

and, as an instrument of the majority, it generally achieves greater distributive justice.

Suffrage makes possible the peaceful resolution of societies' controversies, and, by providing the only possible legitimacy for the state, it allows for the continuity of republican institutions and their corresponding principles. In Argentina, we have proved up to what point the dissolution of the people's rights to elect their own government has always implied the transfer of sovereignty to foreign powers, to unemployment, misery, immorality, decadence, improvisation, the lack of public liberties, violence, and disorder. Many people are unaware of what it means to live under the rule of law and the constitution, but we all know what it means to live outside the boundaries of the law and the constitution.

Honorable Congress:

The will of the people through their representatives is manifest today in these venerable quarters, testifying to the birth of a new era in our national life. The possibility that the people could be the protagonists of this definitive new beginning inspires in all of us a sense of responsibility in keeping with the effort that we undertake together today and infuses in us the strength to confront the mass of problems that afflict our fatherland.

These difficulties are many and immense, as well we know, but we are going to push forward with the necessary faith and force because we undoubtedly have the resources, will, and passion required. And, above all, because we are all united in this struggle. . . .

Translated by Desirée Martin

Living with Inflation

Oswaldo Soriano

In 1989, before President Raúl Alfonsín stepped down, prices reached extraordinary levels. In a matter of days, hyperinflation made food and housing unaffordable for hundreds of thousands of people. The deteriorating economy was yet another manifestation of the dictatorship's harsh legacy, one that democracy seemed unable to control. In this ironic essay, the writer Oswaldo Soriano highlights the almost surrealistic everyday experiences of citizens living with extreme levels of inflation.

Ever since 1975 Argentina has been eaten away by an inflation that at its most dramatic, around 1985, reached 100 percent per month and at its most benign (in 1980, during the military dictatorship) was 90 percent annually. Under the government of Raúl Alfonsín, money was devaluated by 86 percent. This past spring, aware that at such a rate of economic disintegration the ruling party would lose the May 1989 elections to the Peronists, the government implemented a structural adjustment plan that reduced the rise to 6 percent per month.

This country has gotten used to living with inflation just like people live with hurricanes in the Caribbean, with drought in Lima, and with smog in Mexico. When all is said and done, this way of life, so inexplicable to others, doesn't keep the cats from meowing, the dogs from barking, or the sun from setting on time.

As the Dew to the Sun

The day before my departure for Brussels, in June 1976, I went to a travel agency to change into dollars all the "legal pesos" (that until 1969 had been "national money") that I had obtained that very day by selling my car and some other trifles. I remember that the line at the exchange window was very long and that, no matter how much the cashier hurried, the price of the dollar went up faster than his fingers could count the bills. Behind that little gray man, with

his mustache trimmed in the 1940s style, there was another man, slimmer and quicker, who had a telephone pressed between his jaw and his shoulder. With his free hand, he was turning a handle to change the exchange rate posted on a display like a taxi meter. With each step the line advanced, the value of the bills that I had in my pockets evaporated like the dew when the sun begins to shine.

With the dollars I got that day, I managed to survive a few months in Brussels in a group house I rented with some friends near the European Economic Community building. For a long time I was amazed that Belgian money would maintain its value unchanged, or almost; that cigarettes, tea, and typewriter ribbons always cost the same amount. At times I was surprised—and I wrote to my friends in Buenos Aires about it—that some products actually went down in price. There were times when I published articles in *El diario de Caracas* and the honorarium sometimes was in bolivars, sometimes in dollars, because for the Venezuelans it was all the same.

Then I went to France, and for six years inflation was measured in cents. It was a new world, to which I adapted easily, because my life with galloping inflation back in Argentina had lasted only a few months. The real blow came when I went back.

In Buenos Aires in 1985, it was no longer possible to buy anything at night for what it had cost in the morning. In the cafés, the cashiers went crazy between the orders of clients and the demands of the boss, who spent his time listening to the escalation of prices on the radio. Rents, salaries, everything in life was—and still is—indexed. Your pockets filled up with worn-out bills, full of holes and all stuck together, and the face of General San Martín got washed out in between love notes, surly messages, and requests for help written by people with stronger ink than they used at the central bank.

Wallets were not a good present for anyone. There was no room in their compartments to keep paper with a value of 100,000, of 500,000, of 1 million pesos. Popular ingenuity rebaptized the numbers: the million was the *palo* (it still is, and, if it's in dollars, it's a green *palo*). Anyone coming from overseas—like me, just back from Europe—was driven crazy trying to distinguish between the millions and hundreds of millions necessary to pay for a simple taxi ride. “Six *palos* 120,000,” said the taxi driver when he looked at the taxi meter. And at times, just to increase the confusion, he would add: “If you give me 2 *lucas*, I'll give you back a *colorado*.”

The *luca* had been the thousand-peso bill that my father dreamed of in vain in the 1950s, when he was earning, I think, 140 national pesos per month. The comic books my mother bought for me every week cost twenty cents, and a

package of soccer trading cards and the movies cost five and stayed that way all through my youth.

The five-cent piece was a nice coin, fairly heavy, with the face of the Liberator on one side and the number 5 on the other. When we played soccer, we had to ask a neighbor or some passerby to loan us one so we could flip it up in the air to see who went first or to figure out the direction of the wind. Now you can find these coins in stamp museums next to stamps featuring Eva Perón or the ones with General Manuel Belgrano, which reappeared in 1955 when the first Perón government fell.

We'll Settle Up Tomorrow

Back then at school they gave us accounts with the National Postal Savings Bank; we deposited our cents in those accounts, using little passbooks to keep track with a new stamp pasted below the others to represent that week's savings, building up a pool of money we couldn't touch until we were eighteen. Needless to say, no one from my generation ever managed to turn that passbook into hard cash. In the 1960s inflation in Argentina was the way it is now in Uruguay and Venezuela, between 30 percent and 40 percent annually. Viewed from the perspective of here and now, that wasn't really inflation.

Meanwhile, the “national money” peso was converted to the “Argentine peso,” then to the “legal peso,” and in 1985, with the implementation of the first adjustment plan of the current government, to the *austral*. This new monetary unit was supposed to exchange at 0.85 *australs* per dollar, but by November of 1988 the dollar bought 15.6 *australs*.

The monetary chaos began in 1975, during the government of Isabel Perón. An ephemeral minister of economics, Celestino Rodrigo, immortalized his name one winter day when he produced what is still known as the *rodrigozo*. I remember that day because I was in a bar with some friends, discussing the latest news, and, when we were ready to leave, we called the waiter over so we could pay the bill.

“How much do we owe you?” one of us asked. And the waiter, throwing his arms in the air, said to us: “I don't know. The owner doesn't even know. Whatever you give me that isn't less than ten thousand pesos is fine. If that's not right, we'll settle up tomorrow.”

The convulsion of that day would become, over the next three years, an exercise of childish everyday economics. All Argentines are small or big speculators, used to putting their money in a bank for seven days in an interest bearing account and then running to take it to a “money table,” that speculative

circuit where the financiers earn thousands in a single day. There are enormous masses of money that are deposited for interest for a single night, between the closing and the opening of the banks, because the banks need to fulfill the requirements for cash flow set by the national treasury.

In November 1988, money deposited for a fixed time in any bank produced earnings of 8 percent monthly in dollars. This phenomenon brought in capital that only came to pass through the financial circuit and then returned, considerably fattened up, to its safe shelter back in New York or Switzerland. It is calculated that \$10 billion came in from overseas, passed through the banks, and was multiplied by speculation, all at the state's expense.

The operation was simple. . . . If someone has at his disposal something like \$100,000—and there must be people who have—he would change it into *australes*, and he would deposit it for a fixed time in the bank at 10 percent (or in the black market at 14 percent), with interest paid every seven days. Since the price of the dollar stayed constant, at the end of a month the first \$100,000 could buy, if the person had been cautious, things worth \$108,000. And, if he had been risky and invested in the “bicycle,” as the parallel financial market is called, he could have earned much more. Rates of interest and yields were announced all through the day by radio and television, before the weather report.

Many Heart Attacks

Of course, there were many heart attacks because this financial wager depended on the government keeping the exchange rate frozen, by whatever means. When the system broke down, as it did six months after the Austral Plan was implemented in 1985, almost all the small, inattentive savers were left with useless paper. But that also forms part of the culture of inflation, just like the multitudes of lotteries, races, sport competitions, and raffles sponsored by the state, the provinces, private enterprises, and television.

Language changed with the currency and the sense of disenchantment. Any reasonably well educated young Argentine today dreams of “being bailed out,” that is to say, of earning a fortune in one fell swoop, or else of “splitting,” “hitting the road,” “jumping ship,” or whatever other linguistic variation means leaving the country before it's too late. The Uruguayans had circulated a joke that said that the last man to leave the country should turn off the lights. In the Argentine version, that last act of civility would be impossible because, before that, someone would have stolen the map—or cut off the electricity.

Yet that word *inflation*, which is in all the newspapers and on the lips of all the politicians, is not a term that is used in the streets. The shopkeeper says that “there's no dough,” the butcher that “there isn't any money,” but I have

not heard many people blame their ills on inflation. The labor unions are still struggling to get higher salaries for their workers, no matter how devalued the money is when they get it at the end of the month. In November 1988, the economy minister set wage increases at only 4 percent, supposedly to keep from feeding inflation, and the result was paralysis of all government activities—from the mail, to the railroads, to customs, and even to providing gas, power, and electric service.

Strikes had a justification that is evident in growing poverty and also in the statistics: in five years of constitutional government, the value of salaries has diminished by 42.7 percent, according to sources of the Confederación General del Trabajo.

In daily life, the deterioration is spectacular, except in the neighborhoods of the upper middle class and the haute bourgeoisie. When the *austral* was launched three years ago, the largest and most coveted bill in the new currency was the red 100 *austral*, which was worth \$85.00. A little more than twelve months later, the 500 *austral* bill appeared, which was at first hard to get change for, and finally, by October 1988, the brand-new 1,000 *austral* bill went into circulation, worth barely \$70.00.

Precautions?

While I am writing this article, the cigarettes that I smoke as I sit here in front of my typewriter went from eleven to thirteen and then to fourteen *australs*. This movement does not disturb us because we know it is inevitable. To estimate the value of an automobile, one has to figure in the cost of the insurance policy, which is renewed every four months and itself anticipates the inflationary index. In all the bills for public service—water, light, gas—the computer signals the price to pay on the due date and another, with the added charge also calculated, after a grace period of ten days.

No one sets the price of a contract for services in *australes* but in dollars. As the law obliges us to use Argentine money, at least in appearances, any agreement to pay within six months will include a clause that says, for example: “This will be paid in *australes* equivalent to x dollars in Bonex value [the name of a public money exchange that pays in U.S. money] according to the current price on that day in Uruguay.”

And woe to anyone who doesn't take precautions! Among the most frequent victims of inflation are the tenant who has to pay an indexed rent, the doctor who sees patients from workers' comp (which pays him seventy days after he has rendered his services), or the writer, whose editor pays him royalties every six months. The very few who are able to set their own terms are paid

in advance and arrange to be paid every three months, but, in any case, all compensation—beginning with salaries—deteriorates before becoming effective.

You live with inflation like you live with the landscape. The businessman accepts Argentine money in order to get interest, and he doesn't consider re-investing it. Thus, the only profitable businesses are those that get paid immediately: supermarkets, transportation services, shows, prepaid savings schemes to finance cars and housing. In some cases, products bought wholesale at low prices are sold below cost—especially in supermarkets—because the ability to put the money into speculation immediately means that losses can be recovered in two days and profits can be accumulated in the following five.

Everyone knows the usual excuses for delaying a payment, and that is part of the rules of the game. Postdated checks abound, at times they bounce, and even casinos, whose clientele had been shrinking, have begun to accept the idea of buying chips by check, which signifies a barely disguised way of giving credit to the player.

In view of the presidential and legislative elections coming up in May 1989, the government has set out to lower inflation in order to provide an image of order and efficiency that might give the radical Eduardo Angeloz some chance against the Peronist Carlos Menem, who is leading in the polls. That is why the central bank has set such high interests rates and kept the dollar frozen. As a result, inflation has fallen to 6 percent monthly, but nobody knows what will happen when this policy runs out.

Perspectives

In any case, the printers at the treasury never stop. The designers of bills, who have chosen the faces of constitutional presidents to decorate the bills, are already preparing 5,000 and 10,000 *austral* bills. Maybe even before this government finishes its term, at the end of 1989, we might see the portrait of the radical Hipólito Yrigoyen, the first head of state elected by universal male suffrage. And, if things continue the way they're going, long before we enter the twenty-first century we will have in our pockets bills with the face of the smiling General Perón. But it is risky to predict just when we will see, printed on the 1,000,000 *austral* bill, the austere, chastened face of Raúl Alfonsín.

Translated by Patricia Owen Steiner

Menem: A New Style in Politics

Vicente Palermo and Marcos Novaro

For ten years, Carlos Menem governed Argentina in a style that puzzled traditional politicians. By applying presidential decrees in a manner that some saw as authoritarian, Menem was in a few years able to impose neoliberal economic and social policies that nobody considered viable in a country with Argentina's political history. The virtual elimination of inflation and the reform of the welfare state were among his achievements—unemployment and corruption among his grave failures. Despite the negative social effects of his policies during his first term, Menem won reelection in 1995. In this widely respected analysis of Menem's political style, Palermo and Novaro try to explain the paradox of an elected president who, despite his unpopular programs, was seen by the majority as the only political option for the 1990s.

Above all, Menemism is a reformist strategy of government. By analyzing the content and means of implementing its policies for transforming the state, the economy, and society in general, we can find the keys to understand its nature. To understand, that is, Menem's particular style of accumulating power, producing consensus, and facing conflicts. Within this broad and complex set of issues, we can pose the question, Have Peronist identity and traditions blocked or aided the development of Menemist policies?

Perhaps they did both at the same time. Menem made use of more than a few typically Peronist gestures to justify his audacious plan of reforms and to secure the support of his voters and his party. He overcame his initial credibility problems by drawing on the Peronist trust in the leader as the supreme guide in rebuilding the nation and unifying the people. He attacked the "political class" and politics as usual, a strategy that had served Perón so well in his day, in order to justify recruiting figures from other political groups, even artists and businessmen. He dismissed his adversaries and "disciplined" his own legislators to follow the course of reforms. And he absorbed the talk of free markets and alliance with the United States without too many problems, thanks to the traditional pragmatism of Peronists. In sum, if Menem were not a Peronist,

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