ARGENTINA: CRISIS AND DEMOCRATIC CONSOLIDATION

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Throughout the end of 2001 and the beginning of 2002, Argentina made news around the world. A rapidly deteriorating economic situation weakened the indecisive government of President Fernando de la Rúa of the Radical Civic Union (UCR) past the point of no return. Unrest broke out in the streets, as crowds in the poorer suburbs looted supermarkets while middle-class groups in the capital city of Buenos Aires marched on the Casa Rosada (the seat of the executive branch) beating pots and pans. As a result, and after 30 people had lost their lives in the disturbances throughout the country, first Economy Minister Domingo Cavallo, then the rest of the cabinet, and finally the president himself all resigned on December 20–21.

Economic difficulties had been long brewing, but the social explosion of late December and the subsequent collapse of the De la Rúa government took most observers by surprise. Equally unexpected were the serial handovers of executive power—including three different interim presidents—that ensued until a special session of Congress on 1 January 2002 chose leading Peronist senator Eduardo Duhalde to take office for two years. Typically, accounts of the Argentine economic crisis blame the exchange-rate and monetary regime—the currency board[1] that pegged the peso one-to-one to the dollar for more than a decade—or the propensity of politicians to spend and borrow too much. Each of these characterizations contains some truth, but each tells only part of the story. In fact, the intricacies of the currency board and the swelling of Argentina's foreign-debt burden must be examined in the context of unfavorable and volatile international conditions, particularly toward the end of the 1990s, and a complicated domestic political process, especially since the second presidential term of Carlos Saúl Menem (1995–99).

Another widely heard account looks to economic decline as the main reason for the De la Rúa administration's collapse. Indeed, the negative effects of a four-year recession with 20 percent unemployment can hardly be exaggerated, and the decision of the government "to pay the debt under all circumstances" greatly increased popular discontent. But those were merely precipitants. As we will see, a closer look at the peculiarities of the coalition that brought De la Rúa to office, as well as an examination of previous crises—including the October 2000 resignation of Vice-President Carlos Alvarez—would show that the events of mid-December followed patterns seen in earlier crises, and that the process leading to De la Rúa's resignation was inherently political.

To understand both the recent past and the road that lies ahead for Argentina, we must go beyond the immediate economic factors that triggered the crisis of late 2001 and consider the longer-term dynamics that have been and are at play. Moreover, most analysts, focusing on the gravity of the debt default, the drama of the riots, the police repression that cost 30 lives, the resignation of the president, and the initial difficulties in finding a formula for succession, have failed to see that the crisis has in fact also opened up certain opportunities. For by acting under difficult circumstances to choose a new government through congressional bargaining and accommodation, Argentina took a firm step toward democratic consolidation. Careful examination of the quasi-parliamentary institutional mechanisms and behaviors that produced the political solution of New Year's 2002 bears out this tentatively hopeful conclusion. Despite the host of problems that Argentina still faces, the resilience and resourcefulness shown by its democratic politicians and institutions during the hot and uncertain days of this past southern summer should be a source not of despair but of cautious optimism.

Economic Emergency: Not Just the Currency Board

While society's response was unexpected and De la Rúa's fall surprised most analysts, the build-up of the crisis was hardly news. A prolonged recession had eroded the country's fiscal base, weakening its ability to service its large foreign debt. In the context of the currency board, the government could not intervene with stimulative policies. As the recession dragged on, the country's fiscal position got weaker still. Throughout 2001, this dynamic steadily pushed up Argentina's debt-repayment "risk index" (as documented by analysts at the firm of J.P. Morgan), which translated into exorbitant interest-rate increases and even worse debt-repayment problems. After a cycle best captured by the notion of self-fulfilling prophecies, the dam broke in mid-December 2001 when, determined to continue making debt payments, the government tapped previously sacrosanct central-bank reserves and rolled over obligations with the private pension funds to do so. The former step flew in the face of the logic behind the currency board, while the latter constituted an expropriation of private property in the form of people's life savings. The rules that had governed the economy since Menem's first term back in 1991 were broken, irrespective of the fact that the exchange-rate level remained stable. As if to prove this beyond any possibility of doubt, the government froze bank deposits—imposing another loss of wealth on millions of citizens—to prevent a massive flight to the dollar and with it the collapse of the banking system.

To understand why and how the country got to that point requires us to consider the decision to introduce the currency board in 1991. In March of that year, after three bouts of hyperinflation reaching as high as 3,000 percent, President Menem turned to Domingo Cavallo, naming him economy minister. Cavallo submitted to Congress a new approach to stabilization under the "convertibility law." The program pegged the peso to the dollar one-to-one, and determined that monetary and exchange-rate policy were to be based on a currency board. Thus, the law directed the central bank to maintain liquid international reserves to cover 100 percent of the monetary base. As a result, the authorities could increase monetary aggregates only when international reserves expanded, that is, through trade surpluses or net capital inflows.[2]

Cavallo's strategy soon paid off: Inflation dropped to a single-digit rate after just three months. Price and exchange-rate stability also helped to speed up Menem's privatization program, which had stalled because of the persistent inflation. The commitment to rules, rather than discretion, was necessary given growing private-sector demand for credit in both domestic and international capital markets.[3] After the "lost decade" of the 1980s, foreign investment in Argentina began to rise again. In 1992, the country obtained debt relief under the plan sponsored by U.S. treasury secretary Nicholas Brady, and the terms of trade—which had collapsed in the late 1980s—became favorable once more.

By 1992, therefore, the economy had entered a phase of growth and stability, but major problems lingered. One was the central government's weak fiscal position. While one-time receipts from the sale of nationalized assets let the government nearly erase its deficit by 1993, no lasting means of controlling deficits were put in place. This omission was at least partly deliberate, and resulted from Menem's strategy for constitutional reform and reelection. While exchange-rate stability was meant to attract the urban middle classes, keeping the federal-spending tap open for the provinces was necessary to obtain their votes in the constitutional reform process.[4] Sooner or later Menem's maneuvering was bound to impinge on the macroeconomic fundamentals—as it did when world economic conditions became less propitious in the mid-1990s.

Another difficulty had to do with the dynamics of exchange-rate-based stabilization itself: cycles of boom and bust associated with a fixed exchange rate in the context of an open capital account. As a wealth of scholarly research has shown, under this type of policy mix, real exchange-rate appreciation and the oversupply of foreign credit finance a consumption boom and with it growing current-accounts deficits. In the medium term, difficulties financing those deficits tend to lead to inconsistent fiscal policies, affecting the credibility of the peg. At that point, attacks on the currency may become widespread, with important losses in foreign-exchange reserves, followed by devaluation, inflation, and recession. Various experiments with exchange-rate stabilization in the region had provided evidence for the regularity of this type of cycle,[5] but those who by 1993 began to urge a gradual exit from the currency board found no hearers among the holders of political power.

The problem was not just that Menem was building his reelection drive around constant but unexamined invocations of the need for "stability." It was also that by the 1990s, after decades of high and at times out-of-control inflation as well as an ongoing "dollarization from below," Argentine voters were demanding such stability, and meting out rewards and punishments at the ballot box based on politicians' ability to deliver it. Moreover, the electorate's preferences as between full employment and low inflation began to shift decidedly in favor of the latter, bespeaking a higher tolerance for recession.

Thus by the mid-1990s the currency board appeared to be in place to stay, just as conditions beyond Argentina's control began to go bad. The first signs of trouble came in the banking sector. The convertibility law mandated backing the monetary base with international reserves, but it entailed only narrow definitions of the money supply. That loophole allowed the authorities to expand "bank money" by cutting reserve requirements—the equivalent of a monetary stimulus. This plus continued strong capital inflows spelled easy credit and increased the exposure of the banking system. When Mexico devalued the peso in December 1994, Argentina experienced its first major bout of financial turbulence since the inception of the currency board. Although financial restructuring was clearly needed at the time, Menem was loath to act during the run-up to the May 1995 presidential election. Delay became the order of the day, compounding the fragility of the banking sector later on. Additional financial volatility in emerging markets toward the end of the 1990s, the strong U.S. dollar, the Brazilian continuous devaluation, and drops in commodity prices did not help either. Argentina approached the turn of the century deep in recession, with a weak fiscal base and serious debt exposure.

The question of the debt merits three more comments. First—and despite complaints about profligate spending—the two main items in the new debt contracted during the 1990s corresponded to structural reforms: the financing of social-security privatization (during which the public system lost contributors but kept beneficiaries) and the bank restructuring of 1996–97 (demanded by the Spanish banks then negotiating to buy them). Both reforms won the support of international financial institutions and the U.S. Treasury Department. At the time, both Cavallo and the free-spending Menem were darlings of the International Monetary Fund (IMF). In fact, when they were in office during the 1990s Argentina rarely received anything like the tough treatment that the IMF doled out during 2001–02.

Second, in addition to the recession, international creditors, worried by falling solvency indicators, began hiking interest rates in autumn of 2000. This, of course, only made the fiscal bleeding worse. By spring 2001 Argentina was paying as much as 12 percent interest on a big chunk of its debt, even though as late as summer 2001 its ratio of debt to Gross Domestic Product and exports was no worse than Brazil's. Exchange-rate and fiscal policies more tightly focused on fostering economic activity might have averted the crisis. But little could be done when, as early as the spring of 2001, U.S. officials began declaring categorically that there would be no bailout if Argentina got in over its head.

With signals like this coming from Washington, default became inevitable. U.S. treasury secretary Paul O'Neill said repeatedly that the decision to terminate emergency aid to Argentina was made because it was "ridiculous for America's plumbers and carpenters to pay for someone else's bad decisions."[6] But as one Argentine policy maker observed to me, the step that O'Neill rejected may have been "less ridiculous than the unemployed and the poor in Argentina subsidizing American bondholders with interest rates four to five times market levels."

Political Crisis: Not Just the Economy

On the afternoon of 20 December 2001, just after his cabinet resigned, President De la Rúa called leaders of the Peronists (the Justicialist Party, or PJ) to invite them to form a government of national unity. They said no, and De la Rúa resigned. Alarmed by what was looking like a case of what Juan Linz might call "semi-loyal opposition,"[7] I spoke that night with a PJ official of the Buenos Aires province. By refusing to join the government, I asked, were the Peronists not flirting openly with behavior that could destabilize the whole system? In the past, I pointed out, mutual backstabbing between the Peronists and their Radical Civic Union rivals had arguably helped to pave the way for the breakdown of democracy. To this my interlocutor calmly replied that when De la Rúa made his offer, the PJ congressional leaders took it to their Radical peers for discussion, only to hear the stunning news that the congressional wing of the president's own party was withdrawing its support for him, and would not take part in any government he might head. Soon thereafter, newspapers carried comments by UCR chief Angel Rozas criticizing De la Rúa and saying that "the ex-president" owed the whole country "a major apology."[8]

This anecdote paints a telling picture of the crisis. Fernando de la Rúa fell in precisely the same way he had governed: cut off from the larger political society, at odds with his own party, and surrounded by a clique of unelected, nonpartisan advisors, several of whom had no previous political experience of any kind.

How had things come to such a pass? De la Rúa had won the 1999 election at the head of a coalition—known as the Alianza—between his own UCR and a center-left group of breakaway Peronists and others called the Front for a Country in Solidarity (Frepaso). Frepaso had begun to take shape in the early 1990s when a small group of Peronist congressmen (later called the Eight) became unhappy with the direction that the Menem administration was taking, and sought a way to "challenge Menemism from outside." Over the years they managed to incorporate wider constituencies, including a number of socialists, Christian Democrats, and important leaders of human rights organizations.

By 1994, in fact, Frepaso was gaining support not only from Peronists and leftists, but from Radicals too. Much of the anger among the last group was directed at the decision of their party leader and ex-president Raúl Alfonsín (sealed in the so-called Olivos Pact) to support Menem's push for a new Constitution, which he secured in July 1994. With the old provision limiting presidents to one term now gone, Menem could at last officially declare himself a candidate for reelection. As the dissenter in a process that both major parties had supported, Frepaso could now present itself as the lonely voice of principle crying out against "the attempt of any politician to perpetuate himself or herself in office." Frepaso's standing rose accordingly. When the votes were counted in May 1995, its presidential candidate, PJ senator José Octavio Bordón, had finished second behind Menem with 30 percent. The Radicals, who had come to be seen by many of their own voters as sellouts who were helping Menem, struggled in his shadow and turned in their worst showing ever with less than 17 percent.

At first glance the results looked good for Frepaso, but appearances were misleading. To win nearly a third of the vote in its maiden presidential campaign might seem like a great achievement for any party, but it would soon become clear that for Frepaso this figure was not a floor but a ceiling. Its support came lopsidedly from middle-class urbanites, and across vast swaths of the interior it practically did not exist. The urban voters, moreover, were not really converts but UCR-leaning citizens who were punishing their own party for the Olivos Pact. To those capable of looking beyond the gaudy but flukish numbers of 1995—a group that included Frepaso's top leaders—it was apparent that the project of creating a strong and lasting third party was not going to work. Bordón himself returned to the Justicialist fold to fight Menemism from within.

Most of the other leaders stayed nominally in Frepaso, but began exploring prospects for a partnership with the still bruised and reeling UCR. The Alianza was the result.

Formed in 1996, the Alianza came out on top in its first contest, the 1997 congressional elections. Then its leaders began to prepare for a run at the presidency in 1999. One of the two obvious frontrunners for the nomination was De la Rúa, a former Radical senator then serving as mayor of Buenos Aires. The other was Graciela Fernández Meijide, a senator and a veteran leader of human rights organizations. It was unclear which would head the ticket, or how the question would be settled, but the Alianza eventually decided to hold an open presidential primary. Frepaso did not have the infrastructure of an established party capable of mobilizing constituencies. The Radicals had been watching their own support plummet for years—first because of the 1989 hyperinflation and later because of the Olivos Pact—but they did boast a sophisticated electoral machine and an organized presence in every district in Argentina. Thus the choice of an open presidential primary essentially sealed De la Rúa's victory. Backed by the Radical Party's nationwide organization, he won by a comfortable margin and took his place at the top of the ticket. Fernández Meijide declined to be part of the ticket, and Carlos Alvarez, the original leader of the Eight and Bordón's 1995 Frepaso running mate, took her place. This created resentment among Frepaso leaders, who felt that, as one told me at the time, "we [had] resuscitated the Radicals, [only to become] . . . their casualty."

This metaphor would prove prescient, for the Radicals would soon join Frepaso as a statistic in the political body count. Seemingly forgetting that he had just been carried into the presidency by a coalition, De la Rúa first pushed Frepaso into the background, giving it just two second-tier cabinet posts.[9] Then—and still more ominously—he turned his back on his own party, surrounding himself with "friends and family" and shutting top Radicals out of his inner circle. With these democratically suspect and politically foolish first steps, the De la Rúa administration's slide toward self-destruction was under way in earnest. The October 2000 resignation of Vice-President Alvarez, followed by that of Graciela Fernández Meijide (at the time social-welfare minister) in March 2001, made it painfully clear that just one year after De la Rúa had taken office a severe—in retrospect irresolvable—political crisis had hit the executive branch.

It is worth noting that following the vice-president's resignation, Argentina's crucial country-risk number began to climb. The resultant skyrocketing interest rates meant that the increasingly precarious economic situation and the brewing political crisis were about to meet and reinforce each other. As 2001 began, De la Rúa was facing complex problems posed by Frepaso's departure from his government, the disaffection of his own party, and the worsening of the economic situation.

His response was to look for more support on the center-right and to tackle the economic problems with resolve. He brought back Domingo Cavallo, once Menem's economic czar, and named him economy minister, hoping thereby to gather political support from economic and financial elites as well as to put in place a man whom he could trust to attack the deficit aggressively, foster growth, and service the debt.

As we have seen, trying to accomplish these three economic goals while maintaining the currency board was an incoherent strategy that was probably doomed from the outset. Yet the political harm that Cavallo caused in his nine months in office was no less serious than the economic damage. Appointed as a "savior," the technocratic Cavallo demanded vast discretionary powers over economic policy, just as he had done under Menem. This only exacerbated the ill will caused by Cavallo's autocratic style (he typically refused to distinguish between the governing party and the opposition, for instance), reinforced a policy-making process already heavily dependent on executive decrees, marginalized Congress, and devalued the overall process of representation.[10] Ironically, all these had been central features of the Menem legacy that De la Rúa, in theory at least, had come to office to eradicate.

The rest of the story is well known. By October 2001 it was obvious to most analysts that Argentina would have to default on its debt, but Cavallo—some said with an eye on his ties to Wall Street—stubbornly refused to admit it. Instead, he made the most irrational decisions imaginable while the president, unwilling or unable to grasp the gravity of the situation that he had delegated to his economy minister, stood back and did nothing. In the end, they both lost touch with the realities of the country they were supposed to be governing. While the alleged fiscal irresponsibility of the country's political elite is and will continue to be debatable, the political irresponsibility of the top leaders of the Alianza government is clear beyond cavil.

Quasi-Parliamentarism to the Rescue

Seasoned observers of Argentine politics have recognized that in the past it would have taken a lot less than the events of December 2001 for the military to intervene and break the constitutional order. Does this mean that Argentina's democracy has become "consolidated"? The short answer is yes. In part, this is because the military is weaker than it used to be, while political society has become much stronger. But perhaps more important even than this shift in the balance of influence is the way in which, at the critical moment, institutional incentives and behavioral patterns swung into play and saved the system. In earlier times the eruption of a major political crisis would have been a signal for members of Congress to stay home, either to prepare for exile or to start calling military officers to discuss coup plans. This time, however, legislators stayed at their desks and met in special session to fill the power vacuum left by De la Rúa and reach a settlement of the crisis. Nothing like this had ever happened in Argentina before, and it may well have made all the difference.

Before getting into an examination of the process and mechanisms that explain this behavior, a brief digression about consolidation is in order. Consolidation is a widely used concept in political science, and definitions abound. The term was popularized by the early academic literature on transitions, which sketched the process as a sequence, a kind of conceptual railroad train running from liberalization and "opening" right on through, ultimately, to a terminus called consolidation.[11] Presumably, therefore, consolidation is that final stage of development where democracy becomes stable, immune to authoritarian reversal, and self-reinforcing.

Seen in this teleological way, however, the term has problems. First, it is prone to conceptual stretching, as characteristics we generally attribute to "unconsolidated" democracy are often found in securely "consolidated" democracies as well. Consider, for example, Italy's recurring "musical chairs" government crises or Margaret Thatcher's ample use of executive discretion. Second, the notion may be historically misleading, for mature democracies have collapsed, and in not insignificant numbers. In Latin America alone, take the examples of Chile and Uruguay in 1973. And third, since the most compelling evidence of a democracy's lack of consolidation is its actual collapse, the concept has little or no predictive power. Consider how the widespread characterization of Venezuelan democracy as "consolidated" in the 1980s prevented analysts from looking for signs of erosion prior to its virtual breakdown in the early 1990s.

It is perhaps because of these flaws that the most common reference to consolidation in current debates is to Adam Przeworski's notion that democracy is consolidated "when it becomes the only game in town."[12] But this is a metaphor rather than a definition, and not a particularly helpful metaphor at that. In fact, it is difficult to imagine a relatively complex polity like a modern democracy in which only a single game is being played. Crises, political and economic, increase the incentives to play other games. In Argentina during the recession of the last four years and the recent crisis, there have been many games in town besides democracy: rent seeking, plotting, shirking, conspiring, and the exercise of various "exit" options such as capital flight, emigration, and disaffection, to name a few. Democracy has been only one game among others, yet it has survived. In other words, it appears to have consolidated itself. The key question then becomes: Under what conditions will the game of democracy prevail despite the presence of other games that might threaten to undermine and break up the democratic game? Or to phrase the question retrospectively (now that Argentina seems to have weathered the most acute phase of the crisis): What made 2001 different and kept the other games from disrupting the rules of democracy?

The first key difference is the new Constitution, especially the quasi-parliamentary innovations that have now proven their effectiveness in relaxing the country's rigid presidentialism. Under the old Constitution of 1853, the order of succession was fixed, extending downward from the president through the vice-president, the head of the Senate, the leader of the Chamber of Deputies, and finally the chief justice of the Supreme Court. The electoral calendar was fixed as well, and political parties had no say in the process. Of course, under this type of formula, each step down the ladder would entail a legitimacy loss, perhaps to the point of political unsustainability. The new Constitution, by contrast, allows Congress to deal with the incumbent president's resignation by calling an election or naming a new chief executive. Congress thus has a role that it never had in the past. What is even more significant is that, in the context of a serious political crisis, the new Constitution immediately devolves power to Congress, thereby reinforcing its role as a locus of popular sovereignty. In terms of the history of democracy in Argentina, this is almost revolutionary. To entertain a counterfactual for a moment, could this crisis have been resolved peacefully and within the very halls of Congress—the country's leading democratic institution—under the strongly presidentialist Constitution of 1853?[13] Probably not, and the adoption of new succession rules has to be seen as a positive, if unintended consequence of the Olivos Pact. To the extent that Menem's goal was just his reelection, he had no problem deferring to the parliamentarist leanings of his partner in the pact, former president Raúl Alfonsín.

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In sum, Argentina has resolved a serious political crisis without violating the laws, procedures, and institutions of the democratic process. When tested, the game of democracy managed to subordinate the other games and prevented a rupture. That should count as evidence of consolidation. Institutions may hold the key to this process, but only insofar as they lead crucial players to choose certain types of behaviors over others.[14] In the Argentine case, some of the quasi-parliamentary actions that solved the crisis took place under the influence of new institutional incentives. But institutions were only part of the answer. The other part had to do with socialization, political learning, and a pervasive growth of democratic sentiment across large segments of civil and political society. A few observers continue to speculate about the possibility of an

Argentine equivalent of Venezuela's Hugo Chávez or Peru's Alberto Fujimori somehow stepping in to seize power, but such concerns seem exaggerated. Moreover, they do not adequately consider that Argentina today, unlike Peru and Venezuela in the 1990s, has a robust party system which not only failed to collapse under the strain of recent events, but indeed may have even become stronger.

A few examples illustrate the point, starting with the process of presidential succession. Since the PJ holds majorities in both houses of Congress, a result of the mid-term election of October 2001, it was clear as soon as De la Rúa quit that his successor would be a Peronist. But from which wing of this divided party would the new president come? Would it be the group based in and around Buenos Aires—a city and province that together are home to about two out of every five Argentines—or would it be a governor of one of the major provinces? Congress initially chose Adolfo Rodríguez Saá, the Peronist governor of San Luis, a relatively small province located deep in the Pampas country. Rodríguez Saá presented himself as the best broker among contending groups and across the two preeminent issues of 1) whether to devalue the peso, and 2) whether the new government would complete the remaining two years of De la Rúa's term or step down as soon as a special election could be held. Rodríguez Saá initially opposed devaluation and stated that he would call for an election within two months. Within days, however, it became clear both that devaluation would be unavoidable and that an early election would fragment the PJ. Leaders from the UCR and all the main Peronist factions agreed that the currency peg would have to go and that the still-jittery country needed time before it should be asked to face another electoral campaign. They further agreed that no arrangement would be stable unless all the camps within the Peronist party came together to support it. At that point, it came to seem obvious that only Eduardo Duhalde could devalue the peso, serve as interim president not for weeks but for two years, and rally the Justicialist Party.

The head-turning spectacle of five presidents in little more than a week raised eyebrows and made headlines around the world, of course, but the situation was not as grave as it might have seemed to casual outside observers, nor as serious as it would have been in a more purely presidential system. In essence, what happened was a week of high-level bargaining of the kind that is typical of parliamentary systems after an election has been held or a government has collapsed. President De la Rúa's resignation, and Rodríguez Saá's immediately thereafter, resembled that of a prime minister who steps down after a vote of no confidence. Parliamentary negotiations followed his departure, and the legislators chose a new leader whom they deemed best suited to accomplish the agreed-upon goals. The joint session of Congress that concluded the process wound up on New Year's Day 2002, with many members wearing T-shirts and sneakers (the combination of marathon sessions and the holiday season exerted a downward pull on dress codes). Informal attire or no, it was a historic occasion that concluded after midnight with President-designate Duhalde's sobering acceptance speech, in which he reminded his erstwhile colleagues that "we have nothing to celebrate, and much to worry about." The entire session was televised, moreover, which made it a sort of educational event. It is not yet clear whether, in their current anger at just about everyone who holds elective office, Argentines realize that their democracy has never been stronger. As Martín Balza, the former commanding general of the army, put it in an interview, "the crisis of democratic values is resolved with more democracy."[15]

The Road Ahead

Are the "quasi-parliamentary" arrangements that produced the Duhalde presidency here to stay? The president himself seems to have reinforced a trend toward multiparty accommodation by drawing three key cabinet members from opposition parties. A total of six new ministers come from Congress, which means that people who are used to responding to constituencies are holding executive power—a comparative novelty in Argentine politics. In February 2002, as part of discussions concerning a larger political agreement, Duhalde pointed to the need to consider the adoption of a full-fledged parliamentary regime.[16] There are many more issues that his administration needs to take on, and it has just two years to do so. In fact, even a cautious optimist such as myself must admit that the challenge ahead is monumental. On the economic front, Argentina needs external support for a program aimed at growth and stability. The IMF (and hence the U.S. Treasury) has already made support conditional on Argentina's willingness to adopt policies that trim public spending, particularly the federal remittances which account for such a big chunk of the deficit.

Spending discipline will in turn require a broader political agreement with the provinces. But here is where Duhalde's Achilles' heel is to be found, whatever the magnitude of the economic crisis. As of this writing, in early March 2002, there are still more questions than answers. One is how to tame the governors, who continue to demand elections right away, and avoid tensions that could badly split the ruling Peronist party. Another is how to produce a formula—a new federal pact, someone has called it—that both the center and the provinces can accept. Still another is how the president, who must continue to be a figure of national unity, can maintain the support of the other parties even as they fill their proper and vital democratic role as a loyal opposition.

Whether the Duhalde government will be able to cope with all these challenges remains to be seen. One condition, however, appears necessary: Duhalde must keep the promise he made in his inaugural address and refuse any thought of running for election to a full term in 2003. In a country (and a region) where politicians always try to stay in office no matter what, only this would give him the authority necessary to put the country's economic and political life back on track. Only by being an institution builder rather than a power seeker can he garner the legitimacy he needs to attack the massive challenges facing his country. If, as he has promised, Duhalde succeeds in transferring power to an elected president in December 2003, he will merit being remembered as not merely a chief of state but a guarantor of his country's democratic future. On that day, Argentine democracy may at last have become fully "consolidated."

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NOTES

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1. A "currency board" is not a group of officials but simply a term of art denoting a country's policy aimed at maintaining a foreign-exchange reserve equal to its money supply.

2. These issues, and exchange-rate policy more generally, are examined in detail in Eugenio Díaz-Bonilla and Hector E. Schamis, "From Redistribution to Stability: The Evolution of Exchange Rate Policies in Argentina, 1950–98," in Jeffry Frieden and Ernesto Stein, eds., *The Currency Game: Exchange Rate Politics in Latin America* (Baltimore: Johns Hopkins University Press, 2001).

3. For a full treatment of this, see Hector E. Schamis, *Re-Forming the State: The Politics of Privatization in Latin America and Europe* (Ann Arbor: University of Michigan Press, 2002), ch. 6.

4. See Edward Gibson and Ernesto Calvo, "Federalism and Low-Maintenance Constituencies: Territorial Dimensions of Economic Reform in Argentina," *Studies in Comparative International Development* 35 (Winter 2001): 32–55.

5. See, among others, Guillermo Calvo and Carlos Végh, "Exchange-Rate-Based Stabilization under Imperfect Credibility," International Monetary Fund Working Paper 91/77, August 1991, 21; Miguel Kiguel and Nissan Liviatan, "The Business Cycle Associated with Exchange Rate-Based Stabilizations," *World Bank Economic Review* 6 (May 1992): 279–305; and Alexander Hoffmaister and Carlos Végh, "Disinflation and the Recession-Now-Versus-Recession-Later Hypothesis: Evidence from Uruguay," International Monetary Fund Working Paper 95/99, October 1995, 20.

6. *New York Times,* 2 February 2002, A1.

7. Juan J. Linz, *The Breakdown of Democratic Regimes: Crisis, Breakdown, and Reequilibration* (Baltimore: Johns Hopkins University Press, 1978), 27–38.

8. *La Nación* (Buenos Aires), 4 January 2002.

9. A detailed account from within may be found in María Matilde Ollier, *Las Coaliciones Políticas en la Argentina: El Caso de la Alianza* (Buenos Aires: Fondo de Cultura Económica, 2001).

10. Fitting what Guillermo O'Donnell had cogently characterized (ex-ante) as "Delegative Democracy," *Journal of Democracy* 5 (January 1994): 55–69.

11. The most relevant example is Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986). For a review (and criticism) of the term "consolidation," see Guillermo O'Donnell, "Illusions About Consolidation," *Journal of Democracy* 7 (April 1996): 34–51 and "Illusions and Conceptual Flaws," *Journal of Democracy* 7 (October 1996): 160–68; Ben Ross Schneider, "Democratic Consolidations: Some Broad Comparisons and Sweeping Arguments," *Latin American Research Review* 30 (May 1995): 215–34; and Andreas Schedler, "What Is Democratic Consolidation?" *Journal of Democracy* 9 (April 1998): 91–107.

12. Adam Przeworski, *Democracy and the Market* (Cambridge: Cambridge University Press, 1991), 26.

13. I concede to Alfred Stepan on this, with whom I disagreed for years on the hypothesis that with a parliamentary regime, several democratic breakdowns could have been avoided in Latin America. For a comprehensive review of the long-running debate over this question, see Juan J. Linz and Arturo Valenzuela, eds., *The Failure of Presidential Democracy: Comparative Perspectives* (Baltimore: Johns Hopkins Universty Press, 1994).

14. Here I borrow on the notion of consolidation from Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (Baltimore: Johns Hopkins University Press, 1996), ch. 1.

15. General Martín Balza, "La crisis de valores democráticos se soluciona con más democracia," *Clarín* (Buenos Aires), 15 February 2002.

16. "Duhalde planteó una nueva reforma de la constitución," *Clarín,* 9 February 2002.