moncloa. (1989, May 10). *La Nación*, p. 11.

¹⁹⁷ Alsogaray hizo publica su propuesta de pacto político. (1989, May 11). *La Nación*, p. 1.

tenure to the next president to go smoothly. Historically, the terms alludes to 1977-78 Spain when the Moncloa Pact was first coined/used: an agreement amongst politicians, political parties, and unions to plan how to operate the economy during the transition from fascism to democratization. In Argentina, presidents Alfonsín (83-89), Menem, Duahilde (2002-2003), and Kirchsner (2003-2007) have all called for such a pact and rarely has it been followed by all its participants. It is even more telling that an authoritarian term referring to a social pact is used rather than any other example in history, but I rather leave it at that.

This is the first tangible and institutionalized proof of Peronism's alignment with neoliberalism; another agreement between the UIA and CGT outside of government mediation seems to confirm this new closeness, at least regarding auto jobs¹⁹⁸. While Alsogaray and Menem may have been planning this for much longer, many different political events, rhetorical appeals, and now an extra-governmental agreement suggest that neoliberal interest groups and candidates have shifted in support of Menem's candidacy; and with a majority of support, and a popular disenchantment and disenfranchisement of political interests with the UCR, Menem's election seems certain at this point. On May 14th, 1989 Carlos Saul Menem wins the elections and becomes President of Argentina.

Many critics of neoliberalism's overall impact on Argentine politics and the popularity the Washington Consensus has enjoyed in international economic discourse usually describes a North-South unidirectional influence discourse dispersion can have on a country to adopt one or another policy that adheres to neoliberal doctrine. A closer, detailed analysis of the actors and processes involved however offers a more complex picture. Political and ideological influence rarely travel straight lines; and is never a one-way relationship. I by no mean wish to dismiss the insight derived

¹⁹⁸ La Nación, 1989.05.10, p. 10

by existing critiques, but rather advance a more nuanced description that complements existing theory.

Many have benefited and lost from the specific transition of neoliberalism in Argentina, so instead of theorizing some general effect ideology has had on the aggregate or unilateral on a country, we suggest to look at specific agents as a means to get a more detailed idea of the reciprocal relationships involved in neoliberal promotion, buy-in, use, and more. While it is clear that Industrial and agri-business interest benefit over labor in this period, the same cannot be said about the presidential candidates. Peronism's rapprochement to the Washington Consensus ensured Menem's presidential win by a three party split that promoted his candidacy over the UCR and UCD candidates. Who would have imagined that a candidate of a party traditionally opposing neoliberal interests and values would have won over two candidates explicitly and historically representing neoliberal interests?

General discourse analysis that does not consider the details of a case but rather suggest a one-size-fits-all description of the Washington Consensus' effects on a country or region would fail to capture such unique outcomes, and shifting patterns of power and ideological promotion, let alone observing **(H.I) how the Washington Consensus can also be used by a domestic politician as a means to gain power, exerting influence by it, not only from it. The Washington Consensus, or any neoliberal process really, as such, can be a means to achieve domestic political ends, like winning an election.** Ideological processes are rarely one-way streets.

The second characteristic of the Washington Consensus Menem's election reveals is that such generalizations on its effect on developing countries also tends to view the Washington Consensus as a unitary actor or set of actors, when in fact Alsogaray's political pact with Menem

suggest that there are domestic networks of neoliberal influence that act within the country to exert ideological influence and policy outcomes outside of the Washington Consensus process. In so far as we think of neoliberalism as some faceless, nameless actor, we miss opportunities to learn about how the Washington Consensus is a process that exerts neoliberal but also other ideological influence.

Just as surely as the literature making up most of Neoliberalism's critics dispels the false and facile notion that Globalization is simply a process that occurs outside of the wielding of human will, but rather a process supported by neoliberal ideology, so too do I suggest that the Washington Consensus and neoliberal influence are not one and the same thing. Rather The Washington Consensus represents a very specific and historically rooted process by which neoliberalism is promoted internationally, parallel to other processes. A brief history of neoliberalism specific origin in Argentina contrasted to Menem's first year and a half as president suggests an altogether other form of neoliberal influence and effects on Argentine socio-economic ideology and practice we refer to as the INN.

IV. B. The Argentine Neoliberal Network, Authoritarianism & The Washington Consensus: Establishing a beachhead in Menem's first year as President & the Existence of an International Neoliberal Network (INN)

There is a rich literature that explores the origins of neoliberalism in Argentina or its promotion internationally in a vast domestic-international network of agents. Echegaray (1993), for example, explores changes in domestic attitudes against statist economic development and how

it pertains to the rise of neoliberalism's popularity in the 90s. Hornberger (1994) studies the early influence of Liberal political authors in helping neoliberalism settle in Argentina after WWII. Beltrán (2006) rejects the XX century monolithic idea of external imposition of neoliberal policies and gives an account of local roots of neoliberalism in Argentina while Ramirez (2007, 2010) too traces the local origins of Washington Consensus policies in Argentina, although he goes as far back as the late 1960s and 1970s when several neoliberal think tanks were originally founded.

Most recently, Sarah Babb (2015) provides some tangential insight in the intellectual and political relationship that exist between the Cavallo Boys, Rudiger Dornbusch of MIT that advance the Trilemma Theorem, and professor Jeffrey Sachs at Harvard via an institutional and ideological history of neoliberalism's development of expert economics in Mexico. Belran (2015) on the other hand explores the paradox of how the business community supported market reforms despite the fact that they limited businessmen's economic and political power after Convertibility. While certainly not a large body of literature, increased interest in a time of all sorts of contradictions, has developed a growing family of works, through theoretically unrelated, all recounting the domestic origins and power of domestic neoliberalism in Argentina.

While we have considered all the above authors, we also considered many more such as Birle (1997), Corales (1997), Kellerman (2006,) Phillips-Fein (2009), Dezalay and Garth (2012). Of all those authors we considered though, we organize most of our work on Plewhe & Walpen (2010) which describes the historical origins of neoliberalism in Argentina tracing the development of think-tanks and relating them to individual politicians and economists. We add the link to interest groups and relate it specifically to Convertibility's adoption. Plehwe (2011) too explores the paradox of why Argentinean monetary policymakers rejected the kind of flexible

monetary exchange rates recommended by the Washington Consensus, but while he suggests it has to do with the Consensus' heterodox nature, we specify what that nature is, who the exact people participating where, and how this reveals several relationships that operate across specific processes of ideological deployment. In essence, I add detail.

While some of these previous analyses have deconstructed the domestic and international actors and institutions involved in neoliberal ideological promotion, transgressing simpler definitions of some unitary and unidirectional force, they unfortunately still fall short of relating its specific agents to specific domestic and international interest at play and how each mutually affected each other, not to mention providing varied descriptions of those varied relationships. While I consider all these authors, I rely very strongly on Plehwe's particular analysis to guide ours; it is a strong and comprehensive overview of all the available literature tracing the evolution of neoliberalism in Argentina, complemented with excellent primary and secondary sources of information allowing us to relate it more specifically to Convertibility.

In most cases these authors provide institutional histories of how different organizations were created in Argentina, independently or in support of the overall neoliberal objective to convert globally. Plehwe's work is of particular interest because it also considers specific domestic organizations and actors facilitating the connection of domestic interest groups to this network, even contrasting variations of neoliberalism. My detailed analysis relates these and more to the events leading to Convertibility, not only allowing us to sequence the events leading to Convertibility, but also relating neoliberalism's varied phases of ideological dispersion with specific interests, constitutive change of identity and theoretical influence.

This connection to power is crucial in understanding the constitutive power of neoliberalism. The preceding subchapter helped us elaborate **(H.I) how neoliberalism, as a**

political force was used as a means to secure Menem's presidency. The subchapter that follows elaborates **(H.II.) how this process reconstituted Peronist identity and consequently the interests it articulated.** If one party changes its ideas and interests, all those adjacent to it adapt as well, changing the entire composition of party identities and interest articulation in Argentina. This is now the story of how, through adhering to the Washington Consensus, Peronism invited an existing domestic neoliberal network to make itself at home, one part of a larger, more orthodox form of neoliberalism, part of an international network, confirming what Alsogaray already referred to as neoliberalism's "ideological victory".

Even when referring to the domestic and international actors involved in developing Argentine neoliberalism, many of these authors subsume this process under the banner of the Washington Consensus. There are specific historically rooted connections between economists, technocrats, consultants, politicians and how all these individuals directly contribute to giving birth to a neoliberal policy such as Convertibility. What follows is an argument that distinguishes between the Washington Consensus and the International Neoliberal Network, the two mechanisms by which neoliberalism influenced Argentine politicians and policy in the 90s and through which local interests gained and benefited from this influence.

This distinction could possibly be made earlier on, but we first observed it when retracing Menem's first year and a half as president. We consequently develop it in the relationship that makes it evident. In order to place Argentina's foray into neoliberalism I begin with a short chronicle of Argentina's first experience with Neoliberalism under a military dictatorship to give context to what would follow in the 90s. To be clear, these two distinct processes are evidenced by the entirety of our case study, however they become most evident when Cavallo becomes

Minister of Economy so we will highlight how each section helps identify these two mechanisms and detail it most in Chapter IV section C.

A quick overview of the first year and a half of Menem's administration highlights the broad steps Peronism took towards adhering to the Washington Consensus; a closer look at his first month, details the specific actors, interests, and distinguishes a second process of neoliberal influence articulated by a local network of neoliberal think-tanks, politicians, and economists helping to return neoliberalism back to Argentina after a long hiatus. In this section we observe its development; in Sub-Chapter C we see how under Domingo Cavallo's tenure as Minister of Economy this network deploys more orthodox forms of neoliberal policy, outside the Washington Consensus, epitomized by Convertibility.

IV.B.1. The Authoritarian Origins of Neoliberalism in Argentina

Contrary to those who claim that Argentina turned to extreme forms of neoliberalism only later in the Menem administration with the appearance of Cavallo, I would direct the reader to consider the 1970s and the neoliberal program executed by then minister of economy Martinez de Hoz, with the support of the International Monetary Fund (IMF)¹⁹⁹, the US government, and corporate alliances like that with the Council for Latin America, backed by large US foundations²⁰⁰.

De Hoz dismantled the previous Import Substitution for Industrialization (ISI) economic program, mandated a wage freeze and the decentralization of trade unions which in essence

¹⁹⁹ Schvarzer, J. (1983). *Martínez de Hoz: La lógica política de la política económica*. Buenos Aires, Argentina: Centro de Investigaciones Sociales Sobre el Estado y la Administración. p. 31.

²⁰⁰ Ramirez, H. (2007). *Corporaciones en el Poder: Institutos económicos y acción política en Brasil y Argentina: IPES, FIEL y Fundación Mediterránea*. San Isidro: Lenguaje claro editora, p. 154.

crippled the CGT and marginalized it politically, removing capital controls and stabilizing Argentina's currency by way of a split exchange rate system, referred to as "La Tablita", stipulating limits to devaluation, which eventually led to the overvaluation of the currency.

A precursor of sorts to the Convertibility regime, the system was designed to combine capital mobility with monetary stability: the first attempt to establish a neoliberal exchange rate regime in Argentina²⁰¹. Funnily enough, like Convertibility, its downfall would end up being overvaluation. In order to understand neoliberalism of the 90s I need to observe that of thirty (30) years before, comparing and contrasting each, to understand the limits of the past that were overcome and the atavisms of dictatorial neoliberalism it could not escape.

Neoliberalism became popular in Argentina in part because of the apparent failures of ISI and the loss of favor of heterodox economic but also because of changing international political realities. Advocated by neo-Keynesian ECLAC economists Raul Prebisch and Celso Furtado, ISI was an attempt to reduce a country's foreign dependency through the local production of industrialized production in order to substitute foreign exports with domestic goods. These policies were developed by what may consider a neo-Marxian critique of classical economics. The US, for fear of Communism spread, rarely distinguished between socialism, communism, or Keynesianism: they were all ducks.

As Ambassador Richard Cunningham Patterson Jr. once said in reference to President Arbenz of Guatemala after he nationalized a portion of land, 70% of which was owned by US interest including the United Fruit Co. before the John Foster Dulles designed a US plan to a civil war to depose him that lasted 36 years:

²⁰¹ See Becker, J., Jäger, J., & Musacchio, A. (2002). Finanzsystem und Krise in Argentinien und Chile. Kurswechsel, pp. 32-44.

“Many times it is impossible to prove legally that a certain individual is a Communist; but for cases of this sort I recommend a practical method - the “duck test.” The duck test works this way: suppose you see a bird walking around in a farm, yard. This bird wears no label that says “duck.” But the bird certainly looks like a duck. Also, he goes to the pond and you can notice he swims like a duck. Then he opens his beak and quacks like a duck. Well, by this time you have probably reached the conclusion that the bird is a duck, whether he’s wearing a label or not²⁰².

Socialist policies anywhere in Latin America were being severely scrutinized by the U.S. who was willing to do whatever it took to ensure that Communism would not spread, be it through cooperation, cooptation, or through direct and indirect military intervention as witnessed in many a country such as Guatemala and Cuba²⁰³, as enumerated in Chapter III. The US preferred supporting free markets with state-intervened peoples over free people with economic state-intervention that could lead to Communism. Communism and Keynesian economics in Latin America were considered analogous. In the end, Argentina’s introduction to neoliberalism in an authoritarian fashion only succeeded in creating an artificial government-managed economy rather than one more open to market forces. Argentina’s military simultaneously embarked on the National Reorganization Process.

²⁰² Cottam, M. L. (1994). *Images and intervention: U.S. policies in Latin America*. Pittsburgh: University of Pittsburgh Press, p. 39.

²⁰³ This is common knowledge, however a very enlightening account of these events in terms of the different US departments (Treasury & State), their involvement, and the cognitive motivations behind intervention or support of military regimes reading Cottam, M. L. (1994). *Images and intervention: U.S. policies in Latin America*. Pittsburgh: University of Pittsburgh Press stresses the fears and ideals underpinning the ideological positions we I am referring to here.

There was no difference in how these policies were implemented; whereas Peron used strong interventionism to promote nascent industrial sectors of the economy; the military were to do the same, only changing the beneficiaries of said intervention from syndicates to private capital and intermediary goods production companies²⁰⁴. An ideological coup d'état in means, the state did not increase its autonomy from interest groups pressure²⁰⁵ by letting markets regulate it but rather simply implemented the same logic as previous governments while shifting the winners and losers. It is hard to think that anyone could believe that anything democratic could be achieved when following authoritarian means as in Democracy, the means are in fact the end.

This institutionalized form of over-bearing executive, lack of legislative process, and all-or-nothing interest articulation/polarization will also be witnessed in the second iteration of orthodox neoliberalism of the 90s in Argentina, making the democratic ideals it eroded more important to resolve versus the economic hardship Convertibility in the end created. It is easier to resolve an economic crisis of market imbalances than a democratic imbalance in conceptions of citizenship within individuals of a country; the first inherently segregates domestic interests between winners and losers while the second only has losers. We will discuss these consequences at much greater length in Chapter V, for now we simply account do their presence under the military regime and foreshadow their reappearance in the 90s.

The consequences of the military's self-induced contradiction were, in the end, disastrous. Argentina was bankrupt, debt exponentially increased and public expenditures rose dramatically²⁰⁶. The military had to resort to three large devaluations, and in essence was unable

²⁰⁴ See Kosacoff, Bernardo. *El sector Industrial Argentino*. Buenos Aires: CEPAL, 1992. and Kosacoff, Bernardo. *La industria argentina: un proceso de reestructuración desarticulada*. Buenos Aires: CEPAL, 1993.

²⁰⁵ Canitrot, Adolfo. *La disciplina como objetivo de la política económica. Un ensayo sobre el programa económico del gobierno argentino desde 1976*. Buenos Aires: Cedes, 1979.

²⁰⁶ Palermo, Vicente and Novaro, Marcos. *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO, 1996. p.51.

to follow a determined exchange rate policy, but rather resort to after-the-fact measures to redress the Argentine monetary sail time and time again. This decent into chaos - economically, politically, and socially speaking - is important to mention, not only because it explains the state of the economy when Alfonsín steps up to the plate, but also because it institutionalized patterns of power and economic articulation that still persist in Argentina. A neoliberal inheritance passed from one iteration to the next, I discuss its reappearance in greater detail in Subchapter IV.C. when speaking of Cavallo's role in the process and its consequences in Chapter V when talking about the effects it had on changing identity and citizenship.

Authoritarian neoliberalism would not reduce state-intervention (in political terms) under an Argentine dictatorship and what's worst, it irrevocably linked neoliberalism to authoritarianism, expressing the idea that the international community – and perhaps even domestic neoliberals - are more concerned with free markets than free people, and that these free markets – in the end - simply privilege the SRA and UIA interests over the CGT's. Neoliberalism would have a second chance in the 90s to restore economic order without the authoritarian sub-text such a process implies, unfortunately an increasing use of executive decrees and side-stepping of legislative processes turned was originally a Congress-sanctioned CBA into the embodiment of an economic practice to be sustained by any means necessary.

It is interesting here to note that in terms of promoting neoliberalism internationally, the first Argentine interlude with it was about promoting economic control, not the political freedom it promises. Neoliberal policies in Latin America have mostly been associated with authoritarianism²⁰⁷ by its critics and others, making them unpopular below the equator and undesirable for a newly democratic government to employ. It is no wonder then that many of

²⁰⁷ Palermo, Vicente and Novaro, Marcos. *Politica y poder en el gobierno de Menem*. Buenos Aires: FLACSO, 1996. p. 50.

neoliberalism's proponents in the 90s, when referring to that period, usually only refer to technical aspects of certain policies and their successes, rarely, if ever, acknowledging the political autocratic governments implementing them. It is however that much more interesting, paradoxical, that a populist party like Peronism brought neoliberalism back to life in Argentina.

Perhaps though it was necessary. If domestic and international neoliberal agents were to attempt to gain prominence again, they would have to disassociate themselves of their ideologies past authoritarian bent and stop conjuring images of efficiency and market forces reminiscent of Brazil (1985) or Guillermo O'Donnell's (1973) description of bureaucratic authoritarianism. What better way to regain popularity than re-introduced by the Argentine political party, supported by the interest group that most suffered from its last iteration, labor, or in other words, Peronism? Whether this was planned or serendipitous is irrelevant; the promise of a neoliberal Peronism was a chance at escaping past failures – in the first neoliberal policies promoted in Argentina as well as the means by which they were promoted, authoritarianism.

IV.B.2. The Washington Consensus (WC) vs the International Neoliberal Network (INN)

Menem's Presidency prior to Cavallo: July 1989 - March 1991

Menem's first year and a half as president, from July 1989 to March 1991, was marked by the immediate implementation of the Washington Consensus, a set of tempered neoliberal policies conforming to what the US, IBRD, IMF, and foreign creditors considered was optimal policy for Argentina. To gain support abroad and amongst neoliberal domestic interests such as agribusiness and industry, Menem nominated the head of Argentina's largest agribusiness C.E.O. to be his

Minister of Economy, Miguel Roig, thereby soldering his presidency's link to a local neoliberal network, itself part of a larger international one.

This volte-face in Peronist interest representation marks the end of a traditional form of Peronism, ushering in one that breaks with its longstanding support of Labor and domestic markets, taking a first step into the Washington Consensus. A closer look at Menem's first month as president reveals the specific international and domestic allegiances he makes within the Washington Consensus, which specific policies he implements as a result, and by which means he does so. It details how the split with organized labor occurs, and foreshadows how this will invariably lead to a more orthodox form of Argentine neoliberalism.

Upon Menem's entry to power, hyperinflation had reached the point where a single US dollar was equivalent to 1.000 Australes, the currency preceding the Peso. Taxi drivers pushed their cabs to avoid having to use petrol, Austral deposits became worthless, and people took to the streets to protest their discontent. His initial attempt to halt hyperinflation by simply tweaking the Austral's value succeeded at first, but would not I.V. for long. By the end of the first year and seven (7) months of Menem's administration, multiple ministers of economy walked through the ministry's revolving door and the Austral skyrocketed from 1,800 Australes per dollar by December 1989 to 9,440 in February 1991.

Menem's first months as President were marked by coalition building and policy design, initiating the first wave of neoliberal policy reforms. The very first month marks the assertion of neoliberalism's place in Peronism and in Argentina, what some call his clear intentions to follow the Washington Consensus²⁰⁸. I believe the statement is accurate but I also consider this the first

²⁰⁸ Fanelli, José María, Frenkel, Roberto, & Rozenwurcel, Guillermo. (1990). *Growth and structural reform in Latin America. Where we Stand*. Buenos Aires: Cedes.

step neoliberal agents take in consolidating their place in the Menem administration is also a first step towards establishing a more orthodox form of neoliberal ideology that articulates outside the Washington Consensus, but rather through what I refer to as the International Neoliberal Network.

The progressive shift from a mild form of neoliberal ideology articulated by the Washington Consensus to a more orthodox set of neoliberal ideology articulated through the INN is marked by (a) the succession of his ministers of economy and their relative relationship/support of neoliberalism; (b) the increasing austerity of their respective programs, (c) changes in language reflective of changes in self-identity of the Peronist party, and (d) the shifting terms of relationships between neoliberal agents and government witnessed throughout this whole case study.

Each additional step brings the Menem administration closer to moving beyond the original consensus to a purer uncompromising form of neoliberalism. The first of these was to nominate Roig, a former member of Bunge & Born, as minister of economy, as evidenced by the policies he and his successor would implement. As an agro-business giant, Bunge & Born's affiliation to its local neoliberal institutions is well documented. At the bottom of a global commodity chain and an exporter of some processed agricultural goods, the export-oriented SRA would benefit from open markets, decreased social spending, but would also advocate to maintain certain capital controls and an undervalued currency to sell their products abroad at a relatively lesser cost abroad, unlike Convertibility which would increase their price abroad and make it more difficult to compete with companies in countries with larger efficiency of scales and public subsidies like the US.

Upon his sudden death after a heart attack, Nestor Rapanelli -- another ex-member of Bunge & Born -- was chosen to succeed him and implement the package of "First Wave" neoliberal policies known as the "Plan Bunge & Borg" or "Plan BB". The plan consisted in initiating mild price controls, devaluing the austral by 170%, reducing fiscal deficits, deregulating markets, and

implementing a comprehensive set of privatizations and labor laws (“flexibilización”) contained within the “Economic Emergency Law”, later re-approved by Congress in September, but first initiated by Alfonsín granting the Executive emergency economic powers. While this made the Bush administration and IMF very happy, it outraged labor unions.

While the Plan BB would not prove to be successful by the end of the year as hyperinflation resurfaced, it did complete a quite complex political goal: dividing the labor union while moving forward the neoliberal agenda. Conquering labor and reducing their stakes in the economy would prove to occur much later, but the process at this point was being set into motion and clearly market Peronisms’ shift to a form of free-market Peronism later known as Menemism. The economic plan being a failure, inflation continuing to increase, it is not surprising that Menem changed ministers once more in June 1990, nominating Antonio Erman Gonzáles.

While Gonzáles’ stay would also be short lived, he would institute what would be known as the Bonex Plan through Executive Decree 36/90²⁰⁹, an obligatory conversion of Austral deposits into dollar denominated bonds – as designed by the U.S. Treasury Department’s senior official whose name they bore, Brady. By now, Peronism’s *derive* from its original historically defined identity was clear as inter-party fighting became even more virulent than the oppositions critiques. The political leadership of the party split, while its constituency was alarmed at the direction its party was taking.

Once again, the economic plan enjoyed limited success, but in the end accomplished the clear political objective of further weakening labor’s position relative to the State, and even that of the Peronist party. It is at this point that Domingo Cavallo, from the Fundación Mediterránea,

²⁰⁹ Palermo, Vicente, and Marcos Novaro. *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO, 1996. p.262.

one of Menem's "idea factories"²¹⁰, was called from being Chancellor to becoming Minister of Economy and almost immediately announced the Convertibility Plan in March of 1991. What follows is the play by play of Menem's first month revealing how the institution of neoliberalism in government, by a network of domestic and international proponents, and the subsequent adoption of Convertibility, was **(H.III) a political end advanced by Cavallo to further the reach and solidify the power basis of neoliberalism in Menem's Peronist government.**

IV.B.3. A Closer look at Menem's First Month as President in Terms of Interest Articulation: July 1989

The very day Menem takes office on July 8th 1989, his first Minister of Economy Roig meets with industrialist and agribusiness to discuss freezing prices for 90 days²¹¹, the president of the UIA, Gilberto Montagna, agrees to it four days later²¹² and rallies the rest of Argentina's 450 "leader companies" to do the same two days after that²¹³. It's a festive time, in part because the elections have concluded, but Argentines are also preparing to celebrate their Independence day two days later²¹⁴. This is a nice reprieve and sets the tone for people's impressions of his first month of government after what felt like an interminable inflationary "purgatory".

Several articles and ads in *La Nacion* describe Menem's plan for the economy, how he intends to work with Alvaro Alsogaray and his neoliberal "compatriots", with input and participation from the largest company in Argentina, Bunge and Borg, and one of its former

²¹⁰ Palermo, Vicente, and Novaro, Marcos. (1996) *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO. p.360.

²¹¹ Reuniones hasta última hora para definir el plan. (1989, July 8) *La Nación* p. 11.

²¹² Avalara la UIA un acuerdo sobre precios con las empresas líderes. (1989, July 12). *La Nación*, p. 15.

²¹³ Hoy quedaría concluido el acuerdo de precios. (1989, July 14). *La Nación*, p. 1.

²¹⁴ Fue celebrado en todo el país el Día de la Independencia. (1989, July 10). *La Nación*, p. 1.

principals, now Minister of Economy²¹⁵. Following a model said to be inspired by Lawrence Klein, a Keynesian econometrician popular in the 80s, the President is described as choosing “practical versus ideological posture”²¹⁶ because he is implementing policies despite his own party’s ideals. In reality, of course, they remain ideological, just supporting agro and industry’s interests, as opposed to labor’s. Referring to Klein reflects a progressive move to free-market economics but with a tempered applied Keynesian outlook. The new economic plan is well perceived in markets, as the Argentine stock market goes up several points²¹⁷.

The way Menem is characterized is typically indicative of neoliberal discourse - that it is to say as ideologues they tend to self-identify as devoid of normative positions but rather advancing either a practical “non-ideological” position or one conforming to some “natural economic law” – usually through silence or omission - and yet this is far from being the case. These, of course, are all things he also mentioned in his acceptance speech²¹⁸. This is not the first instance of such rhetorical strategies; this form of self-identification as a non-ideology, as a natural phenomenon, as apolitical is witnessed earlier, such as when referring to earlier referring to Martinez de Hoz’ policies but avoiding to mention the dictatorial link. Later too, Benehas Lynch, a staunch local neoliberal and “Cavallo Boy” as well as Jeffrey Sachs, for example, too publish op-eds with the same discourse characteristics. I reveal the instances of this type of discourse in my case study and further elaborate on the purpose and danger of such discourse in Chapter V.

In an attempt to show how “practical” he is, and as a means to continue pulling on the populist strings that first got him so much popular support during his campaign, Menem announces he will be finding a solution to the lingering railway problems and strikes as well as trying to

²¹⁵ Roig anuncio los lineamientos generales del plan económico. (1989, July 10). *La Nación*, p. 1.

²¹⁶ El horizonte económico de Carlos Menem. (1989, July 9). *La Nación*. Sección 3^a: Economía/Finanzas, p. 1.

²¹⁷ Reacción favorable en los mercados. (1989, July 11). *La Nación*, p. 1.

²¹⁸ El texto del mensaje presidencial al Congreso. (1989, July 9). *La Nación*, p. 19.

negotiate a means to recuperate the Malvinas from England²¹⁹. The first being a year-long Herculean task the Alfonsín government failed at resolving like hyper-inflation, and incidentally felt by half the population living in the greater Buenos Aires metropole; the other a heart string tugged by dictators, despots, and democratic leaders alike to stir Argentine pride in the past as a means to re-focus citizens' gazes outward.

Alberto Benegas Lynch, the son of Alberto Benegas Lynch, the founder of the CESL – one of Argentina's first neoliberal think-tanks, and a former member of the Board of the Mont Pèlerin Society, and member of the Advisory Council of the Institute of Economic Affairs (London), also Adjunct Scholar at the Cato Institute (Washington DC), refers to the “new world economy” and the (neo)Liberal movement Argentina is now finally becoming part of²²⁰ in an op-ed published in *La Nación*. In addition to the ideological support neoliberalism receives on all sides, as which is continually referred to in the papers, the new Menem government too receives financial support from outside and within.

Minister Roig is able to negotiate a bridge loan with the U.S. government, supported by the IMF, at a meeting where representatives of the U.S. treasury and IMF are accompanied by economists Desmond Lachman and Ted Beza²²¹. The Argentine government takes the opportunity to announce it will start privatizing state companies. Concurrently, Jose Dormi, Minister of Public Works, presents a modification to the Law of Economic Emergency instituted under Alfonsín to allow for the state companies to be privatized²²², a list of which is released a day later by PEN, the

²¹⁹ Cavallo: disposición para iniciar el dialogo con Londres. (1989, July 12). *La Nación*, p. 5.

²²⁰ La “nueva” economía y el futuro del liberalismo. (1989, July 12). *La Nación*, p. 9.

²²¹ Negocian un préstamo puente con el gobierno norteamericano. (1989, July 12). *La Nación*, p. 11.

²²² Propuesta del Gobierno para privatizar empresas del Estado. (1989, July 12). *La Nación*, p15

organization that will be herein administering the privatizations of state-owned companies²²³. The IMF approves²²⁴.

After Menem's first week as president, there is so much going on that *La Nación* has to publish an article to keep track of how many measures, reforms, and adjustments have been implemented²²⁵ while a short article re-vising history finds a means to rationalize all these changes as a natural progression of Menem's past political history as a practical versus ideological politician²²⁶ versus the dramatic folte-face it was to secure his bid as President. Power, it would seem, requires the revision of history to justify its place in it.

The following day, Jeffrey Sachs is interviewed by *La Nación* over the phone for his opinion of Menem's policies and his reply is that Menem is on the right path. Stabilization, as he sees it, won't work without a system of internal credit though. Hoz's plan, he recollects, referring to neoliberalism under an authoritarian regime (without ever recognizing the fact it occurred during a dictatorship), failed because there was no fiscal policy to go along with it, nor a serious attempt to reduce the government deficit. He adds, if Menem wishes for his reforms to work, they will need to be followed by more orthodox stabilization policies and further opening up the economy²²⁷.

Of course, the fact that he helped design Menem's program, or at least that the newspaper reported as much weeks before, seems to escape both the journalists' and Sachs' minds. Ignoring neoliberalism past in Argentina is a rhetorical device to discuss economic policy without relating it to the power and political structures that make it possible. In his case it serves the purpose of referring to something that occurred dictatorial times as positive without the unpleasantness of

²²³ Anunciaron la nómina de empresas que el PEN propondrá privatizar. (1989, July 13). *La Nación*, p. 1.

²²⁴ Encaran drásticas reformas para el sector público. (1989, July 18). *La Nación*, p. 1.

²²⁵ Los seis días del Plan de Miguel Roig. (1989, July 16). *La Nación*, Sección 3A: Economía/Finanzas, p1

²²⁶ Un cierre imprevisto de la primera semana de gobierno. (1989, July 16). *La Nación*, p. 9.

²²⁷ Planes y objetivos de los que volvieron al llano. (1989, July 16). *La Nación*, p. 7.

having to make some qualifying statement and make Sachs opinion appear uninterested despite his help in helping design the programs he is referring to.

Supposedly “responding to these concerns from up North” that Menem’s administration needs to pursue more structural changes, Cavallo travels to D.C. to further signal the Argentine government’s intent to deepen neoliberal reforms and hopefully gain additional support from the U.S. government. He meets with Dan Quayle, James Baker in State, and Nicholas Brady at Treasury. He also meets with Senator Pearl, the President on external Senate relations, as well as representatives from the OAS and IMF. That very day the World Bank announces it will offer Argentina loans to help with its state reform program²²⁸ to implement deeper structural reforms while Chase Manhattan and JP Morgan announce losses due to un-recuperated Argentine debt bonds²²⁹.

According to what Cavallo remembers, his first meeting with Mr. Baker while productive starts on a skeptical note as he asks Cavallo if the Menem administration was aware of Project Condor, an Argentine initiative to create a medium range missile financed and destined for Irak²³⁰, insinuating that any US-Argentine help would have to be reciprocal. With the help of Toddeman, the US ambassador to Argentina, and in coordination with Bernie Aaronson, the Subsecretary of Latin American Affairs, Menem promised to abandon the project altogether²³¹, disposing of all the material with the help of the Spanish government²³² starting Argentine-US relations under the Menem administration on a note of mutual cooperation. As Cavallo explains it, this event was

²²⁸ El Banco Mundial prestaría fondos para la reforma estatal. (1989, July 18). *La Nación*, p. 11.

²²⁹ Declinan ingresos en bancos de los EE. UU, por la deuda argentina. (1989, July 18). *La Nación*, p. 11.

²³⁰ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p.18.

²³¹ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p21.

²³² Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p24.

pivotal in getting the US's full support with respect to Argentina's debt restructuring, and marked the tone for all things to come²³³.

Relatively quiet in the first week of Menem's presidency, the CGT met with Minister Rapanelli, the new Minister of Economy after Bunge died, to discuss the price freezes and in order to find some common ground on salary modifications²³⁴ alongside the SRA and UIA which also participated in the meeting²³⁵. Meanwhile, the Peronist party leadership in the House comes out in support of Menem and his government's action; they arrange to meet with the president to discuss the Law of Economic Emergency and that of State Reform he will soon be sending to Congress²³⁶. At the time, Jeffrey Sachs is reported as telling Rapanelli that he believed interest rates should be higher and that he should do something about it while Brent Scowcroft requests to speak to Menem about the government's plans for fiscal reform.

Not sparingly, Mr. Scowcroft's request is made two months after his subordinate, in the US government and his consultancy firm, Daniel Poneman published an op-ed in *La Nación* about structural reform and Menem's new Peronism²³⁷. All these agents have been discussing these structural adjustments for months and supporting each other's work, quietly, outside the public eye. The *Washington Post* echoes DC's interests in Argentina's fiscal reforms as it indicates that Menem will have to take them more seriously if he is to receive help from DC²³⁸. To this effect, Dromi meets with Ambassador Toddman and his commercial council Eric Slette to discuss just

²³³ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p. 22.

²³⁴ Rapanelli analizo el plan de la CGT. (1989, July 19). *La Nación*, p. 1.

²³⁵ Rapanelli explicó ayer el programa económico. (1989, July 19). *La Nación*, p. 13.

²³⁶ Respaldo del PJ a la acción del Gobierno. (1989, July 19). *La Nación*, p. 1.

²³⁷ Untitled. (1989, July 22). *La Nación*, p. 3.

²³⁸ Opinión en EE. UU. Sugieren encarar seriamente el tema impositivo. (1989, July 22). *La Nación*, p. 11.

that²³⁹, which Menem follows up by announcing he will meet with Bush to discuss this and other pending issues²⁴⁰ the U.S. and Argentina still need to resolve.

As negotiations develop regarding price controls domestically, the CGT which all this time remained silent, calls for unity across all labor movements, asking that salary discussions have no upper or lower limit from the onset²⁴¹. This is followed by the CGTs first vocal criticism of the government for their staggered disbursement of public salaries to which Menem firmly responds he won't consider as he is unwilling to "take ultimatums from anyone"; promising to meet with the CGT leadership later to discuss this²⁴² but assuring he will not be pressured to make decisions. What was a conciliatory tone that tried to balance his party's past interests with his future direction now becomes more discursively intransigent and aggressive towards labor. This deepening of US-argentine relations requesting deeper neoliberal reforms starts to define a less conciliatory form of neoliberal adherence and total dismissal of labor.

This shift in public support is course a big blow to organized labor, especially in light of the public administration reforms the government has already announced which by now has received the UIA and SRA public backing²⁴³, that Menem asks the Peronist senators to rapidly sanction²⁴⁴, and they do²⁴⁵. Labor's ground is shrinking, rapidly, as their political party does not seem to be representing their interests nor do they find a seat at the table while the President discusses the public sector reform with the SRA, UIA, and eight largest Argentine company representatives without their participation or even presence²⁴⁶. Not more than a month in Menem's

²³⁹ Dromi se reunio con el embajador Todman. (1989, July 22). La Nación, p. 11.

²⁴⁰ Menem se reunirá con Bush en septiembre. (1989, July 23). La Nación, p. 1.

²⁴¹ Ubaldini exigió que las negociaciones salariales no tengan tope ni techo. (1989, July 23). La Nación, p. 5.

²⁴² La Nación, 1989.07.26, p1

²⁴³ La Nacion, 1989.07.26, p1

²⁴⁴ La Nacion, 1989.07.26, p1

²⁴⁵ La Nacion, 1989.07.27, p6

²⁴⁶ La Nacion, 1989.07.27, p11

presidency, Labor is now a political outcast with little to no venue for representation. Minister Dromi calls the reform absolutely necessary²⁴⁷ as Alvaro Alsogaray calls all Argentine to literally “remove the dollars from under their mattresses” to put them into banks because though it may take time, everyone should pitch in to help Argentina pay back its debt²⁴⁸. This marks Peronism identity change and its taking one step out of the IBRD/IMF conciliatory form of neoliberalism articulated within the Washington Consensus into a more orthodox US-government-approved form of neoliberalism.

One of the reoccurring themes in neoliberal ideological deployment in Argentina, shared by both its domestic and international agents, with the Washington Consensus and the INN, and something reproduced by media and popular opinion across our time period, is their self-identification as a group of people that do not hold themselves as holding an ideological position despite their specific doctrine’s historical origin with the clear ideological tenants I developed in Chapters II and III. All throughout our case study, we have come across op-eds, opinions, and accounts of neoliberal economists as practical, non-ideological, or simply helping officials step-aside and let markets take effect.

An article about how the Bunge and Born plan was hatched six (6) months earlier in December 1988 re-iterates this contention, describing how it was developed as an econometric model to help the largest agri-business firm in Argentina forecast the economic crisis and plan their business cycles accordingly²⁴⁹, briefly describing in layman’s terms what an econometric

²⁴⁷ La Nacion, 1989.07.29, p 1

²⁴⁸ La Nacion, 1989.07.28, p1

²⁴⁹ Un plan que nació hace seis meses. (1989, July 23). *La Nación*, Sección 3^a: Economía/Finanzas, p. 1.

model does. In essence, the program is referred to merely as a technical study lending its private sector uses to the public sector.

As the story is told, Bunge and Borg first approached Alfonsín with their model hoping it could help the previous government adjust its own economic plan, but when he refused, they approached Menem whom, as of May 1989, has adhering to it as the basis for his set of economic policies calling for fiscal adjustment and structural adjustment. What is interesting and simultaneously ironic is that on that very same page, Alvaro Alsogaray, one of the main promoters of neoliberalism in Argentina, and one of its sponsors in the Menem administration, and the neoliberal candidate that gave Menem the extra support to win the elections over the UCR, published an article on technocrats²⁵⁰ and their dangerous relationship to government.

Instead of talking about himself, or Bunge and Borg, and the ways by which they ideologically, politically, and rhetorically nestled neoliberalism in Menem's "renewed" Peronism, he talks instead of what he refers to a "modern oligarchy of technocrats that used to rule Argentina in place of letting liberal democracy, which produces an economic and social order free of interventionism and the despotism of state-involvement into matters best solved by the market". On the face of it, one would hope that anyone advancing an ideology that negates its own ideological position after speaking of its ideological victory four weeks before would be seen with critical eyes, but the reverse reaction occurs, as the message of practicality over ideology strike a chord in the popular imaginary and populist appeal to common sense.

I suppose the best place to hide is in plain sight, and by equating Keynesian or state-interventionist policies as designed by technocrats, through the force of an implied dichotomy, Almogavar suggests that neoliberal technocrats are in fact not technocrats at all, as they do not

²⁵⁰ Nunca más la tecnocracia dirigista. (1989, July 23). *La Nación*, Sección 3ª: Economía/Finanzas, p. 1.

intervene nor do they compose an elite class of advisors, but rather simply that they help the market regain its natural reign. In essence he puts forward the idea that there is no such things as a neoliberal technocrat, something share amongst neoliberalism as a whole, outside of Argentina, and whose consequences I develop in greater detail in Chapter V.

This disingenuous langue echoes some of neoliberalism's critics concerns, particularly Harvey's intuitions (2010) that this signals an attempt to justify elite power versus being a naïve consensus about how the neoliberal economic order frees people. The technocrats Alsogaray points out as forming an ideological elite that resides outside of neoliberalism may very well exist, a political class, connected through organizations of diffusion, economists, think-tanks, foreign economic advisors, and international organizations promoting an ideology other than neoliberalism, but nothing suggests neoliberalism does not do the same; in fact this case study proves that it does.

Alsogaray thus seems to refer to what in essence can be considered an ideological coup. Not unlike the one Minister de Hoz initiated under the military regime, this suggests not only that neoliberalism was destined to follow the same authoritarian patterns as in the past, but also, and more importantly, that Argentine economic policy seems particularly motivated and sensitive to changes in international discourse and ideology. Ideologically-inspired politicians and policies have advanced such self-descriptions in argentine politics before, but at their core, these ast ideologies have never considered themselves non-ideologies in theory.

Neoliberalism however does, in practice as witnessed here, but also in theory, described itself as devoid of a normative position, unregulated, moved by natural forces. It is easy to refute and discern political posturing when a politician or technocrat presents an idea as non-ideological. It is a wholly different matter when theorist, academics, and an entire profession such as applied

economics allows for such decryptions to permeate their spheres, suggesting some scientific rational or basis for such an argument. This builds momentum and makes it more difficult to refute, or even for that matter, name.

By the end of the first month of the Menem presidency, Peronism found itself irrevocably altered. Switching economic programs from a Keynesian state-interventionist populist program with some popular neoliberal components indicative of Peronism's ability to adapt to the 90s as designed by Eduardo Curia to a neoliberal program of structural adjustments including massive state reform, the planned privatization of almost all public companies, a tax reform, and a "flexibilization" of labor.

The plan was designed by the largest agro-business company in Argentina which has historically been opposed politically, economically, and ideologically to the Peronist party. Implementing these changes is not simply a change of mind, or adaptation, but rather a complete change of identity and the ensuing structure of political interests that accompany this change. For if one political party's identity, and it incorporates traditionally opposed interests, so too will all parties change. Identity, as a social contract, is always defined in reference to one's relative position to others. While this identity change directly altered Peronism, it too changed the whole of Argentine interests and identities.

Menem used the media, changes in language²⁵¹, and his cult of personality as a "practical"²⁵² Peronist to redefine Peronism to justify his reforms and build a new support base²⁵³.

²⁵¹ See Landi, Oscar. (1987). *Crisis y lenguajes políticos*. Buenos Aires: Cedes, and Hilb, Claudia. (1994). *Promesa y política. Promesas traicionadas y transición democrática*. Buenos Aires: Instituto de Investigaciones de la Facultad de Ciencias Sociales de la Universidad de Buenos Aires.

²⁵² Palermo, Vicente, & Novaro, Marcos. (1996). *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO, pp.145 & 358.

²⁵³ Ibid. p. 373.

Peronism's initial legitimacy was founded on populism and the revolutionary movement against past injustices. However, in light of re-democratization, there was no enemy, without "enemy there is no revolution"²⁵⁴. A conflictive political movement structure could not persist in a newly democratic Argentina, a new ideological road map needed to be elaborated²⁵⁵.

Menem therefore redefined Peronism into a movement based on state efficiency and legitimacy through "electoral competence"¹⁰⁸. The enemy here was a failing economy, and in light of such a threat, Menem presented neoliberal policies as a means to overcome that enemy. Ideas previously rejected by Peronism and the interest groups previously opposed to Peronism both supported Menem, consequently changing the ideological composition of a political party and the interest groups related to it²⁵⁶ as well as adding new interest groups in the support of a previously "enemy" party.

Here is an instance where actors not only don't promote their own interests, but actually participate in eroding/opposing them. This in turn changed the whole Argentine party competition structure and ideological composition of other existing parties that were required to adapt. Peronist intervention was replaced by neoliberal policies under a new banner of Peronist renovation, Menemism. I will discuss this change of identity further in Chapter V, but for now I explain how this re-definition of identity and domestic neoliberal beachhead forged through the Washington Consensus in the Menem administration paved the way for a more orthodox process of neoliberal ideological dispersion through the INN as epitomized by the adoption of a CBA.

²⁵⁴ Ibid. p. 395.

²⁵⁵ Ibid. p. 127.

¹⁰⁸ Ibid. p. 397.

²⁵⁶ See González Bombal, Inés. (1993). *El misterio de la fórmula política en la matriz estado-céntrica*. Buenos Aires: Mimeo.

IV. C. Convertibility: A Domestic End and International Means

Till now, we have explored how Menem used **(H.I) neoliberalism's popularity and resources as a means to secure his power**, catering to the international community it was popular in and the institutions conforming to one of its processes of ideological diffusion and political advocacy, the Washington Consensus. The Washington Consensus, as described in Chapter III, is characterized by a conciliatory/measured conjugation of neoliberalism in Argentina, tempered by the original White/Keynes compromise of the Bretton Woods institutions that comprise it and the professional experience shared by most development economists.

The particular form this articulation took in Argentina, as described in Subchapter IV.A., signaled Menem's rapprochement to free-market liberalism by consolidating two political allegiances: one with Alvaro Alsogaray and the UCD party that provided Menem with the votes to win the 1989 election, but also an allegiance with a local variant of neoliberalism he opened his administration to, a group of economists, business leaders, and politicians that would transform Peronism. These connections are embodied in the succession of Ministers of Economy and the "first wave" of neoliberal policies Roig, Rapenelli, and Gonzalez put forward discussed in Subchapter IV. B.

Menem's adherence to the Washington Consensus in turn not only **(H.II) reconstitutes Peronism's identity, but that of all Argentine political parties, recomposing the underlining interests they represented** in an ideological game of musical chairs. The local network of neoliberal think-tanks, economists, and politicians the Consensus empowers is subsequently able to **(H.III.) anchor neoliberalism, advancing more orthodox policies as a political end** towards overcoming neoliberalism's past association with a military regime and **crystalizing their presence in government and the citizen's imaginary**. As surely as the domestic branch of the

INN takes advantage of the Menem's step towards neoliberalism via the Washington Consensus, so too do international neoliberal agents – Steve Hanke and Kurt Schuller - take advantage of the domestic INN's newly-found position in government to **(H.IV) use Argentina as an ideological stepping stone to promote CBAs across the developing world.**

What follows is A) an ideological and institutional history of the domestic neoliberal branch of the INN headed by Cavallo and the IIREAL he founded in the 70's. It is followed by the story of B) how the local network of neoliberal think-tanks and activists he belonged to extend their orthodox ideological position across Menem's government, crystalizing its position in power. The tempered neoliberal voice of the Washington Consensus develops a more sustained and direct link to government this advance more close-to-the-original, orthodox set of neoliberal reforms, without the need to pass through the Washington Consensus but rather directly through the INN.

In the end this is the story of how C) Convertibility is a political end of the domestic network of the INN to advance orthodox neoliberal exchange rate regime policy. It is the story of how, this D) simultaneously provides the space and domestic support of the domestic INN for intentional adherents as Hanke and Schuller to participate in the CBAs design/adoption and use of it as a stepping stone to promote it across other developing countries. While it is not clear whether the international chicken developed Convertibility before the domestic egg, it does point to two very distinct, interconnected stories depicting two sets of varied winners and losers, co-existing in the same process of neoliberal promotion in the INN.

IV. C. 1 Cavallo, IREEAL, and the INN

Born in 1946 in the province of Cordoba, Cavallo would become one of the most visible economists of his time in Argentina. He received his PhD from Harvard, focusing on Argentine

inflation and monetarism. Principally influenced by Raymond Barre, a French Economist and later Prime Minister of France, Cavallo was particularly interested in the “rules of the game” -- how an economy is organized, who the interest holders are, and how they interact among each other -- and how all this relates to the Argentine market²⁵⁷. Argentina’s economic problems, according to his work, were not a result of foreign capital and the interplay of terms of trade, but rather due to the internal political culture that created irresponsible leaders whom would intervene in market transactions for their own benefit or with the purpose of delivering the goods promised through populist patterns of Caudillaje .

Cavallo would prove to be the prototypical example of what Dominguez (1997) refers to as a technopole, embodying the increasing role think tanks in Latin America, economic institutes, and their economists play in providing the theoretical framework for concrete government policy programs.

“The economic expert that was [once] carried "on the backs of natives" has been replaced by the native economic expert” (Babb 2005). All across Latin America, in parallel to the World Bank technocrats and economic experts from foreign “think tanks” that continued to lending their technical expertise since the Military Junta in the 70s (O’Donnell 1973), local talent has formed to present a local variant of some of the principal economic positions out there. Domingo Cavallo is one of these men. However, unlike their foreign counterparts, he is not a “mere” technical economist invested with power by politicians. Instead,

²⁵⁷ Yergin, Daniel, and Stanislaw, Joseph. (2002). *The Commanding Heights: The Battle Between Government & the Marketplace That Is Remaking the Modern World*. New York: Free Press, pp. 240-244.

successful technopols have made economics “political” and, in doing so, have created their own power and have enabled their politician allies to govern more effectively”²⁵⁸.

Cavallo was part of a foreign-trained elite that influenced Argentina’s economy and set the precedent for these types of relationships between theory and practice to this day.

Increasingly, the association of interests and political parties in Argentina have re-defined the role of intellectuals and academic institutions, which have consequently and conjunctively created research institutes funded by local and foreign capital to design, defend, and promote policies packages and create government officials. One such institute is the IERAL, the Research branch of a neoliberal think tank called the Mediterranean Foundation, Cavallo founded in Cordoba in XXX with the purpose of training a group of local economist with the technical know-how to advance neoliberal ideology in Argentina. In order to be successful, Dominguez suggests these technopols need to

“build their own teams and institutional bases provide them with ideas, cadres, and bases of support for their work [...] to create their own independent power – connected to but not fully representative of the societal actors targeted for reform – from which they can contribute to a wider political coalition and the implementation of change”²⁵⁹.

²⁵⁸ Domínguez, J. I. (1997). *Technopols: Freeing politics and markets in Latin America in the 1990s*. University Park: Pennsylvania State University Press., p. 4.

²⁵⁹ Domínguez, J. I. (1997). *Technopols: Freeing politics and markets in Latin America in the 1990s*. University Park: Pennsylvania State University Press, p. 4.

Such a description depicts the “Cavallo Boys” as economic Caciques in a system of ideological Encomienda. This seems like a rather harsh statement since, as we have witnessed in our case study, the relationships between agents in the INN are not unidirectional or dimensional.

The Mediterranean Foundation is simply, like any other ideologically-defined network, creating the agents necessary to promote and implement the policies they propose. The ECLAC, for example, is no different in its approach in promoting neo-Keynesian policies conforming to a Dependentista or World Systems Approach. I can only gather that like many critiques of neoliberalism, this description seems more virulent because unlike neoliberalism, all other ideologically-driven think tanks, such as ECLAC, do not self-identity as non-ideologies, so it is necessary for the authors describing neoliberal networks to emphasize this.

The IERAL, the Fundación Mediterránea’s research institute that Cavallo helped establish, was originally founded in the late 1970’s by a group of small and medium entrepreneurs in Cordoba²⁶⁰. Its members were smaller entrepreneurial businessmen that were both tired of corporatist practices between the government and major interest groups and held that economic dynamism was a result of the small/medium enterprises contributions to the Argentine economy. Their objective was to “advance the neoliberal politics of Martinez de Hoz”²⁶¹. By the time Menem would come to power, they had already conducted various studies relating to market reforms around the world and how they could be translated to the Argentine reality. Menem’s *volte-face* of Peronist politics was perhaps not initiated by the IERAL’s white papers but his economic agenda starting in April of 1991 was principally based on the IERAL’s research efforts and theoretical

²⁶⁰ Burgo, E. (2011). 7 Ministros: *La Economía Argentina : historias debajo de la alfombra*. Buenos Aires: Planet, p. 141.

²⁶¹ Ibid, p. 141.

arguments. This was no accident, as we observed in Chapter III, that establishing a neoliberal beachhead in Argentina was part of a larger international process initiated by the INN after WWII.

In his discussion of the intellectual influences behind the IEERAL, N’Haux (1993) singles out Hayek and Buchanan’s as Cavallo main influences during his studies with supply-side economist and his mentor and Mont Pèlerin Society (MPS) member, Martin Feldstein at Harvard. Cavallo’s PhD thesis, a rather strong critique of monetarism, reflects these influences. One of Cavallo’s long-standing colleagues at the IREEAL, Aldo Dadone, also wrote a PhD thesis in Chicago that ran a counter offensive to critiques of Neoliberalism²⁶² and established a critique of subsidies for regional industrial development²⁶³. Among the variety of people that helped Cavallo form his orthodox neoliberal position and eventual practices, were Larry Summers, Oaul Samulelson, Rodiger Dornbusch (the originator of the Trilemma), Stanley Fisher, and Richard Musgrave, many of which he took classes under²⁶⁴.

As a congressman, Cavallo saw early on that Alfonsin’s Plan Austral and Plan Primavera were slowly in decay. Cavallo would say later on that Alfonsin lost because the government failed to create a strong political coalition and he joined the Peronists “Renovadores” in criticizing Alfonsin, because he thought Alfonsin was not going far enough²⁶⁵. He therefore started actively criticizing the alfonsino government as of 1987, some saying actively contributing to its failure in trying to stabilize the country²⁶⁶. He aligned himself with the “Renovation” Peronists, an affiliation

²⁶² N’Haux, E.M. (1993). *Menem–Cavallo: El Poder Mediterráneo*. Argentina: Ediciones Corregidor pp. 159–163

²⁶³ N’Haux, E.M. (1993). *Menem–Cavallo: El Poder Mediterráneo*. Argentina: Ediciones Corregidor, pp. 157–163.

²⁶⁴ Burgo, E. (2011). 7 Ministros: *La Economía Argentina : historias debajo de la alfombra*. Buenos Aires: Planet, p. 140.

²⁶⁵ Corrales, J., 1997. Why Argentines followed Cavallo: a technopol between democracy and economic reform in: Dominguez, J.I. (ed.). *Technopols: freeing politics and markets in Latin America in the 1990s*. University Park: The Pennsylvania State University Press, pp. 49–94.

²⁶⁶ Plehwe, D. (July 01, 2011). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*, 5, 2, 127-148. p. 137.

which at the time seems to have set the Cordoba wing of the INN further apart from the Alsogaray/Buenos Aires camp, but in the end converged when Alsogaray politically allied himself with Menem later in the campaign.

What is both fascinating and disturbing is that Cavallo originally did not join Menem's Peronism. The "Renovadores" broke with populist traditions to promote a citizen party similar to Alfonsín's Radicals, but they were running against Menem in the Peronist presidential primaries. Established in 1983, after the defeat to Alfonsín, the "renovadores" movement was a coalition headed by 25 progressive urban politicians that converged around broaden the PJ's electoral appeal to include middle-class and independent voters²⁶⁷ and successfully change the PJ internally with direct elections to select leaders and candidates²⁶⁸ by 1987²⁶⁹. Menem at this point was not only not aligned, but opposed to a compromising form of Peronism.

Menem won his candidacy against the leader of this new direction but eventually relied on their support to push through legislation as President, votes that ran against those of the trade union wing of his own party and original group he belong to²⁷⁰. Whereas Menem vacillated from one ideological position to another to enhance and sustain his power, Cavallo aligned with one or another party and interest group in order to promote his unwavering ideological position he expanded within said groups. Whereas Menem used neoliberalism to protect and enhance his political power, Cavallo used political power to promote and elevate neoliberalism to a higher

²⁶⁷ Abos, Alvaro. (1986). *El Posperonismo*. Buenos Aires: Editorial Legasa, pp. 82-84 cited in Levitsky, Steven. (2003). From Labor Politics to Machine Politics: The Transformation of Party-Union Linkages in Argentine Peronism, 1983-1999. *Latin American Research Review*. Vol. 38 (3), p. 14.

²⁶⁸ Levitsky, Steven (2003). From Labor Politics to Machine Politics: The Transformation of Party-Union Linkages in Argentine Peronism, 1983-1999. *Latin American Research Review*. Vol. 38 (8), p. 14.

²⁶⁹ Ibid p. 16.

²⁷⁰ Birle, P. (1997). *Los Empresarios y la democracia en la Argentina: Conflictos y coincidencias*. Buenos Aires: Fundación Editorial de Belgrano, p. 284.

position of power. A detailed case study, linking ideological histories, political interest articulation, and the power behind them is what allows us to distinguish these unique subtleties.

None of this, Menem's ambitions or Cavallo's idealism, of course would have been possible without the support of the entire Argentine network of neoliberal think-tank capacities that had built up over the years or the financial support they received from abroad. While the economic crisis created the opportunity for this movement to flourish, it had taken decades to develop a network strong enough to create such political compromises and alliances to further its goal. Contingency created an opportunity disguised as a crisis, the INN had already built the system to articulate neoliberal ideology across Argentine government and Cavallo took this opportunity and furthered the INNs political goals of establishing their place at the decision-making table.

“when Cavallo became Argentina's minister of economy, practically the entire staff of IEERAL was appointed to key positions in the ministry – for a grand total of nearly three hundred people who has worked at the institute who were otherwise connected to its staff. The ideas shaped the team, and the team because the collective carrier of the ideas²⁷¹.”

Benegas Lynch, Jr. once described how this network, and in particular the impact of the ESEADE University (that he teaches in), taught a whole new generation of journalists, business leaders, professors, and economic consultants who drove public opinion in favor of privatization

²⁷¹ Plehwe, D. (2011, July 01). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the 'Washington Consensus'. *Critical Policy Studies*, Vol. 5 (2), p. 18.

and liberalization²⁷². This, in time created the ideological, economic, and political support group that sustained and articulated Cavallo's power over the economy and ability to create coalitions of power across interest groups and political parties alike in order to cement his version of neoliberalism in government, which looks quite similar to Plehwe's (2011):

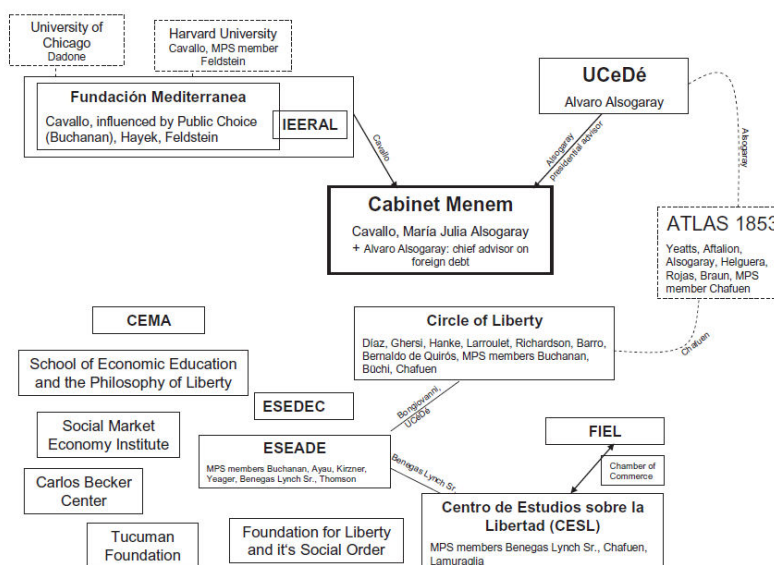


Figure 1. Major think tanks/networks behind Menem era neoliberalism.
Source: Adapted from Benegas Lynch, Jr. (1990) and several internet sources.

Figure 1: Major think tanks/networks behind Menem era neoliberalism.

Source: Plehwe (2011), p. 138.

Cavallo, as Rodrigues would say, was more than a technocrat but rather a technopole. Technocrats, according to this view, are highly trained specialists in their fields selected by politicians that “operate in market economies as well as in those that were once centrally planned.

²⁷² Echegaray, F. (2003). Understanding support for free-market policies in Argentina. *International journal of public opinion research*. Vol. 5 (4), pp. 369–375. cited in Plehwe, D. (2011, July 01). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*, Vol. 5 (2), 127-148. p. 138

They need not be beholden to any one substantive ideology, nor are they inherently “democratic” or “authoritarian”. Rather, technocrats offer a methodology to understand social problems that rests on a belief in the ability to arrive at the optimal answer to any problem²⁷³. In essence, technocrats are skilled mercenaries, economic hitmen for hire that in their later years may or may not write autobiographies²⁷⁴.

Cavallo was no mercenary, he was, is, a true believer who “recruited young, highly trained and international oriented economists [... that] shared [his] Weber’s “passion” to rescue the weight of the state on the nation’s economy and the “responsibility” to foster policies to that end²⁷⁵. He was a technopole who developed political power towards the end of promoting his faith in neoliberalism. The story that follows is then that of a true believer in the power and the promise of neoliberalism and Cavallo’s political and ideological quest to increase his network’s power and implement deep structural reforms as deeply and widely as possible.

IV.C.2. Menem post Cavallo: February 1991- April 1991

Though the “First Wave” of structural adjustments were under way by the time Menem invited Cavallo to become Minister of Economy, inflation was only getting worst. As in the past, and also as done by several presidents before him, Menem decided to change his economic team. The Bung and Borg plan was taking too long to reap its rewards, and the U.S. was asking for

²⁷³ Rodriguez, Carlos Alfredo. (1997, August). Argentina Post-Tequila: Los Beneficios del ajuste Estructural. Buenos Aires: CEMA Instituto Universitario., p. 6.

²⁷⁴ See John Perkins (2004) Confessions of an Economic Hitman.

²⁷⁵ Rodriguez, Carlos Alfredo. (1997, August). Argentina Post-Tequila: Los Beneficios del ajuste Estructural. Buenos Aires: CEMA Instituto Universitario., p. 1.

deeper reforms, as were the representatives of the network of domestic and international neoliberals whose support this whole program was based on.

The public was dissatisfied, as looting starts to erupt across the country. Menem swears in his new economic team headed by Domingo Cavallo, now as Minister of Economy, and Roque Fernandez at the head of central bank, whom *la Nacion* at the time qualified as “an expert in monetary policy, an **apolitical economist** [emphasis added] with previous experience as vice president of the bank, that studied at the University of Chicago, a disciple of Milton Freedman, a true “Chicago Boy” that helped found the CEMA, a self-defined orthodox that believes in freedom of markets and exchange rate regimes²⁷⁶.

Carlos Sanches from the Mediterranean Foundation takes up as Sub-secretary of Economy while Juan Jose Llach becomes the head of Cavallo’s consultant team with Vitto Orsi coordinating all privatizations²⁷⁷. In essence, the key positions in the economic team are all headed by members of the Mediterranean Foundation, which all hold the same ideological position, and yet self-identify and are being reported as being a -political/ideological. There is no mistaking the orthodoxy of this new direction as Menem now begins to use the same language as his neoliberal economic team, stating they intend to deal with the "enormous elephant-sized state [that remains] without answers to the most pressing needs of our community and which has brought forth chaos and the possibility of a massive confrontation in our community when we took over government"²⁷⁸.

Cavallo announces the deepening of fiscal adjustment and the government’s new intransigent position on tax evasion on TV, a role and medium reserved traditionally for

²⁷⁶ Roque Fernandez: un experto en cuestiones monetarias. (1991, February 1). *La Nación*, p. 11.

²⁷⁷ Menem afirmo que se alentara e crecimiento. (199, February 1). *La Nación*, p. 1.

²⁷⁸ Menem: se avecina la etapa del crecimiento (1991, February 1). *La Nación*, p. 11.

presidents²⁷⁹, framing this new wave of reform as a “war against privilege and corruption” (Cavallo p53). The following day he holds an interview with *La Nacion*, trying to calm people’s fear by insisting that the free market reforms that are underway, and those to come, are setting the **right** [emphasis added] **rule of the games** [emphasis added, something he was adamant about in his doctoral dissertation] and not to worry as the ups and downs Argentina is currently undergoing are typical of any stabilization plan²⁸⁰.

Meanwhile an article entitled “From thought to political action,” reminiscent of Chapter III.c. introducing the INN, describes “the unheard phenomenon of the Fundacion Mediteranea and how “for the first time in Argentina, members of a think-tank will occupy key political positions of powers like in other countries”. This statement is true for various reasons, the most obvious being that while this group and other neoliberal groups have indeed influenced Argentine politics before, it has been unheard of.

Think-tank members have consulted or been in government before, certainly neoliberal ones have, it’s just been kept silent for the most part. Cavallo boasted no celebrity as President of the BCRA in 1980 under De Hoz’s leadership, but he certainly did in the 90s. The fact that neoliberals assert themselves publicly but simultaneously refuse to self-identify themselves as technocrats or sustaining a normative or ideological position is either a mild form of delusion reinforced by the ideology they espouse or some other puzzling phenomena, one I will discuss in chapter V.

Secondly, this statement is true because it clashes with one written earlier by Alvaro Alsogaray’s, we also refer to earlier, stating that neoliberalism did not constitute part of the elite

²⁷⁹ Anuncian hoy las medidas de ajuste fiscal. (1991, February 3). *La Nacion*, p. 1.

²⁸⁰ “Desde mañana, convendrá pagar impuestos” (1991, February 3). *La Nacion*, Seccion 3A: Economía/Finanza, p. 1.

technocrat class that governs from the safety of a regression. This article not only contradicts Alsogaray's statement, but altogether rejects it, suggesting that being ruled by such an elite is a good thing because other countries are doing it. The rationale then, for judging if rule by technocrats is good for the polity, is the same as that justifying neoliberal policies across Latin America: it is a popular thing to do regionally, so it must be good thing for Argentina. This is all very surprising.

Later in this very article, Menem is quoted as calling for the "end of political supremacy of elected officials and integration of professionals to lend their theoretical know-how versus, the (implied) 'not-know-how' politicians"²⁸¹. It is simply fascinating to me how the very same argument about technocrats is used by the same administration to appeal to different populist sentiments, and though they express being on the opposite ends of the spectrum from one to another op-ed, they somehow always seem to be in the "right" facing some form of oppressive state-interventionist technocrat in the first article published by Alsogaray or an ignorant knowledge-less politicians in the other. Power will justify itself any way it can, in this case using whatever argument available to justify neoliberalism's spread and its legitimacy, even if opposed to an earlier one saying the exact opposite thing.

From this point on, Cavallo is the political figure to publicly talk about the government's policies, not Menem, sustaining the idea that because he is endowed with technical knowledge his is a voice with greater authority. This creates an interesting mechanism by which Cavallo gains more credibility but is also credited for all the successes and eventual failures of these more orthodox neoliberal policies being implemented. Under his own aura of power, he begins to leave Menem's shadow, in the public's eye, which invariable will lead to his dismissal as Minister of

²⁸¹ "Desde mañana, convendrá pagar impuestos" (1991, February 3). La Nacion, Seccion 3A: Economia/Finanza, p. 1.

Economy in 1995 when begins to threaten Menem's political power and chances at a second Presidential bid. An article in the NY times entitled "Argtnina's Mr Fix-It" echoes this view as it suggests Cavallo could succeed Menem in the 1995 elections (1991).

As we have seen before, and himself has labeled himself, Menem is a "practical" man who maintains his power by any means. For fear of being over-shadowed by him, Cavallo would seal his own fate; this however chronologically falls outside the scope of our analysis. For now, it is simply germane to note that Cavallo becomes the government's main spokesman and the political figure responsible for all economic decisions from here on in. He, not Menem, asks for legislative support from the Congressional Peronists block²⁸² to pass the new tax law for which the newspaper reports the Peronists congressmen criticize him for and he gets upset uttering "If you don't like the economic plan, tell Menem to get another minister of economy"²⁸³.

Eduardo Menem, as the caucus leader, directs them in support of his brother²⁸⁴. Congress reviews the law²⁸⁵ and adds three additional taxes to increase their provincial revenue, an 8% tax on cigarettes, 20% fixed rates, and a 7.5 % tax rate on public transfers. Outraged, Cavallo informs the press that he was not consulted whether these changes were structurally compatible with the government structural adjustment and specifies it is not²⁸⁶. A couple of days later, Cavallo and his team tell the press that they anticipate a loss of income of around \$50 to \$70 million²⁸⁷ as a result of the additions to the Law.

²⁸² Cavallo reclamo apoyo legislativo. (1991, February 6). *La Nación*, p 1.

²⁸³ Aspera reunión de Cavallo con diputados peronistas. *La Nación*, 1991.02.07, p1

²⁸⁴ Dirigentes peronistas buscan un acuerdo con fuerzas políticas. *La Nación*, 1991.02.09, p5

²⁸⁵ Diputados trata los proyectos de medidas fiscales. (1991, February 15). *La Nación*, p. 1.

²⁸⁶ Malestar en Economía por los cambios en el paquete fiscal. (1989, February 16). *La Nación*, p. 13.

²⁸⁷ Controversia por la recaudación de la ley impositiva. (1991, February 19). *La Nación*, p. 1.

Since Menem's run for the Presidency a year before, the trains strikes are still underway and they become symbolic of lingering problems that plague Argentines daily. The government now is calling the rail strikes illegal²⁸⁸, as the Fraternity, the union organizing the strikes, re-iterate that the strikes are meant to continue for an undetermined period of time²⁸⁹. Menem retorts that if the rail strike continues he will mobilize the army²⁹⁰. A railway negotiation goes belly up as strikes continue²⁹¹, and this initiates a bitter and sometimes personal back in forth between the government and railroad workers.

The government threatens the strikers that they will fire 1,200 more railway workers (over the 450 already fired) if the strike continues²⁹². Surprisingly, despite this very public confrontation between labor and the government, the CGT comes out in support of the president despite the austere economic adjustments they have already undergone²⁹³. This of course is less surprising when you note, as explained earlier, that Menem had divided labor, and he oft relied on his supporters to come out and represent all labor in their comments.

Internationally, the new chancellor, Di Tella, meets with Bush and Richard Leeds, the head of the International Privatizations Office, a new us government agency created to provide technical support in privatizations for developing countries²⁹⁴ thus promoting the liberalization of economies worldwide through various incentives, in essence fueling the expansion of neoliberalism globally. DiTella also met with the IBRD to discuss a new loan for \$323 million dollars, on stand-by, to help with the public administration reforms²⁹⁵.

²⁸⁸ El Gobierno declaro ilegal el paro de los ferroviarios. (1989, February 6). *La Nación*, p. 1.

²⁸⁹ Trenes: el paro es por tiempo indeterminado. (1989, February.15). *La Nación*, p. 1.

²⁹⁰ Ferroviarios: Menem amenazo movilizarlos. (1989, February 16). *La Nación*, p. 13.

²⁹¹ Trenes: se frustró una mediación en el conflicto. (1989, February 21) *La Nación*, p. 1.

²⁹² Despedirian a 1200 ferroviarios. (1989, February 22). *La Nación*, p. 1.

²⁹³ Nuevo apoyo del sindicalismo a Presidente. (1989, February 12). *La Nación*, p. 5.

²⁹⁴ Untitled (1989, February 8). *La Nacion*, p. 1.

²⁹⁵ Nuevo Crédito del Banco Mundial. (1989, February 13). *La Nación*, p. 1.

The main topic of the month though is the tax reform as all the different economists working in the Menem administration come out to explain why it is so important and part of a larger and deeper institutional process that Argentina needs²⁹⁶. The following day Llach expresses his faith that the fiscal program will be approved by parliament²⁹⁷ and he is proved right six days later when the proposal is turned into Law of the land²⁹⁸. Train services remain paralyzed as strikes cause “chaos” for tourists in Mar del Plata, the closest beach and most frequented one by the middle class living in Buenos Aires²⁹⁹. On a side note, as a response to a complaint lodged by one of the people on strike, a federal judge impounds Menem’s Ferrari, which apparently is an undeclared gift from the Castiglioni brothers, the new owners of the Jao Jaoa hotel and Caisno in Bariloche, because it was not registered under government property³⁰⁰. The gloves, it would seem, are taken off as the railway strike gets personal.

The day the US invades Kuwait³⁰¹ some un-named polling company announces that Menem’s image on dealing with the economy is good according to a poll taken in the US amongst the business and financial community³⁰². Capitalizing on his domestic and international popularity, he implements what the Argentine Treasury refers to as Cavallo II, a complimentary economic plan to the existing one that would restructure argentine market to better integrate with the global market³⁰³. The program is a deepening of the structural adjustments started when Cavallo became Minister of Economy, as requested by the U.S., the IMF, IRDB, and neoliberals domestically and abroad, by namely simplifying the existing tax system, deregulating labor markets, and providing

²⁹⁶ Procuran aplicar un nuevo esquema de desindexación. (1989, February 10). La Nación, Sección 3A: Economía/Finanzas, p. 1.

²⁹⁷ Frente de tormenta sobre el acuerdo antiinflacionario. (1989, February 2). La Nación, p. 1.

²⁹⁸ El Senado convirtió en ley la norma fiscal. (1989, February 17). La Nación, p. 1.

²⁹⁹ Siguen paralizados los servicios ferroviarios. (1989, February 18). La Nación, p. 1.

³⁰⁰ Embargan la Ferrari de Menem, (1989, February 22) La Nación, p. 5.

³⁰¹ Comenzó esta madrugada el ataque terrestre de los aliados en Kuwait. (1989, February 24). La Nación, p. 1.

³⁰² La imagen de Menem, según una encuesta norteamericana. (1989, February 23). La Nación, p. 5.

³⁰³ Nuevo programa económico. (1989, February 24). La Nación, p. 1.

private sector credit and reordering the financial system by creating incentives for short term agro and industrial loans and credit lines. The program also includes changing the central bank's organizational structure and the program is reported as the brainchild of Cavallo, Subsecretary of Economy Carlos Sanchez and Juan Jose Llach. The coordinators of the program will be Carlos Sanches in the short term and the president of the central bank Roque Fernandez in the long term³⁰⁴.

All interest groups and organization are a little uneasy. Labor relations are going from bad to worse as the government threatens to intervene in the Fraternity union within 48 hours if the trains do not get back on track³⁰⁵. Even the UIA is starting to get angsty, as industry objects to the extreme market aperture Cavallo is implementing due to the "argentine cost" of doing business that makes them less competitive than foreign companies in the domestic and international markets³⁰⁶. Provincial elections are close a hand and Ubaldini, the head of the CGT, and Barrionuevo, the ex-head of ANSAAL, the National Administration of Health and Insurance supposedly meet in secret to discuss how they can steer Peronism back to its original identity³⁰⁷.

This offends Menem which bans them and another six (6) of Peronist key figures from participating in the Plenary convention organized to discuss the future of Peronism and its plans for the upcoming elections³⁰⁸. Menem has worked hard to redefine Peronism's identity and he is not going to let anyone, including members of his own party, revert to a previous form that could erode his power. To that effect, he comes out and publicly defines the new pillars of Peronism that have "transgressed" the atavistic, populist, interventionist model of the past that still try to plunge

³⁰⁴ Se acelera en Economía el plan complementario. (1989, February 24). *La Nación*, Sección 3A: Economía/Finanzas, p. 1.

³⁰⁵ Amenazan con intervenir al gremio La Fraternidad. (1989, Febrero 28). *La Nación*, p. 1.

³⁰⁶ La Industria objeta la apertura en razón del "costo argentino". (1991, March 1). *La Nación*, p. 15.

³⁰⁷ Ubaldini y Barriobuevo, en un secreto y sugestivo encuentro. (1991, March 7). *La Nación*, p. 5.

³⁰⁸ Controversia por un plenario justicialista. (1991, March 15) *La Nación*, p. 5.

Argentina back into the past³⁰⁹. There is no turning back for Menem at this point, and no incentive to; his power is now irrevocably tied to an orthodox form of neoliberalism.

With a strong contraction of liquidity, despite Cavallo's promise, the dollar fell in value adversely affecting the Austral and the BCRA buys U.S.\$ 72.7 million to stabilize the Austral³¹⁰. The President of Citicorp, John Reed, meets with President Menem and Domingo Cavallo to talk about the Argentine debt³¹¹ as rumors that Argentina cannot continue paying creditor banks floats and Cavallo dismisses abruptly, assuring bankers they will pay, dismissing additional rumors that that they could not pay their debt without IMF support which is also rumored not to be there³¹². The following day these rumors are quelled as Cavallo negotiates a new agreement with the IMF to get a new loan for U.S.\$ 1,000 million in 12 months and Cavallo speaks of generating a budget surplus by April³¹³.

Hyperinflation and an ineffective railways system have both paralyzed the country and provide Cavallo with a very visceral set of issues to deal with. As a last ditch attempt to veer the negotiations in their favor, the Fraternity publicly announces it has come to an agreement with the government that has decided to give them everything they have asked for including an increase in train salaries; that very day the government denies it³¹⁴. The government responds in TINA form, firing 1,500 people, as promised, creating a new train company³¹⁵, increases prices³¹⁶ and selling the company off to a private company that would start services as early as May 1st³¹⁷ which is exactly what happens. Ten days later Cavallo would announce Argentina's adoption of the CBA.

³⁰⁹ Menem define los pilares de la nueva doctrina del justicialismo. (1991, March 9). *La Nación*, p. 5.

³¹⁰ Con una fuerte contracción de la liquidez, cayó el dólar. (199, March 05). *La Nación*, p. 11.

³¹¹ John Reed se reunirá con Menem y Cavallo. (1991, March 05). *La Nación*, p. 11.

³¹² Cavallo aseguro que se continuara pagando a los bancos alrededores. (1999, March 8). *La Nación*, p. 1.

³¹³ Negocian un nuevo acuerdo con el FMI. (1991, March 9). *La Nación*, p. 1.

³¹⁴ Desmineten un acuerdo con La Fraternidad. (1991, March 20). *La Nación*, p. 1.

³¹⁵ Se crea la nueva empresa ferroviaria. (1991, March 24). *La Nación*, p. 1.

³¹⁶ Cavallo anuncio alzas y bajas en tarifas. (1991, March 28). *La Nación*, p. 1.

³¹⁷ Se Normaliza la circulación de los ferrocarriles. (1991, March 30). *La Nación*, p. 1.

IV.C.3. Convertibility: A Political End for the Domestic INN

In an interview with *La Nación*, Roque Fernandez, the central bank president, announces a new type of change in the future that will be more stable. When asked what kind of exchange rate regime he is referring to, the president remarked that Cavallo is looking to go “hard on exchange rate regime”, something more permanent than additional small devaluations here and there using a crawling peg³¹⁸. Menem adds that the dollar will be kept a value of \$10,000 Australes for the next two months³¹⁹ but fails to mention how. On March 21, 1991, Domingo Cavallo sends a plan of free Convertibility of the Austral pegged to the dollar to Congress for its consideration to everyone’s surprise, including his own team’s, except for the three people that supposedly helped him design it; Carlos Sanchez, Juan Jose Llach, and Roque Fernandez³²⁰. Three days later, the Senate approves Convertibility at a special session requested by Cavallo and made possible by the Peronist bloc³²¹. Convertibility passes into law on March 27th, 1991³²².

No one really knows how Convertibility came to be. Some suggest it was a last minute decision made by a president faced with unyielding inflation; others suggest Convertibility was 46 years in the making since the first neoliberal think-tank was established in Argentina. No one really knows. Going over what happened on the ground, reading newspaper reports, interviews conducted by the President of Argentina and the economists involved – domestic and international

³¹⁸ El tipo de cambio en el futuro será definitivamente más bajo. (1991, March 17). *La Nación*, Sección Economía/Finanzas, p. 1.

³¹⁹ Se mantendrá el techo del dólar hasta mayo. (1991, March, 20). *La Nación*, p. 1.

³²⁰ Enviarán al congreso un proyecto de libre convertibilidad del austral. (1991, March 21). *La Nación*, p. 1.

³²¹ La UCR dará quorum para la ley monetaria. (1991, March 26). *La Nación*, p. 1.

³²² La Convertibilidad, a un paso de ley. (1991, March 27) *La Nación*, p. 1.

– reading their biographies, auto-biographies, it's impossible to get a clear answer to a simple question, even from people within the same room drafting the law or putting it into effect.

Precision on Convertibility's birth would have most easily been gathered going over Central Bank Meeting minutes or World Bank Executive Board meeting minutes; in the first case, the Christina Fernández de Kirchner administration that was in power refused my daily requests to share the information for over six months while the World Bank expressed such information was not publicly available to doctoral candidates. Though both claim to be great supporters of transparency, in this case, transparency is a shared principal theoretically but not in practice. I therefore compare and contrast the above listed materials, gathering as many perspectives as possible to get to the truth.

It actually seems curious to me that little to no economic or political analysis of Convertibility has been interested in finding out whom discussed and designed Convertibility. It seems that if you're going to talk about a thing, you may want to at a minimum know where the idea came from. Several participants and their relatives, personally and professionally have differed on their rendition of events; I consider each perspective and offer not a definite answer, but two co-existing realities: the admission of local neoliberals of developing Convertibility as a political end and the admission of international set of agents of this same INN suggesting they were the designers and cause behind Convertibility. I am not interested in solving this chicken-egg paradox but simply describing how both of these processes occurred simultaneously.

In an autobiography published in 1997, Cavallo tells the story of how he originally presented Convertibility to Erman Gonzales, Menem's third Minister of Economy, in January 1990 so that he could apply it along-side the Bonex Plan which was suggested to him by Alvaro Alsogaray and Roque Fernandez. He even recalls having handed Gonzales a press release along with the

Convertibility plan naming Carlos Sanches and Felipe Murolo as consultants to help implement it³²³ As Cavallo recalls, Menem was enthusiastic at the idea but decided to kept Convertibility a secret until the Peso would start to float relatively freely with the US dollar.

Cavallo account seems to conform with those told by La Nacion and other that suggest he, along with Sanchez and Llendo drafted the law. According to his account, Roque Fernandez and Felipe Montoya were asked to help as well, alongside Daniel Arx, a financial representative in Washington, to prepare a presentation of Convertibility for foreign investors and bankers³²⁴. Cavallo recounts how the Sunday before launching Convertibility, Llendo, Llach and himself met at his home to finalize some technical aspects of the CBA basing themselves on the conversion system adopted under Pelegrini in 1890. On Monday, he continues, Llach and Llendo finished the speech to accompany CBA used to present it to congress and by Wednesday they made the plan public³²⁵.

This account is shared by Burgo (2011) who insists that Convertibility was a secret held by “the four horsemen of Canterbury” because Roque Fernandez, a Chicago Boy himself and president of the BRCA had expressed previous reservations about Cavallo, whom he distrusted and because he believed the IMF would not support such a policy³²⁶. He adds to the lore of this story by insisting that two years earlier, Cavallo had met with Llendo whom had brought a copy

³²³ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p174.

³²⁴ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta., p174.

³²⁵ Cavallo, D. (1997). *El Peso de la verdad: Un impulso a la transparencia en la Argentina de los 90*. Buenos Aires: Planeta, p. 175.

³²⁶ Burgo, E. (2011). *7 Ministros: La Economía Argentina: historias debajo de la alfombra*. Buenos Aires: Planeta, p. 124.

of his doctoral thesis for Cavallo's review, a thesis that proposed a Convertibility regime based on that adopted by Carlos Peligrini, in response to deflation³²⁷ from 1890-1891 to 1940³²⁸.

According to Burgo (2011), after Menem electoral win in 1989, Guido DiTella reached out to Ricardo Lopez Murphey, the head economist for Angeloz during the campaign and asked that they meet with their respective teams to discuss Argentina's future. According to this account they all agreed Argentina did not have enough foreign exchange reserves to adopt a Convertibility plan thus not providing enough political buy-in to implement it³²⁹. As Minister of Interior, Burgo (2011) insists. Cavallo kept the idea of Convertibility alive and in January 1990, he met with the six head foreign bankers in Argentina to convince them to back the Bonex Plan alongside Convertibility; namely Ricardo Handley (Citibank), Eduardo Escanany (Banco Galicia), Manuel Sacerdote (Boston), Emilio Cadernas (Irving Austral) and Roque Maccarone (Asociación Argentina de Bancos) none of which agreed.

Burgo is not the only author to agree with Cavallo and La Nación's account. According to Alexandre Roig, the son of the first of Menem's Ministers of Economy, a researcher at CONICET and current Professor at la Universidad de San Martín, the actual decision to choose a currency board was taken by Domingo Cavallo, Horacio Llleno, and Juan José Llach³³⁰. According to Roig, Llleno's doctoral thesis provided him with "extraordinary expertise" on Convertibility in the post-Breton Woods era of floating exchange rates³³¹. Llach, on the other hand, had worked on

³²⁷ Avila, Almansi, Rodriguez 1997, p82-83

³²⁸ Burgo, E. (2011). *7 Ministros: La Economía Argentina: historias debajo de la alfombra*. Buenos Aires: Planeta, p. 124.

³²⁹ Burgo, E. (2011). *7 Ministros: La Economía Argentina: historias debajo de la alfombra*. Buenos Aires: Planeta, p. 127.

³³⁰ Roig, Alexandre. (2007). Discurso y moneda en la creación de la convertibilidad. *Papeles de Trabajo, Revista virtual del IDAES/UNSAM*, Vol. 1 (1), p. 6.

³³¹ Roig, Alexandre. (2007). Discurso y moneda en la creación de la convertibilidad. *Papeles de Trabajo, Revista virtual del IDAES/UNSAM*, Vol. 1 (1), p. 6.

development debates on hyperinflation. His work suggested a Convertibility regime could resolve conflicting priorities contrary to those who advocated full dollarization³³².

If these four accounts hold true, and there are many more authors who cite them suggesting some degree of reliability, then adopting a CBA in Argentina was a deepening of neoliberal policies and structural reform in Argentina by a local network of its representatives headed by Domingo Cavallo. It is unclear whose interests however this policy would promote. When Cavallo was hired he was warmly welcomed by the industrial and agricultural sector. Alas, as they realized that Cavallo had moved deeper into orthodox convertibility sustaining the financial sector's interests versus their own with a radical opening up of the economy by subscribing to the currency board alternative, they became very upset. The increased and eventual over-valuation of the Peso upset the agricultural sector because of increasing prices and their now less competitive advantage of their products abroad. After the decision was passed through Congress, the leading industrial association (UIA), for example, quit the neoliberal think-tank FIEL and founded the Fundación Unión Industrial Argentina instead to promote controlled liberalization in opposition to Cavallo's orthodox neoliberalism they thought went too far³³³.

It's a strange thing when originally neoliberal interests think a former state-interventionist and populist president is taking neoliberalism too far. It is even stranger when a political party in power first ostracized its traditional support based like organized labor and domestic market producers through a timid phase of neoliberalism through the Washington Consensus and then then alienate the agribusiness and industrial supporters they replaced their previous support base with in essence losing any political interest support base.

³³² Roig, Alexandre. (2007). Discurso y moneda en la creación de la convertibilidad. *Papeles de Trabajo, Revista virtual del IDAES/UNSAM*, Vol. 1 (1), p. 6.

³³³ Birle, P. (1997). *Los Empresarios y la democracia en la Argentina: Conflictos y coincidencias*. Buenos Aires: Fundación Editorial de Belgrano, p. 344.

IV. C. 4. Convertibility: An International INN Ideological Stepping Stone

While LA Nacion, several authors, and Cavallo himself tell the story of his creation of Convertibility as a deepening of neoliberal policy in Argentina, Convertibility was not as sudden and as surprising a measure as it was made out to be; far from it. Convertibility too was the product of exogenous push from international lobbying groups and economists working to convince Menem of the merits of a currency board in parallel and with the help of their local, domestic associates in a larger world-wide network of politicians, think-tanks, and economists promoting neoliberalism in general, and currency boards to developing countries in particular.

“At least some of the local input in Argentina with regard to the currency board clearly has come from local (Alsogaray) and foreign (Hanke) Mont Pèlerin Society circles. [Note: 12 Steve Hanke has alerted me in a private communication to President Menem’s personal encouragement in 1989 for writing the original study (Hanke/Schuler 1991), and to Alsogaray’s particular weight in convincing the president with regard to the currency board. [... also] Anna Schwartz’s work is important (Schwartz 1992, 1993)”³³⁴.

While there is no conclusive proof of who designed which part, whose ideas it was first, and all those details which stir our curiosity and only greater access to original data would have perhaps allowed me to illustrate, infer, or divine, what is clear is that this was not a native-only conception.

³³⁴ Plehwe, D. (2011, July 1). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*. Vol. 5 (2). pp. 127-148, p. 141.

There were international agents of the INN at work and the impacts Convertibility extended far beyond Argentina.

The “Menem, Cavallo, Alsogaray variant of Peronist-covered neoliberalism in Argentina was closely tied to a complex Neoliberal international network of the think tank, authors, technocrats, and politicians located abroad”. These transnational (US, Guatemala, London) (Kellermann 2006 in Plehwe 2011) networks operating as the Washington Consensus through Bretton Woods institutions (IMF, World Bank) or their own institutionalized forms of influence (MPS, IEA, Chicago University)”³³⁵.

Operators such as Steve Hanke and Kurt Schuller, members of the MPS, facilitated this process on the ground, consulting directly with Menem, Cavallo, and the Central Bank, helping design and manage the birth of the currency board.

Kurt Schuller’s received his PhD from George Masson University in 1992 covering the history of currency boards, where he studied under Lawrence H. White, a member and one of the MPS’s more prolific writers. Upon completion, he started a postdoctoral fellowship at Johns Hopkins under the tutelage of Steve Hanke and Sir Alan Walters, the Chief Economic Adviser to Prime Minister Margaret Thatcher from 1981 to 1983. He co-wrote an article unveiling his startling discovery about how Keynes actually supported currency boards³³⁶. He later became an economist

³³⁵ Plehwe, D. (2011, July 1). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*. Vol. 5 (2). pp. 127-148,

³³⁶ Hanke and Schuller, 1991.

in the Office of International Affairs at the U.S. Department of the Treasury, where in 2013 he edited and published the transcripts of the Bretton Woods Agreement negotiations where “he accidentally came across in a records office”³³⁷. He is currently a member of The Center for Financial Stability, The Cato Institute, The Heritage Foundation, The Institute for Economic Affairs (UK), and the MPS. He is credited for writing studies with Steve Hanke “about currency boards which influenced monetary reforms in the 1990s in Bosnia, Bulgaria, Estonia, and Lithuania”³³⁸.

Steve Hanke is considered the world’s foremost specialist on currency boards, a professor of Economics at John Hopkins he has boasted to place “100% of each class in finance jobs” and is described as having “designed currency-stabilizing systems for countries with money woes, such as Argentina and Bulgaria”³³⁹. Prof Hanke is also a senior fellow at the Cato Institute, the Co-director of the IAE, a member of the Heritage Foundation, a principal of Chicago Partners, LLC (a wealth management group providing financial consulting services on more than \$550 million in investment assets, President of the FCMI NZ Financial Corporation, LTd (a New Zeland Trust that generated a “Net income after tax [of] \$43.36 million” in 2012 (Annual Report 2012) and the Toronto Trust in Argentina (An Emerging Market fund established in 1993 in Buenos Aires³⁴⁰ that principally generates income from equity investment and currency speculation³⁴¹. He’s advised the ministers of economy of Ecuador (2001), Indonesia (1998), Bulgaria (97-01), Argentina (95-96), Lithuania (94-96), and though he does not list any efforts made or position held in Argentina

³³⁷ Schuller, Kurt.

³³⁸ See <http://www.centerforfinancialstability.org/KSchuler.php>

³³⁹ Effinger, Anthony. (2015). This John Hopkins Professor can guarantee you a job in finance. *Bloomberg Markets*

³⁴⁰ See <http://www.bacsaa.com.ar/nuestra-historia.php>

³⁴¹ See Hanke, Steve, (2012) Thoughts About the 1995’s Best Emerging Market Fund. *Expat Capital*, Issue 10.

pre, during, or post Convertibility on his resume³⁴², he had this to say on his experience with Convertibility:

“I first became seriously interested in economic reform in Argentina shortly after meeting Argentina’s newly elected President, Carlos Menem, in 1989. At that time, I concluded that, while stability might not be everything, everything was nothing without stability. To achieve stability, a cure for Argentina’s endemic inflation and unstable money was required. In consultation with some members of Argentina’s Congress, I developed a blueprint for monetary stability during 1990 with a fellow economist, Kurt Schuler. In 1991, our proposal for an orthodox currency board was published, Banco Central o Caja de Conversión? Buenos Aires: Fundación República)”³⁴³.

Kurt Shuller adds:

“In 1990 we wrote a proposal for orthodox currency boards in Yugoslavia, where Hanke was an adviser to the deputy prime minister, and . . . we finished a similar proposal for Argentina [. . .] The Argentine proposal was not translated into Spanish and published until after the ‘convertibility’ system was established in April 1991, but Hanke met President Carlos Menem and talked to him about our proposal before then. Similar ideas were already in the air but

³⁴² See <http://pages.jh.edu/~iaesbe/hankeCVnew.pdf>

³⁴³ Hanke, Steve in Plehwe, D. (2011, July 1). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*. Vol. 5 (2), pp. 140-141.

we were unaware of most of them. The economists Aquiles Almansi and Carlos Rodríguez had written a newspaper article in 1989 proposing something close to the convertibility system. Other Argentine economists, including Gabriel Rubinstein and Walter Graziano, had expressed similar ideas; some of them were aware of what had been written before and others were not. In the Argentine Congress, the deputy José María Ibarbia was devising a currency board bill. Not by coincidence, his grandfather had been the last president of the Caja de Conversión, a body that had functioned as a currency board on and off early in the 20th century. A think-tank [Fundación República para una Nueva Generación] with Ibarbia published our proposal, entitled ¿Banco central o caja de conversión? **Menem and Cavallo were latecomers to the idea** [emphasis added], but they were the most important figures for convertibility because they implemented it”³⁴⁴.

With such diverging accounts of the domestic and international neoliberal agents that designed Convertibility contradiction themselves, it is difficult to know who did what. It is quite disconcerting that such an important policy decision has no clean definition of its origin, even amongst member of a same ideological neoliberal network. It is surprising because of the impact it had on the Argentine economy and citizens, but also because of the effect it had beyond Argentina. What Hanke and Shuller of course fail to mention in these recollections is that Convertibility was one step in a larger effort of theirs to convert a whole series of developing countries to currency boards.

³⁴⁴ Plehwe, D. (2011, July 1). Transnational discourse coalitions and monetary policy: Argentina and the limited powers of the ‘Washington Consensus’. *Critical Policy Studies*. Vol. 5 (2). pp. 140-141.

Convertibility in Argentina was not a political end for them as it was for Cavallo and the local network for the INN, but rather an ideological stepping stone to use as an example, alongside theories that would emerge three years later such as the Corner Solutions, justifying a CAB as an optimum policy for developing countries to follow. Indeed, they would not stop with Argentina, and in the decades to come used Argentina the example of the stabilizing effect/miracle that comes from adopting one of the two Corner Solutions. Argentina was often used in parallel to a blueprint for a currency board reform package³⁴⁵, to describe the benefits of such a system, which they proposed in a number of countries throughout the 1990s, including Bulgaria³⁴⁶, Albania³⁴⁷, Russia³⁴⁸, Lithuania, and Estonia.

Their objective, as members of the international wing of the INN, was/is to promote neoliberal programs worldwide, their focus being CBAs, in light with the Corner Solutions and any other theories, examples, and overall justifications for eliminating government intervention in the field of exchange rate regime policy – be it across academic journals, government agencies like the U.S. treasury department, individual economists, as consultant for governments - anywhere they can influence policy.

In a Washington Consensus meeting organized by John Williamson in 1989, Professor Allan Meltzer from Carnegie Mellon and a Mont Pèlerin Society member was one of the first to

³⁴⁵ See Hanke, Steve. H., & Schuler, Kurt. (1991). *Currency boards for Eastern Europe*. Washington, D.C., U.S.A.: Heritage Foundation. Retrieved at <http://www.heritage.org/research/lecture/currency-boards-for-eastern-europe> for a copy of said package.

³⁴⁶ see Hanke, Steve. H. & Schuler, Kurt. (1991a). *Teeth for the Bulgarian Lev: A Currency Board Solution*. Washington, D.C., U.S.A.: International Freedom Foundation; and Hanke, S. H. 1991). A Market Economy Manifesto for Bulgaria. *Studies in Applied Economics*, Working Paper No. 5. Baltimore, M.D.: Johns Hopkins Institute for Applied Economics, Global Health and the Study of Business Enterprise.

³⁴⁷ Hanke, Steve. H. (1991b), *A Currency Board Solution for the Albanian Lek*, Washington, D.C.: International Freedom Foundation, 1991.

³⁴⁸ see Hanke, Steve H. and Schuler, Kurt. (1991c) Keynes's Russian Currency Board. S. H. Hanke and A. A. Walters (eds.). *Capital Markets and Development*. San Francisco: Institute for Contemporary Studies Press. Retrieved at: <http://ssrn.com/abstract=2206447>.

publicly support currency boards for Latin American developing countries, including but not limited to Argentina:

“My solution for Latin America would be to replace the central banks with currency boards. The boards would not be permitted to monetize debt or change the exchange rate. The exchange rate would be fixed. The currency board would issue money in exchange for convertible currencies and would be required to keep the shares of those currencies in its portfolio equal to the trade weights of the country’s exports and imports [. . .] Currency boards have worked well in Hong Kong and Singapore and have contributed far more to the welfare of the citizens of those countries than the central banks of Latin America have to theirs³⁴⁹.

Prior to Hanke and Schuller then, prior to its conception in Argentina, and even prior to its appearance in exchange rate regime theory in 1994, neoliberal activists and economists were developing the ideological structures and processes by which to promote exchange rate regimes being handled in developing countries, not by governments, but by market forces or the US Treasury Department.

Of course, not all neoliberals support CBA, some also seek to promote floating regimes. Not unlike cells in organic bodies, the members of the INN that work to promote neoliberal ideas internationally may sometimes work side-by-side but sometimes also against each other, to reproduce, over-power any foreign existing ideological organisms, and multiplying in its place.

³⁴⁹ Williamson, John. (1990). What Washington means by policy reform. *Latin American Adjustment: How Much Has Happened?* Williamson, J., & Institute for International Economics (U.S.). (1990). *Latin American adjustment: How much has happened?* Washington, D.C: Institute for International Economics. p. 30

“the ability of the neoliberal MPS network to engage in pluralistic (albeit neoliberal pluralistic) debate in order to provide a frame for a whole family of neoliberal approaches (such as ordo-liberalism, libertarianism, anarcho-capitalism etc.), and its innovative approach to generating and disseminating new knowledge”³⁵⁰.

Despite the fact that variations of the original cell may deviate from the original intent, such as the creation of authoritarian neoliberalism during the Argentine dictatorship of the 70s and 80s, this also gives the appearance of debate and distance, of change and difference of opinion, though emitted from people that hold the same belief, and it is thus easier to promote something that looks open to discussion in a community used to debate, such as economists, versus something that sells itself as a given, an immutable law, or intransigent ideological position - not unlike how it is easier to boil a frog by progressively heating the water he is in rather than tossing him into the boiling water from the get go. This is one of the great powers of international neoliberal discourse, of many international ideological positions really, and as others, it can hold different appearances based on who is looking at it, like La Bruyere’s Menippe, a bird cloaked in other’s people’s feathers³⁵¹.

The currency board in Argentina was – in the 90s - the tip of the neoliberal intellectual spear, and while it may have been an ultimate end for Domingo Cavallo to combat hyperinflation

³⁵⁰ Plehwe, D., Walpen, B., & Neunhöffer, G. (2006). *Neoliberal hegemony: A global critique*. New York : Routledge, p. 3.

³⁵¹ La Bruyère, Jean. De. (1880). *Ménippe est l'oiseau paré de divers plumages qui ne sont pas à lui. Les caractères de La Bruyère*. Paris: E. Flammarion, p.85. Retrieved at: https://fr.wikisource.org/wiki/Page:La_Bruy%C3%A8re_-_Les_Caract%C3%A8res,_Flammarion,_1880.djvu/93

and deepen neoliberal structural adjustment, it was simply an intermediate end for those neoliberals such as Hanke and Schuller whose ambitions were to promote it across multiple countries. In conjunction with additional white papers published in '91, Convertibility became a means by which to promote currency boards in Estonia (1992), Lithuania (1994), Bulgaria (1997), Bosnia (1998), and attempts to do so in Russia. The power of neoliberal ideology is that it adapts with change, constantly positioning itself. In all fairness, all ideologies do this, I am just studying this one.

In neoliberal literature on exchange rate regimes, Argentina was first a test country, then it became a beacon for all other countries to follow, and now it has become an example of the pitfalls of incorrect application of neoliberal policies suggesting that deeper neoliberal changes are needed in order for currency boards to be successful. An unstoppable discourse (force), it is difficult to contest or stop: it is a very adaptive and therefore strong argument, whether it is accurate or good for developing countries is a whole other matter we will discuss in Chapter V. What is certain, here, is that those that have supported it from inception, through the Argentine crisis, and past the greatest economic crisis in this century, have not wavered in their faith and therefore we may ask what else is motivating them to support currency boards, in Argentina and beyond, if not ideological faith.

V. What Convertibility Teaches us about Theory of Man:

Good or bad? The Dangers of Normative-Negating Theory

“We have to start by defining politics. The definition I like best is Aristotle's: the science which is concerned with the common good. To make this concept operational, one must take into account experience, have the ability to act appropriately at the opportune time and not be afraid of the truth”.

- Carlos Saul Menem in Hanke, Steve and Lillian's “The Great Modernizer”, an interview conducted for Forbes on September 11, 1995. The first part of Menem's two-part answer as to how he was able to introduce such drastic reforms including a CBA in Argentina.

The story of Convertibility's adoption in Argentina, like that of most a political event I suspect, is not a linear tale of right and wrong, one-sided winners and losers, cause and effect: it is a hopscotch, a “conundrum of consciousness”³⁵² that pulls and pushes in all directions at once. The questions that remains to be answered is what have we learned from these stories? Can neoliberalism via free markets bring about free people in Argentina, is this something we should continue to strive for? What lessons have we learned from Convertibility?

³⁵² See Cortázar, J. (1975). Hopscotch. New York: Avon.

My dissertation's detailed account of Convertibility's is not one but several stories; a tale of **(H.I.) how Menem used the neoliberal ideology as a means to win a Presidential election.** It is simultaneously the ballade of **(H.II.) how an ideology like neoliberalism was able to re-constitute Peronist identity** and consequently restructure interests and power relations of agribusiness and industry over organized labor. Convertibility did not just reconstitute Peronist identity, but all political identity in Argentina, redefining citizenship. Is this a good thing?

This dissertation also recounts the narrative of **(H.III.) how neoliberalism and Convertibility were proximate political ends,** developed by a local network of neoliberal activists think-tanks, technocrats, politicians, and "technopoles" that took 46 years to develop and re-define a non-authoritarian version of Latin American neoliberalism. The Argentine CBA too becomes an allegory, **(H.IV.) an ideological stepping stone** promoted by members of this international neoliberal network such as Steve Hanke and Kurt Schaffer, that spread the use of this exchange rate regime mechanism globally, and continues to do so. Are these orthodox colonial creations good for all countries at all times?

This dissertation's four stories about Convertibility raise specific questions this chapter intends to answer. However, these four stories about the four different, unique, ways in which interest identity, power and ideology have influenced each other, feed off each other, competed with one another, being both cause and consequence in very distinct yet simultaneously occurring processes tells a fifth and final story. **(H.V.) A detailed, single qualitative case study can show just as much theoretical richness and diversity as a large-N qualitative analysis.**

This dissertation indeed vindicates without disproving **Realism's** belief that ideology is simply a means to **(H.I)** gain, sustain, and articulate power, the **Marxist** critique of how **(H.IV)** ideology justifies power; a **Constructivist** example of how **(H.II)** ideas and ideology reconstitute

identity and interests, all the while advancing a **Neo-Structuralist** perspective (**H.III.**) on the creation of international norms such as the Corner Solutions as a means of organizing international financial systems using a single non-generable case. What can a detailed case studies that relate discourse analysis with power teach us about critiques of neoliberalism and the science of man?

This Chapter sums up what our case study has taught us, about Argentine convertibility, the nature of neoliberal ideology, and the ways this enriches our field and delivers a promise for future qualitative analysis We describe how neoliberalism generally reconstituted Peronist identity under Menem's presidency, but also refer to the period immediately after Menem's electoral win to highlight some of the specific characteristics of this change.

As neoliberalism changed Peronist identity, we point to three ways our case also highlights how Argentine neoliberals self-identified as members of a non-ideology, as it explains how this change in Peronist identity more profoundly (b) reconstituted conceptions of Argentine citizenship across all parties.

While neoliberalism most glaringly reconstituted Peronist identity, it changed the whole of interest articulation in Argentina, not only in shifting allegiances to economic interests, but also in the overarching conceptions of citizenship under which they all operate. We observe how this presents within our case study through specific agents and processes, but also relate this change to a possible theoretical/historical origin making modest recommendations on how to build future critiques of neoliberalism.

V. A. Reconstituting Peronist Identity

Our case study in Chapter IV shows the progression in Peronism's change in identity and how this had an effect on interests group in Argentina. In a first stage, Peronism distanced itself from its historical ties with labor throughout Menem's political campaign, completely severing their ties once he gains power and initiates a "flexibilization" of labor, and massive lay-off following strikes such as the railway strike which is resolved a year and a half into his presidency. Disaffected export-oriented industrialists and agri-business, with no political representation of their own, rally under Menem's new Peronist banner and witness a first wave of neoliberal reform followed by deeper institutional reforms as embodied by massive privatizations and the implementation of the Law of Convertibility.

Some may argue that this change in identity is, in fact, simply Peronism's heterodox nature adapting to changing times. Like the Renovadores branch of Peronism, Menimism is simply Peronism's "practical" change to adapt to a new electorate and decomposition of Argentine society with a greater percentage of white-color urban middle class hoping to follow the trend of economic globalization that the rest of the world is undergoing. The existence of various iterations of Peronism since Domingo Peron lends credibility to this position, as history provides a variety of examples of splinter groups that emerged within Peronism with strikingly opposed perspective, such as the leftist revolutionary groups like the Montoneros which tried to bring Peron back in from his exile and right-wing Fascist sections such as the Tacuara Nationalist Movement. This however does not account for why the more traditional working and lower-classes, according to

Gervasoni (1998) or Ostiguy (1998) for example, have remained loyal to Menem throughout the 1990s, despite the government's neoliberal turn that ran counter to their own interests³⁵³.

Some have gone further still, suggesting that Peronism transcends a traditional political party structure. In “The Persistence of Peronism”, for example, the Economist advanced the idea that “rather than ideas, Peronism embodies a consistent set of political emotions and practices” making Peronism “not a political party, but a brand”. Of course, if this were true, by extension, they would have to report that all political parties across the globe are brands, as emotions have been used across all political parties, counties, and polities to affect human behavior – from the discourse transcribed in the Melian Dialogue (Thucydides 431BC) to XXI-century Conservative-lead United Kingdom which saw xenophobia and fear direct popular opinion opting towards voting to exit the European Union by a popular Referendum³⁵⁴. There is nothing new under the sun, though perhaps no one twenty years ago would have referred to a political party as a brand as if choosing one to belong to was equivalent to reaching for a favorite box of cereal on a grocery counter.

The Peronist party is very much a political party, and there have been many versions of it, just as there are changing version of all political parties adopting to changes in demographics and time. All ideologies and political parties change, simply because they are reflections of the peoples and times they represent. It may be difficult some times for Western society to understand Peronism as its three founding banners do not conform to a Euro-centric formation of political parties. When Peron founded the Justicialista Party around the banners of “political sovereignty,

³⁵³ Levitsky, Steven (2003). From Labor Politics to Machine Politics: The Transformation of Party-Union Linkages in Argentine Peronism, 1983-1999. *Latin American Research Review*. Vol. 38 (8), p. 26.

³⁵⁴ See The Economist. (2016, February 27). Britain and the EU: The Brexit delusion. *The Economist*. Vol. 412 (8974). London: Elsevier B.V.

economic independence, and social justice”³⁵⁵, he did so mixing traditionally European held definitions of “leftist” and “right-wing” ideological tenants within a same party.

Peronism’s distributive discourse was inspired by fascist corporativism, and thus makes it a uniquely Latin American political party, as many regional philosophers like Jose Enrique Rodo or historians like Halperin Dhongui have repeatedly argued, most strikingly because there is no distinct segregation of “left” and “right” politics in Latin America. Indeed, “research in a number of countries (Inglehart and Klingemann, 1976) including those in Latin America (Zechmeister 2003, 2006b, and chapter 3 in Kitschelt et al., 2010) has shown that the significance of the terms “left” and “right” varies across individuals and across countries³⁵⁶”.

There are several authors that advance their own timeframe for when Peronism changed its identity. Eduardo Curia, for example, the man who helped design Menem’s economic policy during his campaign, suggests Convertibility marks the major point of inflexion for Peronism’s “Identity Crisis”³⁵⁷. He suggests Menem started a process of Peronist auto-deconstruction alla Derida (p15) of Peronism, which was never a doctrine, but rather a movement (p19) with a historiacal trajectory all-together abandoned (p29), and corrupted (p33) by Menem. Other authors such as Brennan (1998) believe the rupture of “historical continuity” away from the lower classes occurs earlier, during Menem’s campaigning³⁵⁸. We don’t think there is any specific moment anyone can point to that makes more sense, nor do we believe such an exercise teaches us anything new about this identity change.

³⁵⁵ Curia, E. L. (1997). *La Convertibilidad: ¿El peronismo en crisis?* Buenos Aires: Corregidor, p. 25.

³⁵⁶ See Zechmeister, Elizabeth; & Corral, Margarita. (2010) The Varying Economic Meaning of “Left” and “Right” in Latin America. *America’s Barometer Insights*: 2010 (No.38).

³⁵⁷ Curia, E. L. (1997). *La Convertibilidad: ¿El peronismo en crisis?* Buenos Aires: Corregidor, p. 11.

³⁵⁸ Brennan, J. P. (1998). *Peronism and Argentina*. Wilmington, Delaware: SR Books, p. 172.

What we do believe is that a longer detailed look at any one of these moments in time can tell us about the nature of these changes, how they occurred, who they involved. Menem has never, in interviews nor his (auto)biographies, pointed to a specific event, time or person either. The process seems to have started sometime in the last six (6) months of his presidential campaign as described in Chapter IV Section A but we do not know exactly when. What we do know is his choice of ministers of economy marked the pace of this transformation. First Miguel Roig from July 09 1989 to his death a week later; then a fellow colleague of his at Bung and Borg Néstor Rapanelli from July 8th 1989 to December 18, 1989; through Antonio Erman González from December 19, 1989 to April 2, 1991; ending with Domingo Cavallo from April, 1991 to June 8, 1996.

V. B. Between Winning the Election and Becoming President

We've picked the transitional period from when Menem won his first presidential election until he enters office, as an example to take a closer look at this process in detailed form. We chose his period for no other reason than it is probably the most volatile and filled with uncertainty in terms of his position vis-à-vis political parties and the domestic interests they represent. Speculation on who would compose Menem's team abound the day after he won, as the newspaper enumerates the economists that surround Menem, including congressman Eduardo Bauza, Eduard Curia which helped Menem win the primaries, Domingo Cavallo whom – as the paper describes it - was introduced to Peronism by Horacio Pericolli, a now member of the Fundacion Mediterraeanea, and lobbying for his inclusion were influential business members of the UIA³⁵⁹

³⁵⁹ la Hombres, equipos e ideas del presidente electo. (1989, March 21). La Nacion, sección 3A: Economía/Finanzas, p. 1.

While “abstract echoes” of a potential Menem neoliberal economic plans float among Argentine business leaders³⁶⁰, no one really knows where Menem would take Peronism. At this point his rapprochement to the Washington Consensus and step back from traditional Peronist interest groups has been in discourse alone. The only real political alliance he has formed to date is with the UCD. He and Alsogaray are said to be analyzing future economic policy together³⁶¹ as internal debates in Peronism spring about potential solutions to the economic crisis³⁶² Menem soon confirms he will hire Miguel Roig, an ex-principal of Bunge and Borg³⁶³, Argentina’s largest agribusiness and the loudest voice in the SRA.

Daniel Poneman - a current Paulson Institute member, C.E.O. of Centrus Energy corporation (a nuclear energy company) and Deputy Secretary of Energy, and at the time a White House fellow at the Department of Energy and principal of the Scowcroft Group, founded by Brent Scowcroft, National Security Advisor to the then sitting President, George Bush Sr – published an op-ed entitled “Peronism’s Dilemma” in *La Nación*. The article in sum recognizes the varied strains of Peronism, though purposely simplifies them as dichotomously-composed of either an authoritarian or a democratic strain, ascribing Menem to the latter.

While Poneman points out that this is to be the first democratic transition of power in Argentina for decades, he says Argentina’s democracy is fragile due to hyperflexion and the “limbo” of waiting for Menem to take office making these perilous times. There is, according to him, only one solution out of this crisis, a set of austere economic reforms that may hurt at first but benefit Argentine society in the long run, with the US’s help through programs like the Brady

³⁶⁰ Ecoas de la propuesta económica justicialista en el empresariado. (1989, March 22). *La Nación*, p. 13.

³⁶¹ Menem y Alsogaray analizaron la futura política económica. (1989, March 23). *La Nación*, p. 10.

³⁶² *Ibid.*

³⁶³ Principio de acuerdo para las nuevas medidas. (1989, March 23). *La Nación*, p. 11.

Plan, as well as its citizens support of Menem despite any individual distress or concerns these austere policies may generate.

Interest groups respond to this neoliberal call to arms, as the UIA publicly supports Roig saying he inspires confidence in them³⁶⁴, the SRA and agribusiness confirm they trust one of their own³⁶⁵ and even the CGT asks for “serenity” to face the crisis offering their support to Menem³⁶⁶. All hands are on deck trying to contain the social unrest that sears across the country as looting continues in, for example, the province of Tucuman where violence leads to 46 arrests³⁶⁷. Congressmen Eduardo Menem, brother to the president, meets with Ubaldini, the head of the CGT, to discuss the crisis and find a way to calm labor³⁶⁸ as Alsogaray asks the UCR for a quicker transfer of power to Menem³⁶⁹.

By this point, Menem has completed his cabinet³⁷⁰ executing what Cavallo calls “international relations without ideological borders”³⁷¹, suggesting the neoliberal rapprochement is only a practical decision to side-step ideology and solve immediate problems when in the end it turn out to be a complete volte-face in ideological perspectives, still promoting ideology, just another in its stead³⁷². Ironically, this also simultaneously symbolizes Peronism’s adoption of neoliberalism’ self-identification as practical versus ideological, tying Peronism’s ideological fate to that of neoliberalism.

³⁶⁴ Inspira confianza la figura de Roig en la comunidad de negocios. (1989, June 1). La Nacion, p. 13.

³⁶⁵ Entre dos expecttivas. (1989, June 3) La Nacion, p. 6.

³⁶⁶ La CGT pidió serenidad y firmeza para encarar la crisis. (1989, June 2). La Nacion, p. 4.

³⁶⁷ Tucuman: 46 detenidos y amenaza contra varios comerciantes. (1989, June 4). La Nacion, p. 6.

³⁶⁸ Eduardo Menem trato la crisis con Ubaldini. (1989, June 3). La Nación, p. 5.

³⁶⁹ Alsogaray abogo por adelantar la entrega de poder a Menem. (1989, June 3,) La Nacion, p. 8.

³⁷⁰ Menem completa su gabinete ministerial. (1989, June 4). La Nacion, p. 1.

³⁷¹ Trayectoria de los ministros normados por Menem. (1989, June 4). La Nación. p. 11.

Menem's first stabilization program is released³⁷³ It is a neoliberal deepening of his "popular market" with some revisions³⁷⁴ from Cavallo and Alsogaray. Cavallo domestically defends the upcoming government's more orthodox plans³⁷⁵ while traveling to Washington to ask for political help to support it³⁷⁶. Ubaldini is offered a job within the next government he refuses stating he is ready to fight for the CGT's interests now that he thinks Menem no longer supports labor, implying even if that means working against Menem³⁷⁷. Maria J Alsogaray, Alvaro's wife, is called by Menem to intervene in the privatization of Entel³⁷⁸.

The press as well as most Argentines are confused about Peronism's direction, but with no real alternative, soon fall in line accepting the economic adjustment plan as Menem's, Alsogaray, and Roig defined without really knowing who's it is specifically responsible for it, what interests it promotes, so the media – as representative of popular understanding - simply begins attributing it from one person to another, from one day to the next, and how would they know any better? Even Jeffrey Sachs is mentioned as designing the stabilization plan after meeting with Menem and Miguel Roig³⁷⁹. No one knows for certain whose idea any policy is; in subsequent biographies written after the presidency, this confusion remains, as Cavallo and Menem's accounts of those days are not at all the same.

All one can advance with certainty is that neoliberal economists like Alsogaray and Cavallo helped Menem design his adjustment plan, and they themselves were helped with members of their international neoliberal network, in this particular instance by Jeffrey Sachs and later by Hanke

³⁷³ En lo que se habla del programa de estabilización. (1989, June 18). *La Nación*, Sección 3A: Economía/Finanzas, p. 5.

³⁷⁴ Menem ajusta su plan económico. (1989, June, 19). *La Nación*, p. 1.

³⁷⁵ Defendió Cavallo medidas ortodoxas. (1989, June 21). *La Nación*, p. 13.

³⁷⁶ Cavallo en Washington en busca de apoyo político. (1989, June 20). *La Nación*, p. 1.

³⁷⁷ Ubaldini, dispuesto a dar batalla por CGT. (1989, June 23) *La Nación*, p. 1.

³⁷⁸ Maria J. Alsogaray será interventora en Entel. (1989, June 24) *La Nación*, p. 1.

³⁷⁹ Sachs colabora con el plan estabilizador. (1989, June 30) *La Nación*, p. 1.

and Schuller in designing the Law of Convertibility. Local interests too lent their support and knowledge as businessmen participate in an agreement with government to help keep prices down³⁸⁰. The change of identity therefore occurs in a fog of uncertainty without a clear definition of who participates in this process and what exactly it entails; a fog that clouds even its participant's recollection and understanding. Peronism's change in identity is more than a change in interest promotion or an adaptation to a new time and global economy, but something that reaches more fundamentally to the core of identity across all Argentines.

The austerity plan takes effect soon after Menem assumes power, also a symbolic gesture of keeping in line with his Peronist base, he asks Peron's wife to become ambassador to roman catholic church³⁸¹. Despite his now sustained change of Peronist identity, he still works within it, so he must use its language and symbols when it can support his ends, maintaining power. The media positively characterizes Menem's plan as a "necessary attack on public expenditure", though they refer it not Menem's but Alsogaray's plan³⁸².

As one of its first measure, the adjustment policies will call for the privatization of the argentine rail system³⁸³ which like hyperinflation has been on everyone's minds throughout the elections. In monetary policy, Gonzalez Fraga, the soon to be new president of central bank, says there will not be a strong Austral devaluation and he is sending a bill to congress to make the entity, once again, autonomous³⁸⁴. Technically speaking, he has no authority for two days, but he sends the bill regardless, and it is accepted.

³⁸⁰ Los empresarios participaron de un acuerdo con el Gobierno. (1989, June 30). *La Nación*, p. 11.

³⁸¹ Carlos Menem dijo que los argentinos deberán cambiar el auto por la bicicleta. (1989, June 24). *La Nación*, p. 1.

³⁸² El ataque al gasto pulico, eje del programa económico de Alsogaray. (1989, June 24). *La Nación*, p. 11.

³⁸³ Privatizaran servicios ferroviarios. (1989, June 25). *La Nación*, p. 25.

³⁸⁴ Gonzalez Fraga: No habra una fuerte devaluación. (1989, June 28). *La Nación*, p. 1.

As stated earlier, several political scientists familiar with Argentina would argue, and I would say quite convincingly so, that Peronism has always been a heterodox political movement, becoming what it must in order to overcome from one generation to another. This seems accurate when taking into consideration Menem's use of neoliberal ideology as a means to sustain his power. However, neoliberalism seems to advance a new form of citizenship, what Foucault refers to as a "homo economicus"³⁸⁵, or Harvey and more recently Brown's suggest that it engages a different and overarching form of rationality.

These authors certainly have a more complete understanding than I; my case study on the other hand reveals a fundamental change in citizenship and what constitutes politics that neoliberalism promotes by how it self-identifies. While many critics of neoliberals decry a world of means without ends as representative of the world neoliberalism has forged, a place where everything is possible but we fail to deliberate on the normative ends of our behavior, I would like to address the problem that contemporary theory, specifically neoliberalism, fails to recognize a process by which all ideologies now are only concerned with the ends of human interaction when at heart human behavior finds its meaning in its means. How we do things is usually more important than what we do.

V.C. Neoliberal Self-Identity

Our case study has provided several examples of how Peronism shifted its identity. Above, we decided to specifically observe how this occurred during Menem's transitional period from

³⁸⁵ Foucault, M., Senellart, M., & Collège de France. (2008). *The birth of biopolitics: Lectures at the Collège de France, 1978-79*. England: Palgrave Macmillan, pp. 215-237.

winning the election to the time he actually takes office. It revealed, among other things, that in ideologically incorporating neoliberalism to its own identity, Peronism begins to self-identify as neoliberalism does, namely that it transgressed ideology and instead is practical, not advancing ideology via technocrats as others but rather getting out of the way of markets with the help of technically skilled non-ideologically inclined technicians, making the policies they adopt reflect not some normative position, but rather an objective reality. We will present five forms of neoliberal self-identity and relate these to the effect they had on Peronism's newfound identity.

Across our case study, from running for President to after Cavallo joins Menem's cabinet, we relate at three (3) specific ways in which neoliberalism self-identifies in Argentina. As Peronism adopts neoliberalism to its core identity, we find it too starts identifying the same way. The first pertains to the period in which Menem confirms Peronism to adapt to the Washington Consensus (p.67-68). His administration is characterized as following an econometric model designed by Lawrence Klein; lending technical credibility to it, because it does not conform to typical Peronist identity, the article goes on to call Menem's adoption as **“practical versus ideological posture”**³⁸⁶, inferring both that Menem will choose policy that is optimal for the country despite his ideological posture and that Washington Consensus policies are derived from science not ideology.

Shortly thereafter, as to repeat a similar message increase the above's justification and persuasion of this message, Benegas Lynch, a staunch local neoliberal and “Cavallo Boy” as well as Jeffrey Sachs both publish op-eds closely clustered at the same time with the same discourse characteristics. If not a coordinate set of events, it previously re-enforces a public message regarding the nature of neoliberalism, and now of Mannerism, that these ideological postures are not

³⁸⁶ El horizonte económico de Carlos Menem. (1989, July 9). La Nación, Sección 3A: Economía/Fianzas, p. 1.

ideologies at all but rather practical answers to practical problems. This negation of espousing or promoting normative ends is considered by many critics of neoliberalism and whose source and consequences we expand on further in Subchapter V.C.

Another type of self-identification neoliberalism lends to Menemism is neoliberalism's often **quietness or outright neglect of its intellectual history**. In Chapter II we describe how neoliberalism adherent won't even use "neoliberalism" as a term to refer to themselves. A closer look at the Corner Solutions too exposes, for example, a self-defined but dubious theoretical origin in the 80s despite Swoboda's clarification on his work confirming this concern. The proximate origin of this perspective is gleaned by tracing public statements at conferences in which neoliberal practitioners share their ideological positions and through which these arguments' ideological origins can be traced back to well-established authors such as Milton Friedman further back than the 80s. Menem's Peronism adopts this same attitude when referring to their origins as linked to the Renovadores faction of Peronism when Menem actually ran against this group in the primary election.

This ideological fog that surrounds neoliberalism and Menemism is only enhanced when **the same political or economic ideology takes two different positions on a same problem**, further confusing normative positions. Menemism via Alsogaray, for example, implied early on in the campaign that technocrats and their undemocratic influence on Argentine politics was bad for Argentina, while simultaneously defining neoliberalism as an un-ideological position helping remove government interventions from blocking market articulation, later referring to Domingo Cavallo as an apolitical economist.

Meanwhile, a year later, an article entitled "From thought to political action," introduces the INN, describes "the unheard phenomenon of the Fundacion Mediteranea" and how "for

the first time in Argentina, members of a think-tank will occupy key political positions of powers like in other countries”, contradicting the first originally held position, but still failing on the side of the righteous side, armed with reason and the will to be able to help people. What accounts for these forms of self-identification, what purposes to they serve, and what consequences do they have?

The story of Argentina’s adoption of a CBA is not just one but several stories overlaying each other. It is first a story of how Menem appealed to the Washington Consensus and aligned himself to its articulation of neoliberal polices as **(H.1) a means to win the Presidential election**. This ideological addition, **(H.II) reconstituted the Peronist Party’s identity he belonged to, but also reconstituted the whole system of interest articulation and relative power of interest groups**, namely agribusiness and export-oriented industrialist power over organized labor

Domestically, Convertibility’s adoption also signals **(H.III) the anchoring of Argentine network of think-tanks, technocrats, politicians, and “technopoles” from within**, qualifying Convertibility as political end. Internationally, Convertibility gave two of its agents an opportunity to promote the creation of more currency boards across other developing countries, transforming **(H.IV.) Convertibility into an ideological stepping stone, alongside the Corner Solutions, to promote the creation of CBAs across more developing countries**.

The story of Argentina’s adoption of a CBA in the end is a story, amongst all the others, on the limits of contemporary critiques of neoliberalism, conflating the later with the Washington Consensus and other processes of neoliberal ideological promotion such as the INN. While we our case study helped us distinguish between these unique processes, determining the exact

beneficiaries and losers of said processes as well as the intellectual origins and justifications that made this all possible, there is still much more room to advance future research.

Neoliberalism's own theoretical conflation, ignorance or veiling of its neoliberal arguments, and limiting forms of self-identification, complicate our understanding of the exact means by which such an ideology develops. We think much was gained by looking specifically at the Corner Solutions, in reference to the greater neoliberal ideological deployment, but also sticking to concrete and specific units of analysis of our Argentine Case. There is however more room for improvement,

While the problem of self-identification and normative negation carried by neoliberalism has limited our analysis it also provides an avenue for future research. Such negation can reflect poor intentions on the part of agents and theorists alike but it is more likely the product of a different way of rationalization and conceptualizing human relations. There is no definite view on of course on what constitutes social science theory³⁸⁷ or human relations. While various debates persist, only few conventions have been reached by modern political scientists. One such convention is the distinction made between normative and positive theory.

The latter views normative approaches as placing an ideal or wished societal value, such as "Freedom" or "Democracy" at the core of the understanding of politics, which in turn orients actions. Our case for example revolves around the normative position that Developing countries **SHOULD** follow a Corner Solutions, Positive theory, on the other hand, is defined as simply attempting to approximate reality as closely as possible through theoretical modeling. In our case,

³⁸⁷ For a brief overview of the debate on what constitute theory, please refer to Hechter, Michael, *Principals of Group Solidarity*. Berkeley: University of California Press, 1987, p1. and Popper, Karl R., *The Myth of the Framework: In Defense of Science and Rationality*, edited by Notturmo, M. A. , Londond: Routledge, 1994, p165. for the materialist perspective. For the critiques see Skopol, Theda, "Reflexions on Recent Scholarship on Social Revolution and How to Study Them" in *Social Revolutions in the Modern World*, edited by Skopol, Theda, Cambridge: Cambridge University Press, 1994, p332

the argument that developing countries ARE adopting less intermediary regimes, In other words, positive theory describes “what is” whereas normative theory suggests “what should be done”. I do not adhere to this view and find it a +dangerous one to advance.

In the *Boundaries of Technique*, Andrew Yuengert explores the distinction between positive and normative theory within the social sciences, specifically how it relates to the study of economics. He analyses the XXth century claim that this dichotomy highlights the distinction between “fact” and “value” statements. Yuengert proposes that this dichotomy is erroneous and that the real relationship between positive and normative theory is more complex. His critique is founded on an Aristotelian and Thomistic definition of what constitutes social science inquiry and the relation between Aristotelian Prudence and Technique. While Yuengert explores how this relates to the study of economics, he sustains that it applies to all social sciences, including political science.

Unlike the absolutist modern view that qualifies a theory as being either exclusively normative or positivist in nature, Yuengert’s work suggest that all modern theory inherently contains a positivist component, while some also include an explicit normative component. In other words, commonly named “positivist” theories are explicitly positivist, whereas those theories referred to as “normative” are composed of both implicit positivist arguments and explicit normative ones. While this is not a definition taught in most political science classrooms, it is not only easily conceivable, but also espoused by many theorists, among which, a couple of rational actor theorist wrote the following:

“Every paper or book written in political science or any other field, from each and every research program within each field, invokes not one but several

analogies as it moves from asking a question to generating hypothesis to testing those hypothesis empirically. In other words, the very nature of the scientific method is to string together in a logically coherent fashion, a series of analogies about how the world works, in an attempt to improve our understanding of human behavior [...] all social scientists are rational choice theorists [...] **we all begin with the same basic assumption of rationality, based upon human psychology** [emphasis added] [...] the divergence among various approaches to the study of human behavior come after the common assumption of rationality – as scholars choose different analogies to deal with different research questions³⁸⁸.

If a modern conception of normative theory can be re-interpreted in such a way, what does this tell us about the nature of positivist theory?



Figure 2: Normative and Positive Theory: Components

Neoliberalism is an example of this problem in that it suffers from these limitations and presents theorists, practitioners, and citizens alike with conflated and unclear conceptions blurred by the fog of ideology (particularly the one they suggest does not exist) that develops falsely self-

³⁸⁸ McCubbins, Mathew D. & Thies, Michael F. (1996, Autumn). Rationality and the Foundations of Positive Political Theory. *Rebaisan [Leviathan]*. Vol. 19, pp. 2-11.

identified normative-negating theory, which in the end proposed dangerously orthodox and unethical policy choices, as well as truncated definitions of citizenship and rationality as advanced by current critics such as Harvey or Brown. Let us briefly revisit the Corner Solution from Chapters II and III as a means to illustrate specifically what we are referring to.

The Corner Solutions, as stated in Chapter III, advocates for exchange rate regimes with as little government involvement as possible, including both CBAs, like the one adopted in Argentina in 1991, and pure floats. In the theory that advances it though, from Eichengreen (1994) onward, no author directly discusses the merits of government-free exchange rate regime. Rather, the arguments advanced are that developing country governments ARE adopting less intermediary regimes that require more government intervention and/or that developing countries SHOULD choose one of these Corner Solutions.

The justification for both of these arguments ranges from “because they are more appropriate in a globalized economy” to “because the Trilemma “forces governments to make a choice between fiscal monetary and exchange rate regime policy”. The critique we advanced of Neoliberalism in Chapter III responds to these justifications. The only concern we have here is of how contemporary authors tend to conflate the above stated argument together, never differentiating between the first “positive” statement, and the second “normative” judgment.

The result is the same; these two statements lead governments to choose neoliberal exchange rate regimes that require less government involvement, but the means each argument puts forward are radically different. In the first case theorists are advancing a reality that they suggest those remaining development countries that have not yet chosen a corner should do so because that’s what is working for developing countries today. The second argument is one based on a normative

belief of what countries should do based on a variety of positive arguments suggesting it is necessary or masking an ideological position that it is necessary. Conflating both is not only dangerous but causes some serious consequences.

Namely, if positive and normative arguments are conflated, it is A) difficult to develop or distinguish a sense of agency and what options are available to the policy-maker when you can't distinguish between a held belief and a positive fact. This in turn can cause issues of how citizens or policy-makers face problems. Specifically, by suggesting no ideology is present in a prescription, you are eliminating the logical bridge that usually bind normative and positive arguments together, thus B) creating calculation of ends that disregards any deliberation over means. As human interaction is political, and the means by which political ends are reached taint those ends, such forms of judging human relations is dangerous as it promotes orthodox and unethical behavior. Solving hunger by increasing effectiveness of distributive policies is ethically more republican than simply killing off a portion of a population. An extreme example to illustrate the need to continue to deliberate on means.

In the case of Argentina, the successive crises of the 90s forced the Menem government to start adopting means to maintain Convertibility that side-stepped normal legislative processes, reinforcing an already engrained Argentine over-use of the Executive that inherently weakens that balance of powers of a country that to being with has problems with political and interest representation. Unbalanced systems are more prone to be sensitive to changes in international changes in economic discourse, in turn objecting Argentina to patterns of international changes in discourse without any domestic recourse to balance these swings by offsetting them with those competing interest in Argentina. Is economic stability worth losing political stability over?

Through executive decrees and increased concentration of legislative processes in the executive branch - as embodied by the declaration of an Economic State of Emergency - Menem opened the economy, deregulated economic activities, initiated a comprehensive tax reform, and initiated an even more ambitious state reform. The Argentine economy having apparently stabilized or at least controlled its inflation, Menem proceeds to change the Constitution in 1994 and enabled himself to be re-elected for a second term in 1995³⁸⁹.

While Menem had not brought about the “Productive Revolution” he had promised, he did succeed – at least in the short term - in reducing state expenditures by shrinking the state wherever and whenever possible. The extra resources endowed by the additional debt contracted (or refinancing of existing debt, this is a matter of interpretation) in the form of Brady Bonds combined with the Convertibility Plan provided Argentine interest-holders, foreign investors, and the population at large with the impression of economic stability³⁹⁰. His constituency, though still displeased, found themselves benefiting from a short to medium term economic stability. This rallied enough inter-party support for him to be re-elected for a second term.

Menem was able to strip the federal government of previously run tasks, and consequently reduce federal government expenditures. The loans he had contracted and the succession of the Alfonsín-initiated privatizations that came to occur in his second term (e.g. ENTEL and Aerolíneas Argentinas) increased government resources. These two actions combined gave the appearance that the Argentine economy was no longer stagnating, but rather expanding. What is interesting is that Menem in essence followed neo-classical policies promoted by the U.S. Treasury Department, the IMF, and the World Bank (to only name a few) by using strong state intervention without

³⁸⁹ Palermo, Vicente, & Novaro, Marcos. (1996). *Política y poder en el gobierno de Menem*. Buenos Aires: FLACSO, pp. 360-361.

³⁹⁰ Ibid. p.291.

legislative compromise in an effort to minimize the State. The most obvious and pertinent (for this study) being the role the government stripped itself of is that of managing its currency.

Ironically enough, it was this falsified strength coupled with the contraction of the State's incapability to manage the economy that eventually led to the next Argentine crisis. Foreign speculators abroad re-invested their trust in the Argentine Peso and began to speculate with it. By November 1992, domestic speculators initiated a dollar run after hearing rumors that the Peso might be devaluated³⁹¹. The balance of payment was weak as exports to other markets were too costly to be competitive; therefore, the government was entertaining notions of devaluating the real value of the Peso.

The "Dutch Disease" was also interrupted by the Tequila Crisis of '95, that while it did not plunge the Argentine economy into hyperinflation, did call for the need to artificially bail out Provincial and Commercial Bank from cracking. The Law of Co-Participation could not be used as a program of injecting liquidity and securing provincial deposits, but it was used to inject funds at the Provincial level. Public Sector debt increased as Banks began to take on large debts. As social tension mounted, Menem replaced Cavallo with Roque Fernández in 1996, in part to gain time to devise a new economic *road map*, but also because elections were nearing and Cavallo's public persona was starting to over shadow his own.

Unable to control unemployment, economic contraction, the heavily indebted public sector, falling commodity prices, and without a means to control monetary policy, the Asian crisis of '97 and Russian crisis of '98 finally burst the bubble of the artificially strengthened Argentine economy. Not surprisingly enough, elections drew near and Menem attempts a second Constitutional change to be re-appointed as President for a third term. In light of his decreasing

³⁹¹ Ibid. p.325.

public popularity and support among key interest holders, the Judicial Branch would not support him this time.

IV.D. The Normative/Positive Divide: Future Research for Neoliberal Critiques

Let us return to the structure of normative theory and elaborate on Yuengert's assertions. If normative theory is composed of two distinct elements, these must somehow be linked and interact with one another; or so states the Cartesian form of deconstructive analysis³⁹². While the above-cited authors did not of course explore this, I posit that the relation between "what is" and "what should be done" lies in the objective of theory. When one tries to logically link "what is" to "what should be", two interrogations immediately come to mind: "How?" and, more importantly, "Why?", two considerations future research could easily advance.

The link between normative and positive elements of a normative theory are thus the theory's desired objective. In other words, once you figured out what the World is like and how you think it should be, you must propose a way to get to the desired objective and explain why that objective should be desired in the first place. A theory therefore creates a road map that explains how to get from one state to another, be it via privatizations, currency boards, or fiscal reform, inscribed in a World View that justifies the necessity to do so, such as the Corner Solutions, the Trilemma, or even the Mundell- Flemming Theory.

³⁹² See Laporte, Jean. (1945). *Le rationalism de Descartes*. Paris : Presses Universitaires de France.

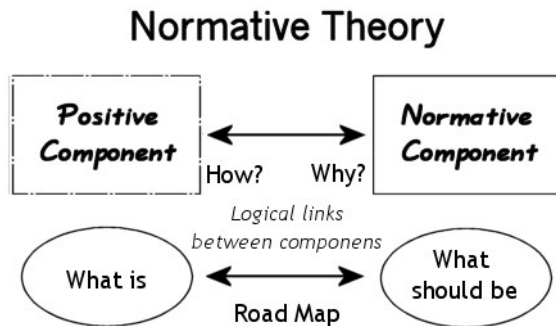


Figure 3: Normative Theory: Moving Parts

Hence, the link between normative and positive components of a normative theory is ideological in nature. By ideology we are referring to De Tracy's definition⁵¹, meaning a systematic set of ideas and beliefs shared by a group of people (philosophers, citizens of a nation, political scientists, dependency theorists, cult members, friends, etc.) as to *how* and *why* we should direct human endeavors from where we are to where we think we should be³⁹³. The role ideas play in theoretical constructs is crucial; it binds theoretical components into comprehensive models and generally directs social science inquiry.

We therefore propose that future research could benefit from such analysis. Contemporary Research has only recently begun to desegregate large and vague notions of neoliberalism into different domestic and international networks of ideological promotion, drilling down to national levels of analysis at the institutional level. Our analysis has complemented these critiques by relating these networks to power, not only studying the dispersion of discourse but also looking at the actual policies they generate, and the interests that benefit and lose from their promotion.

³⁹³ See Head, B. (1985). *Ideology and social science: Destutt de Tracy and French liberalism*. Hingham, MA: M. Nijhoff.

My hope was to tell the story of how the adoption of a currency board in Argentina was in fact the confluence of many stories, agents, and interests all inter-relating with one another, not in unidirectional asymmetric relations as much of the literature that critiques neoliberalism presents, but a much richer, interconnected, and complex story of ideological dispersion, policy implementation, interest articulation, political manipulation, and identity reconfiguration. My research leads me to believe that future of critiques of neoliberalism lies in a combination of detailed “1 Agent, 1 policy, 1 Theory models”, but also in case studies that delve deeper into the relationship between positive and normative arguments of neoliberal theories such as the Corner Solutions.

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