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**Query:** Please identify literature on the social impacts of the financial crisis in Argentina (2001-2002) with particular attention to the causes of social unrest (including unemployment). Please include information on the policy responses implemented.

**Enquirers:** Development Research Center of the State Council of China, and DFID China.

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1. **Overview**

   Between 1992 and 2002 Argentina experienced very fast rates of economic growth followed by almost total economic collapse. The 2001-2002 financial crisis culminated in the collapse of the 1991 Convertibility Plan, the freezing of bank deposits, and the biggest foreign debt default in world economic history. By May 2001, 31% of the total workforce was either unemployed or underemployed. By May 2002 this figure stood at 40.1%. Many of the new unemployed were from the middle class who, faced with both declining wages and freeze on bank assets, moved into poverty for the first time.

   Whilst there is still no consensus on the causes of the crisis, it is generally attributed to both economic factors (especially the extreme dependency on foreign credit) and the fragmentation of the political system.

2. **Social unrest**

   Social unrest during and following the financial crisis principally took the form of social protests. There was a sizeable increase in the participation of individuals in various forms of social protest, which rose from 7.6% before October 2001 to 16.2% by October 2003, with participation increasing up the income distribution scale. (Fiszbein et al. 2003)

   However, social protests were common in Argentina long before the financial crisis hit. According to one study (Garay 2007), between 1997 and 2003, Argentina experienced an annual average of 137 acts of protest. Prior to 2001, these generally took the form of puebladas (urban revolts) and piquetes (pickets), with the level of social unrest steadily becoming higher and more constant. From December 2001 onwards, new forms of protest emerged, including cacerolazos (pot banging), asambleas vecinales (neighbourhood assemblies), escraches (graffiti protests) and clubes de trueque (barter clubs).

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1 The Convertibility Plan refers to the Argentine Currency Board’s policy of pegging the Argentine peso to the U.S. dollar between 1991 and 2002 in an attempt to eliminate hyperinflation and stimulate economic growth.
There is no consensus as to whether the 2001 crisis per se was the principal cause of contention. Much of the research highlights a combination of broader factors to account for the upsurge in social protest, including already high unemployment rates, poverty, lack of labour union support to the unemployed and repressive and clientelist political practices. Furthermore, it has been argued that the street protests of December 2001 were not a homogeneous phenomenon, but involved different social sectors - including middle-class protesters, the urban poor, and criminal gangs - each with different motivations and behaviour, with much of the protest being either fomented or taken advantage of by political groups.

Wider social impacts

Budget cuts following the crisis had serious consequences in the social sectors. In education, spending designed for investments in improved services were diverted to shorter-term safety net programmes, such as school feeding. Shortages of funds produced teacher strikes and prevented the continuation of the education reform strategy launched by the Government in 2000. In the health sector, the (private) health insurance system, which depends on wage contributions from formal sector workers, saw major reductions in revenues. This resulted in an increase in the demand for services from public hospitals, which themselves saw a reduction in funding. Generally speaking, the crisis had greater effects on the use of health services than of education services. It also appears to have resulted in higher levels of family violence, alcoholism, and crime.

Policy responses

The principle policy response to the crisis was the “Programa Jefas y Jefes de Hogar Desocupados” (Programme for Unemployed Heads of Family), a more inclusive alternative to the existing workfare programme “Programa Trabajar” which it replaced. The programme aimed to provide direct income support for families with dependents for whom the head had become unemployed due to the crisis. The programme was seen as a partial success insofar as it reduced aggregate unemployment by about 2.5%. However, there was substantial leakage to formally ineligible families, and incomplete coverage of those eligible. Furthermore, it has been argued that the continued existence of the programme may have unappealing long-term consequences, by reducing the incentive to search for work and perpetuating poverty (Iturriza et al. 2007). Others see the plan merely as a temporary tool to control social unrest, rather than a longer-term policy aimed at strengthening workers’ rights.

Social unrest

http://www.accessmylibrary.com/coms2/summary_0286-31116011_ITM

This paper traces the emergence of the piquetero (picketers) movement in Buenos Aires during the Argentine crisis. The most important economic changes in relation to an understanding of the piqueteros relate to those in the labour market. Following the market-oriented economic innovations introduced by the Menem government after 1989, there was a gradual increase in the percentage of precarious jobs and worsening structural unemployment. By May 2002, national unemployment had reached 21.5% of the work force.

One particular social aspect of the crisis was the sense of personal isolation and exclusion derived from chronic unemployment and poverty that affected the identity of many Argentines. This increased social isolation reflected not only their heightened joblessness, but also a reduction in (and fragmentation of) the collective political influence of the traditional union movement.
According to the author the piqueteros represented “a successful effort at mobilizing some of those who had rarely been actively involved as an organized force in national politics: the chronically unemployed poor, their families, and local sympathizers.” The piqueteros would typically block off strategic roads to demand inclusion in government relief programmes such as the Jobs Programme (or Programa Trabajador) of 1996-2002, or the more inclusive Programme for Unemployed Heads of Family (Programa Jefes/Jefas de Familia Desocupados) that replaced it from mid-May 2002.

The author tentatively suggests that the emergence of the piquetero movement was a result of a combination of:

a) opportunity (increased government vulnerability, less likelihood of official repression, external allies and an available number of mobilisable protesters);

b) resources (which depend on a combination of previous protests plus threatened new protests, and the possibility of flexible bargaining); and

c) framing factors (membership trust in strong group leaders resulting in autonomous leadership in key group decision-making, or, as a sharply different alternative, a pattern distrustful of strong leaders, with active membership participation in decisions made in local neighbourhood groups, resting on egalitarian group values).

Note: An updated version of this article can be found in: Epstein, E. and Pion-Berlin, D. (eds.), 2006, Broken Promises? The Argentine Crisis and Argentine Democracy, Lexington Books

http://www.utexas.edu/cola/insts/llilas/content/claspo/PDF/dissertations/Villalon.pdf

This thesis explores the emergence of new forms of social protest which emerged in Argentina from 1993-2002, namely ‘puebladas’ (urban revolts), ‘piquetes’ (pickets), ‘cacerolazos’ (pot banging), ‘asambleas vecinales’ (neighbourhood assemblies), ‘escraches’ (graffiti protests) and ‘clubes de trueque’ (barter clubs). These emerged as a result of a combination of labour market shrinkage, economic recession, repressive political practices, and a crisis of legitimacy and efficiency of representation among traditional unions and political parties. These new forms of protest were able to attain diverse goals ranging from the expansion of employment programmes to politicians resigning from their positions. However, as the author remarks, at the time of writing (August 2002); "the radical character of these movements seemed to have moderated [either because] they adopted and reproduced the traditional organisational and political patterns that took them away from their original role as representatives of the most vulnerable [or] because none of the protesters organizations managed to become or ally with a political force in order to introduce their demands as policy priorities.” (p106)

The author identifies four different phases during the period 1993-2002 in terms of a) the means of protests, b) the socioeconomic background of the contenders, c) the organisations, d) the occurrence of certain mechanisms, and e) the level of social unrest (pp 109-110):

- The emergence of contention (1993-1996) was characterised by the appearance of new methods of protest, the ‘puebladas’ and ‘piquetes’, mostly organised by groups of ex-employees and displaced workers, and unemployed and underemployed low-income people, respectively.
In the following phase, decentralised roadblocks (1997-mid 2001), there was a proliferation of picketer organisations throughout the country, raising the level of unrest and number of participants.

In the third phase, national pickets (July- November 2001), the level of social unrest was significantly higher and more constant.

The fourth phase, expanded contention (December 2001-June 2002), was characterised by the appearance of different innovations and the engagement of other sectors of the population to the process of political contention. ‘Cacerolazos’, ‘asambleas vecinales’, ‘clubes de trueque’ and ‘escraches’ combined with ‘piquetes’ and multi-sector mobilisations, generating a very high level of social unrest across the entire country.


This report shows the general results of a research project on social protest in Argentina between 1989 and 2003. It aims to examine transformations in Argentinean social protest over time, rather than studying events in isolation. It finds that although 2001 was a particularly significant year in terms of the political impact of mobilisations, it was less significant in terms of the number of protests recorded.

http://pas.sagepub.com/cgi/content/abstract/35/2/301

Between 1997 and 2003, Argentina experienced an annual average of 137 acts of protest, including roadblocks, demonstrations, and occupations of buildings. This paper analyses data on the evolution of protest (number of acts of protest, duration of protest measured in days, and average participants) and socioeconomic data from 1993 to 2003. It rules out the 2001 crisis as the principal cause of contention, given that unemployed protest began well before that date. At the same time, an earlier financial crisis, which produced unprecedented unemployment in 1995, did not trigger unemployed protest. Furthermore it rejects the role of grievances and structural change to explain the emergence of and variation in protest over time, given that different levels of protest correspond to similar levels of poverty and unemployment and comparable economic conditions.

As the author points out, existing research has highlighted a number of factors to account for the upsurge of collective action, including the context of deprivation in which it emerged (high unemployment rates and poverty), lack of labour union support to the unemployed and growing dissatisfaction with partisan clientelist practices that manipulated access to social benefits. In contrast, she argues that the national workfare programme, Plan Trabajar, created in 1996 to demonstrate public concern on the issue of unemployment, itself had fundamental effects on collective action among unemployed and informal poor workers. Specifically, three features of the programme’s design—namely the short supply of benefits relative to demand, the lack of clear rules for selecting beneficiaries, and the administration of workfare benefits by community associations, encouraged collective action. When the state responded to protests with workfare benefit provisions, it triggered further demands, which presented the national state with the choice of either confronting demands or acquiescing to them. In a democratic environment that made repression costly (and hence, made protest less risky), state responses led to a pattern of state-group interaction characterised by protest for and negotiation of workfare benefits. This pattern fostered coordinated action among
otherwise isolated unemployed and informal poor workers around a common policy goal and identity vis-à-vis the state. Furthermore, it allowed them to gain crucial allies, particularly opposition unions, and to consolidate their organisations as key actors through access to material resources and members.


This paper explores the contested relationship between Argentine unemployed workers organisations (UWOs) and the state from 1991-2005. Following the events of December 2001, social mobilisation forced the resignation of national authorities demanding ‘¡que se vayan todos!’ (out with them all!). Direct and radical forms of action (such as factory occupations and neighbourhood assemblies) rejected representative and institutional politics. As such, “the provisional government found itself in a difficult bind of having to re-establish financial and political stability sought by the financial institutions and politicians, and the need to rein in social mobilisation driven by anger at the same creditors and politicians.”

In early 2002, the government launched the plan Jefas y Jefes de Hogar Desocupados (‘Male and Female Unemployed Heads of Household’ programme), presenting it as a shift towards a more inclusive policy ethos. Yet, according to the author, many analysts as well as unemployed UWOs viewed the plan as “a temporary tool to control social unrest, having further negative implications rather than representing a ‘new logic of policy’ that would ‘transform benefits into rights’”.

The politicisation of unemployment reached its height in the first six months of 2002, when the confrontation between the administration of President Duhalde and the radical sectors of the UWOs ended in the death of two young activists, and the injury and hospitalisation of hundreds of others. For Dinerstein, the implications of the massacre were numerous. “First, it led to cross-class solidarity with the unemployed and the mobilisation of thousands against both unemployment and repression. […] Secondly, it allowed the government to introduce a split within the movement. […] Thirdly, it unleashed a political scandal which forced the provisional administration to call for national elections.” (p. 18)

For further research by A. C. Dinerstein on the movement of the unemployed in Argentina, see:
http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/ViewFullAwardPage.aspx?data=IWEC7sNY9jm1ZHivC4z6rQ%3D%3D&xu=0&isAwardHolder=&isProfiled=&AwardHolderID=&Sector=&Awardnumber=RES-155-25-0007

http://www.eui.eu/Personal/Researchers/malamud/Popular_impeachment_in_Argentina.pdf

According to most accounts, the events of December 2001, which led to the early resignation of two constitutional presidents, were ignited by popular revolt and solved through parliamentary means. The central argument of this paper is that a third, crucial factor was behind both the origin and outcome of the crisis: “the (more or less purposeful) action of key Peronist subnational executives” (p 19).

Of particular interest here is the question of whether the popular rebellion was spontaneous or orchestrated. The author argues that the “argentinazo”, as the street protests of December
2001 came to be called, was not a homogeneous phenomenon. In and around Buenos Aires, it was “a concurrent manifestation of at least three different social sectors” (p 20), each with different motivations and behaviour:

- Middle-class protesters (caceroleros) who objected to the bank freezing.
- The urban poor (saqueadores) who had more concrete objectives: “to take home as much goodies, especially but not exclusively food, as they could.” (p 20)
- Criminal gangs who: “mingled among the looters and benefited from the confusion.” (p 20)

According to the author, what the two latter groups have in common is that they were linked to or organised by local political bosses of Buenos Aires province. Thus, “while there was a segment of the popular protest that was spontaneous, the more violent and consequential demonstrations were either fomented or taken advantage of by political groups.” (p 21)

http://muse.jhu.edu/journals/journal_of_democracy/v014/14.4levitsky.pdf

This article explores the 2003 presidential election in Argentina in the context of the social unrest which preceded it as a result of the financial crisis in 2001. Following Argentina’s “extraordinary economic and political meltdown, […] a massive wave of riots and protests triggered a string of presidential resignations, plunging the country into a profound crisis. For several months, Argentina teetered on the brink of anarchy. […] As the 2003 presidential election approached, many observers feared that the vote would be marred by violence or fraud. Yet this did not happen.” (p 152)

In this article, the author argues that the post-crisis 2003 election demonstrated both the robustness of Argentina’s core democratic institutions and the remarkable strength of Peronism.

http://www.pitt.edu/~asp27/Argentina.pdf

This paper traces the events of December of 2001 and January of 2002 in Argentina and argues that the political consequences of the crisis are less of a surprise when placed in a broader comparative perspective. Despite its many idiosyncratic characteristics, the resolution of the Argentine crisis shares important similarities with other Latin American episodes of political instability throughout the 1990s. Rather than an exceptional case, Argentina is a dramatic illustration of a broader trend emerging in Latin America during the 1990s. According to the author, instability during this period did not threaten the survival of democratic regimes as much as it endangered the survival of elected governments. In just twelve years, between 1990 and 2001, nine Latin American presidents were forced to leave office. Such “terminal” crises took place in Brazil in 1992, Venezuela and Guatemala in 1993, Ecuador in 1997, Paraguay in 1999, Ecuador (again) and Peru in 2000, and Argentina (twice) in 2001. In no case was the demise of the president followed by the establishment of an authoritarian government.

The author contends that the new pattern of political instability is characterised by three main features (p 10):

- First, military officers—bounded by international constraints and the disastrous experience of military rule in the 1970s—are less likely to intervene in the process.
Second, in the absence of military intervention, popular protest against corruption or bad economic performance operates as the driving force behind the resignation of the president.

Third, given these two conditions, congress bears the enormous responsibility of guaranteeing a constitutional framework for the government transition in the midst of the crisis.

Thus, he argues, even though some critical components of the Argentine crisis were unique, the political conditions for a relatively ordered (and still democratic) transfer of power mirrored the conditions of similar crises throughout the region.

See also:

Special Section: The Crisis in Argentina: Contrasting Perspectives
http://www.wiley.com/bw/journal.asp?ref=0261-3050

Wider social impacts and policy responses

http://www.eclac.org/publicaciones/xml/0/20140/lcg2200i-Fiszbein.pdf

This 2003 paper explores the immediate social costs entailed by the Argentine economic crisis and its adverse effects at all income distribution levels. Overall, it shows greater effects on the use of health services than of education services.

Amongst the findings of interest here are:

- There was a sizeable increase in the participation of individuals in various forms of social protest, which rose from 7.6% before October 2001 to 16.2% by October 2003, with participation increasing up the income distribution scale. The most popular form of protest was the cacerolazo, or pot-banging (9.2%), a form of protest that became highly popular in the major urban centres during the first quarter of 2002.
- Violence appears to have been an important factor in the post-crisis period. 20% of households claimed to have fallen victim to crime or violence in the previous six months compared to 13% in 2000. There does not, however, appear to be any simple correlation between income level and the likelihood of experiencing crime.
- There is no evidence of children in the 6 to 12 or 13 to 15 age brackets dropping out of school and there is a small (but not statistically significant) percentage of drop-outs in the 16 to 18 group. However, evidence from other crises suggests that the negative effects might be felt not immediately but several months after the onset of the crisis. Furthermore, the data from the survey do not show how many children were not attending school regularly, which may be a more prevalent type of adjustment in many cases.
- The percentage of families switching schools was very small. However, a very large proportion of households (particularly in the lower income groups) reported reducing their purchases of school materials;
- Approximately 12% of individuals experienced some change in health insurance coverage. More than 60% of these, mainly in the lowest-income groups, lost their coverage altogether. The loss of health insurance coverage led an increasing number of people to rely on public health facilities. Overall, the survey found that families had cut back on health services in one way or another as a result of the economic crisis.
Cutting down on the use of utility services appears to be another strategy followed by households. Typically, this involved either halting or delaying payments (with the risk of being cut off) or simply asking for the service to be suspended.

More than a third of households reported benefiting at least in some respect from access to a social support network. The greatest increases were in the use of barter and participation in community activities.


According to this 2003 report (volume I) from the World Bank, total social spending in the wake of the Argentine crisis increased as a share of the budget, but declined 32% in real terms. Spending targeted to the poor increased by 21%. However, the large increase in the numbers of poor people during the crisis means that real spending per poor person actually declined by 16%.

Budget cuts had serious consequences in the social sectors. In education, spending designed for investments in improved services were diverted to shorter-term safety net programmes, such as school feeding. Shortages of funds produced teacher strikes and prevented the continuation of the education reform strategy launched by the Government in 2000. In the health sector, the (private) health insurance system, which depends on wage contributions from formal sector workers, saw major reductions in revenues. This resulted in an increase in the demand for services from public hospitals, which themselves saw a reduction in funding. Despite the fact that tariffs for basic utility and transportation services were frozen after January 2002, the poorest households faced significant problems in affording these basic services as a result of falling incomes. At the same time, the policy of freezing tariffs threatened the financial sustainability of the infrastructure service providers.

The report also offers a number of policy recommendations for reducing poverty in the wake of the crisis, including the establishment of sustained, pro-poor economic growth; the establishment of a strong safety net; and improving education, health and infrastructure services.


Volume II of this World Bank Report presents a number of background papers which explore some of the social impacts of the Argentine crisis. These papers are listed below:

- Determinants Cesilini S. et al, 2003, ‘Economic Crisis and Social Crisis in Argentina Social Organizations, Communities and Families’
- Cristobal, R., C., 2003, ‘Government Services For The Poor’
- Espana, S. et al., 2003, ‘The Impact Of The Crisis On The Argentine Educational Process’

See also:


This paper assesses the impact of Argentina’s main public safety net response to the severe economic crisis of 2002, the Plan Jefes y Jefas. The programme aimed to provide direct income support for families with dependents for whom the head had become unemployed due to the crisis. The paper finds that the programme reduced aggregate unemployment by about 2.5% (p. 25), though it attracted as many people into the workforce from inactivity as it did people who would have been otherwise unemployed. While there was substantial leakage to formally ineligible families, and incomplete coverage of those eligible, the programme did partially compensate many losers from the crisis and reduced extreme poverty.

This paper reviews Argentina’s Plan Jefes y Jefas, implemented in May 2002 in response to the increases in unemployment and poverty triggered by the 2001 crisis. The programme provided a social safety net and appears to have successfully protected families against indigence. This paper argues, however, that despite this success, the continued existence of the programme, which provides benefits to eligible unemployed individuals for an unlimited duration, may have unappealing long-term consequences: “Reliance on the plan may reduce the incentive to search for work and in the long-run may damage individual employability and perpetuate poverty.”

http://www.allacademic.com/one/prol/prol01/index.php?cmd=Download+Document&key=unpublished_manuscript&file_index=2&pop_up=true&no_click_key=true&attachment_style=attachment&PHPSESSID=f60531f059184f6043eccc2812ff0c6f
This paper re-examines the financial crises in Mexico (1994-95) and Argentina (2001-02) from the standpoint of social tensions and distributional concerns. While unemployment and wages took a major hit in the aftermath of these respective crises, the authors here argue that misguided attempts in both countries to ameliorate social stress prior to the crisis contributed to both the timing and the magnitude of the shocks when they did hit.

4. Additional information

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