Linkage to the power two: Capitalist penetration in Argentine macroeconomics and reactive urbanization in Buenos Aires, interlinked

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Applying the linkage theory

What is the nature and extent of the linkage between major macroeconomic processes in the international system and a national political system’s economic policies? Furthermore, how do these processes affect – directly or indirectly – such processes as the urbanization and modernization of a metropolitan region in the given national system? These are the main questions I will try to answer in my thesis. I have chosen Argentina and Buenos Aires as a “case study” for my thesis mainly for personal reasons. However, retrospectively, I consider it a good choice because of the very nature of the development of both the country and its capital that, in many ways, is a paradigmatic example as well as an exception from the global and regional processes making my work ever more interesting.

Forty years ago, James N. Rosenau attempted to establish an analytical framework in order to identify points at which the national and the international systems overlap (Rosenau 1969). Furthermore, the aim of the framework was to capture the nature and the scope of the phenomena that fall within the area of the overlap. The basic units of analysis are those recurrent sequences of behavior that originate in one system and that, becoming linked to phenomena, generate reaction in the other system. This basic unit of analysis is called linkage. Linkages are processes that have initial and terminal stages. The former is referred to as the output and the latter as input. Both inputs and outputs can occur in a polity (i.e., national political system) or in its external environment (i.e., the international system). Thus, for instance, an environmental output is the initial stage of a sequences of behavior (linkage) that originates in the external environment (international system) of a polity (national political system) and that is either sustained or terminated within the same polity. Linkages can be purposeful or not. Purposeful linkages are designed to evoke inter-systemic responses, they are called direct policy/environmental outputs, while patterns within a policy or its environment that evoke such responses without being designed to do so are indirect polity/environmental outputs. Rosenau identifies three processes in which outputs and inputs can get linked together: the penetrative, the reactive, and the emulative. While the first one links direct outputs and inputs, the second and the third one – by
definition – link indirect outputs and inputs (Rosenau 1969: 44-46).\(^1\)

Rosenau further elaborated a larger framework to facilitate the development of the linkage theory. The framework consists of two sets of variables: twenty-four aspects of the national political system or polities, and six aspects or external (sub)environments of the international system that might generate or receive outputs and inputs. Combining the two sets of variables into a matrix shows that the number of possible linkages is great (144) and can be further multiplied if the three types of linkage processes (their direct/indirect nature) are taken into account (see Figure 1) (Rosenau 1969: 49).

Both in the case of polities and sub-environments identified by Rosenau the determinants of outputs and inputs were chosen on a “simple and impressionistic basis”, considered by the author “obvious” or “self-evident” (ibid.: 51). Polity aspects were grouped into the following categories: actors, attitudes, institutions, and processes; these are the categories that – although I have changed some of the subcategories – I still hold relevant in my analytical framework. As for the environmental framework, however, I decided to chose none of the proposed ones, but, instead, to apply the capitalist world economy – and globalization within it – in the interpretation of Wallerstein’s “long-term view of the trajectory of the world system” (see Figure 2) (ibid.: 51; Wallerstein 2000).\(^2\)

Yet, by incorporating a new environmental framework, I do not exclude the proposed ones, in as much as “regional environment” provides a second scope of the framework, focusing on a region in which a given polity is located – in our case this region is Latin-America. The “Cold War environment” might contribute to the framework in terms of the post World War II U.S. economic and political policies – including the most important international financial institutions (IFIs). The closest to the chosen environment – from the proposed ones – however is the “resource environment”. Resource environment consists of “all the activities through which goods and services in the external world of any polity are created,

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\(^{1}\) While penetrative processes occur when members of one polity are participants in the political process of another (there is a sharing of authority), reactive processes are generated by recurring and similar boundary-crossing (inter-systemic) reactions/responses (rather than the sharing of authority). Emulative processes (being a special form of the reactive process) are established when the input is not only a response to the output but takes essentially the same form as the output (diffusion).

\(^{2}\) The proposed subenvironments are the “contiguous environment”, the “regional environment”, the “Cold War environment”, the “racial environment”, the “resource environment”, and the “organizational environment”.
processed, and utilized”; [...] such regularized activities as trade and fiscal relations, economic development programs, [...] and attempts to acquire any capabilities that will facilitate the conduct of foreign policy” (Rosenau 1969: 61-63).

In a certain way, these categories are all included in the “capitalist environment”, but none of them grasps the essence or the primary motor of it, that is, “the endless accumulation of capital” (Wallerstein 2000: 260). In the first section, thus, I will elaborate on the chosen environment (Wallerstein’s capitalist world system/economy) of the (Argentine) polity that will be subject of the second part. The third part is devoted to the first linkage process: the linking of the output from Argentina’s environment and the input, namely the structural changes of the 1990s. My hypothesis is that structural changes are not only inputs received by the national political system but by a set of subsystems as well, namely the metropolitan or urban subsystem. Metropolitan subsystems are subject of the forth section. In the fifth (and last) section I will elaborate on the second linkage process, namely the inputs received by the metropolitan areas. The most important progress of this research would be to lay bare a penetrative linkage between the urbanization and modernization processes of the Metropolitan Area of Buenos Aires – transmitted, and enhanced by the Argentine polity – the macroeconomic policies of the capitalist environment.

The main authors I have chosen to elaborate the theoretical framework are James N. Rosenau, for the linkage theory; Immanuel Wallerstein, Joseph Stiglitz and Clauß Offe, for the international system and the role of the state; Paul H. Lewis for the Argentine polity; and Saskia Sassen and Gavin Shatkin for the global city theory.
1 The capitalist world economy: external environment of the polity

For almost three decades globalization has been part of different debates in rather distinct sets of disciplines. When it comes to defining the process many agree that globalization consists of the world-wide spread and intensification of economic, social and cultural relations. However, this definition is rather simplistic as it does not reflect the many kinds of processes that enhance – or are enhanced by – the spread and intensification of economic, social or cultural relations. From an economic point of view globalization is the process in which the world economy develops and turns into an organic system (Szentes 2002). This process was enhanced by many non-economic processes and vice versa. Thus, a comprehensive analysis of the development of the world economy calls for a multidisciplinary approach.

1.1 Kondratieff cycles of the capitalist world economy

The time framework of globalization is controversial. Contrary to the widely accepted concept of globalization, in his long-term view of the trajectory of the World System, Wallerstein regards the economic and political developments of the last fifty years as a period within a larger framework, namely the long history of the capitalist world economy, or globalization. Accordingly, the developments of the present situation can be analyzed in two different time frameworks: the one going from 1945 to today, and the one going from around 1450 to today. The first period is that of a typical Kondratieff cycle of the capitalist world economy that has two parts. The A-phase, the upward swing or economic expansion lasted from 1945 to 1967-73, and the B-phase, the downward swing or economic contraction from 197-73 to today. The second, larger time framework, by contrast, encompasses the last five hundred years – the period from 1450 to the present – and marks the life cycle – its genesis, development and terminal crisis – of the capitalist world economy. To understand the given economic situation we must distinguish between the two time frameworks. The A-period of the present Kondratieff cycle was characterized by the U.S. hegemony in the world system that the U.S. established after 1945. By the end of the

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3 The widely spread – and debated – view on globalization consists of notions such as the declining sovereignty, our disappearing ability to resist the rules of the market, our virtually annulled cultural autonomy, and the serious questioning of all our identity; notions that are associated with the 1990s (Wallerstein 2000: 251-252).
World War II, the U.S. was the only major economic power whose industries remained intact. This economic power was the result of a long-term economic development that has been going on for over a century. These circumstances allowed the largest expansion of both value and real production of the history of the capitalist world economy. The economic expansion created considerable wealth as well as social strain in both the U.S. and the world social system. Many individuals and social groups – by condition of their birth – seemed to be left out and condemned to a life of squalor and poverty. Due to inadequate education, their prospects for obtaining good jobs were bleak (Wallerstein 2000: 251-253).

To secure its economic and political position, the U.S. needed a relatively stable world order and an effective demand for its products in the rest of the world. The problem of the world order was resolved in two steps: by an agreement between the U.S. and the Soviet Union (Yalta) and the establishment of a set of interstate institutions, politically controlled by the U.S. These institutions were the United Nations, the International Monetary Fund and the World Bank. Effective demand for U.S. production was ensured by the Marshall Plan and the economic assistance to Japan. The strong economic links were enhanced by military ties such as NATO and the U.S.-Japan Defense Pact. The economic and military links also ensured that the concerned states would follow the lead of the U.S. on all major issues in the international arena. The Third World and the least favored groups within the “concerned zones” were largely left out from the benefits of the new world order (ibid.: 253).

The U.S. policy was so successful that soon the Western European and Japanese economies started to compete effectively with the U.S. products and, by the late 1960s, they closed the productivity gap between them and the U.S. However, their recovery led to an increasing world production which – through the sharp decline of the profitability of many principal industrial sectors – caused a downturn in the world economy. The economic downturn further contributed to the discontents of the “left out zone” and triggered the various uprisings of the world revolution of 1968. Diverse events occurred in many of the Third World countries, with more or less the same double theme: the opposition to U.S. hegemony and Soviet collusion, and the disillusionment with the “Old Left” as the movements in power failed to accomplish their historical promises (Wallerstein 2000:255).
By the 1970s the world economy entered into a long period of stagnation – the B-phase – with profits from production that dropped considerably from the levels at which they were in the A-phase. In the 1970s, due to the OPEC oil price rise, the prices of all products rose, the production of many commodities were reduced, and the countries that relied on income from export of raw materials lost a great part of their income as they raised prices for these products. This situation created acute balance of payments difficulties. Balance of payments difficulties, however, were only one part of the problem: the monetary surplus of the oil-producing countries went – through U.S. and German Banks – to the governments of those countries that, suffering from balance of payments difficulties, started to borrow extensively. The inability of the borrowing governments to repay the loan led to an accumulation to intolerable levels and, by 1980, the debt crisis began. The attempt to maintain the spending power of the world system through the oil money loans resulted in the first debt cycle since the 1970s (ibid.: 254-258).

Governments bore down on their people in order to repay their debts, pointing a finger at greater external forces, pleading “helplessness in the face of IMF or foreign banks” (Desai and Said 2000: 56) The question rose: whose fault was it really? The borrowers shifted responsibility to the lenders, and vice versa, that is, while those in power in the less-developed countries blamed the IMF or the Western banks, the IMF and the Western banks blamed borrowers for economic mismanagement. In reply, civil societies formed in many countries, articulating their voices against their own state and beginning to build defensive cross-class alliances to fight against the cutbacks in food subsidies, the pricing of previously freely available goods, the rises in taxes and prices, the rise in unemployment and the shutdown of public facilities. The resolution of the debt crisis of the 1980s took the intervention of the U.S. government in the form of the Brady Bonds.\(^4\) Due to the process, debtor governments had their debt written off, converted into equity or swapped for factories. The B-phase of the Kondratieff cycle, thus has been characterized by the shift of capital from the productive sphere to the financial sphere, the flexibilization of labor, and a significant increase in unemployment. (Desai and Said 2000: 56-57; Wallerstein 2000:

\(^4\) The Brady Bonds were named after U.S. Treasury Secretary Nicholas Brady, who – in association with the IMF and the World Bank – sponsored the effort to permanently restructure and reduce sovereign loans and interest arrears. Among the countries involved in the Brady Plan restructuring were Argentina, Brazil and Mexico as well (Desai and Said 2000: 77).
1.2 The systemic crises of the capitalist world economy: secular trends hitting their asymptotes

Wallerstein observed some of the defects of the capitalist world system. While defining capitalism as an historical system whose main feature – and primary motor – is the endless accumulation of capital, he realized that these defects were really caused by structural pressures that slowed down or halted the accumulation of capital. He also realized that the defects had to do with the power relations between the state and other actors of the world economy (trans- and multinational economic agents, actors of the market etc.) In his comprehensive study, Wallerstein identifies three major secular trends that create constraints on the possibilities of capital accumulation and thus create a structural crisis to the system. The trends are: (1) the long-term rise in real wage levels, as a percentage of costs of production; (2) the rise in costs of material inputs of production, and (3) the rise of levels of taxation. Like all systems, along its secular trends, capitalist world economy needed to maintain its equilibrium, or restore it every time its processes moved away from it. In the long-term development of the modern world system did so by its own mechanisms. The restoration has never been immediate or perfect. In addition, it cannot go on forever, as the secular trends hit their asymptotes. Once it happens, the system enters into its terminal crisis from where there are at least two alternative ways to a new/moving equilibrium with new cyclical rhythms and new secular trends – establishing essentially a new system. According to Wallerstein, this is what is happening now in the capitalist world economy: it has entered into its terminal crisis that leads to a period of transition where the system will take an alternative route (Wallerstein 2000: 259-260).

In order to see how there trends manifest – if they do at all – in the polity let us see what Wallerstein meant on these trends hitting their asymptotes. The cost of wage labor is determined by the employers and employees (labor unions). In developed economies the political power of employees (labor unions) is such that real wage has risen at the cost of

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5 The expression asymptote is derived from the Greek asymptotos that means “not falling together”. In analytic geometry, an asymptote of a curve is a line such that the distance between the curve and the line approaches zero but never hits it, that is, the line is tangent to a curve at infinity. In its modern meaning, however, the line might intersect the given curve, hitting its asymptote, that is, not only approaching zero but actually reaching it. Wallerstein’s trends are such line in the system of capitalism.
the profit. The principal mechanism by which capitalists have been able to limit the political pressure of syndical organization has been the relocation – and increasing robotization – of given sectors of production to other, lower-wage areas of the world economy. This trend characterized the B-phase of the Kondratieff cycle. Workforce in lower-wage areas was formed of newly recruited migrants from rural areas: labor that was entering the wage-labor market for the first time. However, the recruitment is coming to its end as the major secular trend of deruralization of the world is on an ever-accelerating upward curve and most probably will disappear in a few decades. The end of deruralization means the end of first-time wage-labor market. The increased polarization of real income and the large number of persons who are technically unemployed and derive their income from the informal economy might provide cheap labor. However, Wallerstein concludes, the political and market sophistication of the worker of the lower strata – located in the “barrios and favelas of the world system” (ibid.: 262) – continue to grow and real alternatives available are such that they are in a position to demand reasonable wage levels in order to enter the formal wage economy. The only option, thus, for capitalists is to pursue the class struggles (ibid.: 260-262).

The second secular trend that is disturbing the capitalist world economy is the rising cost of material inputs that involves the price at which they are bought and the cost of treating them: waste management, storage and meeting environmental requirements. The ways these costs can be reduced are either to externalize them or to utilize raw materials without providing for their renewal. The problem with these practices is akin to that of relocation as a solution to wage costs: it works as long as there are previously unutilized areas from where to extract raw materials, and in which to dump waste without serious immediate consequences for the health of the biosphere. The solution, a vast clean-up and organic renewal campaign, does not seem plausible within the framework of a capitalist world economy because it would either mean an impressively high pressure on profit margins (internalization of costs) on the firms, or similarly impressive tax burdens on taxpayers (ibid.: 262-263).

The third pressure on the capitalists lies in the realm of taxation. The problem of taxation concerns the role of the state as well. The central management of incomes has been a means to finance the running of the state and welfare provisions. The demand of security, civil
bureaucracies and social welfare has constantly risen over the centuries until they became nearly universal by now. However, the expenses for the supply side have not been optional: the growth of the provisions has been a principal means of ensuring legitimacy and relative political stability by paying off the “dangerous classes”, that is the lower strata (ibid.: 263). The increasing polarization of real income has been a steady feature of the world system and gradually triggered the growth of discontent of lower social strata.

The social welfare efforts were born as a response to this discontent. The three principal varieties of such efforts were educational institutions, health facilities and guarantees of income across the lifetimes of individuals such as social security for aged and unemployment insurance. The demand has grown since. However, democratic deficit and low tolerance of the population in terms of tax burden has set constraints to the state. Moreover, redistributive taxation has reached levels where it interferes with the possibility of accumulating capital. This interference is interpreted – more or less convincingly – as the fiscal crises of the states. It is not surprising then that, eventually, the capitalists demand a rollback, that is, the cutting back of welfare provisions. The massive disinvestment in state structures in the capitalist world economy made the masses regard the state as an agent of transformation with a fundamental skepticism (ibid.: 263-265).

In Wallerstein’s interpretation, thus, the capitalist system faces such strains that might lead to its terminal crisis, and, through a period of transition, to an alternative route. Besides the three trends – that have been approaching their asymptotes – the role of the state is called into question.

1.3 The state in the world economy: the postwar and the Washington Consensus

By the end of the first part if the 20th century, there was a need to rethink the role of the state in the capitalist system. First, the social impacts if the Great Depression, then the advance of the Marxist ideas urged the redesign of the state. The welfare state was conceptualized along the New Deal and the Beveridge Report of 1942. (Menin and Cerdá 2006: 5). Japan, the U.S., and countries in Western Europe saw a rapid expansion in welfare state provisions: by the mid-1970s, more than 90 percent of the labor force was protected in case of accidents, sickness, invalidity and old age insurance. This growth in social expenditure is one remarkable phenomenon of the postwar capitalist development, result of
a process called “post-World War II capital labor accord” in the U.S., and “postwar consensus” in Britain and Western Europe (Pierson 2006: 131). The accord or consensus aimed at securing the new social, political and economic order of the postwar world – the circumstances for a sustained economic growth. Interests were conciliated at both the class and the political party level, resulting in the following guidelines:

1. Keynesian economic policies to secure full employment and economic growth domestically within the agreed parameters of an essentially liberal capitalist international market; 
2. a more or less “institutional” welfare state to deal with the dysfunctions arising from this market economy; and
3. a broad-based agreement between left and right, and between capital and labour, over these basic social institutions (a market economy and a welfare state) and the accommodation of their (legitimately) competing interests through elite-level negotiation. These liberal democratic or social democratic institutions were seen as the best guarantee of avoiding both the economic disasters and the concomitant political polarization of the interwar years.

At the class level, while labor abandoned the ideology and practices of class war and the socialization of the economy, capital accepted the commitment to full employment, the public ownership of strategic utilities and support for the welfare state. At the level of political parties, the consensus involved an agreement on the constitutional rules of the political game: the marginalization of the extremes of both right and left, the acceptance of predecessors’ legislation, and certain common interests and ideas in terms of organized capital, labor and Keynesian economics. Such developments in the U.S. led to a commitment to the maintenance of a comprehensive welfare state, the support of the ‘mixed economy’ of private and public enterprise, policies of full employment, and sustained economic growth (Pierson 2006: 131-132).

However, in many countries, the welfare state could not avoid dismal macroeconomic indicators and economic setbacks. As Claus Offe put it, the crisis of the Welfare state puts capitalism in front of a difficult situation. As capitalism loses its ability to persuade its devotees that it is the best and the fairest of all the system the crisis is the very symptom of the inability of the capitalist state to harmonize its economic system with the social demands. Because the Welfare state needs the economy created by the capitalist investment for its very own maintenance and development, it privileges these sectors of the economy. However, the chronic fiscal problems of the Welfare state – burdened with the growth of social expenditure – and its indebtedness jeopardize the profitability of the capitalists. As a
result, the aim of the capitalists is to cut back social expenditures and the autonomy of the state in the face of the market (Menin and Cerdá 2006: 5-6).

Ultimately, the following questions emerge: what should the government/state do? How does it affect the economy? Why are some economic activities undertaken in the public and others in the private sector? Should government do more than it is doing, or should it do less? Should it change what it is doing, and the way it is doing it? Why has the scope of its activities changed over the past hundred years? These are some of the opening questions of Stiglitz's comprehensive work on the economics of the public sector (Stiglitz 2000: 4). Of course, there have always been differences in views of the government's economic role: while socialists advocated a dominant role for the government, no or minimal role was suggested by laissez-faire economists. However, as globalization integrated economies around the world the perception of the nation-states’ economic role developed in rather contradictory ways. On the one hand, integrating processes put new demands on the state. On the other hand, however, they have reduced the state’s capacities to deal with the same demands: global economics forces and political demand for devolution of power have equally squeezed governments (Stiglitz 2003: 3-4).

The steady approach between the different views led to the contemporary rethinking of the government’ role. This approach reflects two initiatives: deregulation and privatization. The first reduced the role of the government in regulating the economy. The aim was to ease those regulations that were overly burdensome and whose benefits were less than their costs, thus to obtain the desired objectives in more effective ways. Put it differently – following Offe’s reasoning – due to the crisis of the Welfare state, governments decided to delegate – that is to say, sell – some of its activities to the actors of the private sector. In the U.S., it began under the presidency of Carter. Reforms occurred throughout the world, however, in some cases it seemed that deregulation was carried too far, and the importance of financial market regulation was reevaluated. The privatization movement, on the other hand, sought to deliver to the private sector activities previously undertaken by government (Stiglitz 2000: 11-12).

In the 1980s, developing countries were also prescribed the deregulation-privatization recipe in the form of a series of neoliberal cutback measures. The reforms were part of the
Washington Consensus. Due to these policies, from the year 1990, capital flows from developed to less-developed economies have increased six-fold in six years. This increase was viewed as the triumph of the “American-style” capitalism and the end of the downward swing. Even the global economic crises of 1994 and 1997-8 were unable to challenge this view. The orthodoxy that “American style” capitalism was going to benefit everyone stood still, and only “bad policies in non-transparent countries” were to blame failing to adopt, and adapt to it. This very orthodoxy was first questioned when Argentina, the “IMF’s poster child”, “doing everything that the IMF told it to do” started to have serious economic problems that led to the crisis in December 2001. It was suddenly recognized that when a country had problems – instead of blaming exclusively its leaders/economists for mismanagement – responsibility had to be taken by actors beyond them as well, namely the Washington advisors. The orthodoxy was finally challenged, and, furthermore, it was increasingly acknowledged that there was something fundamentally wrong, defective with the core of system itself. The events in Argentina, and, retrospectively, the 1994 and 1997-8 crises called for the re-examination of not only the role of the state but the very nature and the many significant risks of capitalism as well (Stiglitz 2003: 5-6).
Argentina's political and economic system

Integration into the capitalist world economy

Europeans first arrived in today's Argentina in the beginning of the 16th century. The first permanent colony was established in 1580 on the site of Buenos Aires that had become later a flourishing port. Although the Spanish integrated Argentina into their empire by establishing the Vice Royalty of Rio de la Plata in 1776 prior to the 1880s the Argentine economy was majorly isolated in terms of international trade. The forces that created the modern Argentine economy were the introduction of modern agricultural techniques and the integration of the country into the world economy. The last two decades of the 19th century were marked by a significant economic expansion fueled by the export of livestock, wool, leather and grain commodities, vast European immigration and British and French investment (U.S. Department of State).

Over the last few decades of the 19th century cattle and sheep ranchers were determinant figures of the Argentine economy, gaining influence through their stable exports that provided the country's most significant – and nearly sole – source of foreign exchange. Apart from the exports to Europe's booming markets, European immigration played an important role in the development of modern Argentina: the widespread labor shortage of these decades resulted in a growth in real wages, and, consequently, an ever-widening gap between the European and the Argentine wage rates. This difference in wages facilitated a mass migration, and, by the beginning of the World War I, one third of the country's population was foreign born. Argentina thus became a magnet for millions of foreign workers, attracting the largest number of both seasonal and permanent immigrants in the region principally from Italy and Spain. Although there the number of emigrants was significant as well, from the year 1892, the balance remained positive. These immigrants formed the core of the historic migration. Migration was also encouraged by the Avellaneda Law (Act N. 817 of 1976) that regulated entry and integration. Those immigrants who stayed moved to the cities, helping quickly urbanize Argentina. Between 1895 and 1914, the urban population of the country tripled. Argentina by far stood out among South American countries in terms of foreign direct investment received until 1914. The Argentine economy became the leading destination for British investment in the rail
transport, port development, mortgage banking and public services sectors (U.S. Department of State; OECD Country Notes 2009: 211-216; Rock 1982:163-174). As a result, the country's economy relied heavily on foreign credit and demand for its agricultural products: its financial stability became dependent international economic processes.

Between 1860-80 and 1930, due to rapid expansion of agriculture, the high degree of financial openness – foreign investment in infrastructure – and immigrant labor force, Argentina became one of the world's wealthiest economies. During this period, its economy grew more rapidly than the U.S., Canada, Australia or Brazil, countries that were similarly endowed with rich land and hosted large inflows of capital and European migration (Mundlak, Cavallo, Domenech and Goldin 1990: 15). Although Argentine prosperity was mostly based on the production of the agriculture, industry had also made a significant – but less well-known – progress that, by the end of the 1930s attracted more investment and employed more labor than agriculture. In addition, as a key to national economic independence, industry started to enjoy greater prestige among modern planners and politicians. The estanciero (agriculturalists) élite viewed local industry with disdain, since “the law of comparative advantage taught the futility of industrializing Argentina. After all, the country had a temperate climate, adequate rainfall, and vast stretches of fertile soil, all of which made it ideally suited to grazing” (Lewis 1990:79). The opposition of the two interest groups has been major characteristic of the Argentine economy.

Exports of agricultural products, foreign investment, European immigration, technical development and the ever-growing industry made physical and human capital abundant, and the Argentine capitalism moved fast. In terms of capital accumulation, the years preceding the World War I stand out: capital accumulated at an average rate of 9 percent a year, and despite the sharp halt in this trend during the war, the average rate of the 1920s (2.4 percent) was enough to keep up with the growth of the population. For the second time in the 20th century, however, the process of capital accumulation was halted by the Great

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6 James Bryce, who went to Argentina around 1910 – the centennial of the country's independence from Spain – was impressed by the prosperity and modernity: “Every visitor is struck by the dominance of material interests and a material view of things. Compared with the raking in of money and the spending of it in betting or in ostentatious luxury, a passion for the development of the country's resources and the adornment of its capital stand out as aims that widen the vision and elevate the soul” (Lewis 1990: 13).
Depression, and – after a weak rally with an average 1.8 percent of capital accumulation – for the third time by the World War II (Lewis 1990: 48). From that period on, Argentine economy has started to lag behind in its growth performance: the gap in income between Argentina and other countries with similar resources increased constantly.

The deterioration of the economy was especially dramatic in agriculture: comparing the crop yield in the U.S. and Argentina for the periods 1923-30 and 1975-84, the results for the former tripled, while for the latter they did not even double. As for the industry, due to insufficient accumulation of capital, it lost its earlier dynamism and turned to labor-intensive methods. The 1990 OECD working paper on economic policies and sectoral growth in Argentina defines the Great Depression as watershed in the country's economy. Prior to the year 1929, for decades, the country's growth had been tightly integrated in the world economy. However, since 1930 – due to a combination of external shocks and internal decisions – the economy turned inwards, undergoing a long-lasting reversal in its once large share in world trade and finances, and thus becoming less and less integrated to world trade and capital markets (see Figure 3 and Table 2) (Mundlak, Cavallo, Domenech and Goldin 1990: 16-17). The same backward development was observed by Paul H. Lewis (Lewis 1990). Both the scholarly and popular literature tried to explain Argentina's stagnation following the 1930s. However, despite the beginning of a backward development, there was still a historic moment waiting for the Argentine economy.

2.2 Argentina in the A-phase of the world economy

The current of political and economic changes of the 1930s and the emergence of the labor movement from the growing urban working class led to the appearance of Perón in the Argentine political scene. Perón was elected president three times and became the axis of the country's power struggles for three decades (Lewis 1990: 144). Colonel Juan Domingo Perón was a military intellectual who had served as attaché in Mussolini’s Italy. Although Perón and his entourage were impressed by the period's totalitarian regimes and their populist economies – Nazi Germany, Fascist Italy and Imperial Japan – the Argentine version was somewhat different. Perón called his system “the organized community”, similar to Mussolini’s “Corporate State”. The Argentine became a state-directed, self-sufficient economy with a corporatist form of organization that would “penetrate, control,
and coordinate all significant social groups: business, labor, farmers, the professions, culture, women, and youth” (Lewis 2009: xii). In the Peronist era, everyone was to join one or more syndicates (*sindicatos*). The populist economic agenda meant greater social equality through the redistribution of income, high wages and generous public spending on housing, healthcare and pensions. During Perón’s first and second presidency (1946-52 and 1952-55), the Argentine economy experienced an unprecedented expansion of government power, social reforms were legislated and the labor movement was strengthened expanding the number and influence of unionized workers (Lewis 2009: xii, Lewis 1990: 144).

In the name of national security, the Perón administration went against the old classical liberal doctrine of comparative advantage advocated by the agricultural élite. According to the doctrine, the country, short of the traditional ingredients for making steel, would concentrate on temperate climate agricultural products, and depend on other economies’ production in terms of industrial goods. The long disruption of world trade during the Great Depression and World War II convinced the military intellectuals that the Argentine economy could no longer depend on foreign supply of industrial goods. The oil, gas, iron, steel, electric power, railroads, airlines and telephones sectors were converted into state companies – nationalized – and set on trajectory of import substituting industrialization (ISI) model of growth. The management of such companies consisted of political appointees, and their workforce was larger than necessary in order to keep down unemployment. Inefficient management was common characteristic of these companies, and resulted in low productivity. Chronic deficits were covered by printing money. As a result, local industrialists were brought up in a hothouse capitalism within the frame of substantial coalition with the state. The coalition “supported economic nationalism and rejected globalism as a conspiracy” of the U.S. and the international financial élite only to dominate Argentina (Lewis 2009: 20-22).

The economic activity of Perón's government, and his personal rhetoric polarized the society: “his speeches and writings are still quoted as gospel by many thousands of Argentines, who nevertheless cannot agree on whether he was a revolutionary of the Left, a champion of the patriotic Right, or a pragmatic reformer who instinctively avoided extremes. By contrast, those who hated Perón during his lifetime agree that he was a
demagogue and a tyrant who ruined the country's economy, wasted its resources, and stirred up class hatred.” (Lewis 1990: 129). The following paragraph is an example his speeches.

In the Stock Exchange they are some five hundred people who live by trafficking in what others produce. In the Unión Industrial they are some twelve gentlemen who never were real industrialists. And among the ranchers there are other gentlemen, as we all know, who have conspired to impose a dictatorship on this country ever since cattlemen first began meeting together. (...) This is the notorious behavior, you see, of these gentlemen who have always sold out our country. These are the great capitalists who make it their business to sell us out: the lawyers who work for foreign companies so as to strip us and sell off everything: the handful of men working with certain ambassadors to fight people like me because we defend our country. They include the hired press, which publishes such profound articles, written and paid for by foreign embassies. [...] It is an honor to be opposed by such bandits and traitors. (Lewis 1990: 144).

Not surprisingly, businessmen and landowners – the nation's capitalists outside the hothouse – hardened their attitude towards him.

The Perón administration had advantages that few countries in the developing world ever enjoyed: a semi-industrialized economy untouched by the war. Moreover, since the World War II disrupted agriculture in some of the most important producer countries, Argentina could sell its agricultural products to the Allies on credit, and thus became one of the world's creditor nations in the post-war period. It was from this income source that the government intended to finance the rapid industrial growth. His confidence that the U.S. project of rebuilding Europe would make the Argentine economy boost again was right: Argentine trade surpluses added to the credit balances owed to the country gave real reason for optimism (Lewis 1990: 274).

This historic moment was over with the revival of the agricultural sector of the war-torn economies and Argentina's “crisis of unparalleled gravity”, that is, backward development began. Economic self-sufficiency was impossible since Argentina did not have the needed resources and the country had become ever more dependent on foreign imports of steel, industrial chemicals, heavy machinery and equipment. These costs were difficult to meet for two reasons: firstly, borrowing or inviting foreign direct investment would have compromised the country's economic independence, and secondly, the only sector that was able to earn foreign exchange was trade in agricultural products, but the traditional rural
élite (*estancieros*) was not under state control. The country, thus, had to face the stagnation of its formerly dynamic industrial sector that was now too poorly capitalized. The state’s welfare spending together with low return from industry – heavily supported by the state – inevitably led to chronic budget deficits and inflation. The government tried to fight budget deficit with “retentions” (tariffs on imports and taxes on agricultural exports), and inflation by imposing price controls and manipulating foreign exchange rates. These measures, however, discouraged both production and export which led to a chronic balance of trade deficits. Ultimately, to cover deficits, the government printed more pesos, which further fueled inflation (Lewis 2009: 22-23).

Production was stagnant and demand was always higher than supply, thus, the Argentine economy suffered from stagnation and inflation, that is stagflations. The economic situation gave way to a series of violent changes of governments. During the three decades, between the overthrow of Perón (1955) and Menem’s taking office (1989) there were seventeen presidents, for an average of about two years in office, among them, the majority was military man. The same period produced thirty-eight Economics Ministers, for an average of less than one year in office. Their success was essentially limited in the circumstances of diminished economic growth and continued social and labor demands. The governments failed both to revive the economy and to suppress escalating domestic violence (Lewis 2009: 22-23; U.S. Department of State).

The debate, however, was constant about how to revitalize the economy and was determined by two major groups: economic liberals and economic nationalists. The former blamed the Perón administration and campaigned for the reduction of the role of the state, the return to free enterprise and the enticement of foreign capital. The latter, on the other hand, put their faith in a state reform, free from Peronist excesses, with a more socially equitable distribution of wealth that would provide stronger domestic market and thus lead to the expansion of local industry. In this inward-looking and rather protectionist strategy there was little space left to foreign capital. While the former, nationalist position was backed by trade unions, smaller business and tenant farmers, the latter, liberalists were supported by big business and large farming concerns (Lewis 1990: 247).

Following the overthrow of Perón, in the period between 1955 and 1973, the Argentine
industry underwent considerable changes due to foreign investment. There was a shift from labor-intensive to capital-intensive methods of production, technological progress and an increase in size of the average industrial enterprise in the dynamic industries. Larger firms were gaining an ever more dominant role as employers of labor and producers of goods. Perón’s system, however, largely survived him. In the 1970s, industry – besides foreign investors – was still characterized by the Colbertian type Argentine industrialists. The real problem of Argentine business – besides a shortage of capital – was the lack of willingness to invest from the part of the Argentine industrial élite, the extensive informal financial networks and vast tax evasion. In sum, within the A-phase, there was an upward swing in the Argentine economy due to the post-war demand of agricultural products that was followed by a downward swing because of the inefficiencies of the ISI model of growth and welfare spending of the government. The latter was characterized by chronic budget deficits (ibid.: 298, 329). The failure of the governments to revive the economy opened the way for the return of the Peronists.

2.3 Argentina in the B-phase of the world economy

In 1973, Perón was elected president for the third time, which also meant the failure of all attempts to win the Peronist masses away since Perón's overthrow in 1955. However, the revival of the Peronist era proved to be transitory as Perón died a few months after his reelection in 1974, and, although he was succeeded by his wife and Vice President, Maria Estela Isabel Martinez de Perón, she too was removed from office by a military coup in March 1976. The armed forces formally exercised power through a junta. The military dictatorship lasted from 1976 till 1983. The military government had to face and deal with the Argentine political economy suffering from endemic chaos, violence, and dismal macroeconomic indicators: soaring inflation, drastically low gross domestic product and enormous budget deficit that exceeded treasury's exchange reserves. The junta announced a Process of National Reorganization (el Proceso) what would “restore order, prosperity and civil virtue” (Lewis 2009: 11). Minister of Economy, Alfredo Martínez de Hoz was charged with stabilizing the economy and – according to neoliberal lines – privatizing state-owned companies. However, fragmentation of interests within the government, especially concerning key industries and their management, blocked the Minister's project of
privatization and the partial opening of the Argentine economy. Military officers wanted the state to either own or at least closely regulate all economic sectors related to national defense and blocked the introduction of free market reforms and privatization state industries (U.S. Department of State; Lewis 2009: 11-12).

The unsuccessful attempts of the Proceso to reform the economy were followed by a return to the closed economy, that was kept alive from money borrowed abroad – originally earmarked for public works and social welfare spending. High interest rates and over-valued exchange rate were introduced in order to control inflation. These policies largely hurt Argentine industry and exports on the long-run. The successors of the first military government further enhanced the country's hothouse capitalism by borrowing abroad, again, to keep banks and industries alive: the reversal of policy led to an enormous outflow of capital as both local and international financial community lost confidence. World Bank estimated a capital flight of $20 billion between 1979 and 1982. At the same time, the interventionist bureaucracy led to the strengthening of the corporativist system (Lewis 1990: 494). Serious economic problems, increasing of corruption, human rights abuses and Argentina's 1982 defeat by the United Kingdom in an attempt to seize the Falklands Islands (Islas Malvinas) discredited the military regime. The last military government lifted bans on political parties and restored basic political liberties (U.S. Department of State).

Although democracy returned to Argentina in 1983, public confidence in the new government was quickly undermined due to persistent endemic economic problems. The corporate state – instead of redirecting it toward the more productive private sector – consumed and spent an ever-increasing amount of capital, burdened its citizens with high taxes, ruined the nation's currency and credit (Lewis 1990: 494). Government spending was at around 56 percent of the GNP: 40 percent of all spending went to the funding of state enterprises and their deficits, about 25 percent to the social security system, 17 percent to the Federal Government bureaucracy and 18 percent to the provinces and the City of Buenos Aires – under the constitutional requirement of revenue sharing. Although by the mid-1970s it was clear that this situation could not continue it did so for another decade further deteriorating the country’s economic situation (Lewis 2009: 16; 24-25).
2.4 Disillusionment with the corporate state in Argentina

Argentine economic policies observed here – income and trade policies – are macroeconomic. Macroeconomic policy includes government decisions concerning the size of government expenditures relative to the total income, the way in which they are financed, and the rate of growth of the money supply. The three relevant macro policy indicators of the analysis are government consumption in total income, fiscal deficit and money supply. Government consumption indicates the size of government expenditures. From the 1920s we can observe a clear upward-term trend, with several important ups and downs after the mid-1940s, which suggests that, although government expenditures increased significantly, they reached levels that could not be sustained, thus the high levels were partially reversed after a while (see Figure 4). The other indicator, the fiscal deficit after 1930, was much larger than previously, in some sub periods, exceeding 10 percent of total income and was partly financed by monetary creation and partly by borrowing (see Figure 5). The third indicator, money supply, shows a rather unstable monetary policy after 1930: the rate of growth of the money supply was above the rate of growth of output – valued at foreign prices – and above the rate of devaluation adjusted for real growth and foreign inflation. As a result, years of large expansions were followed by large contractions. (Mundlak, Cavallo, Domenech and Goldin 1990: 15).

This can be explained by politico-economic changes as well. Until the 1930s the state played a minor role in Argentina's economy: prior to World War I, its share of total investment stayed at around 11 percent (of the total), later, during the war, it increased somewhat because of the significant drop in private investment that resulted from the withdrawal of foreign capital. After the war, it decreased again to remain low until the Great Depression. Due to the crisis the decreasing income from exports led to a fall in import of finished products despite the high demand. The local industry, thus, was to meet this demand in the form of the import-substitution projects. The crisis enhanced a greater state activity that reached unprecedented levels in terms of investment in many sectors of the economy, such as meat and farm products and defense-related production. Under the first presidency of Perón, in the late 1940s, state investment rose to 35 percent. The expansion of state activity was essentially linked to the ever-growing importance of the
industry (Lewis 2009: 15-16; Mundlak, Cavallo, Domenech and Goldin 1990: 15).

In terms of state activity, thus, Argentina's modernization can be divided into three phases – with obvious overlap between the subsequently phases. The first phase lasted from the last decades of the 19th century till the World War I, and was led by foreign capital. The second phase lasted from the end of the World War I to 1943, and saw the emergence of domestic private capital, and from the 1930s, as mentioned above, that of state activity. The third phase, beginning in the early 1940s, lasting till the forced departure of Perón in 1955, was a period of real state leadership. Within the system, led and defined by the corporate state, the wage, price, interest, export and currency exchange controls caused economic distortions. In addition, excessive government expenditures, on padded payrolls, subsidies to inefficient state companies with large annual losses, and “make-work projects” to disguise unemployment contributed to fiscal deficits. By the 1980s Argentina was living one of the worst economic crises in its history. Directly after the Proceso inflation rate was around 5000 percent, foreign debt around $63 billion ($8 billion at the time of the 1976 military coup) and GDP was shrinking at a yearly rate of 6 percent. Besides that, there was a serious shortage of investment capital (Lewis 2009: 16). No wonder the neoliberal program became popular among Latin American countries in general, and Argentine economists in particular. The general thinking was well resumed by Lewis:

Yet, to reform the system is extremely difficult, and perhaps impossible. No group is willing to give up its niche in the corporate state, especially when a deteriorating economy makes life more precarious. Moreover, to the extent that reform requires political action, the bureaucrats are in a position to prevent its implementation. The great political challenge of Western capitalism in the last decades of the twentieth century is to trim down the state and revitalize the private sector; but for the present our concern is to summarize this phenomenon as it pertains to Argentina (Lewis 1990: 494).

As mentioned before, it was clear by the 1970s and obvious by the end of the 1980s that the situation could not be continued. It was not clear, however, how to get out from this economic situation. The Argentine capitalists were fragmented along their interests.

The major pressure groups were the military, labor, agriculturalists (estancieros), and industrialists. They, having different interests, had different opinion in terms of the state’s role. Industrialists, farmers and financiers cooperated only as long as reforms would be
introduced to protect private property. Furthermore, industrialists favored some state protectionism, except for those who processed local natural resources (food and beverage industries). Agriculturalists and merchants – together with the latter group of industrialists – tended to be free trade liberals, and accounted over 70 percent of Argentina’s industrial exports. Then again, within the broad categories of agriculture, industry and commerce, there were various divisions and sub-categories: “manufacturing versus mining or construction, wholesalers versus retailers, large companies versus small and foreign companies versus domestic.” Naturally, each of these groups had its own chamber to lobby for its field. (Lewis 2009: 28-29).

2.5 Internal interest groups

One of the most powerful segment of the economy was called the Argentine Big Business, or *alta burguesía*, owners of the largest conglomerates. During the Peronist corporatist period, typical Argentine companies were family-owned, often run by the founder himself or an heir. Argentine companies were more like European firms than like those of the U.S. where corporations had largely replaced family enterprises, especially at the top levels of the economy. Corporations, by keeping ownership and management separate, are able to recruit their executives from a wider talent pool. In addition, having a more advanced form of business institution, they are more efficient at raising large sums of capital for instance by issuing stock that attracts investors. By contrast, Argentine companies were more closely held corporations that did not offer shares on the Bolsa (the Buenos Aires Stock Exchange), or, if they did, they made sure that the family controlled the majority. Some of these were organized as conglomerates, with a holding company that supervised several subsidiaries that were also managed by family members. Argentine conglomerates started as a single firm and later branched out into many different spheres of the economy, such as mining, construction, transportation, manufacturing, farming, and – in some cases – financing. All of them were related to the state and were part of the system called *la patria contratista*. All this meant a “cozy relationship between government and business so characteristic of rent-seeking ‘hothouse capitalism’” (Lewis 2009: 30, 35).

The “strategic alliance” between the state and the conglomerates was maintained under Menem’s first presidency as well. Shocking traditional Peronists, Menem made his cabinet
appointments choosing his Economics Minister from the *alta burguesía*, Jorge Born, who, together with the other directors, thought that it was the only way for the Argentine industry to survive the opening of the country to the world economy. Naturally, most Argentines did not know that it was part of the strategy: during his campaign, Menem received large contributions from the largest companies and promised, in return, to appoint his future Economics Minister from their group and that they would be involved in the formulating of the government’s economic strategy (Lewis 2009: 20). The *alta burguesía* faced a serious challenge by the international financial élite, that is, Argentina’s chief creditors: the U.S. Treasury, the IMF, the World Bank and the Paris Club, who wanted Menem to start paying on Argentina’s foreign debt (see Figure 6 for total debt service between 1976 and 2008). The reforms, by which Argentina was to pay on debts was also to open the country’s protected economy and free the way to international trade and investment. Directors of Argentina’s largest companies only supported free market, economic deregulation, privatization of state enterprises, and government fiscal responsibility as far as real reforms were not introduced. Since their companies were not able to compete with big – international – conglomerates they blocked all attempts at reforms. By controlling the Economics Ministry, they expected to preserve the old system as much as possible: closed economy and state protection (Lewis 2009: 34-37).

### 2.6 Washington Consensus: the external élite group redefines the parameters of the national policies in Latin America

In the interpretation of Kozloff, support for the privatization and deregulation process of the 1990s in Latin America was so prevailing because many governments were “closely allied to Washington” and its drive towards neo-liberalism (Kozloff 2009: 3). In general, the adopted economic philosophy stressed deregulation, privatization of state-run industry and infrastructure, trade liberalism, fiscal austerity and cuts in social spending – and led debt-ridden economies to “popular backlash” (ibid.: 43). This is a short summary of what happened in many Latin American national economies at the end of the 20th century. True that privatization process was a political and ideological trend common to most political parties from both the right and the left.
The neo-liberal economic scenario was presented by John Williamson, responsible for the strategy for less developed countries in general, and for Latin America in particular. The strategy consisted of a set of politico-economic reforms and was named Washington Consensus after the Washington-based IFIs (the U.S. Treasury, the FED, the World Bank and the IMF) that supported it. The reforms represent a summary of what most people in Washington believed Latin American economies ought to be undertaking in 1989. They concerned ten spheres of the economy: (1) fiscal discipline, (2) reordering public expenditure priorities, (3) tax reform, (4) liberalizing interest rates, (5) a competitive exchange rate, (6) trade liberalization, (7) liberalization of inward foreign direct investment (FDI), (8) privatization, (8) deregulation, and (10) property rights (Menin and Cerdá 2006: 7; Williamson 2002).

Inherently, these reforms aimed at a large-scale divestiture of state owned enterprises, macroeconomic reforms that were supposed to raise microeconomic efficiency as well. The vast process of privatization and the related – usually subsequent – market liberalization and regulatory reforms of the last two decades largely changed the provision of public services for a large share of the population in Latin America. Among developing national economies Latin America was the region where these processes started earlier and generated the greatest foreign and local investments and incomes. Besides this, sectoral differences were also important. However, this trend had national variations in terms of extension, velocity, depth and methodology. In terms of scale – cumulative revenues measured as percentage of GDP – the national economies show important differences. During the period between 1988 and 1999, these numbers were higher than 8 percent in the following countries: Bolivia (19.7 percent), Peru (13.2 percent), Brazil (10.9 percent) and Argentina (8.6 percent). At the same time, in countries, such as Honduras, Ecuador, Costa Rica, Paraguay or Uruguay, it did not exceed 3 percent of GDP (Carrera, Checchi and Florio 2005: 5).

In terms of sectors involved in the process, 75 percent of the revenues from privatization came from utilities and infrastructure, the financial sector represented 11 percent, and the rest came from oil, gas or the manufacturing sector. Within the main investment sector of utilities and infrastructure, most of the countries privatized telecoms, electricity, gas, water
and sanitation services. In general, the privatization of railways, airlines, airports and highways was less extensive. Privatization also differed in strategic terms. Divestiture of financial and productive sectors was less important due to the preexisting private participation. Furthermore, most governments retained at least one public bank and they insisted on retaining under state control the companies connected to natural resources, such as oil, gas and copper. Argentina was an exception in both: it did not retain the state ownership of any important company, with the exception of some of the national or provincial banks and companies of sanitation. As for manufacturing, divestiture was only important in such strategic heavy industries as steel or aluminum. Governments used different methodologies for selling state owned enterprises – such as “total sale through open international options, public offering of shares, concession contracts and direct transfers” – and used them with different intensity. Concession contracts were mainly used in oil exportation and production, transport infrastructure and sanitation services. In Argentina, due to the pressing situation of the economy, the dominant method was outright sales. At the same, it became a trend – in an attempt to democratize the property – to invite small investors and workers to participate in the equity of companies (Carrera, Checchi and Florio 2005: 5-7).

A broadly common pattern in the privatization process in Latin America was the vast inflow of foreign direct investment (for FDI net inflow to Argentina see Figure 7). During the period, foreign investors participated not only with capital but also by taking over company management and operations. Foreign direct investment flows in terms of GDP increased from 0.3 percent in 1989 to 6.9 percent in 1999. This trend was the result of the elimination of the several barriers the countries of the region posed to foreign participation in the sectors of services and utilities. Once the restrictions were eliminated, the process of privatization could take off attracting significant foreign capital investment (ibid.: 8).

Due to state divestiture profitability increased in almost all the countries concerned. In Peru, Mexico and Argentina, the increase in profitability exceeded a significant 40 percent due to operating efficiency gains through restructuring the companies. Downsizing, which was a key ingredient in the restructuring processes, meant a reduction in employment in state owned enterprises. The most important downsizing – with more than 40 percent –
concerned the Peruvian, Mexican and Argentine enterprises. In most of the economies, however, important downsizing was not important enough to make a recognizable difference in the official unemployment rate or to explain the general deterioration of labor market indicators in most of the national economies. All in all, privatization had positive impact in terms of productivity, profitability and fiscal revenues, as well as it had some negative implication in terms of employment. However, regarding the effects of the privatization processes in public services it is not obvious weather consumers of all social strata benefited from changes (Carrera, Checchi and Florio 2005: 8).

The distributive impact of privatization can be measured along three main factors. Firstly, the change in the access to services, which is related to the expansion of networks and technological innovations that may facilitate access. Secondly, change in affordability, namely the (re) balancing of tariffs, the evolution of prices and fixed charges, and the way it affects both preexisting and new costumers. Thirdly, the change in quality: an important factor, though difficult to measure. As for the first factor, private participation contributed to an expansion of access to former public services, such as electricity, telephone and water.. At the same time, this expansion did not benefit equally the different social classes which suggests a trend of only relative improvement of consumers' access to these services. Furthermore, deficit of connections has remained significant, especially in sanitation services in urban areas – and in most of the services in rural areas. Rural areas were especially left out from reforms due to the relatively low profitability investments have seen there. Latin America, thus, has seen its poor the last segment of the population in benefiting from – privatization generated – higher access to services. Considering the second factor, namely the impact of privatization on utilities tariffs and the change in affordability, results have been very similar to that of the first factor. While overall privatization and liberalization have benefited consumers in developing countries, policy makers and regulators too often did not find a balanced price structure meeting both efficiency and equity objectives (ibid.: 9).
3. Linkage between the capitalist word economy and the Argentine macroeconomic policies: structural changes in Argentina

3.1 The process of privatization and deregulation

The intensity of the adhesion of the neoliberal reforms makes the Argentine case a paradigmatic example. The broader time framework of the process encompasses the first and second presidency of Carlos Menem (1989-1995 and 1995-1999) when the actual process began and the term of the De la Rúa government (1999-2001) when the process was maintained. In 2002, however, with the ascendance of Eduardo Duhalde a process of renegotiation began, which, under the presidency of Néstor Kirchner, led to a breakdown in the concept of the process that began in 1989. The aim of Krischner was to redefine the parameters determined in the 1990s (Menin and Cerdá: 2006: 11).

In 1989, Justicialista Party (Partido Justicialista or PJ, political party founded by Juan Domingo Perón) candidate and devoted Peronist Carlos Saúl Menem won the presidential elections. As governor of La Rioja province, Menem secured full employment, expanding the public payroll, increasing the number of teachers by 40 percent and the number of sanitation by 68 percent. The numbers did not tell however that the employees’ “pay was low, their task ill-defined, the wages were not paid in real money, and the jobs were insecure, but the recipients found their situation preferable to being unemployed” (Lewis 2009: 10). Furthermore, the province’s capital underwent modernization, new houses, shops and apartment buildings were built (ibid.: 9-13). La Rioja’s success contrasted with the problems the rest of the country was facing. In addition to this, Menem had a colorful populist style, and a speechmaking talent, which, together with his proven courage, and his many personal sacrifices for Peronism drove him up in the Peronist ranks. Menem had a charisma, especially among the poorer strata. When running for presidency

Menem acquired a garbage truck that he dubbed his Menemovil, covered it with flags and microphones, and he and Duhalde, [the party boss of the a big industrial suburb of Lomas de Zamora, and Menem’s running mate] dressed in ponchos, drove slowly through all the working-class suburbs [the impoverished villas miseria] of Greater Buenos Aires, waving and throwing kisses to the multitudes who poured into the streets to cheer them. Every so often Menem would stop and give a short speech promising a big wage increase (salariazo) when he became president. […] At one stop,
in Lanús, a man handed Menem a huge loaf of bread. After kissing it, Menem began breaking it into pieces and distributing it among the cheering onlookers (Lewis 2009: 15).

Menem had a powerful mandate: ending hyperinflation and economic stagnation. The situation of the Argentine economy was such that both Peronists and the Radicals in Congress were forced to grant the president extraordinary powers. The necessary power was given in Menem’s hands in the form of two laws: the State Reform Law (Reforma del Estado or Ley 23.697) and the Economic Emergency Law (Ley de Emergencia Económica or Ley 23.696). The State Reform Law was passed in August 1989 and gave the president the power to “intervene in any executive agency or state company and either dissolve it or privatize it”. The Economic Emergency Law, passed in September 1989, “allowed the president to downsize the civil service by removing public employees’ right to tenure, suspended all subsidies to private business, and granted foreign investors equal access to local financing and markets” (Lewis 2009: 35).

Menem’s main goals were the following: (1) reducing the foreign debt by offering shares to Argentina’s creditors, (2) reducing the fiscal deficit by getting rid of poorly capitalized and thus loss-producing enterprises, and (3) using revenues from sales to finance current economic expenses. It was clear that his priority tool was privatization of the state enterprise sector and that there was a social and economic need of urgent solutions. On the one hand, there was hyperinflation that needed to be ended as quickly as possible, and, on the other hand, Menem had to act boldly (again, quickly) to keep up populist image and to gain and preserve credibility. As a result, state companies were sold off without too much regard for procedures and prospective buyers over time. Just like the conditions the results were not ideal. State monopolies could have been divided into competing private companies with greater efficiency, but speed was opted instead. During his eight years of presidency, Menem liquidated almost all the state’s economic empire – including the military’s portion (ibid.: 36).

3.2 Reshuffling the legitimacy of the process

Menem’s first presidency can be divided into three phases in terms of the government’s priorities. During the first phase (from 1989 to 1990) privatizations were meant to cancel foreign public debt through approaching the banks and setting the signing of the Brady
Plan. In the second phase (from 1991 to 1994) the transfer of public assets were meant to finance the “Convertibility plan”, and the third phase (1994) was about further macro economic reforms (Menin and Cerdá 2006: 12).

By the end of the first phase, in 1990, the Menem administration privatized some $16.5 billion worth of state enterprises and doubled the number of federal tax collectors. All this supposed high revenues. Due to the lay off of some 300,000 enterprise employees and federal, state and local bureaucrats, however, unemployment climbed as well as real wages declined, driving the economy into recession and – as inflation was still high – stagflation. The government’s popularity sank and the solution was to reshuffle it. This cabinet reshuffle brought Domingo Cavallo, a brilliant economist to the post of Economics Minister (1991-1996). Cavallo had a high reputation in business circles and Menem gave him “free rein to pursue a radical new economic strategy as the last chance to save his floundering administration”, while he made sure that there were no political obstacles to Cavallo’s policies (Lewis 2009: 49-51).

Cavallo’s grand strategy – besides privatizations – was the free convertibility of the austral and the dollar by which he hoped to put an end on irresponsible printing of money to cover government deficits. Inflation came down quickly and this created a favorable psychological impact. Continued success of the Convertibility Plan required a steady inflow of foreign capital either in the form of loans or, preferably in direct investment. To attract investment, Menem eliminated the old law that required foreigners to sign in with the Registry of Foreign Investors, and the obligation to get government approval to invest in areas of the economy defined as strategic. Restrictions on capital movements both in and out of the country were eliminated. The aim to open the economy to global competition was in line with creating a strong, independent Argentine capitalist class, curing them from their independence on the state. Industrialists, however were fearful of foreign competition knowing that foreign companies were technologically and organizationally superior, and

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7 Menem cracked down on tax evasion, focusing especially on the largest enterprises: “if their books were not in order, or if there was evidence of black market commerce, the company could be closed down and its executives put in jail. Tax revenues increased dramatically by about $2 billion a month between 1990 and 1993” (Lewis 2009: 55).

8 The new law required the Central Bank to keep exchange reserves, in either dollar or gold, that equalled to 100 percent of the country’s money supply. The Bank was only allowed to print money if its exchange reserves grew by the same amount, and, conversely, if its exchange reserves decreased, it would have to tighten the money supply.
had better access to large amounts of credit. Argentine companies – as Cavallo imagined – were supposed to take advantage of the privatization process (ibid.: 52-55).

Privatization concerned oilfields, steel mills, big electrical power plants, water and sanitation companies, Gas del Estado, several railway lines, the Buenos Aires commuter railways, the highway system, the state oil company, the YPF (Yacimientos Petrolíferos Fiscales) – bought up by Repsol, a Spanish company (Kozloff 2009: 39) – and much of the social security system. In most of the cases, these divestitures provoked little public outcry because state owned or managed companies were inefficient and featherbedded, and run multiply deficits compared to their official budget (Lewis 2009: 52-55).

3.3 Ephemeral success of the process and the disillusion of the public

After the privatization processes, however, case studies were born concerning the efficiency of mostly those enterprises that provided essential public service in terms of development, health and welfare of the total population, such as running water and plumbing services. These studies stressed the need to obtain resources and ameliorate the service of the deteriorated state enterprises. Unfortunately, although some of the enterprises were a lot more efficient than under state control – efficiency varied greatly between industries –, the distribution of provisions resulted less equalitarian than before as increases in fixed charges in the utilities affected low-income households more. The distributional impact of the privatization of public services in the Metropolitan Area of Buenos Aires was measured by the ratio of income and expenditures, and the availability and use of utility networks. Regarding how people view privatization retrospectively, the different social strata must be treated differently: “while the net benefit for the two upper quintiles is probably negligible, and for the middle income group the impact is neutral, the negative impact of tariff changes cannot go unnoticed by the two bottom quintiles. For these relatively poor consumers, expenditure in utilities claims a high-income share, hence any price change is important” (Carrera, Checchi and Florio 2005: 10).

The initial prices were high as new owners used their monopoly positions to drive them up and they were not reduced even despite higher productivity gains. Instead, domestic tariffs

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9 See the study of Menin and Cerda (2006) about the privatization of Obras Sanitarias to Aguas Argentinas; El impacto social de las privatizaciones by Arza (2009); and The benefits and costs of privatization in Argentina: a microeconomic analysis by Galiani (2002); etc.
were indexed according foreign inflation; contracts, promoted by companies, were renegotiated and validated by the government systematically. In addition, although the state stepped in from time to time to limit sharp price increases, new owners failed to produce the expected market-driven efficiency. The normative framework insured that the privatization process has created and preserved non-competitive markets. (Carrera, Checchi and Florio 2005: 10; Menin and Cerdá 2006).

On the other hand, the Menem/Cavallo strategy for growth followed the reigning economic ideology shared by the international financial élite. It included the reforms of the Washington Consensus and allowed Argentina to participate in the Brady Plan, under which it hoped to refinance its remaining debt. The increase in the inflow of capital and local consumption, and the renegotiation of foreign debt meant the consolidation of new conditions for economic and political development of the country. The international financial élite was content and gave an “A+ rating” to Argentina for following the precepts (Stiglitz 2006: 17). Furthermore, with such imprimatur, European investors began investing in Argentine securities. All in all, the controversial economic program of Argentina obtained good political results in the international financial ring (Lewis 2009: 56). Yet, the situation was manageable so long as foreign capital kept flowing in, either as loans or investments.

The Menem government’s main goal was to get rid of the restrictive corporativist practices and to open up Argentina to free markets and free trade. Under the urge to put and end on stagnation and hyperinflation the government failed to provide the legal framework essential for a capitalist system to work properly, and, by the end of the 1990s, Argentine capitalists had disappeared: they either went bankrupt or were bought up by foreign capital. The global financial crises – the 1995 Mexican economic collapse, the 1997 East Asian financial crisis and the 1999 Brazilian peso devaluation – however, set off a panic among foreign investors in emerging markets. In Argentina, there was a sharp drop on bank deposits and foreign exchange holdings as people shifted their money to the U.S. In the meantime, the loans and government bonds sold abroad had pushed foreign debt up to 40 percent of the GDP, and financing it became the largest expenditure in the government’s budget. Welfare spending was cut, income gap between the poorest ten percent and the richest ten percent grew by more than 50 percent, and, by the end of 2001, over 40 percent
of the population lived below poverty line. New forms of social organization began to form, centered around the former – impoverished – middle class. The economic recession was there again, and it worsened, and either the IMF’s emergency loan or the financial aid package would stop Argentina from defaulting on its debts (Lewis 2009: 130-134).

The Argentine economic collapse in December 2001 was seen as an emblematic failure of neo-liberalism. In Kozloff’s interpretation, under “Washington’s darling and free-market advocate [...] the country doggedly pursued a policy of convergence with Washington. Its objective was to shed its status as the erstwhile regional pariah while becoming a faithful servant of the new world order” (Kozloff 2009: 87, 179). In any case, the public’s disillusion with the free market economy brought the state back as the most significant actor in the economy.

The new president, Duhalde signaled a return to traditional Peronist populism. Under his presidency, Argentina moved away from the IMF and ended the Convertibility Plan. The devaluation and “peso-fication” relieved debtors, and the moratorium on debt payments let the money go to financing public works and social welfare programs. Duhalde was followed by Néstor Kirschner who proved to be a faithful practitioner of Peronism and the three basic ideas (las Tres Banderas) that inspired Justicialismo: national sovereignty, economic independence, and social justice. In line with its principles, policies that characterized the Perón regime and were adopted by Kirschner were “price controls, trade restrictions, income redistribution, debt repudiation, hostility toward foreign investment, and government spending to stimulate the economy and create jobs.” No wonder, foreign direct investment was only a fraction of what it had been in the previous decade: under the presidency of Menem Argentina received around 15 percent of all new foreign investment coming into Latin America, by contrast, under Kirschner it was only about 3 percent. Due to its almost debt-policies, lenders also avoided Argentina. In sum, Argentina was suffering from a severe credit shortage that led to rising inflation. Serious economic problems included energy shortages, inflation, falling retail sales, lack of investment and capital flight (Lewis 2009: 139, 162).
4 Metropolitan regions in the capitalist world economy

4.1 Urbanization and the forming of global/world cities

In 2006, for the first time in history, more people lived in cities and towns than in rural countryside (see Figure 8). There are close to 700 urban agglomerations with more than 500,000 or more people, and about 160 urban regions with 2.5 million people or more (MasterCard 2008a). According to the UN, there will be nearly 2.8 billion inhabitants in cities in developing countries over the next 40 years. However, the growth of cities will be more than proportional – to their population – for many reasons. Firstly, households tend to have fewer members than before increasing the number of dwellings needed for the same amount of people. Secondly, because of economic development, institutional buildings occupy more and more space of the city; and thirdly, due to of income growth in a certain segment of the population, these people will demand larger homes and more space in general. These tendencies are most relevant in cities in developing countries and thus they will be the most concerned by the core social (equality and inclusion) and environmental challenges. The challenges must be faced since the way cities are built and managed determines to a large degree the urban citizens’ quality of life (Peñalosa 2008: 9-10). Despite the challenges of the urbanization processes, however, cities are becoming highly important nodes in the world economy.

Major cities serve as critical links in a network that directs commerce and finance across the globe. Their function as centers of commerce and high productivity is indispensable. Understanding how these cities connect markets and affect world economy is particularly important, especially for companies seeking to extend their global presence, since successful companies of the future will be transnational, employing people and positioning resources according to location advantages. Global cities are sites where wages are the highest and where wealth is created through a concentration of skilled workers, the best public and private institutions and the most innovative companies. In brief, global cities are

Saskia Sassen, professor of sociology at Columbia University, New York, and the London School of Economics, is a leading expert on cities. Her highly influential “global cities” thesis has essentially reshaped urban and globalization studies in the past twenty years, becoming part of different debates in rather distinct sets of disciplines, engendering a rich body of critical work, and spreading over a large number of countries. The term “global city” was widely popularized after the publishing of her first book in 1991. Although the terms “world city” is also widely accepted and used in the literature I shall refer to the major cities in question as “global cities”.

– in their function as centers of commerce – the most exciting and dynamic global sites of production and consumer markets (MasterCard 2008a). Accordingly, notions, such as the work of running a global economic system, the practices of global control, the infrastructure of high and low wage jobs necessary to service the global economy and the emergence of a new spatial order in global cities have become part of the conceptual landscape through which global cities are studied (Sassen 2001).

Concerning the relationship of the world economy to cities, we can be certain that the former has constantly been shaping the latter. This shaping power of the world economy lies in the very position of the major cities, namely their strategic role in the on-going dual – spatially dispersed, yet globally integrated – organization of the post World War II economic regime. As part of their novel role in the new regime, cities have acquired new functions. They are (1) highly concentrated command points in the organization of the world economy, (2) locations for finance and for specialized service firms – replacing manufacturing as the leading economic sector, (3) sites of production and innovation, and last but not least (4) markets for the products and innovations produced (Sassen 1991: 3-4).

Twenty years ago, in her first encompassing analysis of global cities, Sassen chose three leading examples of world cities: New York, London and Tokyo (Sassen 1991). During the past two decades, however, it became obvious that the three above mentioned cities are far from being the unique representatives of the kind. Roughly ten years after the publication of her first book, Sassen, together with a group of scholars extended the thesis to concentrate on emerging global cities in the South, such as São Paulo, Shanghai, Hong Kong, Mexico City, Beirut, the Dubai-Iran corridor, and Buenos Aires: key nodes in the emerging global urban system (Sassen 2002).

In an interview on the occasion of the publication of Foreign Policy’s 2010 Global Cities Index, Sassen was asked to pick the next (third) round of urban winners and losers for the 21st century. Among the mentioned cities there were clearly those old-world cities that were able to reinvent themselves like for example Istanbul, and two European ones that became attractive to firms: the future Dubai-s of Europe, Copenhagen and Zurich. Nevertheless, most of the cities that are expected to become part of the global network are situated in the Global South: in Sub-Saharan Africa Nairobi and Johannesburg, and, in
South America cities with colonial histories such as Quito, Bogotá and Caracas might be able to exploit their already existing international connection, strengthening their position as an important nod. Interesting cases are the state controlled development of the fast-growing Chinese cities like Shenzen and that of Singapore and Dubai, characterized by government-driven projects “as the market alone could not have done it”. When asked to explain what makes a global city, Sassen confirms that

[A] global city makes new norms. And two requirements for that happening are complexity and diversity. Quite often, in countries around the world, it's the most global city, especially New York, where new national and international norms are made. [When it comes to the size] most global cities are really not megacities [and vice versa] you have a lot of very large cities that are not necessarily global cities. [Notwithstanding.] size is important for a global city because you need enormous diversity in very specialized sectors.

Thus, most of the largest cities will remain a global city in the world, without much prospect of gaining sufficient importance to become one of the global cities of the world. Such are the emerging megacities of China and – interestingly enough – Tokyo that, paradoxically, have never actually became a global city, for its very lack of the denationalization and an ethnically and linguistically diverse economic and social environment (Larson 2010).

4.2 Global cities on circuits: connectedness

Cities, however, are not “running the global economic system” separately but form circuits. Sassen’s perception of the world economy goes against the common view that globalization homogenizes economies, and as a result, instead of regarding it as a “seamless economy with clear hierarchies” (Sassen 2008: 4). Sassen distinguishes highly particular global circuits containing different groups of countries and cities with diverse specialized economies. Cities in a hierarchy were subject to the literature since the 1980s. Friedmann’s World city hierarchy Buenos Aires is a “Secondary City” located on the “semi-periphery”, linked – directly – only to Sao Paulo and Rio de Janeiro, which, by contrast, are linked to such cities as London, New York, Mexico and Los Angeles etc. (See Figure 9).

In the interpretation of Sassen, however, not hierarchies but circuits count. Some of these circuits are specialized and some are worldwide while others are regional. On the analogy
of her view, when examining a city in the world economy, the first step is to identify the circuits the city is located on. It is important in as much as lesser role is assigned to the competition among cities and more for a global or regional division, because when global firms consider the possible markets they will not want one city but a group of cities – despite their individual negatives. Circuits develop according to economic histories, that is, “specialized differences” which are of course further altered by global economic forces, migration, cultural work, and civil society’s struggle (or the lack of it) to preserve human rights, the environment and social justice (Sassen 2008: 4).

Similarly to Sassen’s circuit theory, the Globalization and World Cities (GaWC) Research Network focuses upon the external relations of world cities, and relations between cities – a field neglected by the mainstream world/global city literature that largely focuses upon the internal structures of individual cities. The GaWC elaborated a method that measures the hinterlands of towns and cities, describing the worldwide pattern of connections between a given world/global city and other world cities “under the conditions of contemporary globalization”. 123 cities were selected in terms of global network connectivity. Connectivity between each city and the other 122 is measured giving individual city inter-linkages. Each city’s connectivities with other cities are regressed against their global network connectivity. Residuals are calculated from regression. If they are positive that means a city is over-linked to another city, and vice versa, negative residuals mean under-linked connectivity. It is these residuals – over- and under-linkages – that are mapped to show a city’s hinterworld (GaWC webpage). As Taylor put it “all hinterworlds are unique because they depend upon the particular mix of global service forms in a city, which in turn will reflect historical and regional processes as well as contemporary location in the world of city network” (Taylor 2004: 30).

Connectivity is measured on a scale that is used for all maps to facilitate simple comparisons between hinterworlds. The maps are in cartogram form to show each city equally. The cartogram places cities in their approximate relative geographical positions. This analysis allows seeing linkages other than regional or official (or obvious) as well – in the case of Latin American cities, the Mercosur for instance – Mexico, Sao Paulo or Buenos Aires for example, apart from being connected to each other, are over-linked to
Barcelona, Zurich, Chicago, Detroit, Cleveland, Seoul, Helsinki, Kiev, Sofia, Bratislava, Hong Kong, Beijing, etc. The cities in the approximate relative geographical position of Buenos Aires are Mexico, Santiago, Sao Paulo and Caracas which is the most over-linked city – from the Buenos Aires perspective, and the most under-linked city is Seattle (See Figure 10 and Figure 11 where the extent of connectivity is shown with different sized circles).

Circuits with different characteristics develop in the face of the of globalization’s homogenizing effect on standards in management, accounting, state-of-the-art office districts etc. They become the elements of a network of inter-city geography that functions as a live infrastructure for the multiple forms of globalization. In these circuits the major cities function as centers for producing global capabilities needed for each economic sector, especially trade, finance and service, and thereby serve as a bridge between the national economy and the global economy (Sassen 2008: 4).

4.3 Urbanization and global cities in Latin America: applying different perspectives

Metropolitan regions accommodate over one billion people in the world; this fact reflects their roles as centers in the global flows of both capital and people. The number of cities of more than one million citizens has been steadily growing over the last fifty years, and is has now increased to 450. Since 1950, the number of cities with over one million people in Asia, Africa and South America increased from 39 to 308 – from which 36 are in South America. Furthermore, 15 out of the 20 largest city regions – with population of over 10 million – can be found in these regions of the world. Particularly, South American cities have a long history in terms of social and physical context of high urbanization. The continent has the most urbanized regions in the world, with 83 percent of its national population living in cities, which, by 2050 will be closer to 90 percent (see Figure 12). In the beginning of the 20th century the only South American city with a population larger than one million was Buenos Aires. Today, as mentioned above, there are 36, with São Paulo, Rio de Janeiro, Lima, Buenos Aires and Bogotá representing the five largest among them. These cities are typical in terms of urbanization process in South America: they have demonstrated the fastest population growth in the second half of the 20th century. From
1950-1980 Bogotá’s population grew sevenfold, that of Sao Paulo quadrupled, and Lima had similar growth rates. The population of Rio de Janeiro grew in a slower pace, similarly to that of Buenos Aires which doubled during this period (see Figure 13). Their combined metropolitan population is over 60 million, one fifth of the continent’s total urban population. Each of these cities has a history that stretches back to colonial – or earlier – times. Their growth, though, became significant after the withdrawal of the colonial powers (Urban Age 2008: 20-21).

Contrary to the mainstream global city theory, Shatkin suggests an alternative framework for analyzing the link between global city development and inequality. Attempting to reframe debates on the equity and spatial implications of economic and political change in global cities in developing countries he calls into question the view that these cities are converging around a model of development similar to that of the “prototypical global cities” of the United States, Europe, and Japan (Shatkin 2006:1). Emphasizing the difference in the trajectories in the face of convergence, the study stresses novel perspectives that hold key to analysis that better accounts for local agency. These perspectives are the following: a growing focus on the diversity of cities’ experience with globalization, on the inherently negotiated nature of global impacts on urban outcomes, and on actor-centered perspectives in urban analysis.

Furthermore, the analysis focuses on three processes of change: firstly, the formation of public–private partnerships in urban governance, secondly, the spatial implications of the privatization of planning, and, thirdly, the flexibilization of labor. The a focus on these three processes has important implications for both theory and practice, insofar as it allows us to understand similarity and difference in urban development, and more importantly, to understand the actors, institutions and interests that are driving changes (Shatkin 2006). In the followings, these three processes will be in the core of the analysis.

Between 1930 and 1970 the most important determinant of urbanization was the adoption of the Import Substitution Industrialization (ISI) model of growth as a result of the 1930s economic crisis. Import substitution generated significant labor opportunities in cities. At the same time, technology improved in agriculture in the countryside further enhancing the massive rural-urban migration leading to rapid urban growth, population concentration, and
territorial expansion of a small group of large cities. From the 1970s, however, most Latin American countries experienced serious economic problems. Institutions and policies that were dominant during the ISI were gradually transformed or dismantled. The rate of growth slowed down due to the decrease in public employment and investment and the virtual abandonment of urban planning. This decline was generalized throughout the region during the 1980s. Latin American economies were further hit by the debt crisis, and during the 1980s the region experienced an overall decrease of almost 10 percent in the GDP. In the 1990s there was a general attempt to incorporate the region in the global economy through structural adjustment policies. Due to these reforms, the relationship between the State and society redefined and altered. The abandonment of the ISI model and the adoption of neoliberal reforms had an effect of production processes, labor markets, and income distribution, which all had territorial implications in the metropolitan regions, particularly in terms of “spatial distribution of socioeconomic groups and their patterns of spatial mobility” (Cerrutti and Bertoncello 2003: 1-3, 13).

As the pace of rural-urban migration slowed down, urban-urban migration has become the dominant form of spatial mobility. Although the ratio of rural-urban migration as component of urban growth dropped from 50 percent to less than 30 percent it is still significant. Intra-metropolitan population movements – “from the center to the contiguous periphery and to close territories, the so-called rur-urban spaces and megalopolis-articulations” – have become the core of the processes of urban de-concentration and the formation of new centers (Cerrutti and Bertoncello 2003: 9, 21). Intra-metropolitan movements have led to new types of social segregation: upper income groups moving from the center to the periphery consolidating secondary centers with improved infrastructure; low-income groups concentrating in deteriorated areas of the urban center of the first peripheral rings; while central areas regain value by a process of gentrification. The last section deals separately with the “positive” effects of the economic restructuring – namely Buenos Aires’ incorporation into the world economy –, and the “negative” effects, that is, social and spatial segregation (Cerrutti and Bertoncello: 10, 19-21).
Urban planning in South American metropolitan regions

The existence of low- and high-income groups in large cities is inevitable. High-income groups may provide tax funds to partly satisfy the needs of lower-income groups; they may even pay high taxes for services provided by the city, and then not use it. Instead, they use private healthcare services and private nurseries and schools. Inequality thus not necessarily supposes the lack of services but patterns of social behavior (Peñalosa 2008: 9-10).

In theory there is no scientifically or technically correct or incorrect way of making a city: urban planning should be a society/community's collective work. Urbanism has a rather subjective nature. Yet, in practice, each government should adopt and then promote at least a vision along which it makes decisions, build and define guiding rules – act like a composer or conductor. According to Enrique Peñalosa, an urban strategist and mayor of Bogotá (1998-2001), when spheres of responsibility are not clearly determined it is much unlikely that there is a sole comprehensive vision – if there is at all – and thus sustainable development is out of question. Urbanism has to do with community and society consensus, and not individuals – private entrepreneurs – seeking their own benefit, since in actual urban development it will not necessarily bring about the best for society as a whole. In the face of the Adam Smith notion, it seems more valid that government intervention is essential. Some of the relevant examples in terms of urban planning are distribution of space – access to green places, plazas, promenades, waterfronts, sports facilities, libraries etc. – and different service provisions, such as educational and healthcare services, canalization, running water or public transportation – weather to discriminate car, bicycle, buses or metro, and, accordingly, construction of motorways, bicycle lanes or metro etc. The (discriminative) existence of such planning can testify a respect for human dignity as well as a barrier to inclusion. It is more often with regards to services provision – and transport in particular – that governments in developing countries have most dramatically failed in terms of urban democratic principles (ibid.: 10).

The development trajectory of the South American region in the 1980s was characterized by the debt crisis and the subsequent structural adjustment programs. The next setback in terms of socio-economic development was a result of the lack of a solid and transparent institutional and legal framework that could guide the transformations of the 1990s. This
lack often had dramatic impacts on cities and metropolitan areas, which was all the more serious considering the region's relatively urbanized profile. The large city-regions and metropolitan areas had often been the nodes of national import substitution strategies and nodes where the national and the metropolitan challenges had become interdependent. Such challenges were, and are, social exclusion, environmental degradation and overall loss in competitiveness. In the same decade, these city-regions (or metropolitan areas) were entering a new stage of internationalization process during which historical deficits – in access to basic services, land and sustainable and predictable sources of finance – had been far from being settled in satisfactory ways, enhancing growing disparities (Klink 2008: 8).

The process manifested in the growing number of privatized public spaces and socio-spatial segregation – reflected in the proliferation of gated communities, slums and shantytowns, and the rise of completely new towns and isolated industrial, commercial and technological districts. In terms of the development of metropolitan areas, there had been chronic lack of more strategic view, and a clear-cut definition of responsibilities between the different levels of authorities. This suggests that governments should stimulate the negotiation and mobilization of these territorial pacts aimed at the collective creation of public goods in metropolitan areas. After all, it “is the socio-economic and political complexity as well as the richness of city-regions and metropolitan areas that allow us to go beyond the abstract macro-economic dichotomy of inflation control versus growth, which in fact has narrowed down so much of the debate on the future development of South American countries” (ibid.: 8).

Since the mid-1980s, the challenges to confront socio-spatial exclusion, environmental degradation, intra-metropolitan disparities and loss of economic competitiveness and to organize fragmented and speculative land use markets had not lessened, on the contrary, they have become ever more impressive. Governments in South America have increasingly become aware of the interdependence between what happens in their metropolitan areas and national welfare (ibid.: 7-8).

In South American cities, the pattern of segregation between the center and the periphery results from a set of factors, such as unequal distribution of public infrastructure and the expansion of informal settlements. The "spatial distribution creates exclusive areas with a
high quality of life as well as stigmatized areas with inadequate services, accessibility and economic opportunities” (Urban Age 2008: 20). There may be more than 250,000 slums on earth. In Latin America, urbanization-without-growth is rather the legacy of a global political conjuncture than that of advancing technology: the debt crisis of the late 1970s and the subsequent IMF-led restructuring of emerging economies in the 1980s and early 1990s.

Falling real wages, soaring prices and skyrocketing urban unemployment (Davis 2004: 9). “The building block of this slum planet, paradoxically, are both utterly interchangeable and spontaneously unique: […] the conventillos of Quito, the favelas of Brazil, the colonias populares of Mexico City, and the villas miseria of Buenos Aires. They are “gritty antipodes to the generic fantasy-scapes and residential themeparks” where the global middle and upper class “prefer to cloister themselves” (Davis 2004: 14).

During the last three decades, according to a UN report (2003) the presence of slums in metropolitan areas of the world has “skyrocketed”. According to the same report, roughly one third of Latin America lived in slums in 2001 (Auyero and Swistun 2009: 22). It largely coincides with another report, according which an average of almost 36 percent of the population of South America lives in “favelas”. By country, it means 22 percent in Colombia, 33 percent in Argentina, 37 percent in Brazil and 68 percent in Peru. Challenge for decent housing, provision of urban services and economic opportunities (Urban Age 2008: 20). The mass production of slums ultimately change the picture envisioned by urbanists: “cities of the future, rather than being made out of glass and steel […] are instead largely constructed out of crude brick, straw, recycled plastic, cement blocks, and scrap wood. Instead of cities of light soaring toward heaven, much of the twenty-first century urban world squats in squalor, surrounded by pollution, excrement, and decay” (Davis 2006: 17).

4.5 Urban planning of Buenos Aires

Buenos Aires is located on the southern shore of Río de la Plata, on the southeastern coast of the South American continent. It is Argentina’s capital and absolute financial, industrial, commercial and cultural hub. Buenos Aires has a population of 12 million inhabitants and is South America’s largest urban agglomeration. The city was founded in 1536 and its
development was driven by trade. Spanish colonizers were ejected from the city in 1810 – among other reasons – due to their effort to direct trade through Lima instead of Buenos Aires. The development of the city is inseparable from that of the country as a whole. From approximately the second half of the 19th century until 1920, the city experienced rapid growth. This growth was driven by the economic wealth accumulated due to the city’s strategic riverside position, the agricultural production of the fertile pampas around it, and foreign capital inflow to the construction of the railway system that allowed raw materials to flow into its factories. Buenos Aires’ port is one of the busiest in South America. It connects southeast Argentina, Brazil, Uruguay and Paraguay by navigable rivers, serving a significant area of the southeastern part of South America. Buenos Aires was destination for vast European immigration, and, by the 1920s it became a multicultural city that ranked alongside the major European cities. The Great Depression played an important role in the halting of the development of the capital, nevertheless, its population continued to grow. As the city was expanding, groups of workers were forced to relocate from the city to peripheral areas, forming shantytowns. This impoverished population provided the base in the 1940s for Juan Perón’s populist nationalism (Urban Age 2008: 23)

Between the 1930s and the beginning of the 1980s state-subsidized housing and private developments both targeted the middle class and led to the forming of what the literature calls spaces of the Fordist regime. During the ISI model of growth, the productive sectors generated working-class neighborhoods south from the capital (Charcarita and Mataderos) and in the municipalities of the Northern First Ring such as San Martín, Tres de Febrero, Morón, la Matanza, Lanús, Lomas de Zamora and Avellaneda (see map 1). The sectoral changes of the 1990s hit these municipalities the most (Ministerio de Infraestructura; Ciccolella and Mignaqui 2002: 321). This changed, however, in the 1980s.

From a sectoral perspective we can say that while during the import-substitution industrialization model of the 1940s and 1950s the industrial sector was actually the leading sector in the process of metropolitanization including – either directly or indirectly – a substantial growth in the residential space of popular or marginal sectors. By contrast, the urban effects of the structural changes of the 1980s and 1990s led to an increasing spatial segregation, and the impoverishment of the middle classes (Ciccolella and Mignaqui 2002: 321).
During the period in-between, due to serious endemic social, political and economic problems, planned urban development was neglected. To somewhat separate the management of Buenos Aires from the state, in 1993 – due to the capital’s economic dominance – a constitutional amendment was passed that gave Buenos Aires autonomy from the federal state and the right to elect its own mayor, creating the “administrative city” (Urban Age 2008: 23). The 1993 constitutional amendment made the administrative city institutionally analogous to the Argentinean provinces. The City has its own constitution and elects its legislative and executive authorities. The rest of the Metropolitan Region (the 24 municipalities), however, have limited authority (Pírez 2002: 146). In terms of decision making, thus, the Metropolitan Area has a plurality of governments. It comprises two federated constitutional units: the Autonomous City of Buenos Aires and the province of Buenos Aires.

In the absence of effective decision making at the metropolitan level, key decisions are largely made by market forces, especially by economic actors with capital to invest: private developers and companies. In terms of both public services and urban planning development occurs within large private projects. Removal of trade barriers, privatization and reduced government characterize the last two decades of the 20th century that drove a dual renewal of the Argentine capital. Some of the factors of the macro-economic set that have attracted investment are the privatization of state enterprises providing public services, monetary stability and the implementation of Mercosur. These factors reactivated economic growth and (re)incorporated Buenos Aires into the process of modernization and globalization. At the same time, directly or indirectly, the same factors deepened social and spatial polarization and exclusion in the same population (Ciccolella and Mignaqui 2002: 309-310).

4.6 Mapping Buenos Aires: socio-spatial structure

According to the latest available data (the provisional census of 2010), Argentina has a population of 40 million its territory 2,766,889 square kilometers. It consists of 23 provinces (provincias) and an autonomous city (Ciudad Autónoma de Buenos Aires), also called the “administrative city”. The province of Buenos Aires occupies a territory of
307,571 square kilometers, has a population of around 14.6 million inhabitants and consists of 134 municipalities (partidos).

In this study, however, Buenos Aires will be analyzed as a metropolitan unit, which consists of a center – the historical city – and 24 municipalities (partidos) that, in terms of administration, belong to the province of Buenos Aires. The total of the 24 municipalities is called Greater Buenos Aires (Gran Buenos Aires or GBA) or the conurbation (Conurbano). In terms of geography the conurbation can be further subdivided into two rings around the administrative city: the First and the Second Ring (see Map 1). Greater Buenos Aires lies on a territory of 3,839 square kilometers, its population is around 12 million. The smallest unit is the administrative city – also called Federal District (Capital Federal), which is 203 square kilometers and inhabited by close to 3 million people. The metropolitan unit thus is made up from the administrative city and Greater Buenos Aires and is called Metropolitan Area of Buenos Aires (Area Metropolitana de Buenos Aires or AMBA), or inner metropolitan region.

The AMBA often confused with the so called Metropolitan Region of Buenos Aires (Región Metropolitana de Buenos Aires or RMBA) which is the largest unit under the province of Buenos Aires and consists of the AMBA and the third ring, the outer region, around. (Pírez 2002; Censo Nacional 2010; Urban Age 2008). Accordingly – to avoid confusion – the terms used when talking about Buenos Aires need to be understood as follows. By the City I mean the administrative city and by the Metropolitan Region (or RMBA) the administrative city and the three rings. When only talking about the suburbs I will use the term Greater Buenos Aires or GBA. The term metropolitan population refers to the population of the whole Metropolitan Region.

From the end of the 19th century, the City was structured along two axes: a north-south and a center-periphery. The north-south axis divided the population along socio-economic conditions; the north was preferred by the upper economic classes. Within the center-periphery axis, the periphery saw an inflow of second generation immigrants having

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11 The fourteen municipalities of the First Ring are: Avellaneda, General San Martín, La Matanza, Lanús, Lomas de Zamora, Morón, San Fernando, San Isidro, Tres de Febrero and Vincent López. The Second Ring consists of the following municipalities: Almirante Brown, Berazategui, Esteban Echeverría, Florencio Varela, General Sarmiento, Merlo, Moreno, Quilmes and Tigre. Municipalities of the Third Ring: Canyuelas, Escobar, General Las Heras, General Rodríguez, Marcos Paz, Pilar and San Vicente.
sufficient wealth to purchase small properties. The territorial expansion of Buenos Aires was underpinned by the railway system – result of the European and mainly British capital/investment – that connected the nearby localities of the north and west to the City. Besides vast European migration, demographic growth was also fuelled by internal migrations, and led to the urbanization of territories beyond the boundaries of the City. The non-existent or minimal official regulations in terms of land usage made land subdivisions possible, offering small, affordable plots in settlements, called popular housing (*loteos populares*). Although these dwellers lacked adequate basic infrastructure they meant access to land for the growing low-income labor (Pírez 2002: 147-148).

Prior to the World War I, the population of the City accounted for 80 percent of the total metropolitan population. By 1960 this dropped to less than 50 percent and in 1970 almost 70 percent of the metropolitan population lived in the suburbs, that is, outside the boundaries of the City. In the second half of the 20th century, especially in the period 1960-1970 growth in the suburbs was significant. The growth rate of the First, Second and Third Rings were respectively 31, 73 and 39 percent. With the negligible growth rate of the City in the same period (0.2 percent) the Metropolitan Area of Buenos Aires grew by 24 percent. This has been decreasing since, especially in the proximate suburbs of the City. A high all in all growth rate has been maintained in the period 1970-1990 by the Second and the Third Ring. Due to the high growth rates, the population of the MRBA has doubled since the beginning of the 1960s (see Figure 14).

The mid-1970s brought an initial opening of the Argentine Economy to the international market. Economic changes were inspired by the so-called neoliberal principles, initiated during the first government of the military dictatorship, halted by the following governments and fostered again as democracy returned to the country. The State Reform, economic deregulation and privatization of public services contributed to the expansion of

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12 In the period between the 1940s and 1970s, poor immigrants from the rural and Indian provinces of north-west settled according to the principles of *loteo popular*, or popular housing. On poorly equipped plots on the outskirts of the city these immigrants built their houses themselves or with the help of relatives and neighbors. By the lobbying of local associations, the development improved gradually, until the troubles of the mid-1970s. In 1977, the province of Buenos Aires issued government decree 8912 that abolished the formal supply of *loteos populares*. In addition to this came the crisis of December 2001 that was a final hit to the development of the suburbs. The periphery is still far beyond the City in terms of urban amenities (Thuillier 2005: 263; Pírez 2002: 147-148).
Buenos Aires in all directions and senses. Structural changes have reduced state participation and strengthened the role of private sector in financial activities, provision of services and land operations. This trend has become noticeable especially in the production of the Metropolitan Area’s built environment.
5 Linkage between capitalist penetration in the Argentine macroeconomics and urbanization processes in the MRBA

5.1 Private investment in the City and Metropolitan Region of Buenos Aires

Latin American economies, first driven by agriculture and trade, and then by industrialization, now face the third economic revolution that began in the late 20th century: that of the new service economy (Urban Age 2008: 20-21). The “remarkable selectivity of global capital” caused the renewal of growth in metropolitan areas toward the end of the 20th century and signaled a new economic geography (Ciccolella and Mignaqui 2002: 314). The map of economic power-relations can be drawn through the complex and hierarchical network that constitutes of thirty or forty global cities. These cities have become sites for specialized spaces for the economic management of the global operation of firms and markets. They exert influence not only locally or nationally but globally as well. Major Latin American cities, such as São Paulo, Mexico city and Buenos Aires are among them, becoming sites of the most advanced production, services, and cultural and political management (ibid.: 314).

Foreign direct and local investment in Buenos Aires has not only altered the economic base but the social and territorial structure as well. It was a very dynamic process that encompassed a very short period. In addition, the process differed from how it happened in the three leading global cities – New York, London and Tokyo – in terms of equilibrium between foreign and local investment. Although the growth of foreign direct investment in Buenos Aires led to the considerable expansion and restructuring of industrial and financial activities, producer services, computing and insurance and pension funds – the production services –, it had smaller effect in Greater Buenos Aires than local investment. FDI concentrated in the building of new spaces for the entrepreneurial management and production, and has contributed to the strengthening and expanding of the central businesses district of the City. The rehabilitation of old port areas, such as Puerto Madero and the Abasto – very similarly to how it happened in the Docklands of London or the Villa Olimpica of Barcelona – was part of this expansion. These areas have become part of what the literature calls “the corridor of wealth” that concentrates about two-thirds of the business areas and advanced services (Ciccolella and Mignaqui 2002: 314-316).
Local investment concentrated in a different group of services: the “banal services” involve rather consumption than production (Ciccolella and Mignaqui 2002: 314. Banal services are shopping centers, supermarkets, megashops, entertainment centers, hotels, chain restaurants, parks, construction and marketing; services associated with gentrified or gated areas.\(^{13}\) Of course, these categories are not exclusive, the two groups of services have seen both local and foreign investment, but there are tendencies in terms of investment source according to the type of sector. The most important investment sectors during the 1990s have been roads, business centers, shopping centers, hypermarkets, entertainment centers, thematic parks, new industrial parks, international hotels, and, rather complex ones, such as whole private neighborhoods and vertical communities (countries verticales or countries en altura)\(^{14}\). Construction of roads, entertainment centers, private neighborhoods and vertical communities for example was mostly driven by local investment (70-80 percent). By contrast, shopping centers, hypermarkets, new industrial plants and international hotels were built from foreign capital (75-80 percent). Sectors, such as the construction of thematic parks and business centers were driven by a roughly equal share of local and foreign investment (ibid.: 314, 320).

Within the subsectors of transport and traffic infrastructure – dominated by local investment – around 150 kilometers of new highway was constructed in the period, with an additional 300 kilometers in the beginning of the years 2000-2002, and many of the already existing roads have been extended and upgraded. In total, an estimated $2 billion was invested in this sector, further generating urbanization and metropolitanization as private investment favors usage of (private) cars over (public) trains and buses. This trend necessarily increases car ownership that sharpens socio-economic differences. Within the subsector of private urbanization – private neighborhoods – in the Metropolitan Area, Buenos Aires received around $4.5 billion. Private urbanization concerned an average of 300 square kilometers of built space – by comparison, one and a half times the territory of the City of Buenos Aires. Alone in the 1990s, these investments enhanced the growth of the urbanized

\(^{13}\)The terms gated areas or gated communities refer to those parts of the Metropolitan Area that are partly or entirely enclosed, to which access is restricted. Gated community developments are part of a phenomenon called private urbanization. I am going to elaborate on these phenomena in the followings. 

\(^{14}\) Vertical communities were a result of a real estate trend – characterized by high-rise residencies and a variety of services, sports facilities and private security – in the 1990s in the central areas of the City and the most consolidated areas of the Metropolitan Regions. Details in the next part.
area of the capital by ten percent. Furthermore, investment of about five hundred projects in high-rise residential complexes in vertical communities reached $8 billion. Entertainment centers and thematic parks gave a less significant part of investments. In the sectors dominated by foreign investment, such as shopping centers, hypermarkets, new industrial plants and international hotels, respectively 1.4, 2.2, 6.5 and $1 billion was invested. The phenomenon of the expansion of international hotel capacity has been the result of the increased demand by business people and investors. Local and foreign investment in commercial centers represented approximately $4 billion (Ciccolella and Mignaqui: 2002 318-321).

The expansion and increasing density of these investment projects has led to the specialized areas for business activities that can be defined as command centers. The formation of command centers, as discussed above, is a significant factor for a city obtaining the rang of global city. In sum, the Metropolitan region underwent a triple process of transformation: (1) the increasing verticalization and modernization as the preexistent central districts became denser; (2) the renovation of neglected and low-value areas of the central districts expanded toward the north drawing a dense and continuous lineal district, or corridor of wealth that maintains the two two-thirds of business and advanced services; and (3) the process along which spatially dispersed subcenters appear in the Conurbano, “housing” office parks with smart buildings – “designed, wired and equipped with computer capabilities”. Both local and foreign direct investments had strong socio-spatial implications: the growth in the Metropolitan Area was increasingly guided by the metropolitan élite along what Ciccolella and Mignaqui call “the global strategies of international capital” (ibid.: 315-321). These trends will be further discussed in the followings – in the context of the socio-spatial/territorial (re)distribution.

5.2 Sectoral changes and flexibilization of labor

Economic growth generates significant changes in the sectoral composition of an economy. While in the early stages of growth, economies are largely rural; in mature stages agriculture constitutes a relatively small portion of the economy. In many countries much of the relevant economic environment was for long related to the important role of trade, with agriculture being the exporting and non-agriculture the importing sector. Since close to the
half of the world’s population still lives in rural areas, it is very necessary to understand the
dynamics of this process. The subject of sectoral growth can be placed in a broader
perspective, since – in mature economies – it generates other sectoral changes of great
importance, such as the shift toward services. Economic growth is generated by an
accumulation of physical and human capital, and technical change, which itself depends on
the pace of capital accumulation: the simple increase of the capital-labor ratio generates
incentives for innovations – technical changes – designed to produce labor saving
techniques. That is, although sectoral growth calls for a movement of resources across
sectors, it is applied differently to labor and capital. The encompassing sectoral change,
namely the shift toward services was to be introduced in the less developed economies of
the world as well (Mundlak, Cavallo, Domenech and Goldin 1990: 15).

Although Shatkin stresses difference in the trajectories of global cities in the South in the
face of convergence, in terms of sectoral change and its effects on income distribution the
Argentine development reminds much of that of the “prototypical global cities”. As Sassen
resumed in her first book written on global cities, the tertiary sector generates a higher
share of high-income jobs and of low-wage jobs. The growth in inequality is further fed by
the decrease of workers’ wage in manufacturing and the high incidence of lay offs due to
profitability concerns and plant closures that originally involved unionized and well-paying
jobs. The general shift to a service economy entails a much larger share of low-wage jobs
than is the case with strong manufacturing-based economy, and “the overall result is an
increased income polarization” (Sassen 1991: 244).

In Argentina, by the beginning of the 1960s, there were fewer workers in manufacturing
than twenty years earlier. Since then, first the number of firms then the number of
employees working in the manufacturing sector decreased significantly. During the period
between the end of the Perón era and the mid-1990s, commercial and service sectors grew
steadily both in terms of establishments and workers employed. While the average number
of employees per firm in manufacturing slowly but steadily decreased (11 in 1993), in the
service sector it increased, although remained low (3 in 1993). The tertiary sector thus
proliferated but wages and salaries were much lower than in manufacturing, so that they
had to hold more than one job (Lewis 2009.: 83-84).¹⁵

Privatization and the great inflow of foreign capital in most of the industrial sector accelerated the shift from labor-intensive to capital-intensive industry – a process that had been going on since the 1960s. From a metropolitan point of view we can say that while until the mid-1980s urban transformation processes were labor intensive it changed since and became capital-intensive. The restructuring of both the City and the suburbs went along “post-Fordist. Postmodern, and postindustrialist logics”: “development has become increasingly autonomous from the size of the population, the demand by people, and from mass consumption. Development today is geared toward the effective and enhanced demand of privileged sectors” (Ciccolella and Mignaqui 2002: 321)

During the restructuring process of the 1990s, while congress willingly approved the vast majority of the privatization plans, it countered most of the labor reforms. According to Menem and the IMF, flexibilization of labor was necessary to attract more investment and make Argentine goods more competitive in global markets. Flexibilization however meant changing the old system. Due to clash of interests Menem inevitably confronted trade unions that were natural alliance to the Peronists and provoked the birth of the *piquetero* movement that would grow and spread through the 1990s and further on (Lewis 2009: 59-61). By the end of the 1990s the there was a irreversible shift to the capital intensive tertiary sector especially in the Metropolitan Region of Buenos Aires. At the same time, the remarkable opening of the Argentine economy eventually led to weakening of labor unions and the flexibilization and informalization of the labor market.

5.3 Where does Buenos Aires rank as a global city in an emerging market?

In this section we will see where Buenos Aires is positioned in the world economy, according to specific units of analysis. A comparative report by MasterCard ranked the 75 leading cities and their instrumental role in driving the global commerce. The analysis includes an evaluation of their strength and challenges across seven key measurement dimensions consisting of 43 indicators and 74 sub-indicators. The seven dimension of the

¹⁵ The Argentine tertiary sector: retail and wholesale trade, repair shops, hotels, restaurants, bars, cafes, corner groceries, drugstores, barbershops, beauty parlors, consulting firms, tourist agencies, private clinics, real estate agencies, taxi drivers, music stores, flower stalls, maid services and other services for the home, such as plumber, carpenters and roofers.
index are: (1) legal and political framework captures national institutional elements; (2) economic stability covers risk factors tied to the city; (3) ease of doing business; (4) financial flow and (5) business center cover global connectedness; (6) knowledge creation and information flow; and (7) livability or the quality of life, health and safety. The score of each dimension weighs differently in the overall ranking.

According to the analysis, seven cities from Latin-America are placed among the world’s top 75 worldwide centers of commerce. This shows how fast the region is becoming more global and competitive. While Santiago, Chile (#53) is leading the region due to its strong business climate and stable legal and economic system, São Paulo, Brazil (#56) is among the top 20 cities in terms of financial market volume. Bogotá, Colombia (#62) claims its position as one of the world’s top five advancing cities: its stabilized economy and increased quality of life make this one of the cities to watch in Latin-America. Buenos Aires ranked #63 according to the report, right behind Bogotá. The dimensional index values of the seven Latin-American cities are summarized in Figure 15. From the chart we can see that the index values of Buenos Aires for the first two macro-economic dimensions – legal and political framework (#75) and economic stability (#74) – are low compared to the average of its northern neighbors. At the same time it ranks higher for the rest of the dimensions – ease of doing business (#54), financial flow (#26), business center and global connectedness (#42), knowledge creation and information flow, and especially in terms of livability (#45) – than it does overall (MasterCard 2008a). According a study, prepared by America Economía, Buenos Aires is the fourth among the top places for business in Latin America. The study took into account Latin American cities’ capacity to attract and keep companies doing business in their city based on each city’s economic structures, geo-strategic advantages, service industries available for business, intellectual and human capital and services for executives (Urban Age 2008:20).

In the same year, MasterCard released another report through developing the Emerging Markets Index (EMI) (MasterCard 2008b). The study deals with the emerging markets and the key 65 cities that drive the growth of these markets in the interconnected economic landscape. These major urban centers have become increasingly important for companies seeking global business growth. The analysis stresses the importance of the increasing
concentration of global commerce. The EMI is built on eight dimensions consisting of nearly 100 indicators and sub-indicators. According to their importance, the different dimensions are accorded different weight. The eight dimensions and their weight respectively are: (1) economic and commercial environment (12.80%), (2) economic growth and development (13.80%), (3) business environment (16.60%), (4) financial services environment (10.60%), (5) commercial connectivity (13.00%), (6) education and IT connectivity (12.00%), (7) quality of urban life (10.60%) and (8) risk and security (10.60%). As we can see these eight dimensions differ somewhat from those used for the MasterCard Worldwide Centers of Commerce Index. From all the dimensions “business environment” – covering the commercial importance of the city within the emerging market – weighs the most (16.60%). The Latin American and Caribbean region is second in numbers on the EMI, with 16 cities overall, from which Brazil provides four. If we have a look at the overall EMI ranking of each of the above mentioned Latin American cities we can see that their position differ in the two reports.

The study classifies the cities into four different categories that, besides their Index measures, take into account their historical, political and business context. According to the classification, the first class of cities – the top-tier – are those that are already established commercial centers in the world economy, usually have been commercial centers for centuries, yet serve as important entry points or bridges for companies to the emerging markets. Besides, they are optimal candidates for national and regional headquarter operations in the domains of international finance and production services, such as accounting, business consulting, IT and engineering services. This first class includes São Paulo, Buenos Aires, Mexico City and Santiago. The rest of the above mentioned Latin-American cities fall in the next three classes (MasterCard 2008b).

Sorting out by the dimensions, there are four in which Buenos Aires ranks in the top ten, namely in “financial services environment” (D4), “commercial connectivity” (D5), “quality of urban life” (D7) and “risk and security” (D8) (see Figure 16).\(^{16}\) The top ten rankings by

\(^{16}\) Indicators of the dimensions in which Buenos Aires ranks well:
The dimension of financial services environment (Dimension 4) consists solely of city level data and has six indicators: equities trading; bond trading; derivatives contracts; commodities contracts; financial services network, that is measured by the presence of leading international banks, insurance companies and
“Dimension 4” are cities that are *financial capitals* of their respective countries and important links in the global financial marketplace. Buenos Aires ranks #10, with a dimension score of 5.65. Those cities that rank in the top ten by “Dimension 5” are *national capitals*, which benefit from the dense network of international government and airline connections conferred by national capital status. Buenos Aires ranks #9, with a dimension score of 6.42. “Dimension 7” is dominated by Latin-American cities with six of the top ten cities. Buenos Aires ranks #3, with a dimension score of 8.05; Mexico City, Montevideo, Santiago, Brasilia and Quito also rank relatively well. In “Dimension 8” Latin-America is equally represented with six cities, occupying third, fourth, sixth and seventh positions in this dimension. Buenos Aires ranks #7, with a dimension score of 8. Looking ahead, some of these cities are likely to become stronger within the sister report – MasterCard Worldwide Centers of Commerce Index – such as Bangkok, Beijing, New Delhi, Kuala Lumpur, Mumbai, and Shenzhen in Asia; Buenos Aires, Mexico City, Santiago and São Paulo in LAC; and Budapest, Moscow and Warsaw in eastern Europe (MasterCard 2008b).

Throughout the 1990s Buenos Aires has experienced a material expansion of its globalized spaces that led to its growing visibility among global foreign investors with large-scale – global – projects. Transformation in urban environment mirrors this expansion. There has been a proliferation of business and financial facilities associated with globalization – and its sub processes, namely private urbanization – such as business centers, industrial parks with smart buildings and international hotels, private suburbs, shopping centers, megastores, exclusive boutiques and designer-shaped urban lifestyles etc. According to Ciccolella and Mignaqui, the Argentine capital “undoubtedly is living the symptoms of a peripheral megacity strongly marked by the penetration of the global economy” (2002: 323).

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The commercial connectivity dimension (Dimension 5) relies overwhelmingly on city-level data, and is constructed upon twelve indicators such as: air passenger and aircraft traffic; international air passenger traffic; commercial services trade; number of foreign consulates; conventions/exhibitions/meetings. The indicators of Dimension 7 are limitations on personal freedom/media and censorship; medical and health considerations; public services and transport; recreation and culture; climate; infant mortality rate; life expectancy at birth and world heritage sites. Risk and security dimension (Dimension 8) covers the following indicators: democracy index; political rights and civil and civil liberties; travel warnings; record of natural disasters; political and social environment.
The transformation of urban environment, however, mirrors a second process going parallel with the material expansion of globalized spaces. This is the expansion of those spaces left out from the benefits of the first process. The many forms of social polarization, exclusion, segmentation and metropolitan fragmentation can be captured in the growth and spreading of slums, shantytowns and marginal areas.

5.4 The social-spatial implications of the development of global city functions

The Metropolitan Area of Buenos Aires concentrates one third of the country's population and half of its production. It is not surprising, therefore, that the structural changes of the 1990s hit the city-region the most. The process was all the more traumatic due to the absence of clear metropolitan governance structures. Responsibilities were allocated somewhere between the institutions of the national government, the province, the federated Autonomous City and the peripheral local governments. The overlapping set of responsibilities made it difficult to develop effective strategies to stop or slow down the side effects of the restructuring process, namely the rapidly growing intra-metropolitan disparities and environmental degradation. In the 1990s Greater Buenos Aires experienced a metropolitan sprawl and the proliferation of suburban gated communities and slums (Klink 2008: 7-8).

The disparity between the service-oriented City and Greater Buenos Aires dominated by agriculture and manufacturing industry has been reflected in its spatial and social distribution for decades: while the poor population lived in the peripheral areas of the Metropolitan Region, middle and upper classes lived in the small administrative city along with business and high provision of transport infrastructure. The Avenida 9 de Julio, for instance, that stretches north-south, spans an entire city-block in the downtown area of the City of Buenos Aires and ranks among the widest streets in the world. It is home to the middle-class population which has remained stable despite the significant changes of the last decades in Greater Buenos Aires. The following numbers give an evidence of this: the Metropolitan Area of Buenos Aires concentrates 35 percent of the population, 53 percent of Argentina's GNP, and the average individual income is $6000. In contrast, the administrative city concentrates 8.3 percent of the population, 25.5 percent of the GNP and the average individual income is more than forth of that of Greater Buenos Aires ($25000).
This pattern of income distribution is associated with the predominant economic sectors in the City and Greater Buenos Aires. While, by the mid-1990s more than 50 percent of the City’s employment was in the service sector, the employment of Greater Buenos Aires was mainly in industry, with around 40 percent (see Map 2) (Pírez 2002: 151).

The dual concept of the socio-spatial distribution of the Metropolitan Area – the City versus the suburbs – however is simplistic as it ignores the ongoing processes of urbanization. As described, structural changes within the context of privatization, deregulation, and economic liberalization at the end of the 20th century tended to concentrate particularly in metropolitan regions. As a result, there was a significant loss of control of the state over economic, social and territorial processes, which tended to have external nature in terms of urban planning and caused unevenly incorporated urban spaces both in the city and the metropolitan area. The visible effects have been fragmentation and urban segregation, that is, the parallel coexistence of poorly integrated sectors, neighborhoods or municipalities and modern, specialized, competitive areas, profiting from the global economic processes and circuits. Territorial segregation and fragmentation can be well observed along some trends of investment activities such as building and housing processes, private management and consumption. “Private urbanization” (Ciccolella and Mignaqui 2002: 310), that is, the withdrawal of the state from explicit territorial policy making in the face of the growing role of the private sector, is one of the major trends since the mid-1980s, and especially through the 1990s in Buenos Aires.

Neither part of the Metropolitan Region is homogeneous in terms of living standards, income or access to basic infrastructure and services. The outdated description of the urban patterns thus must be altered. In many of the metropolitan counties, where urban density is low, the diffusion of private urbanization developments – and, as a result, the establishment of fences and walls repels – has solidified an exclusive metropolitan model. Greater Buenos Aires has been increasingly characterized by privatized upper class enclaves. Transformations in the Conurbano are concurrent with changes in the City of Buenos Aires. Land uses in the City have largely been oriented to consumption, recreation, luxury housing, tertiary services and exclusive shopping centers. Moreover, in terms of
architecture, high-rise and -density housing has proliferated and altered the older urban fabric of the City. This area has become a development pole, closely linked to gated communities in the periphery of the Metropolitan Region. The transformation began in the northern area of the City and further extended south, including the renewal/rehabilitation of Boca and Puerto Madero waterfront. The substantial local and foreign investment to revitalize these areas – in the form of hotels, restaurants, shops and commercial and residential complexes – continued despite the depression in December. The same renewal continued along the highway that connects the City with La Plata city, establishing the so-called corridor of modernity and wealth. Now the corridor includes La Plata City in the south, La Plata-Buenos Aires highway, the City of Buenos Aires, and Campana and Zárate in the north (see Map 3) (Pírez 2002: 149-150; Ciccolella and Mignaqui 2002: 311).

The European city model, “which tends to be more physically compact and equitable from the point of view of social appropriation”, and has long distinguished the Argentine capital from other South American cities has gradually given way to the American city model. This model is “more dispersed and structured as islands connected through highway networks” (Ciccolella and Mignaqui 2002: 311). A somewhat stricter interpretation of these urban developments – falling into the realm of anthropology – emphasizes the shift from the “traditional city” to the “alienated city”, that implies a “breakdown of cognitive maps [that allow individuals to represent their] physical position with respect to the city as a whole.” In addition, the exclusion has been further built on the urban myth of “the purified community” perceived as a common identity and the disappearance of the otherness’ conflict (ibid.: 312). The altering of the spatial distribution of the metropolitan area, thus, is not exclusively the result of economic processes. It is enhanced by the psychological processes in the population of the city.

The “new urban objects” on the outskirts of the Metropolitan Region are spaces designated for recreation, leisure, commerce, education and healthcare, such as shopping malls, supermarkets, mega-recreation centers, security agencies, schools and hospitals. They, besides the residences, make up the excluding architecture of the gated communities. The construction of these sites has been a process that has further generated investment as it has enhanced the simultaneous introduction of new materials, technologies and aesthetic
patterns in both design and architecture. Both local and foreign investors have followed foreign models in terms of urban management till a point where the logic, the mechanisms and factors, and the actors that have driven the transformation of Buenos Aires have increasingly belonged to the realm of global strategies of international capital (ibid.: 317-9).

5.4.1 Gated communities: “Pilar Valley”

The proliferation of gated community developments was one of the major changes the conurbation of Buenos Aires went through in the 1990s. The term gated community refers to “a closed housing development, to which access is restricted to the residents and their guests. This means that the estate is fenced and gated, and in most cases at least one guard stands at the gate. The biggest gated communities also have patrols controlling the perimeter” (Thuillier 2005: 255). Besides the term gated community there are other expressions referring to variations of the phenomenon of “private urbanization”, such as enclosed neighborhoods towns or cities and semi-rural developments (Pírez 2002: 149). In the last three decades the development of multiple types of private urbanizations accelerated. The phenomenon called gated communities, thus, can be further divided along their social or economic profile into Country clubs (the fusion of sports clubs and country homes), Barrios Privados or Cerrados (cheap version of Country clubs), Clubes de Charcas (a form of farm-style country homes) and Megaemprendimientos (huge master-planned communities).

The phenomenon of gated communities in itself is not new. Gated communities in Buenos Aires have a long history: as early as the 19th century, wealthy dwellers of the (port) city (porteños) used to spend the summer in their luxury mansions (country homes or quintas) built on great rural domains on the countryside. Escaping from the crowded and polluted city, they were driven by a desire for leisure activities and the proximity of nature. Sports clubs with outdoor sports facilities, football, polo, golf cricket or rowing became popular amongst the Argentine élite under the influence of English people holding key positions in trade and industry. By the early 20th century, access to the countryside was facilitated first by railroads and then by cars – this way democratizing the process. These country homes (barrios privados), however, were much cheaper due to their reduced collective services
and spaces, offering only a house in a fenced and gated estate. Inspired by country clubs, they proliferated next to the wealthy residencies.

In the 1970s, due to social unrest, prerevolutionary troubles and a growing feeling of insecurity, second residences and *country clubs* changed into permanent residences. This process was enhanced by the improvements in the system of suburban motorways initiated by the military governments (between 1976 and 1983). The extensive suburban motorway network was built at the cost of massive urban destruction. In the 1990s this network was extended and enlarged: Country clubs proliferated along the axis interconnected by roads of the Northern Access (*acceso norte*) or the Pan-American Highway (Thuillier 2005: 257-8; Ciccolella and Mignaqui 2002: 514-5) leading to the northern suburbs, a favorite direction for gated developments.

Another factor in the development of such forms of private urbanization was Argentina’s entering into the world economy in the second half of the 1990s. The privatization program led to a period of “easy money” (*plata dulce*) that benefitted only a certain social stratum of the society, further deepening social inequalities, and producing “winners” and “losers” in geographic terms as well. An intense marketing campaign encouraged citizens to grab the opportunity of a “new way of life” – copied from the North-American (sub)urban model – and change their small flat to a house in a secure and clean environment with a yard for their children. People were leaving the Recoleta, Belgrano and Palermo neighborhoods – the traditional residences of the upper class in the center of the City. A third factor of this development was the high economic growth of the mid 1990s that diversified the market and enhanced strong speculations – and investment – in real-estate. Optimism, speculation and profits found their ways in the form of *megaemprendimientos*. These huge master-planned communities include central and semi-public spaces, and various facilities, such as shopping centers, leisure malls and universities. The biggest of these projects – the Nordelta in the municipality of Tigre – is able to house 100,000 inhabitants. The crisis of December 2001, however, halted the further development of these “grandiose projects” (Thuillier 2005: 258-259).

In the year 2000 there were 351 gated communities in the Metropolitan Area of Buenos Aires. Out of that, were 206 *barrios privados* which meant around 60 percent of all the
gated communities, but only 16 percent of the whole area occupied by gated communities (total area). By contrast, Country clubs make up only 33 percent (115), but occupy 41 percent of the total area. *Clubes de charcas* occupy one third of the total area but only 7 percent (25) of the gated communities are *Clubes de charcas*. Although *megaemprendimientos* occupy 10 percent of the total area, there are only four of them, which means about one percent of all gated communities. There is also a difference in terms of distance to the City. *Barrios privados*, Country clubs, *Clubes de charcas*, and *megaemprendimientos* are located, respectively, from an average of 40, 50, 85 and 45 kilometers from the City of Buenos Aires (see Table 1 and Map 4) (ibid.: 259).

Leaving the City to settle in a gated community in Tigre or Pilar inevitably implies a profound change in urban culture and mentality. Successful Argentines are not attracted any more by the City, its busy streets and cafés, cultural events and nightlife; rather, they value domestic space, nature, and family life. The common perception of the City changes, especially for children, it becomes an “unknown, dangerous, and awful place to go” (ibid.: 262). Social interactions change, and, besides the desire for security and nature, there appears a “desire for social homogeneity” that determine the community. In addition to this, there is an ambiguous relationship “between the two worlds”: “gated citizens”, aware of the poverty around them, raising funds to help local poor public schools or hospitals attended by the lower social strata. At the same time, they attend private hospitals, colleges, and universities “which have followed them from the city centre to suburbia” (ibid.: 263).

Pilar is the epicenter for the gated communities’ boom in the MRBA. A vast municipality in the Third Ring with a territory of 352 km2 (the City is 203 km2) from which gated communities occupy 53 km2 (14 percent). Pilar lies far enough from the City to offer vast and cheap plots, but close enough to allow daily commuting using the Pan-American Highway. Although Pilar is the municipality with the highest number (30 percent) of fenced development – Country clubs, *Barrios Privados, megaemprendimientos* etc.– the ratio of population with running water at home, that is, connected to a water distribution network, did not reach 20 percent in 2001, compared to the 58 percent of GBA and 98 percent of the City (see Table 2 and Map 5). “Gated communities are certainly not the cause of the social crisis of Argentina, but they tend to care in the urban landscape the fractures of a thorn society” (ibid.: 264). Moreover, just like in the case of slums, political and economic
interests have a great role in the fate of such developments. Gated communities are real source of opportunities for municipalities to attract high-income population and investment, no wonder the *Fundación Por Pilar* has such prestigious supporters as Carlos Ruckauf (former governor of the Province of Buenos Aires) and Fernando De La Rua (former president of the Republic). The Foundation’s main goal is to “put into action anew policy of integration, development and promotion for all the Pilar district” (ibid.: 269). At the same time, it sees the gated communities organically connected to economic dynamism, forming the future “Pilar Valley”, a development where “high-tech corporations, gated housing developments and golf greens” determine the landscape (ibid.: 264-269).

While shantytowns are in the First and the Second Ring municipalities, gated communities are located in the Second and Third Ring, especially in the municipalities of Tigre and Pilar. The obvious overlap of shantytowns and gated communities, especially in the Second Ring municipalities, create the coexistence of the two extremes of the social spectrum: gated communities amongst the “desolate suburban landscape” often surrounded by poor neighborhoods and shantytowns (see Map 6 and Map 7) (ibid.: 262).

5.4.2 **Villas miseria:** the “Dantesque districts” of the suburbs

Shantytowns or *villas miseria* are the Argentine version of an increasingly global phenomenon. Almost every large Third World city (or at least those with some industrial base) has a Dantesque district of slums shrouded in pollution and located next to pipelines, chemical plants, and refineries: Mexico’s Iztapalapa, Sao Paulo’s Cubatao, Rio’s Belford Roxo, Jakarta’s Cibubur, Tunis’s southern fringe, southwestern Alexandria, and so on (Davis 2006: 129). Argentina is 16th by population living in slums with 11 million people (4th in Latin America after Brazil, Mexico and Peru); and 17th in terms of the ratio of slum population to urban population (3rd within Latin America) (See table 3).

The aim of this section is to provide an overview of the state and fate of shantytowns in the Metropolitan Area of Buenos Aires and to give their expansion a regional and global context. Transformative processes of the 1990s were driven by the strong dynamism of

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17 The term villa miseria was probably coined by Bernardo Verbinsky who wrote *Villa Miseria También es América* (1957) portraying the loves of the urban destitute. The expression “Dantesque district” is derived from Davis’ *Planet of slums*, who probably quotes James Drummond’s “conditions of Dantesque degradation” (James Drummond, “Providing Collateral for a Better Future” Financial Times, 18 October 2001) (Davis 2006: 93).
modernization in some areas, and the deterioration and desertion of others in the Metropolitan Region. These processes produced geographical winners and losers. The sphere of geographical losers was determined by the consolidation of different territorial forms of exclusion. The most typical processes are the proliferation of poor settlements, the deterioration of the areas created in the Fordist accumulation era in the inner city, and the growth and proliferation of shantytowns (villas miseria or ranchos de lata) that are situated at the very bottom of the hierarchy of urban places or sub places (Ciccolella and Mignaqui 2002: 317; Auyero and Swistun 2009: 21). Such transformations never lack political, legal or institutional background. In the case of Buenos Aires, it was the conceptual and instrumental level of urban planning and management that changed as the state began to act as a promoter of the large-scale private urban transformations. Simultaneously, there were multiple changes in the legal, political and institutional frameworks in terms of land use. Legal regulation was affected by the overall state reform in 1989, privatization, concessions, decentralization of governmental functions, Fundación Conurbano Bonaerense (Buenos Aires’ Conurbation Fund), Reforms to the Law 8912 of Ordenamiento and Land Use of the Buenos Aires Province, and the multiple exceptions to the Urban Planning Code of the City of Buenos Aires” (Ciccolella and Mignaqui 2002: 324)

Although the Buenos Aires of the 1990s saw a proliferation of shantytowns, they – akin to gated communities – have a longer history. The shantytown phenomenon has been part of the Buenos Aires conurbation for fifty years. The explosion of shantytowns in contemporary Argentina is deeply imbricated with structural adjustment and deindustrialization. However, as in many other regions of the world, however, slum growth and (de)industrialization are now decoupled. As Auyero and Swistun have put it – rather tellingly – “[s]hantytowns were portrayed as the ultimate example if the failure of Peronist populism during the ‘50s, as project sites for the modernizing dreams of the ‘60s, as hotbeds where revolution was thought to be germinating during the ‘70s, as obstacles to progress during the dictatorship of the ‘80s, and as places of immorality, crime and lawlessness in contemporary Argentina” (Auyero and Swistun 2009: 22). However, whereas the “classic” slum was a decaying inner city, new slums are more typically located in the edge of the metropolitan areas (Davis 2004: 14) where no one wants to live – if not driven by desperation – due to the land’s unsuitability, which, in most cases has to do with
its location and access to services. In worse cases, slums are located in sites burdened with environmental problems or human pollution: slums tend to be receivers of a city’s “negative externalities” (Auyero and Swistun 2009: 25). The most vulnerable sites in the MRBA are river basins where contamination culminates due to industrial and domestic effluent sewage. The flood areas are generally sites where the lowest social stratum settles, such is the case of the basin of the Matanza/Riachuelo (see Map 8) (Ministerio de Infraestructura).

From 2001 to 2006, the ratio of the population living in slums, shantytowns and squatter settlements in Greater Buenos Aires almost doubled. The number of people concerned rose from around 339,000 to 1,140,000 and the number of settlements rose from less than 400 to 1000. According to a 2007 estimate, 10 percent of the population of the Metropolitan Area of Buenos Aires live in informal settlements. Throughout the last three decades, together with growing unemployment and poverty there has been a steady deterioration in the distribution of income in Argentina (see Figure 17). Economic and social disparities have become inscribed in space (Auyero and Swistun 2009: 23, 25).

“A significant proportion of the shantytown growth in Buenos Aires took place along the highly contaminated banks of “the worst ecological disaster of the country” the Riachuelo river that flows through the southern part of the metropolitan area” (Auyero and Swistun 2009: 25) (see Map 8 and Map 9). The river is polluted with the toxic waste of tanneries and other industries running by one of the largest waste incinerators in the country (Tri Eco), and by an unmonitored landfill (ibid: 25-26, 53).18 The authors provide the ethnography of an Argentine shantytown. Flammable (or Villa Inflamable)19 is located in the district of Avellaneda, on the southeastern border of the City, and is adjacent, or actually surrounded by one of the largest petrochemical compounds in Argentina, the Polo Petroquímico y Puerto Dock Sud. Shell Oil refinery opened there in 1931, and since then,

18 There are close to 5 million inhabitants in the basin: 55 percent of them do not have sewers, 35 percent do not have potable water, 10 percent live in shantytowns. The river is contaminated by sewage waters, cesspools and garbage: 88 thousand cubic meters are dumped in it each day. Industrial pollution is caused by the three thousand – food processing, chemical, storage, textile, metallurgical and paper-manufacturing – plants that can be found in the basin. There are 40 garbage dumps in the area which are all illegal. “According to a Federal Ombudsman comprehensive report, this area of the Riachuelo has high concentrations of arsenic, cadmium, chrome, mercury, cyanide, lead and phenol” (Auyero and Swistun 2009: 26-27).

19 Inflamable is the Spanish term for the English flammable.
other companies moved into there (see map 10).\textsuperscript{20} In the year 2000 there were close to 700 hundred households in Flammable. The shantytown has a fairly new population: 75 percent of the it have lived in the area for less than fifteen years (the research was done during 2005-6). In the past decade (1990s) the population increased at least fourfold: residents mainly came from former shantytowns that were removed from the City and other provinces from Perú, Bolivia and Paraguay (ibid.: 44). Although the main purpose of Auyero and Swistun’s ethnography is to “examine what living in the midst of garbage and poison does to people and how they make sense of it” (ibid.: 17), the research has a more encompassing analytical concern, namely the importance of pollution and polluted environment of the urban poor in terms of inequality and marginality. The novelty of their research is a focus on a neglected defining feature of shantytowns, namely their “unsanitary environment and its attendant health-threatening effects” (ibid.: 21). While contemporary urban ethnography has increasingly been engaged in describing and explaining the problems of dwellers in “ghettos, inner cities, favelas, villas, comunas and other spaces of urban downgrading in Latin America, – and social suffering has received the long-deserved attention in the social sciences – “environmental suffering is hardly a top scholarly concern these days” (ibid.: 17). Ethnographies of urban poverty and marginality tend to ignore the fact that “the poor do not breathe the same air, drink the same water, or play on the same soil as nonpoor do” (ibid.: 18). The authors conclude ultimately that environmental factors are significant determinants in the maintenance and reproduction of inequality and destitution. In a larger structural view, inequality is being created not by wage inequity but by the relationship between environment and health. This suggestion implies a “sustained and systematic empirical attention” to the contaminated and hazardous environment in terms of urban marginality since, although marginality is firstly constructed spatially, these spaces are often burdened with environmental danger and suffering (ibid.: 4-21, 158-9).

\textsuperscript{20} Besides the Shell refinery – the most important plant in Polo Petroquímico – there is another oil refinery (DAPSA), three plants that store oil and its derivatives (Petrobras, Repsol-YPF, and Petrolera Cono Sur), several plants that store chemical products (TAGSA, Antívari, and Solvay Indupa etc.), one plant that manufactures chemical products (Meranol), one dock for containers (Exolgan), and thermoelectric plant (Central Dock Sud) (Auyero and Swistun 2009: 28).
5.4.3 State substitution in a shantytown: la empresa, or a paternal company in the capitalist system

*Villa Inflamable*, as mentioned above is, in many ways, similar to other territories of urban downgrading in Argentina, deeply affected by the explosion of unemployment and the consequent misery of the 1990s. Residents mostly make ends meet on part-time manual jobs in one of the companies of the compound, retirement pensions, scavenging, and state welfare programs. What distinguishes the neighborhood from other poor towns is a particular relationship it has with the main company within the compound, namely Shell-Capsa – or *la empresa* (the company) as residents call it –, and, the extent of the contamination that affects the area and its residents. Although the compound is separated by brick walls and guarded gates, there is an organic connection between Shell-Capsa and the community of Flammable. For more than seventy years now, the companies have attracted workforce that came from the interior of the provinces of the country, mainly from the northeast and northwest parts. Historically, the lack of housing close to the compound due to an abundance of work in the area was significant. Shell provided formal and informal jobs for men – working in the refinery – and for women, who did domestic work – cleaning and baby-sitting – for the professional workforce. People not only worked for Shell but also used the health-center in the compound, that also provided drinkable water and building materials for the workforce. In the late 1990s, Shell funded the construction of the health center in the neighborhood that employs doctors and nurses and has a 24-hour guard and an ambulance – something that is quite uncommon in poor neighborhoods throughout Argentina (Auyero and Swistun 2009: 45-49).

According to the president of the local improvement association, the company has been a good neighborhood in many respects. Whenever the community needed its help, it was always there: helping the school, the kindergarten, the improvement association, the church; providing paint, building materials, shoes, clothing, medicine, food for the local soup kitchens. Residents tend to contrast “the companies’ solicitousness with the neglect of the municipal government”: “the municipality never, ever, fixed a street or the sewage”, cesspools were made by Shell, the municipality “never did anything [t]here” (ibid.: 49). Some of the activities and foods that the company funded and distributed during the period of the fieldwork of the authors’ research are: “nutritional program for poor mothers with
undernourished children that includes the distribution of food; computing classes for school students (held inside Shell’s compound); windows, paint, and heaters for the school building; the end of the year trip for graduating classes of the local school; T-shirts with the Shell logo for student soccer, volleyball, and handball teams; and toys for school children on Children’s’ Day” (ibid.: 50). Residents thus visualize Shell as the most important local actor – more important than the local state – that is implicated in the affairs in the community, consequently, most of the residents would, and actually turn to la empresa if they had an urgent problem to be solved, such as finding building materials for their homes, a job, or urgent health care. Not surprisingly, Shell has a “public relations person assigned exclusively to deal with community affairs (ibid.: 50).

Shell’s public image is clearly described in the “How Would We like to Be Perceived” (or Como queremos que nos vean) section of its annual reports (ibid.: 69). According to the reports, the company has an open-door policy devoted to sustainable development through active corporate participation – social investment activities – in the community. The investments fall in the realm of corporate social responsibility and benefit both the company and the community. Besides fueling the industrial growth in the area for more than seventy years, thus, Shell has contributed to the development and welfare of the community (ibid.: 69-71).

Still, residents of Flammable are living in the midst of garbage and poison in a site that is burdened with environmental danger. Although more than 80 percent of the chemical products used in Argentina enter through and are stored in compound premises, there is a complete lack of state information and control. Companies do not seem to take responsibility for the situation. As Axel Garde, Shell’s manager of health, safety, environment, and quality – an industrial engineer who had worked at Shell for many years – put it: “the refinery and the factories in the compound have nothing to do with the conditions of extreme poverty and the total lack of hygiene in which these people live” (ibid.: 72). Since no state agency supervises Shell’s and other companies’ activities, there is hardly a way to know whether the company’s version in terms of emissions and disposition of sludge is true or not. The paradoxical situation of the people living in Flammable can be well captured by a momentum in the local school where Shell organized a program named “Let’s play to eat well”. During the program, a coordinator asked the permission of one of
the children’s mother to include pictures of daughter in the catalog that the company was producing to advertize its social promotion programs. The mother’s reply, that her daughter “has lead” (she was lead poisoned) was not considered a problem by the coordinator, and a few month later, they received the catalog (ibid.: 77). Ultimately, to conclude this section, let us cite Shell’s manager of health, safety, environment, and quality again: “These people should not live there [in Flammable], they were brought here by misery and by political interests” (ibid.: 72).  

21 Lead was utilized for the production of gasoline. Flammable’s soil, air, and water streams are highly polluted with lead, chromium, benzene etc., partly because chemicals are buried in the ground. It is the same ground where children play and through which water pipes run. For a long time before laws regulating toxic waste disposal even existed, the companies within the compound used Flammable as a free dumping zone. However, lead-poisoned children are evenly distributed throughout the old and new parts of Flammable which means that lead might be coming from both the uncontrolled past and present industrial practices. In the 2002-2003 report Shell affirms that “the disposal of lead, while it was utilized in the production of gasoline, was absolutely safe. Shell CAPSA never buried organic lead. There is no possibility whatsoever of finding metallic lead among the gas emissions of the Shell refinery” (Auyero and Swistun 2009: 4, 45, 70, 74).
Conclusions

In order to lay bare a penetrative linkage between the urbanization and modernization processes of the Metropolitan Area of Buenos Aires and the macroeconomic processes of the capitalist world economy I have elaborated a framework, largely based on the one proposed by James N. Rosenau. Within the framework, I used Wallerstein’s interpretation of the capitalist world economy and globalization as environment for the Argentine polity. Although in Wallerstein’s view the capitalist world economy encompasses the last five hundred years, I have mostly concentrated on the period from the late 19th century till the Great Depression – the period when the Argentine economy was integrated into the capitalist world economy – and the post World War II Kondratieff cycle.

Within the A-phase the international system was characterized by the U.S. hegemony, the reconstruction of the Western European and Japanese economies and the consolidation of the new social, political and economic order of the postwar world by the expansion of the welfare state. The growth in social expenditure was a remarkable phenomenon of the postwar capitalist development that resulted from the process called “post-World War II capital labor accord” in the U.S., and “postwar consensus” in Western Europe.

From the Argentine perspective this period began with an upward swing due to the post-war demand of agricultural products. The upswing ensured the Perón administration’s legitimacy that modeled the Argentine state more on the interwar populist economies than the Western European and U.S. postwar consensus. The Argentine “organized community” was self-sufficient and state-directed with a corporatist organizational form that penetrated and controlled all significant groups of the society. The temporary revival of the Argentine economy was followed by a downward swing due to inefficiencies of the ISI model of growth and welfare spending of the government that led to chronic budget deficits. Stagflation became recurrent characteristic of the Argentine development in the B-phase and governments failed one after another to revive the economy.

In the meantime, the welfare state was in crisis both in the U.S. and in Western Europe. The rethinking of the state’s role resulted in two major initiatives: deregulation and privatization. In order to obtain the desired objectives in more effective ways, governments reduced the state’s regulating role and sold some of their activities to actors of the private
sector. Once developing economies performed dismal macroeconomic indicators and thus were unable to pay on their external debts the international financial élite considered that the same “recipe” – deregulation and privatization – was going to “cure” them as well. The Washington Consensus consisted of a set of politico-economic reforms that concerned most spheres of the economy. In Argentina, the Menem/Cavallo strategy for growth included these reforms and led to the consolidation of new conditions for economic and political development of the country. The international financial élite was content with the Argentine results.

By definition, the restructuring process of the 1990s in Argentina was what Rosenau calls a penetrative linkage, in as much as the international financial élite put pressure on the Argentine decision makers to reduce the state and open the economy to the world market.

Although the country’s protected economy was finally open to free trade and foreign (and local private) investment, too little attention was paid to how privatizations were conducted: issues of equity, living standards, employment or real competition were secondary behind productivity, profitability, fiscal revenues and the renegotiation of external debt. Furthermore, transformations lacked a solid and transparent institutional and legal framework that further aggravated the deficits of the process – especially in terms of basic “public” services, land use, transport and traffic infrastructure. Since the Metropolitan Area of Buenos Aires concentrates one third of the country's population and half of its production it is not surprising that structural changes hit the city-region the most.

In the absence of effective decision making at the metropolitan level key decisions were mostly made by market forces, that is, private developers and companies. The Argentine capital saw the strengthening and expanding of the central businesses district making the City an important node for commerce and advanced services. Yet, reduced government and private urbanization benefitted only a certain social stratum of the society further deepening intra-metropolitan disparities and producing neighboring “winners” and “losers” in geographic terms in the form of suburban gated communities and slums/shantytowns.

The input received by the urban subsystem was not direct since the polity – providing inadequate institutional and legal framework – altered the output that originated from the environment. Furthermore, urbanization and modernization of the metropolitan region were
carried out without the sharing of authority. This excludes both emulative and penetrative processes; consequently, our second linkage is a reactive one.

Ultimately, the restructuring process reflects the three secular trends that, according to Wallerstein, slow down or halt the accumulation of capital leading the system to its terminal crisis – the long-term rise in real wage levels, the rise in costs of material inputs of production, and the rise of levels of taxation. Firstly, the restructuring process enhanced the flexibilization and informalization of the labor market, which is not helping the bargaining position of the employees (labor unions) to demand reasonable wage levels in order to enter the formal wage economy. Secondly, considering negative (environmental) externalities of production, as Wallerstein put it: “eventually there are no more streams to pollute, or trees to cut down – or, at least, there are no more without serious immediate consequences for the health of the biosphere” (Wallerstein 2000: 262). As it turns out, in the absence of adequate legal and institutional framework, there are still rivers to pollute – although he is right, not without serious consequences for health (see the case of the basin of the Matanza/Riachuelo). Thirdly, by the privatization and deregulation of public services redistributive taxation is decreased in accordance with the capitalist demand for cutting back of welfare provisions. Secular trends might hit their asymptotes in developed economies in the next few decades as Wallerstein predicted it but it is rather improbable that they would do so in developing economies such as Argentina.
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Maps

Map 1. The Metropolitan Region of Buenos Aires

Source: Ministerio de Infraestructura (Gobierno de la Provincia de Buenos Aires)
Map 2. Economic dynamics: brut geographical product (%) in the Metropolitan Region of Buenos Aires

Source: Ministerio de Infraestructura (Gobierno de la Provincia de Buenos Aires)
Map 3. The corridors of wealth and modernity in the Metropolitan Area of Buenos Aires (the cities of Campana and Zárate in the north 80 kilometers from the City)

Source: Pérez 2002

Map 4. Gated communities in the Metropolitan Region

Source: Thuilier 2005: 260
Map 5. Private urbanization in the municipality of Pilar

1. The gated city
- Country
- Barrio privado
- Megaemprendimiento

2. The open city
- Facilites, shops (hypermarkets, shopping and leisure malls)
- Urbanized areas
- Non urban areas (cultures, pasture land, waste land, forests)

3. Urban frame
- Railway, station (including: open to passenger traffic in 2001)
- Panamerican Motorway
- Important Road
- Traditional urban center (around the main square, Plaza Mayor)
- New center (around km 50)

Source: Thuilier 2005: 260: 265
Map 6. Gated communities and shantytowns in the Metropolitan Area by Rings

Source: Thuilier 2005: 257
Map 7. Spatial articulation of intra-metropolitan disparities in the MRBA

Source: Ministerio de Infraestructura (Gobierno de la Provincia de Buenos Aires)
Map 8. Rivers, basins, and shantytowns (in red) in the Metropolitan Region of Buenos Aires

Source: Ministerio de Obras y Servicios Publicos de la Provincia de Buenos Aires
Map 9. The river and the people (the Riachuelo/ Matanza)

Source: Auyero and Swistun 2009: 26
Map 10. The companies within the compound and Flammable Source: Auyero and Swistun 2009: 29
Figure 1. A proposed linkage framework. Source: Rosenau 1969: 52

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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Socialization And Recruitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Interest Articulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Interest Aggregation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Policy Making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Policy-Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Integrative-Disintegrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 2. Applied linkage framework. Source: own elaboration based on Figure 1.

<table>
<thead>
<tr>
<th>OUTPUTS AND INPUTS: ENVIRONMENTAL POLITY</th>
<th>THE CAPITALIST WORLD ECONOMY (INCLUDE CHARACTERISTICS THE RESOURCE, REGIONAL AND COLD WAR ENVIRONMENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LARGER TIME FRAMEWORK</td>
</tr>
<tr>
<td></td>
<td>A-PHASE</td>
</tr>
<tr>
<td>1. State Bureaucracy</td>
<td></td>
</tr>
<tr>
<td>2. Political Parties (PJ, Radical)</td>
<td></td>
</tr>
<tr>
<td>3. External Interest Groups</td>
<td></td>
</tr>
<tr>
<td>(business community, banking, etc.)</td>
<td></td>
</tr>
<tr>
<td>4. Internal Interest Groups (labor,</td>
<td></td>
</tr>
<tr>
<td>industrial, agricultural, etc)</td>
<td></td>
</tr>
<tr>
<td>5. External Elite Groups (IFIs)</td>
<td></td>
</tr>
<tr>
<td>6. Internal Elite Groups (military,</td>
<td></td>
</tr>
<tr>
<td>commercial, alta burguesía, etc)</td>
<td></td>
</tr>
<tr>
<td>7. Ideas</td>
<td></td>
</tr>
<tr>
<td>8. Economic and Political Culture</td>
<td></td>
</tr>
<tr>
<td>9. Public Opinion</td>
<td></td>
</tr>
<tr>
<td>10. Executive</td>
<td></td>
</tr>
<tr>
<td>11. Central Bank</td>
<td></td>
</tr>
<tr>
<td>12. Bureaucracies</td>
<td></td>
</tr>
<tr>
<td>13. Corporate Management</td>
<td></td>
</tr>
<tr>
<td>14. Social Institutions</td>
<td></td>
</tr>
<tr>
<td>15. Socialization and Recruitment</td>
<td></td>
</tr>
<tr>
<td>16. Interest Articulation</td>
<td></td>
</tr>
<tr>
<td>17. Interest Aggregation</td>
<td></td>
</tr>
<tr>
<td>18. Policy Making</td>
<td></td>
</tr>
<tr>
<td>19. Policy-Administration</td>
<td></td>
</tr>
</tbody>
</table>
Figure 3. Degree of financial openness (1913-1984)


Figure 4. Government expenditures (1913-1984)

Source: Mundlak, Cavallo, Domenech and Goldin 1990: 54.
Figure 5. Fiscal deficit by source of financing (1913-1984)


Figure 6. Total debt service (% of exports of goods, services and income)

Source: own elaboration based on data from World Bank
Figure 7. Foreign direct investment, net inflows (current U.S. $)

Source: own elaboration based on data from World Bank

Figure 8. World population growth

Source: Davis 2007: 3
Figure 9. The world city hierarchy (1986)

Source: Friedman 2002 (1986):155
Figure 10. Buenos Aires’ hitnerworld

The codes for cities are: AB Abu Dhabi; AD Adelaide; AK Auckland; AM Amsterdam; AS Athens; AT Atlanta; AN Antwerp; BA Buenos Aires; BB Brisbane; BC Barcelona; BD Budapest; BG Bogota; BJ Beijing; BK Bangkok; BL Berlin; BM Birmingham; BN Bangalore; BR Brussels; BS Boston; BT Beirut; BU Bucharest; BV Bratislava; CA Cairo; CC Calcutta; CG Calgary; CH Chicago; CL Charlotte; CN Chennai; CO Cologne; CP Copenhagen; CR Caracas; CS Casablanca; CT Cape Town; CV Cleveland; DA Dallas; DB Dublin; DS Dusseldorf; DT Detroit; DU Dubai; DV Denver; FR Frankfurt; GN Geneva; GZ Guangzhou; HB Hamburg; HC Ho Chi Minh City; HK Hong Kong; HL Helsinki; HM Hamilton(Bermuda); HS Houston; IN Indianapolis; IS Istanbul; JB Johannesburg; JD Jeddah; JK Jakarta; KC Kansas City; KL Kuala Lumpur; KR Karachi; KU Kuwait; KV Kiev; LA Los Angeles; LB Lisbon; LG Lagos; LM Lima; LN London; LX Luxembourg; LY Lyons; MB Mumbai; MC Manchester; MD Madrid; ME Melbourne; MI Miami; ML Milan; MM Manama; MN Manila; MP Minneapolis; MS Moscow; MT Montreal; MU Munich; MV Montevideo; MX Mexico City; NC Nicosia; ND New Delhi; NR Nairobi; NS Nassau; NY New York; OS Oslo; PA Paris; PB Pittsburgh; PD Portland; PE Perth; PH Philadelphia; PL Port Louis; PN Panama City; PR Prague; QU Quito; RJ Rio de Janeiro; RM Rome; RT Rotterdam; RY Riyadh; SA Santiago; SD San Diego; SE Seattle; SF San Francisco; SG Singapore; SH Shanghai; SK Stockholm; SL St Louis; SO Sofia; SP Sao Paulo; ST Stuttgart; SU Seoul; SY Sydney; TA Tel Aviv; TP Taipei; TR Toronto; TY Tokyo; VI Vienna; VN Vancouver; WC Washington DC; WL Wellington; WS Warsaw; ZG Zagreb; ZU Zurich

Source: http://www.lboro.ac.uk/gawc/visual/hw_ba.html
Figure 11. Cities as nodes in a global economy (network connectivity)

Source: Taylor 2004: 30

Figure 12. Population growth in South America

Source: Urban Age 2008: 20
Figure 13. South America’s 10 largest metropolitan regions

Source: Urban Age 2008: 20

Figure 14. Population growth in the Metropolitan Region of Buenos Aires

Source: own elaboration based on data from Pírez 2002; Censo Nacional 2010; Urban Age 2008
Figure 15. The dimensional index values of the seven Latin-American cities

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Santiago, Chile</th>
<th>Mexico City, Mexico</th>
<th>Sao Paulo, Brazil</th>
<th>Bogota, Colombia</th>
<th>Buenos Aires, Argentina</th>
<th>Rio de Janeiro, Brazil</th>
<th>Caracas, Venezuela</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>index value</td>
<td>44</td>
<td>44</td>
<td>42</td>
<td>38</td>
<td>37</td>
<td>35</td>
<td>26</td>
<td>38</td>
</tr>
<tr>
<td>legal and political framework</td>
<td>75</td>
<td>69</td>
<td>57</td>
<td>58</td>
<td>40</td>
<td>57</td>
<td>40</td>
<td>56</td>
</tr>
<tr>
<td>economic stability</td>
<td>78</td>
<td>77</td>
<td>60</td>
<td>74</td>
<td>26</td>
<td>60</td>
<td>41</td>
<td>59</td>
</tr>
<tr>
<td>ease of doing business</td>
<td>60</td>
<td>57</td>
<td>50</td>
<td>52</td>
<td>56</td>
<td>47</td>
<td>36</td>
<td>51</td>
</tr>
<tr>
<td>financial flow</td>
<td>19</td>
<td>24</td>
<td>34</td>
<td>16</td>
<td>25</td>
<td>15</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>business center</td>
<td>13</td>
<td>20</td>
<td>29</td>
<td>16</td>
<td>23</td>
<td>15</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>knowledge creation and information flow</td>
<td>21</td>
<td>14</td>
<td>16</td>
<td>17</td>
<td>20</td>
<td>13</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>livability</td>
<td>75</td>
<td>69</td>
<td>68</td>
<td>55</td>
<td>79</td>
<td>69</td>
<td>54</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: own elaboration based on data in MasterCard 2008a
Figure 16. Latin American cities in the TOP 20 (EMI)

<table>
<thead>
<tr>
<th></th>
<th>Santiago</th>
<th>Mexico</th>
<th>São Paulo</th>
<th>Buenos Aires</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>10,34</td>
<td>8,24</td>
<td>7,17</td>
<td>6,45</td>
<td>8,05</td>
</tr>
<tr>
<td>D2</td>
<td>6,04</td>
<td>5,73</td>
<td>5,28</td>
<td>4,69</td>
<td>5,435</td>
</tr>
<tr>
<td>D3</td>
<td>11,51</td>
<td>11,01</td>
<td>8,82</td>
<td>10,32</td>
<td>10,415</td>
</tr>
<tr>
<td>D4</td>
<td>4,91</td>
<td>6,34</td>
<td>7,17</td>
<td>5,64</td>
<td>6,015</td>
</tr>
<tr>
<td>D5</td>
<td>4,12</td>
<td>6,57</td>
<td>6,71</td>
<td>6,42</td>
<td>5,955</td>
</tr>
</tbody>
</table>

Source: own elaboration based on the data found in MasterCard 2008b

Figure 17. Poverty headcount ratio at urban poverty line (% of urban population)

Source: own elaboration based on data from World Bank
### Table 1. The various types of gated communities in the MRBA (2000)

<table>
<thead>
<tr>
<th>Type of gated community</th>
<th>Type of data</th>
<th>Number of developments (ha)</th>
<th>Number of plots</th>
<th>Size of plot (m²)</th>
<th>Price of plot (US$)</th>
<th>Existing houses</th>
<th>% built</th>
<th>Permanent residence</th>
<th>% perm.</th>
<th>Distance to Bs As (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrios Privados</td>
<td>Average</td>
<td>23</td>
<td>153</td>
<td>928</td>
<td>81 000</td>
<td>34</td>
<td>2.3%</td>
<td>26</td>
<td>78%</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>206</td>
<td>30 878</td>
<td></td>
<td>6 974</td>
<td>5 433</td>
<td>26%</td>
<td>41%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of all GC’s</td>
<td>59%</td>
<td>16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country clubs</td>
<td>Average</td>
<td>106</td>
<td>381</td>
<td>1 281</td>
<td>92 000</td>
<td>171</td>
<td>47%</td>
<td>66</td>
<td>39%</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>115</td>
<td>41 948</td>
<td></td>
<td>19 609</td>
<td>7 638</td>
<td>73%</td>
<td>58%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of all GC’s</td>
<td>33%</td>
<td>41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clubes de Chacras</td>
<td>Average</td>
<td>399</td>
<td>168</td>
<td>18 269</td>
<td>90 000</td>
<td>10</td>
<td>7%</td>
<td>2</td>
<td>19%</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25</td>
<td>3 523</td>
<td></td>
<td>252</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of all GC’s</td>
<td>7%</td>
<td>34%</td>
<td></td>
<td></td>
<td>1%</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Megaemprendimientos</td>
<td>Average</td>
<td>733</td>
<td>1 813</td>
<td>1 010</td>
<td>71 000</td>
<td>10</td>
<td>3%</td>
<td>3</td>
<td>30%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4</td>
<td>7 250</td>
<td></td>
<td>40</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of all GC’s</td>
<td>1%</td>
<td>10%</td>
<td></td>
<td></td>
<td>0.1%</td>
<td>0.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All GC’s together</td>
<td>Average</td>
<td>86</td>
<td>248</td>
<td>2 250</td>
<td>85 000</td>
<td>93</td>
<td>32%</td>
<td>38</td>
<td>49%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>351</td>
<td>83 749</td>
<td></td>
<td>27 000</td>
<td>13 228</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Thuilier 2005: 261
Table 2. Socio-demographic characteristics of Pilar compared to the rest of the MRBA

<table>
<thead>
<tr>
<th></th>
<th>Pilar (municipality belonging to 3rd suburban ring)</th>
<th>1st and 2nd suburban rings (24 municipalities)</th>
<th>City of Buenos Aires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2001</td>
<td>233,000</td>
<td>8,685,000</td>
<td>2,769,000</td>
</tr>
<tr>
<td>Population growth 1991–2001</td>
<td>+61%</td>
<td>+9%</td>
<td>-7%</td>
</tr>
<tr>
<td>Population under 20 years of age</td>
<td>43%</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>Fecundity rate (average number of children per woman)</td>
<td>2.2</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Pop. with only primary education only or no education</td>
<td>72%</td>
<td>69%</td>
<td>41%</td>
</tr>
<tr>
<td>Pop. with running drinking water at home (connected to a water distribution network)</td>
<td>18%</td>
<td>58%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: Thuilier 2005: 266

Table 3: Largest slum population by country

<table>
<thead>
<tr>
<th>Slum % urban pop.</th>
<th>Number (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>37.8</td>
</tr>
<tr>
<td>India</td>
<td>55.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>36.6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>79.2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>73.6</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>84.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>23.1</td>
</tr>
<tr>
<td>Iran</td>
<td>44.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>44.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>42.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>19.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>37.0</td>
</tr>
<tr>
<td>Peru</td>
<td>68.1</td>
</tr>
<tr>
<td>USA</td>
<td>5.8</td>
</tr>
<tr>
<td>Egypt</td>
<td>39.9</td>
</tr>
<tr>
<td>Argentina</td>
<td>33.1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>92.1</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>99.4</td>
</tr>
<tr>
<td>Sudan</td>
<td>85.7</td>
</tr>
<tr>
<td>Vietnam</td>
<td>47.4</td>
</tr>
</tbody>
</table>

Source: Davis 2006: 24
Összefoglalás


Rosenau célja olyan keretrendszer kidolgozása volt, amely megkönnyíti a nemzetközi és a nemzeti rendszerek közötti átfedések jellegének és kiterjesztésének vizsgálatát. A rendszer alapvető elemzési egysége a „linkage” vagy kapcsolódás. A linkage olyan kapcsolódási folyamat, amelynek kezdeti szakasza egy adott rendszerben keletkező output, végső szakasza pedig egy másik rendszer által befogadott input. A linkage létrejöhet tudatos (politikai) magatartás eredményeként. Ebben az esetben közvetlen (direkt) kapcsolódásról van szó. Ha azonban a linkage nem a folyamat beindítására irányuló tudatos magatartás eredménye, akkor közvetett (indirekt) kapcsolódásról beszélünk. Rosenau háromféle linkage-ét különböztet meg attól függően, hogy milyen kapcsolat áll fenn az output illetve az input között. Átható (penetrative) linkage esetén az input és az output közvetlenül kapcsolódik egymáshoz, mivel a két rendszer szereplői megegyeznek. Ezzel szemben a reaktív (reactive) és diffúz (emulative) linkage-ek esetén közvetett kapcsolat áll fenn az inputok és outputok között, mivel sem a szereplők, sem pedig a döntéshozók nem ugyanazok a két rendszerben. A két utóbbi linkage között az a különbség, hogy míg a reaktív folyamatok során az input mindössze válasz az outputra, addig a diffúz linkage-ek esetén az input lényegében ugyanazt a formát ölti, mint az output.

A kapcsolódási folyamatok lehetséges előfordulásának felmérésére Rosenau olyan mátrixot vázolt fel, amelyben a nemzeti rendszer azon változót és a nemzetközi rendszer azon
alrendszereit tüntette fel, amelyek képesek egy output előidézésére, illetve egy input befogadására. A változók két csoportjának ötvözése nagyszámú linkage lehetőségét mutatja (1. ábra). A lehetőségek száma tovább nő, ha számolunk azzal, hogy az outputokat, illetve inputokat közvetett és közvetlen kapcsolódás is összekötheti, tehát ha figyelembe vesszük az átható, a reaktív és a diffúz linkage-eket is.

Rosenau a nemzeti rendszer változóit a következő kategóriákba sorolta be: „aktorok”, „magatartások”, „intézmények” és „folyamatok”. Ezen annyiban módosítottam, hogy a szereplők kategóriáján belül külön vettem a bel- és külföldi érdek- illetve elitcsoportokat, valamint az intézmények kategóriájában nagyobb hangsúlyt fektettem az állami bürokrációra és a vállalatvezetésre. Ami a változók másik csoportját illeti, a rosenau-i mátrixot annyiban változtattam csak meg, hogy – Wallerstein világrendszer-elméletéből kiindulva – a nemzetközi rendszer fő alrendszereinek és egyben az argentin rendszer nemzetközi környezetének a kapitalista világgazdaságot mint rendszert, illetve azon belül is a mostani, utolsó Kondratyev-ciklust tekintem. Ez azonban nem jelent teljes elszakadást a javasolt alrendszerektől, hiszen a „regionális”, a „hidegháborús” és leginkább az „erőforrás” alrendszer alrendszerek az elemzés szempontjából – a kapitalista világgazdaságon belül – továbbra is meghatározóak maradnak.

A kapitalista rendszer a folyamatos tőkefelfelhajtás biztosítására törekedik. Wallerstein szerint azonban a rendszer olyan feszültségekkel teli, amelyek szétfeszíthetik határait. Ezen feszültségek három olyan évszázados trendből fakadnak, amelyek akadályozzák a folyamatos tőkefelfelhajtást és a végső válság fázisába kormányozzák a rendszert. Az első ilyen trend a reálbér-színvonal folyamatos emelkedése. Ez egyrészt annak köszönhető, hogy a munkavállalók (szakszervezetek) helyzete megszilárdult, másrészt a szegénynegyedek (barrios és favelas) munkássága is olyan helyzetbe került, amelyben méltányos bérezést követelhet a formális gazdasága történő belépéshoz.

A második trend a termelés input-költségeinek – a nyersanyag beszerzésének, a gyártásnak, valamint a hulladék kezelésének és tárolásának stb. – növekedése. Ezt a költségnövekedést hosszú távon sem az állam, sem pedig a vállalatok nem vállalják magukra, mivel a költségek internalizálása az állam esetében adók formájában a lakosságra hárulna, a vállalatok esetében pedig a profitráták csökkenését eredményezné. A fenntartható
növekedésből a „fenntarthatót” tehat senki sem fogja hosszú távon finanszírozni, a szennyezhető folyók és a kivágható fák száma azonban véges.

A harmadik trend az adózástan és az államot érinti. Wallerstein arra a feszültségre hívja fel a figyelmet, hogy míg a lakosság igénye az állami szolgáltatások iránt egyre nő, addig türökképessége az adózástan illetően erősen korlátozott. A növekvő adóterhek és a jóléti állam számlájára írt krónikus fizetésimérleg-hiány következtében a kapitalisták az állam újraelosztó szerepének korlátozását követelik. Wallerstein szerint a három trendben rejlő feszültségek közül egyik sem feloldható, mivel mindegyik a nyereség csökkenéséhez vezet, és így akadályozza a folyamatos tőkefelhalmozást. Ez a dolgozat szempontjából azért érdekes, mert a 90-es években bekövetkezett változások arról tanúskodnak, hogy a feszültségek ellenére mindhárom trend továbbvihető.

Dolgozatom első részében tehat a wallerstein-i kapitalista rendszer fő jellegzetességeit és folyamatait mutatom be, különös tekintettel az állam szerepére. A kapitalista rendszerbe ágyazódó argentín nemzeti rendszererről a második részben lesz szó. A harmadik rész témája az első linkage, amely a kapitalista rendszerből érkező outputot és az Argentína által az 1990-es években gazdaságszerkezeti reformok formájában befogadott inputot köti össze. Azt feltételezem, hogy létezik egy második kapcsolódás is, amely a nemzetközi rendszer által kibocsátott és az argentin rendszer által továbbított, illetve módosított output kapcsolja össze az argentin metropoliszban a 20. század végén lezajló változásokkal. A feltételezés bizonyítása, illetve cáfolása célja az első linkage, amely a kapitalista rendszerből érkező outputot és az Argentína által az 1990-es években gazdaságszerkezeti reformok formájában befogadott inputot köti össze. Azt feltételezem, hogy létezik egy második kapcsolódás is, amely a nemzetközi rendszer által kibocsátott és az argentin rendszer által továbbított, illetve módosított output kapcsolja össze az argentin metropoliszban a 20. század végén lezajló változásokkal. A feltételezés bizonyítása, illetve cáfolása célja az 1890-as évektől az első világháborúig terjedő időkereteket a második világháború követően kezdődött Kondratyev-ciklus. Az argentin fejlődés bemutatása azonban annak valamivel tágább időkeret meghatározását követelte meg: az 1890-es évektől az első világháborúig terjedő szakasz bemutatása azért fontos, mert a független Argentína ezekben az év tizedekben
integrálódott a kapitalista világgazdasága.

A világháborút követő Kondratyev-féle „A” szakaszt az Egyesült Államok hegemon szerepe, a nyugat-európai és japon gazdaságok újjáépítése és a háború utáni társadalmi, politikai és gazdasági rend megszilárdítására való törekvés jellemezte. E törekvés a jóléti állam kiterjesztéséhez vezetett, amely mind az Egyesült Államokban, mind pedig Nyugat-Európában a tőke és a munka közötti megegyezés, avagy a „háború utáni konszenzus” által jött létre. Az állam jóléti kiadásainak megmönkedése figyelemre méltó fejlemény volt az alapvetően kapitalista gazdaságokban.


Az 1970-es években kezdetét vette „B” szakasz, azaz a gazdasági recesszió, amelynek során a jóléti állam az Egyesült Államokban és Nyugat-Európában is válsága került. Az állam szerepének újragondolása ezekben az országokban deregulációtvá és privatizációhoz vezetett: a hatékonyság növelése érdekében a hatalmon levő kormányok csökkentették az állam szabályozó szerepét és privatizálták az állami tevékenységek egy részét.

1982-ben Latin-Amerikában kitört a (nemzetközi) adósságválság. Valutatartalékok
hiányában Mexikó képtelen volt további hitelek felvételére, és adósságszolgálati moratóriumot jelentett be. A régióban a gazdasági növekedés messze elmaradt a demográfiai növekedéstől, ami a társadalmi rétegek elszegényedéséhez vezetett. A stagnáló gazdaságok nem tudtak eleget tenni adósságcsökkentést kötelezettségeiknek. Az adósságválság megoldására a Bush-kormány alatt került sor: a Brady-terv az adók és a hitelezők esetében és indokoltak tartotta a kiigazítást, reformokat és adósságszegélyt irányozott elő. Az adósságszegélytől elnyúló tárgyalások előfeltétele a washingtoni konszenzus elfogadása volt. A nemzetközi (pénzügyi) elit abból indult ki, hogy Nyugat-Európa és az Egyesült Államok gazdaságai esetében bevált recept, azaz a privatizáció és a dereguláció, a fejlődő országokban is alkalmazható és stabil makrogazdasági mutatókat eredményez majd. A konszenzus tíz gazdaságpolitikai reformból állt, amelyek a következő területeket érintették: (1) költségvetési deficit, (2) közületi kiadások rangsora, (3) adóreform, (4) kamatlábak, (5) valutaárfolyam, (6) kereskedelempolitika, (7) közvetlen külföldi beruházás, (8) privatizáció, (9) dereguláció és (10) tulajdonjogok.

Argentínában a gazdasági struktúra átalakítására a kilencvenes években került sor a peronista Carlos Menem és gazdaságügyi minisztere, Domingo Cavallo vezetésével. Mivel a Menem/Cavallo növekedési stratégia, ha rövid időre is, de megszilárdította a növekedés gazdasági és politikai feltételeit, ugyanakkor a washingtoni konszenzus által előírt irányelveknek a megfelelő, a washingtoni elit nagyon is elégedett volt az argentín eredményekkel.

Definícióból adódóan az 1990-es évek szerkezetátalakítási folyamata Argentínában egy átható linkage eredménye, hiszen a folyamat a nemzetközi rendszerből érkező és az argentín döntéshozókra irányuló nyomás hatására indult be. Noha a két rendszer szereplői a valóságban nem egyeznek meg, átvitt értelemben mégis erről van szó, hiszen az argentín állam csökkentése és gazdaságának a világpiaci aktorok előírt történő megnyitása nem a nemzeti rendszer szereplőinek választása vagy nem saját választása volt, mivel nem is volt más választásuk.

A fenti reformok következtében tehát az argentín gazdaság megnyílt a magánbefektetések előtt. A reformok kivitelezésének mikéntjére azonban kevés figyelem irányult. A

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22 Az átható linkage közvetlen input és output közötti kapcsolódás esetén jön létre azáltal, hogy a két rendszer szereplői megegyeznek.
méltányossági megfontolások, az életszínvonal, a foglalkoztatás vagy a valódi verseny kérdése másodlagos volt a termelékenység, a jövedelmezőség, a költségvetési bevételek növekedése, és a külső adósság újrátárgyalása mellett. Továbbá hiányzott az a szilárd és átlátható intézményi és jogi keret, amelynek segítségével a folyamat talán valóban elérhette volna a kívánt társadalmi és gazdasági hatásokat. Ez a hiány különösen az állami szolgáltatások, a földhasználat, a közlekedés és az infrastruktúra területén okozott társadalmi feszültségeket, illetve növelte a már meglevőket. Mivel Buenos Aires és agglomerációs térsége az ország lakosságának egyharmadát, gazdasági termelésének pedig felét teszi ki, nem meglepő, hogy a strukturális változások a metropoliszban különösen érzékeltetik hatásukat.

Hatékony helyi döntéshozatal hiányában a kulcsfontosságú döntéseket a metropolisz szintjén többen általánosan és közösségében és magánvállalatok hozták meg. A belvárosi üzleti raygig fejlesztése és kiterjesztése következtében az argentín főváros a kereskedelem és a korszerű szolgáltatások csomópontjává vált. A csökkentett állami szabályozás és a magánszektor vezette modernizáció és urbanizáció adta lehetőségeket ugyanakkor a társadalomnak csak egy szűk rétege tudta kihasználni és abból nyereségre szert tenni. Az egyenlőtlen fejlődés tovább mélyítette a metropoliszban belüli egyenlőtlenségeket. Ez a folyamat földrajzi értelemben vett nyerteseket és veszteseket eredményezett olyan települési formák megjelenésével, illetve elterjedésével mint a nagyvárosi slumok vagy a magasabb státuszú lakosság elzárt lakóövezetei.

A metropolisz alrendszer által befogadott input közvetett, mivel megfelelő intézményi, illetve jogi keret hiányában a nemzetközi rendszerben keletkezett output jelentős változáson ment át. Továbbá, a metropolisz szereplői átvitt értelemben sem egyeznek meg a nemzetközi rendszer aktoraival. Ez kizárja mind az átható, mind pedig a diffúz linkage eshetőségét, következésképpen a második linkage reaktív.

A szerkezetátalakítási folyamatban megjelennek Wallerstein által felvázolt azon trendek, amelyek a kapitalista rendszerben feszültségeket okoznak, nevezetesen a reálbér-színvonal folyamatos emelkedése, a termelés input-költségeinek növekedése, illetve az állam újraelosztó szerepének problematikája. Ami az első trendet illeti, elmondható, hogy a gazdaság szerkezetének átalakítása meggyengítette a szakszervezeteket, felerősítette
munkaerőpiac rugalmassá válását és növelte az informális gazdaságból élők számát. Argentínában tehát Wallerstein elméletével ellentétben nem erősödött meg a munkavállalók (szakszervezetek) tárgyalási pozíciója, és az informális gazdaságban dolgozók számára sem vált könnyebbé a méltányos bérszínvonalú formális gazdaságba történő belépés. A megfelelő jogi és intézményi keretek hiányában a termelés negatív (környezetszennyező) externáliáinak még mindig akadnak „felvevői” olyan szegény (al)régiók formájában mint például a Matanza/Riachuelo medencében található Villa Inflamable. Így a második trendről sem mondható el, hogy – legalábbis ami Buenos Aires agglomerációs térségét illeti – sürgető fenyegetést jelentene a profitrátákra nézve. A harmadik trendet illetően megállapítható, hogy az állami szolgáltatások privatizációjával az állam újraelosztó szerepe jelentősen csökkent, amely összhangban van a kapitalisták ilyen irányú elvárásával. Tehát míg a fejlett országok esetében elképzelhető, hogy az említett három trendből fakadó feszültségek szétfeszítik a kapitalista rendszerek határait, addig a fejlődő országok – például Argentína – esetében ez a fentiek alapján nem tűnik valószínűnek.