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NO LESS THAN ONE HUNDRED YEARS OF ARGENTINE ECONOMIC HISTORY,
PLUS SOME COMPARISONS

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No Less Than One Hundred Years of Argentine Economic History,
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1. INTRODUCTION

The economic progress of the Argentine Republic since about the middle of the last century remains one of the most puzzling and misunderstood national stories in the development literature. This essay will succinctly present the salient facts of the Argentine story and will advance some interpretations regarding Argentine performance. Many big and difficult questions will remain unanswered, but it is hoped that the quantification of major trends will serve at least to rule out some of the silliest non-questions and assertions about Argentina often found in the literature.

It should be helpful to contrast Argentine evolution with those of two countries, one which has been ahead of, and another behind, the economic indicators for Argentina. Many choices are possible: early this century Argentines liked to measure their country's progress against those of the United States or Canada. Population size and geographical location suggest that Australia is a more realistic front-runner for comparative purposes.

Portuguese advances toward the River Plate led to the creation of a new Spanish Viceroyalty in Buenos Aires in 1776. At least since then a certain geopolitical and economic rivalry has been perceived by many observers between the communities which today make up Argentina and Brazil. For the last fifty years or so Brazil has been catching up with Argentine per capita income, offering a suggestive contrast to the mediocre Argentine growth of that period.

2. ORIGINS

Of the three countries considered in this essay, Brazil is the oldest one, economically speaking. By the middle of the nineteenth century Brazil had already experienced a rich economic history characterized by export booms leaving behind, besides splendid architecture, little but institutional arrangements inimical to development. The 17th century sugar boom of the Northeast yielded slavery and latifundia, plus a peripheral low-productivity subsistence sector. The 18th century gold boom may have contributed to Brazilian national union, but its impact on sustainable per capita incomes was weak. The relatively painless way Brazil obtained independence during the 1820s could have been expected to facilitate the spread of the industrial revolution to the tropics, but by the mid-nineteenth century Brazil remained a patriarchal rural society, its labor market shackled by the peculiar institution. In contrast with Argentina, however, the Brazilian state by 1850 had become a going concern relying on reasonably firm institutions. At that time only Chile in Latin America could match Brazilian institutional development. The Brazilian geographical vastness and the heterogeneity of its regional economies made the political achievements of the Brazilian monarchy the more impressive, although ambiguous regarding their impact on economic development. Reflecting perhaps certain faith in its manifest destiny, that state called itself an empire.

One may conjecture that Argentine per capita income at mid-nineteenth century was not far above the low Brazilian levels; by then, however, slavery had dissolved in the River Plate leaving practically no imprint either ethnically or culturally. Buenos Aires had come into its own only late in the 18th century as a result of the Bourbon reforms; other parts of what was to become the Argentine Republic had "longer" economic histories, but mainly as peripheries to the mining centers of the Perus (including today's Bolivia). In 1861 Argentina was more of an empty land than Brazil. This emptiness was regarded

both as a key barrier to economic progress and a potentially fatal geopolitical flaw; Argentine leadership was to be marked by a compulsion to "people the wilderness" with little regard for delicate benefit-cost calculations. Before the 1860s what is today the Argentine Republic was made up of fragile coalitions of regional authorities, jealous of their autonomy, and which could have gone their separate ways as in Central America. Perceived threats from the North and the West, plus the growing economic hegemony of Buenos Aires contributed to establishing national unity, a unity which may be viewed as a precondition for the rational exploitation of Pampas land.

During the nineteenth century Australia was far behind both Argentina and Brazil in the development of sovereign political institutions. The Australian colonies did not become a federation until 1901; that federation appeared to have less centralized control than those of Argentina and Brazil. Colonial status did not prevent Australia from achieving one of the highest per capita incomes and substantial industrialization in the nineteenth century, as will be seen below.

One interesting and little-known aspect of the pre-1860 period in Latin America is the early industrialization efforts, which sometimes involved government support, either via tariffs or subsidies. Mythology makes Rosas with his 1832 Tariff an early industrializer in Argentina, and somewhat later the Baron of Maua undertook ambitious projects in Brazil. Portales in Chile, and Francia and the two Lopez in Paraguay are even clearer examples of conservative/protectionists of the early nineteenth century, paradoxically rediscovered and glorified in recent years by some neo-Marxian authors, and by nationalist historians. These early efforts at policy-induced import substitution failed. The reasons for such failures have not been well documented, except for the tragic Paraguayan experiment, which was bloodily crushed by the Triple Alliance

of Argentina, Brazil and Uruguay in the 1860s. The sharp decline in ocean freights plus the British technological lead made competition with imported manufactures very difficult.

3. THE BELLE EPOQUE (1860-1929)

The export oriented growth made possible by an expanding international economy raised per capita income in a sustained and substantial way in Argentina since about the 1860s and in Brazil since the beginning of this century. The vigorous Sao Paulo coffee boom of late nineteenth century was largely offset by the decline of other Brazilian export activities, such as sugar and cotton; in the River Plate the expanding export lines more clearly offset from an earlier period those in decadence, such as salted meat. The Argentine export quantum rose at a remarkable 4.8 percent per annum from 1865 to 1912, and at 4.1 percent per annum from 1912 to 1928 (Diéguez, 1972). The expansion of the Australian export quantum reached 4.3 per annum during 1870-1913 (Maddison, 1979, p.26).

Table 1 presents estimates of per capita Gross Domestic Product (GDP) for Argentina, Australia, and Brazil. Brazilian per capita GDP growth could not have been very significant during the 19th century, given its 1901 level; the Table suggests significant Argentina per capita growth even before 1880. Australia, in contrast was born rich; this point is often forgotten in comparing Argentina and Australia. Vast mineral resources and scanty population make the Australia of the second half of the nineteenth century comparable to some Persian Gulf nations of today, or to some mining states in the West of the United States also in the nineteenth century. As far back as 1861-65, Australian agriculture, livestock, dairying and fisheries contributed only 22 percent of value added in the economy; mining and manufacturing together accounted for 19 percent, and construction 9 percent. (Butlin, 1962). One may conjecture that value added in agriculture and livestock

TABLE 1

Estimates of Argentine, Australian and Brazilian
Per Capita Gross Domestic Product

(In U.S. dollars, of 1970 purchasing power)

	<u>Argentina</u>	<u>Australia</u>	<u>Brazil</u>
1880	\$470	\$1520	\$139
1901	780	1360	190
1913	1030	1690	230
1928	1200	1590	340
1939	1170	1670	430
1945	1280	1940	470
1955	1380	2340	670
1970	1960	3470	1100
1973	2049	3723	1459
1980	2184	4022	1924

Sources and method: Estimates have gone backward and forward, centered on the calculations for 1970 found in Kravis et al (1978). Argentine data on per capita growth since 1900 obtained from Díaz Alejandro (1970); CEPAL (1978); and International Monetary Fund (1981). Brazilian data since 1900 obtained from Haddad (1980) and International Monetary Fund (1981). Australian data obtained from Butlin (1962), Butlin (1977) and International Monetary Fund (1981). Argentine and Brazilian estimates for 1880 are rough guesses based on export quantum data. Data on Argentine export quantum are the revised series found in Diéguez (1972).

in Argentina and Brazil during 1861-65 must have accounted for no less than 40 percent of GDP.

The remarkable catching up of both Argentine population and per capita product relative to Australian ones up to the late 1920s is highlighted in Tables 2 and 3. Brazil also advances in per capita product but at quite a distance from the two temperate countries of recent settlement. Australia appears to stagnate for surprisingly long periods; the aggregate figures, however, hide an impressive diversification from a rich but specialized mining and rural economy into a modern industrialized country. Australia also suffered unusually harsh weather during the 1890s.

Of the three countries, pre-1929 Argentina appears to have had the more adaptable and diversified export bill. During 1875-79 Argentine exports were still largely made up by wool, hides, and salted meat. By 1890-94 wheat had become a leading item; by 1900-04 both corn and linseed had become (each) as important as hides; and by 1910-14 frozen beef exports were about as important as wool. Wool, hides and salted meat by 1910-14 amounted to only one-fourth of the value of merchandise exports. In contrast, the coffee share in Brazilian exports advanced secularly since the last century, so by the late 1920s Brazil had become one of the classic examples of export concentration. Much of this contrast is explained by different natural endowments; Brazilian efforts since 1906 to support international coffee prices plus other policies may have reinforced the trend. Wool remained the leading Australian export, representing 54 percent of all exports during the 1880s and 43 percent during the 1920s (Boehm, 1979, p.151). Gold plus mineral exports accounted for 27 percent of exports in the 1880s and 9 percent during the 1920s; between those two decades the wheat share in Australian exports rose from 5 to 21 percent.

The ratio of exports to domestic product remained lower in Brazil than in Argentina: during 1925-29 it was about 14 percent for the former and 24

TABLE 2

Estimates of Argentine, Australian and Brazilian Populations
(Millions)

	<u>Argentina</u>	<u>Australia</u>	<u>Brazil</u>
1861	1.35	1.20	8.55
1880	2.47	2.24	11.55
1901	4.92	3.83	18.39
1913	7.60	4.75	23.66
1928	11.28	6.22	32.23
1939	13.95	7.03	40.29
1945	15.39	7.58	46.22
1955	18.89	9.12	60.18
1970	23.75	12.51	92.52
1973	24.72	13.38	100.56
1980	27.06	14.62	123.03

Sources: As in Table 1 plus national statistical sources; United Nations, Demographic Yearbook, several issues; and IMF, International Financial Statistics, several issues.

TABLE 3Argentine and Brazilian GDP and Population relative to Australia

(Australia = 100)

	<u>Per capita GDP</u>		<u>Population</u>	
	<u>Argentina</u>	<u>Brazil</u>	<u>Argentina</u>	<u>Brazil</u>
1861	—	—	113	713
1880	31	9	110	525
1901	57	14	128	480
1913	61	14	160	518
1928	75	21	198	573
1939	70	26	203	610
1945	66	24	203	610
1955	59	29	207	664
1970	56	32	190	740
1973	55	39	185	752
1980	54	48	185	842

Sources: Tables 1 and 2

percent for the latter (data obtained from Haddad 1980 and Díaz Alejandro 1970). The Argentine growth locomotive had less of a low productivity subsistence sector to drag along than the Brazilian one. The corresponding Australian ratio was 18 percent (Butlin 1962), somewhat lower than the Argentine number in spite of a lower Australian population and lack of a significant Australian subsistence sector. A higher Australian per capita income, a more diversified productive structure, and differences in domestic relative price structures may help to explain that contrast.

The socioeconomic linkages of Australian exports, one may conjecture, were more desirable for long term economic and political development than those of Argentina, in spite of the apparently more diversified Argentine export bill. Gold and mineral exports relied on economic agents and forms of production sharply different from those involved in rural exports; the Argentine export bill did not contain such a significant counterpoise to rural exports. Australian mining exports seem to have had powerful forward and backward industrial linkages; generated interest in scientific and technical research; gave rise to a labor force which rapidly formed trade unions not only in mining but also among ranch hands; and those trade unions as well as entrepreneurs involved with mining coalesced into political groups opposing the creation of a permanent landowning class (Hirst, 1979, pp. 87-88 and pp. 110-112; Gallo, 1979, pp.66-67). We now turn to an examination of the inputs of land, labor, capital and technology feeding the export locomotives, as well as of those other goods and services generated by the pre-1929 economies. But first a few words on the institutional framework within which economic variables operated.

A political and social framework compatible with export-oriented growth had been settled in Argentina since shortly after the middle of the nineteenth century. Military campaigns expanded southward the geographical domain of the Argentine Republic during 1879-80, at the expense of indians' and Chilean claims; Chile at that time was engaged in a war against Bolivia and Peru. Brazil had some

important evolutionary changes to make in its institutional organization as late as the 1880s and 1890s, when slavery was abolished and the empire became a republic. Australia gradually evolved toward self-rule, but retained strong ties to the British crown. The external framework for all countries was that of the Pax Britannica until the First World War. Both internal and external frameworks being on the whole secure and satisfactory to hegemonic social forces, little public intervention was deemed necessary in the day-to-day operation of Argentine markets for outputs and inputs. The Brazilian state tended to have a more interventionist stance than the Argentine one, due partly to the requirements of an orderly abolishment of slavery. Brazilian tariffs were higher on average than Argentine ones and the Brazilian commitment to the gold standard was shakier. Both countries, however, would frequently follow financial policies which foreign bankers would find appalling. The Brazilian republic was inaugurated with an enthusiastic burst of credit expansion; the Argentine also frequently floated its currency, a practice then disparagingly labelled the inconvertible paper standard. In spite of declarations of economic liberalism, provincial and national publicly-owned banks expanded in the late nineteenth century in Argentina. Influential landowners appear to have been the major beneficiaries of such departures from laissez-faire. Protectionism was the most noticeable Australian departure from pre-1929 orthodoxy regarding rules of the game for international economic relations.

Both Argentina and Brazil had ample supplies of raw land to generate their land-intensive exports. The supplies were ample but not perfectly elastic: the upward tilt in the supply of economically homogeneous land was enough to generate large rents for intra-marginal landowners. Both on a priori grounds and on the basis of available information, one may conclude that Pampean landowners were the major beneficiaries of the great Argentine expansion up to the 1930s. By 1880 the best Pampean land had been appropriated in a manner leading to a concentrated pattern of land ownership. Once real estate had thus been distributed,

an open and competitive land market was not at all incompatible with spectacular rents falling into relatively few hands. While the Brazilian case is more complex due to its regional heterogeneity, similar conclusions seem to apply. Experiments with colonization schemes centered around family-owned farms were carried out in some regions of Argentina and Brazil. Their beneficial socioeconomic consequences, unfortunately atypical for those countries as a whole, can be seen in the Argentine province of Santa Fe and the Brazilian state of Santa Catarina. In both Argentina and Brazil landowners, particularly those producing exportable goods, became the most powerful pre-1929 political actors, and had the most to say as to how newly-available land was to be distributed.

Australian land policies present a substantial contrast to those of the Argentine. For many years the British Crown did not surrender ownership of Australian land; sheep ranchers failed to get clear titles to their enormous enterprises during the crucial formative years of Australia (Gallo, 1979, pp. 100-102). Opposition to the land claims of sheep ranchers came from miners and urban groups; ranchers remained an important political force in Australia, but one which did not control the governmental machinery as landowning groups did in Argentina (Hirst, 1979, pp. 83-84). When cereals became an important Australian export, family-operated medium-size farms were relatively more important than in Argentina, where tenant farming under contracts of about five years were more widespread than in Australia. A system of rural production where tenant farmers moved frequently from one region to another apparently was not harmful for Argentine rural productivity and output growth before 1929, but had deleterious effects on income distribution as well as on social and political life. The mediocre housing, poor social services and lamentable infrastructural facilities in most of the melancholy little towns scattered across the Pampean zone were eloquent testimony to the rootlessness of Argentine farming and the weakness of the rural middle class. Landless tenant farmers had difficulty in

obtaining credit and securing marketing arrangements which they perceived as stable and fair.

With the pattern of land ownership given by political history, and with prices of exports, imports and capital given fundamentally by international markets, total rents depended on the conditions of labor supply. Immigration policy became the critical policy variable under the control of pre-1929 Australian, Argentine and Brazilian governments, in the sense that public action could have an important influence on the levels of migration, and that in turn had powerful effects on the growth and distribution of GDP.

The pre-1929 world witnessed massive migrations, but the "international labor market" remained segmented by culture, policy and prejudice. Chinese and Indians migrated, but mainly to tropical regions, Northwestern Europeans moved mainly to North America, Australia and South Africa. Argentina and Brazil (or one should say São Paulo) connected primarily with the labor markets of Southern Europe. Only via the Italian labor market were there significant indirect links with the broader Atlantic labor market; Italian migrants moving back and forth between Santos and Buenos Aires also linked, but weakly, the Argentine and the Brazilian labor markets. Australia, in contrast, limited its connections with Northwest Europe, primarily the British Isles. While it is not obvious that real wages in Ireland were above those in Lombardy toward the end of the nineteenth century, it is likely that on average real wages were higher in Northwest Europe than in Italy and Spain. Emigrants from the former area also had the choice of migrating to the United States or the white dominions, a choice often made by Italians but not by Spaniards. On balance, the more restrictive Australian immigration policy placed a higher floor under Australian wages. This species of labor protectionism probably had a greater importance for the welfare of workers within Australia than the celebrated Australian tariff. But for excluded migrants the contemplation of advanced Australian social legislation must have been a small consolation.

Argentine and Brazilian landowners favored and were able to obtain more open immigration policies. The Brazilian case is particularly interesting: after abolition of slavery in the 1880s a large pool of cheap labor existed within the country, yet São Paulo landowners pressured their state government to seek immigrants from Southern Europe and even Japan. Such migration was subsidized. Internal migration into São Paulo remained surprisingly small until the 1920s. The São Paulo landowners had transitional troubles dealing with free labor not only in the case of ex-slaves; the Italian government early this century temporarily banned subsidized emigration to São Paulo after receiving reports of deception and mistreatment of migrants.

Migration into Argentina required fewer, if any, subsidies. The country, with a population of 2.5 million in 1880, received 3.2 million immigrants during 1880-1910, more than eighty percent coming from Italy and Spain. The architects of the Argentine liberal program had hoped for immigration from Northwest Europe, and framed post-1860 Argentine laws, including religious tolerance, to accommodate them. Some came, but Argentina was to remain predominantly Latin. Of all immigrants who came, about two-thirds stayed. While Argentine population increased by 5.1 million between 1880 and 1913, that for Australia rose only by 2.5 million. Under the influence of the interests of landowners and the urge to "people the wilderness," Argentina took many of the gains arising from export-led growth in the form of higher population; the labor-influenced Australian government "chose" to maintain a somewhat stagnant high per capita income and a low, homogeneous population. One may note that neither Australia nor Argentina received significant numbers of non-white immigrants; some Japanese migrants went to Argentina, but more went to Brazil. Internal migration in Argentina, as in the Brazilian case, was surprisingly sluggish until the 1930s; it appeared easier during some of the pre-1929 Pampean harvests to bring seasonal workers from Italy than from northern Argentine

provinces, which contained substantial pools of workers earning wages below those luring Italians to the Pampas. The coexistence of massive immigration with persistent pools of domestic cheap (or cheaper) labor in both Argentina and Brazil, as in the case of the United States of those days, indicates that domestic labor markets were also segmented by culture and prejudice, and perhaps also by policy.

The contrasting Australian and Argentine international migration policies may be compared to how some United States universities handle admissions to their graduate economics programs. University Y attempts to screen applicants carefully, and once one is admitted he or she can practically be sure of financial and pedagogic support for four years, almost independently of performance. University X flings its doors open but relies on competitive exams to determine who will stay and be supported after the first or second year. The atmosphere and feelings of belonging and loyalty among students at University Y are likely to present a more attractive picture than at University X. First year students at University X, like immigrants into pre-1929 Argentina, will not rush into "citizenship" nor will quickly join the "Army." But if one could place all potential students (immigrants) behind a "veil of ignorance" regarding their prospects of admission, one will end up with different ex-ante opinions regarding optimum admission policies.

While apparently not much was done in either Argentina or Brazil to select immigrants on the basis of their skills, pre-1929 Argentina engaged in important educational efforts, particularly at the level of primary education. The Argentine illiteracy rate, calculated as a percentage of the population fourteen years of age and older, dropped from 77 percent according to the 1869 census to 36 percent in the 1914 census. In 1920, comparable Brazilian illiteracy remained around 65 percent.

The pre-1929 domestic capital markets of Argentina, Australia, and Brazil

became closely interwoven with those in Europe, especially London, and later with that in New York. With cyclical ups and downs, savings generated both domestically and abroad were transformed into railroads, land improvements, houses, factories and social overhead capital. The presence of foreign capital was relatively larger in Argentina and Australia than Brazil. It has been estimated that the stock of long-term foreign investment in Argentina in 1913 was only 18 percent lower than the equivalent figure for Canada; by 1930 Argentina accounted for 12 percent of all British long-term investments overseas, while Canada accounted for 14 percent and Australia for 13 percent. Argentine creditworthiness, as measured by the market yield of her bonds, was not very different from those of Australia and Canada during the 1920s. As late as 1931 Argentina was able to roll over a loan at an interest only 90 basis points above the average rate paid by the government of the United Kingdom; in 1927 Argentine creditworthiness was ranked by British experts as seventh among foreign countries (Wortman, 1981).

Associated with foreign capital, but less tightly packaged with it than in the 1950s and 1960s, came foreign technology and knowledge of various sorts. The tricks for running railroads and streetcars, meatpacking and electricity plants, refrigerated ships and coffee warehouses, were first provided by foreigners. Those tricks provided monopoly power, but of a wasting kind; too many people, including Argentines and Brazilians, could provide them sooner or later. In the meanwhile it is likely that important quasi-rents were captured by foreign suppliers, feeding the debate as to whether foreigners were exploiting local residents. Note that much foreign capital was placed in activities which came close to being natural monopolies or monopsonies. Railroad and public utilities were obvious examples; less clear-cut were meatpacking, shipping and insurance. Note also that such near monopolies (railroads) and monopsonies (meat packers) had intimate commercial and financial links with other foreign companies, decreasing competitiveness not just in the markets for their principal

outputs and inputs, but also in a host of other related markets. British-owned railroads and public utility companies in Argentina, are said to have bought coal, rails, and many of their other inputs exclusively from British companies with which they had common financial interests, and also engaged in what today would be called intra-firm transfer pricing (Fodor and O'Connell, 1973,p.16).

The fruits of technological progress generated in the leading industrial countries diffused into Argentina, Australia and Brazil via numerous other mechanisms, besides foreign investments. Imports of capital, intermediate and consumer goods embodied much of nineteenth and early twentieth century advances as well as dubious fashions; migrants often carried in their hands and heads new knowledge; ideas moved freely in magazines and books eagerly sought in an age of faith in "progress." Examples of the latter with particularly beneficial impact on human welfare included advances in medicine and public health, whose diffusion also involved trips by students, researchers, and other skilled personnel.

In both Argentina and Brazil the production of exportable goods were predominantly in domestic hands, in contrast with say, Chile and Cuba, but at least during the nineteenth century their international marketing remained controlled by foreigners to a large degree. Argentine cattlemen generated significant savings and did diversify their portfolios, but showed limited interest in investing "downstream". They had actively changed livestock technology, steadily improving cattle herds, but made only timid efforts to invest in meatpacking; Argentines were practically absent in the exporting of chilled meat (their presence was greater in frozen meat exports). This behavior contrasts with that of Tucumán landowners, who invested in sugar mills producing for domestic consumption. One may conjecture that Argentine cattlemen let foreigners handle international marketing of their products as a way of insuring foreign markets, very much as some countries rely today on transnational corporations for marketing their exports. A few large trading companies dominated Argentine

grain exports; some were started by Argentine entrepreneurs and quickly became international companies. Brazilian coffee-growers significantly expanded their marketing activities since the beginning of this century.

Uneasiness about the presence of foreign capital was only of the anxieties generated by the pre-1929 export-led growth model. Industrial activities had advanced in both Argentina and Brazil, but not enough according to some critics, including some in the Armed Forces, who associated industrialization with military strength and national greatness. As already noted, the Brazilian tariff seems to have been more protectionist than the Argentine one, according to average levels at least. Both countries relied heavily on manufactured imports; machinery and equipment requirements were almost totally supplied from abroad. In the case of Argentina even textiles were predominantly of foreign origin; the Argentine textile industry curiously lagged behind those of Australia, Brazil and Mexico. Australian industrialization was encouraged not only by linkages from mineral exports but also by tariffs and other explicit government support. Australian economic historians disagree as to whether those policies advanced or retarded pre-1929 Australian development; some view protection as a wasteful luxury this early Kuwait could afford.

Commercial and exchange-rate policies were debated in Argentina, Australia, and Brazil with the usual arguments and by the standard actors at least since the second half of the nineteenth century. As suggested previously, the long run developmental and distributional consequences of the debated policy ranges were probably less than those for migration policies, which gave rise to less debate and which have received less scholarly attention. The standard scenario naturally places landowners on the side of free trade, where one also

finds the Argentine socialist party, but not the Australian labor party. It has also been argued that in both Argentina and Brazil producers of exportable goods favored flexible exchange rates whenever international prices of those commodities were falling, while favoring a return to the gold standard, as a check to appreciation, whenever world prices turned in their favor. Importers of goods and services also favored free trade but preferred an appreciated and stable currency. Among major importers of services one may place central governments having to service their external debt. The government also had to worry about raising revenues in local currency and found import duties an expedient mechanism for doing so. Landowners may not have been too displeased with moderate duties, as otherwise fiscal revenues may have had to come from land and other property taxes. Memories of abusive use of the inflation tax during the 1880s and 1890s in both Argentina and Brazil provided political support for the gold standard during the first three decades of this century; the Argentine socialist party was an eloquent defender not only of free trade but also of price stability and the gold standard. One may also note that regional interests and politics in both Argentina and Brazil may explain the adoption of some protective tariffs.

Even if one considers landowners as the dominant influence on Argentine and Brazilian public policy, therefore, their enthusiasm for completely free trade and flexible currency arrangements had certain practical limits. Note also that in Argentina the middle class Radical party controlled the government during 1916-30; radical administrations introduced (mild) social welfare measures and expanded state investments in petroleum and railroads. This has not prevented some critics from tightly associating export-oriented growth with a skewed income distribution, oligarchical political dominance, a bias against industrialization, and a masochistic dependence on foreigners, a combination sharply in contrast with the classical English case which motivated David Ricardo.

To conclude this section let us reconsider the relative Argentine position at the end of the Belle Epoque. As shown in Table 1, the late 1920s witnessed the narrowest gap between Argentine and Australian per capita incomes. But the gap remained: Argentine per capita income has never been higher than that of Australia. Besides data in Table 1 other evidence supports this conclusion. Per capita Argentine exports were below those of Australia during 1925-29; Argentine per capita apparent consumption of cement was about sixty percent that of Australia in 1928-29; Argentine infant mortality rates were twice as high as Australian ones during the 1920s, as reported by the League of Nations. The size, glitter, and cultural excellence of the city of Buenos Aires in the 1920s, unmatched by any Australian city, may have misled many a casual commentator on the Australian-Argentine comparison. It is more revealing to contrast Buenos Aires glitter to Jujuy poverty or even to the well-fed emptiness of Pampean towns, a contrast not found to the same extent in the more equalitarian Australia.

4. ARGENTINA SLIPS: THE 1930s THROUGH THE 1950s

During the 1920s the international economic framework characterized by a free-trading, capital-exporting hegemonic power and by multilateralism in trade and payments under the gold standard, so dominant before 1914 and so convenient for the Argentine growth model, had begun to show serious cracks. Latecomers to the industrial revolution, such as Germany, Japan and the United States showed limited enthusiasm for British rules-of-the-game in international economic affairs, and the old hegemon was unable to maintain clear leadership. Hints that pre-1914 normalcy would never return came in the 1920s to Brazil (and to Chile and Cuba) more forcefully than to Argentina, whose late 1920s per capita exports were the highest (so far) this century. The hints turned into blinding red signals in 1929-1932. During the 1930s, the 1940s and well into the 1950s, international economic relations witnessed nakedly mercantilistic

restrictions to trade and financial flows, breached or lifted mainly by arduous political maneuvering and the establishment of special patron-client relationships. Pre-1929 Argentine economic and political history had provided a singularly poor preparation for facing this new dismal international environment. Before turning to the gloomy task of chronicling Argentine slippage a review of the international links, attitudes, and perceptions generated by pre-1929 experience and hampering adjustment to post-1929 reality is necessary.

At least since the first Panamerican conference in 1889, Argentine foreign policy had clashed with that of the United States. Argentina came to view herself as the other major power in the Western Hemisphere, one whose strong economic and cultural links to Europe and whose desire for an independent stand in international affairs, made her skeptical of U.S.-sponsored Pan-americanism. During the early decades of this "American Century" both Right and Left in Argentina criticized United States intervention in the Caribbean and Central America, and it was an Argentine Foreign Minister who proclaimed the "Calvo doctrine" against the extraterritorial pretensions of direct foreign investors, whether from Europe or the United States. In spite of her close economic ties with the United Kingdom, Argentina remained strictly neutral during the First World War, and voiced opposition to the harsh terms imposed on Germany by the Treaty of Versailles. Argentina became an active and respected member of the League of Nations, adopting what today would be called a "non-aligned" stance, much more so than either Australia or Brazil.

By the 1920s Argentine trade and payments had developed a "triangular pattern" (emphasized especially by Fodor and O'Connell, 1973) of minor consequence in a world of convertibility and multilateralism, but full of difficulties once the international economic system drifted away from those principles. Argentine-merchandise trade showed surpluses with the United Kingdom (and Europe more generally) and deficits with the United States.

Argentine grain exports competed with those of the United States; hopes that Argentina would become a major supplier of meat to the United States were dashed by the adoption in 1926 of a United States ban on fresh or frozen meat imports from areas with hoof-and-mouth disease. This measure created new friction in Argentine-United States relations. As the United Kingdom lost its industrial dynamism, Argentine importers turned to the United States for new goods; to paraphrase a 1920s slogan, Argentina was increasingly buying from those that did not buy from her.

The UK-US rivalry in the 1920s for the Argentine market is symbolized by the competition between the old railroads and the new motor vehicles. The former were mainly British, carried linkages to British exports such as rails and coal, and generated profits and interest on old British investments (but produced meager fresh capital inflows during the 1920s). Automobiles, trucks, and tractors were predominantly a United States export, and their linkages to tires, oil refining, and cement for road building were also dominated by United States interests, capable of providing new capital inflows. Other traditional British exports to Argentina, such as textiles, were also under strong competitive pressure during the 1920s from both other exporters, like Japan, and incipient import-substituting entrepreneurs in Argentina.

The stock of British investments generated interest and profit remittances which together with payments for other British services, such as shipping and insurance, were roughly comparable to the Argentine export surplus with the United Kingdom. Net inflows of capital came during the 1920s mainly from the United States, offsetting the Argentine import surplus with that country. When fresh capital flows disappeared in the 1930s, United States interests would bitterly complain that Argentine authorities discriminated against imports from the United States, diverting foreign exchange to service old British capital and to purchase old-fashioned British goods (Salera, 1941).

Voracious world markets and prodigious Pampean fertility made both demand and supply of Argentine exportables seem almost effortlessly and infinitely expandable at least until the First World War. That "easy stage" of export growth had, of course, to evolve sooner or later into another where aggressive marketing had to replace passive waiting for the world to come to Argentina for foodstuffs, and where both public and private efforts had to increase land yields rather than relying on the extension of the Pampean frontier to produce more exportables. That evolution had to come even if the Great Depression and the Second World War had not occurred; the transition would have been partly induced by market signals but would have also required more active public policy in the international marketing of exportables (involving also support for domestic storage facilities) and in rural research and extension activities. Such an evolution away from a laissez-faire export policy and toward greater government attention to and support for the production of exportables has occurred at least since the 1920s in other major exporters of temperate foodstuffs, like Australia, Canada, Denmark and the United States. Note that a more difficult selling environment and the end of empty lands in those countries did not induce them to turn away from exporting primary products.

The stormy international economic and political environment of the 1930s and 1940s was to severely test not just the Argentine economy but also its polity. Under the democratic governments of the 1920s there were flaws which opened the way to practically uninterrupted (since 1930) military presence and intervention in Argentine politics, and to governments lacking, except for brief periods, sufficiently broad and deep domestic confidence to patiently engage in the subtle and complicated international economic and political maneuvers which were necessary to maintain substantial per capita economic growth during the 1930s and 1940s.

Major chinks in the constitutional polity of the 1920s included segments of the Right which never became reconciled with post-1916 cleaner electoral processes assuring political success for the middle-class Radical party during 1916-1930; immigrants who were imperfectly integrated into the national political and social life; and poorly-educated landless rural workers who were politically manipulated by local bosses. The nondemocratic segments of the Argentine Right were probably influenced by events and ideological ferment occurring in France, Italy, and Spain, and quietly waited (and prepared the way) for "the hour of the sword". The Radical party failed to incorporate much immigrant and working class support, whether urban or rural, and was weakened in the late 1920s by personality clashes among major leaders.

The 1930 military coup d'etat against the charismatic but senile Radical President Hipólito Yrigoyen led to hybrid military-civilian conservative regimes during 1930-1943, characterized by various degrees of electoral fraud and repression; to the nationalist-populist Peronist regimes during 1943-55; followed by attempts to restore non-Peronist civilian rule under military tutelage during 1955-1966; then to outright military rule during 1966-1973; to a second brief Peronist era, 1973-1976; and finally to a return to military rule since 1976. The secular trend has been toward greater instability, faster turnover of economic policy makers, and a more fragmented polity.

A. The "Infamous Decade" (1930-1943)

The dismal trend was not obvious during 1930-1943, when hopes for renewed economic and even political advances at times seemed justified. True enough, as shown in Table 1, per capita GDP fell slightly during the 1930s, performing worse than those of Australia and Brazil. The growth in Argentine and Australian GDPs was in fact identical between the late 1920s and the late 1930s (1.7 percent per annum); Argentine population, however, grew at nearly 2 percent per annum

during those years, while that of Australia grew at only 1.1 percent per annum. It can be argued that, given external circumstances the 1930s Argentine performance, at least relative to Australia, was reasonably good. The external shock to Argentina was more severe than that received by Australia: the current dollar value of Argentine exports in 1928 was 57 percent higher than that of Australia; during 1930-34 it was only 7 percent higher; and by 1935-39 it was 10 percent higher (Kelly, 1965,p.51). The volume of exports per capita from Australia increased by 9 percent in the second half of the thirties, compared with the first half, whereas in the case of Argentina it declined by 11 percent. Ruth Kelly concludes:

"Although Argentina falls behind Australia...its export performance in the thirties, compared with the rest of the world, may be considered satisfactory. Indeed, at the end of the period, it gave rise to expressions of optimism concerning the country's future prospects as one of the world's major exporters of agricultural products" (Kelly, 1965, p.57).

Argentine exports were hurt not only by the slump, but also by the protectionism and the discriminatory practices adopted by the United Kingdom and other industrialized countries. The grand illusions of the Belle Epoque were shattered, and Argentina with her triangular trade and payments patterns found herself in a difficult bargaining position vis-a-vis the British empire. Otherwise amiable Argentines can still go for each others' throats when discussing whether or not Argentina had realistic alternatives to the humiliating Roca-Runciman treaty, signed in 1933 to ward off further British protectionism, particularly in meat. What is generally accepted is that such a treaty was not very different from those imposed by the Nazis on eastern European countries, and that a tougher Argentine bargaining stance would have had to be accompanied by substantial restructuring of Argentine political and economic institutions (see also Salera, 1941, Chapter III). One may speculate that a Peron in 1933 would have made more sense than in 1946; at any rate, the Roca-Runciman treaty

contributed to the spread of anti-British and pro-German nationalism throughout Argentine society, including the Armed Forces.

It was noted earlier that before 1929 Argentine exports were a larger fraction of GDP than those in Australia or Brazil. The greater specialization of the Argentine economy made her more vulnerable to the Great Depression; even her manufacturing sector relied heavily on the processing of exportable primary products. It is noteworthy, therefore, that the Argentine manufacturing sector grew between 1928-30 and 1937-39 at an annual rate of 3.1 percent, while that of Australia grew at only 1.3 percent per annum (Butlin, 1962, p. 461; Naciones Unidas, 1978, pp. 78-79). Sectors of Argentine manufacturing which had lagged before 1929, such as textiles, "caught up" during the 1930s. Argentine cement production grew at an astonishing annual rate of 16.1 percent between 1928-29 and 1937-38; that of Australia grew at 1.6 percent per annum during the same nine years. Apparent cement consumption (local production plus imports) rose during that period at 4.8 percent per annum in Argentina and 1.4 percent per annum in Australia (European Cement Association, 1967). Preferential treatment of British industrial exports granted under the Roca-Runciman treaty did not block an Argentine import-substituting industrialization during the 1930s that was faster than that of Australia.

Both Argentina and Brazil, after initial confusion and hesitations, adopted during the early 1930s policies which, although primarily aimed at restoring balance of payments equilibrium and aiding influential producers of exportable goods, contributed to recovery in general and industrialization in particular. These measures have been discussed elsewhere (Díaz Alejandro 1980a and 1981). Here one may note that the Brazilian departure from 1920s orthodoxy was bolder than that of Argentina, although the remarkable Brazilian industrial

growth during the 1930s, at least double that of the Argentine annual rate, may also be explained by the lower share of manufacturing output associated with exportable production and the more closed nature of the Brazilian economy at the start of the Great Depression.

One may conclude that the Argentine slippage behind Australia during the 1930s was minor and due more to external circumstances than to domestic policies. It may also be conjectured that the Argentine urge to "people the wilderness" had already come into conflict with faster per capita growth during the 1920s, with both Argentine birth and immigration rates remaining above those of Australia; this was to remain the case into the 1940s. While birth rates in the Argentine Federal Capital and the Province of Buenos Aires by the early 1940s were about those for the whole of Australia (less than 20 per thousand), those for the poorer Provinces, such as Jujuy, Salta and Tucumán were twice as high. Table 4 shows that net immigration into Argentina during the 1920s reached nearly one million persons, more than three times the corresponding Australian figures; even during the 1930s Argentina witnessed significant net immigration.

Income distribution trends during the 1930s are obscure, but softer demand for labor appears to have at least maintained larger differentials in pay between skilled and non-skilled labor in Argentina relative to Australia. Evidence on this point is presented in Table 5, which also provides a rough check on Argentine-Australian per capita income comparisons. Note, however, that Table 5 uses market exchange rates (not purchasing power estimates), probably exaggerating the gap between Argentine and Australian wages.

TABLE 4

Net Immigration into Argentina and Australia
(Thousand persons during periods shown)

	<u>Argentina</u>	<u>Australia</u>
1921-25	521	183
1926-30	456	130
1931-35	51	-11
1936-40	131	43
1941-45	53	8
1946-50	505	353

Sources: Dirección Nacional de Estadística y Censos, Informe Demográfico de la República Argentina (Buenos Aires, 1956) p.28.

Commonwealth Bureau of Census and Statistics, Quarterly Summary of Australian Statistics (Canberra, December 1950), p.7.

Australian data exclude troop movements.

TABLE 5Wages per hour of Adult Male Workers, October 1936

	<u>Buenos Aires</u> <u>Wage Rates in</u> <u>Current U.S. cents</u>	<u>Buenos Aires</u> <u>Wage Rates as Percentages</u> <u>of those in Sydney</u>
Mechanical engineering:		
Fitters and turners	0.264	60.6
Iron moulders	0.261	65.9
Patternmakers	0.322	67.4
Laborers	0.163	51.7
Building: Bricklayers and masons	0.245	46.8
Structural iron workers	0.236	65.7
Concrete workers	0.245	68.2
Carpenters and joiners	0.245	53.1
Painters	0.248	53.8
Plumbers	0.307	60.2
Electrical fitters	0.248	52.4
Laborers	0.172	47.9
Furniture making: Cabinet makers	0.276	64.5
Upholsterers	0.276	64.5
French polishers	0.276	64.5
Printing and bookbinding:		
Hand compositors	0.353	85.3
Machine compositors	0.488	104.3
Machine minders	0.310	74.9
Bookbinders	0.267	64.5
Laborers	0.190	62.1
Food industries; Bakers	0.263	55.1
Electric power distribution:		
Electrical fitters	0.282	59.6
Laborers	0.202	53.4
Transport		
Tram and buses, drivers	0.209	55.6
Tram and buses, conductors	0.209	58.7
Cartage, motor drivers	0.301	74.9
Railroads, goods porters	0.193	57.6
Railroads, permanent way laborers	0.123	39.0
Local authorities, laborers	0.276	78.6
<u>Simple average</u>	<u>0.257</u>	<u>62.5</u>

Sources: Basic data obtained from International Labor Organization, Yearbook of Labor Statistics, 1937 (Geneva, 1937) p.162. To convert data in local currency to United States cents, the following exchange rates were used:

Argentina: 3.26 Pesos per U.S. dollar (average of import and export rates)
Australia: 3.96 U.S. dollars per Australian Pound

For each of the major groups shown in Table 5, such as mechanical engineering and building, the gap between Buenos Aires and Sydney wage rates appears greatest in the least skilled category (laborers). It is also interesting that Argentine workers in printing and bookbinding had the highest relative wages; during the late 1930s Buenos Aires was the undisputed publishing center of the Spanish-speaking world, with substantial exports.

The outbreak of the Second World War placed great pressures on the Argentine economy and polity. Within a few months major European markets disappeared, while shipping difficulties curtailed both exports and imports. New distress was visited on the Argentine rural producers of exportables, especially cereals, forcing the conservative government to decree a freezing of rural rents. Beleaguered Britain could hardly supply Argentine needs of machinery, fuel and intermediate inputs (not to mention weapons), and paid for Argentine supplies with inconvertible and low-yielding sterling. In 1941 the conservative government created the General Directorate of Military Factories, establishing the principle of military-run industries. The war exacerbated divisions within the government and Armed Forces between pro-Allied and pro-Axis factions; especially after 1941 the United States pressured Argentina into joining Pan-American collective actions, a course repugnant to Argentine diplomatic traditions. Few Argentines wanted departures from neutrality, and relations with the United States became tense, particularly as Brazilian-United States ties became more intimate. Ferment within the Armed Forces grew, and political groups maneuvered frantically against the discredited conservative civilian regime. A number of accidents and circumstances (masterfully narrated by Potash, 1969) finally led to the ambiguous coup d'etat of 1943.

B. The First Peronist era (1943-1955)

The absolute and relative decline of Argentine foreign trade which had begun in the 1930s accelerated during the Second World War and culminated during the first Peronist era, in spite of the apparently favorable terms of trade for 1946-49, according to available data the best registered this century (Díaz Alejandro, 1980b, p.9). Per capita quantum indices for imports and exports are presented in Table 6 for Argentina and Australia; as during the first thirty years of this century Argentina was a major capital importer, the secular decline of imports is somewhat greater than for exports. (The Argentine terms of trade during the whole period showed considerable fluctuations, but no significant long-term trend). Table 6 shows the sharp fall of per capita imports during the Second World War, sharper for Argentina than for Australia, and a subsequent recovery; however, during 1950-54 Argentine per capita imports were only slightly more than one-third those registered during 1925-29, and about two-thirds of the level for 1935-39. The decline in the per capita Argentine export quantum is continuous from 1925-29 through 1950-54, when it reached its lowest point for this century; even during 1945-49 it was only half the 1925-29 level, by 1950-54 it was one-third of that level, and less than half of the per capita export quantum for 1935-39. Australian per capita exports during 1945-54 do not perform brilliantly relative to their favorable evolution during 1930-44, as far as quantities are concerned, but there is no dramatic collapse, as registered in the Argentine case. Indeed, the quantitative dimensions of the rise and fall of Argentine foreign trade must have few parallels in contemporary economic history; note that in 1950-54 Argentine per capita imports and exports were less than half what they had been at the beginning of this century.

TABLE 6

Per Capita Argentine and Australian Merchandise Imports
and Exports, Quantum Indices
(1930-34 equal 100)

	<u>Imports</u>		<u>Exports</u>	
	<u>Argentina</u>	<u>Australia</u>	<u>Argentina</u>	<u>Australia</u>
1900-04	145	129	102	88
1905-09	198	138	118	100
1910-14	195	175	103	101
1915-19	99	133	92	81
1920-24	142	150	114	81
1925-29	186	188	121	82
1930-34	100	100	100	100
1935-39	103	160	89	109
1940-44	51	114	62	124
1945-49	89	149	60	98
1950-54	67	212	40	94
1955-59	69	197	44	109
1960-64	76	253	51	137
1965-69	66	331	55	170

Sources: For 1930-34 and earlier years, Argentine trade data were obtained from Naciones Unidas, 1959, Part I, pp. 15, 110, and 115. Argentine data for 1930-34 and later years were obtained from Naciones Unidas, 1976, p.27. Australian trade data obtained from Butlin, 1977; they refer to July-June years, i.e., 1900 would refer to 1900/01. Population data as in Table 2.

Table 7 examines the relative decline of Argentine trade using import data at current prices, and extends the comparison to Brazil. The costs of Argentine neutrality during 1940-44 are again apparent. After a recovery during 1945-49, the Argentine relative position sinks again during 1950-54 to almost World War II levels. Argentine per capita imports, which during 1930-34 were more than five times those of Brazil, by 1950-54 were only twice Brazilian per capita imports, and less than one-third those of Australia.

Why did the decline in Argentine trade continue beyond the 1930s? The comparison with Australia, and even with Brazil, as well as other evidence regarding market shares for major Argentine exports, indicate that general world economic conditions could not be blamed for the extraordinary Argentine performance after the Great Depression. Special circumstances, such as the droughts of the early 1950s, seem overwhelmed by the quantitative dimensions and persistence of long-term trends. The answer must be sought in Argentine policies, which had the net result of giving low priority to the promotion of foreign trade.

Relevant Argentine policies go beyond those manipulating parameters affecting foreign trade. The world of the 1940s and early 1950s could not be characterized as one with open and competitive international markets. Hot and cold wars, and an uncertain recovery from depression and war circumstances and mentalities, created international markets which were politicized and segmented well into the 1950s. Buying and selling in those markets and converting currencies used in those transactions, depended partly on political considerations. The Argentine vocation for an autonomous foreign policy made her highly suspect among the Allies, especially by the United States, even before the 1943 coup d'etat.

TABLE 7Value of Per Capita Argentine and Brazilian Merchandise Imports,At Current Dollar Prices, Relative to Australia

(Per capita Australian Imports equal 100 in each period)

	<u>Argentina</u>	<u>Brazil</u>
1930-34	63	11
1935-39	52	12
1940-44	26	9
1945-49	56	17
1950-54	28	14
1955-59	29	10
1960-64	23	8
1965-69	16	6
1970-74	17	12
1975-79	16	13

Sources: Merchandise imports at current dollar prices and population obtained from International Monetary Fund, International Financial Statistics, several issues, for 1950-80. For earlier periods the following sources were used: United Nations, Yearbook of International Trade Statistics, several issues; United Nations, Demographic Yearbook, several issues.

As during the First World War, Argentine imports plummeted during 1940-44, more than those of Australia and Brazil, countries whose military alignment against the Axis assured them a greater flow of civilian goods, shipping services and armaments.

Neither the Argentine declaration of war on Germany in March 1945, nor the narrow yet stunning victory of General Juan D. Perón in clean elections in February 1946, substantially improved Argentine-United States relations, which were to remain characterized by a great deal of mutual hostility until at least 1950. Unlike Ireland, Sweden, Switzerland, and even Franco's Spain, World War II neutrals which adapted to postwar political circumstances with agility, Argentina was to stick to her "Third Position," incurring the wrath of influential policymakers in the United States. The tangled web of Argentine-United States relations before and after the end of the Second World War reads at times like tragedy and at times like farce (see Escudé, 1981, and Macdonald, 1980). What now seems clear is that such political climate limited Argentine markets, e.g., the Economic Cooperation Administration adopted from its inception a policy of preventing European procurement with Marshall Plan dollars in Argentina, and limited or increased the cost to Argentina of supplies of fuel, intermediate and capital goods (Fodor, 1975), well into the late 1940s. It may be noted that Argentina not only refused membership in the International Emergency Food Council but also refused to join the United Nations' Relief and Rehabilitation Administration and the Food and Agriculture Organization, not to mention the International Monetary Fund and the World Bank. Argentina did join the United Nations at its founding in San Francisco, with the support of the United States during a brief spell of

rapprochement, but over objections of the Soviet Union that the Argentine regime had been sympathetic to the Nazis. During the early postwar years Argentina defiantly granted credits and exported foodstuffs to Portugal and Spain.

The United Kingdom, which during the 1930s used every ounce of its bargaining power to extract concessions from Argentina, during the 1940s took a tolerant stance toward Argentine non-alignment, perhaps having no realistic alternative (much of recent writings on United States hostility toward Argentina during the 1940s originates in Britain, even as much of the analysis of the British squeeze on Argentina during the 1930s originated in the United States). The halting British postwar recovery aggravated the triangularity problems in Argentine trade and payments. Britain, and Europe as a whole, was willing to buy Argentine goods using their own currencies, but Argentina already had accumulated large balances of those pieces of paper which could be used only for limited purposes in their countries of origin and not at all to buy goods in the United States. The failure of the British return to sterling convertibility, culminating in August 1947, sharply lowered the opportunity cost of Argentine sterling balances and the expected value of possible future sterling earnings.

In retrospect, difficulties in the international economy during the late 1940s appear as minor inconveniences on the road to about three decades of remarkable expansion in world trade. But at the time a case could be made that they were a prelude to a new Great Depression or to World War III. Even if those catastrophes could be avoided, it was unclear whether the protectionist barriers built by industrialized countries during the 1930s, particularly in protecting their agricultural sectors, would be significantly relaxed once recovery was completed. For

Argentina, the pattern of agricultural protectionism coupled by aggressive exporting of agricultural surpluses which had emerged in industrialized countries since the 1930s was particularly worrisome.

Peronist reluctance to give high priority to the expansion of foreign trade, and to the production of exportable goods, conveniently meshed with its nationalist-populist ideology and its political inclination to reward supporters and punish opponents. Urban working class backing was consolidated by assuring plentiful and cheap foodstuffs (another magnet attracting European immigrants during 1946-50), even if the exported share of rural output had to be reduced. A more aggressive and optimistic marketing abroad of Argentine rural produce would have clashed with the cheap food policy. Passing on favorable international postwar prices to producers of rural exportable goods, allowing them to find on their own external suppliers for their input needs, and letting those producers make their own guesses as to the outlook for primary product markets, would have strengthened groups hostile to the Peronist regime, e.g., rural landowners and old import-export houses. The revenues generated by the government's trading agency in control of exports and imports helped to maintain post-1943 trends toward expansion of military payrolls, the construction of military bases and armament plants, as well as to underwrite an industrial development plan, plagued by mismanagement and corruption (Potash, 1980, pp.4-5 and 62-63). Finally, nations which had imposed unequal commercial treaties and discriminatory trading practices on Argentina during the 1930s (and which during the 1940s also engaged in state trading to maintain their bargaining power), as well as those Argentines who to Peronist eyes had collaborated with the unjust foreign powers, had weaker claims on Argentine public policies of the late 1940s than those who had swept Perón into power.

Both domestic political considerations and the bleak international political and economic outlook were probably involved in the Peronist neglect of rural research and extension services, at a time when other producers of temperate foodstuffs, notably the United States, were experiencing dramatic technological change in cereals, as a result of combined public and private sectors' efforts. Memories of unsold grain mountains, used during the Second World War as emergency fuel, and of unusable sterling mountains, weakened proposals to raise Argentine rural yields, which were around United States levels during 1920-44, but which lagged behind thereafter, especially in corn (Díaz Alejandro, 1970, p.163 and p.194).

The Argentine economy boomed during 1946-48; favorable export prices and reserves accumulated during the war, not all inconvertible, may have led to a Peronist belief that there is "nothing more elastic than the economy which everyone fears so much because no one understands it" (Hirschman 1979, p.65). The 1947 census was taken during these euphoric times; conveniently a census was taken in Australia the same year. Table 8 shows the allocation of the economically active population in the two countries. One quarter of the Argentine labor force was still in the rural sector, a share substantially higher than that for Australia. The gap in manufacturing is narrower. Although the two countries show profiles which are not too different, including the participation of women in the labor force, that for Australia indicates a higher per capita income.

The censuses also show that the percentage of the total population living during 1947 in cities of more than one hundred thousand inhabitants was higher in Australia (51.4) than in Argentine (40.6). However, the largest Argentine urban agglomeration, Greater Buenos Aires, represented a higher share of the country's total population (29.0 percent) than that in Australia, the city of Sydney (19.6 percent). A large gap separated Greater Buenos Aires

TABLE 8

Allocation of the Economically Active Population, 1947

	Percentages of Total Economically Active Population		Women as Percentage of Population in Each Category	
	<u>Argentina</u>	<u>Australia</u>	<u>Argentina</u>	<u>Australia</u>
Agriculture, forestry hunting, fishing	25.2	15.6	5.4	4.9
Mining, quarrying	0.5	1.7	1.6	1.1
Manufacturing	22.1	25.0	28.2	22.8
Construction	5.2	7.3	1.2	0.6
Electricity, gas, water	0.5	1.0	4.6	5.8
Commerce	13.3	15.0	12.6	31.1
Transport, storage, communication	6.0	9.2	3.2	9.6
Services	21.3	17.9	43.4	47.1
Activities not adequately described	3.1	7.3	11.0	25.7
Unemployed	2.8	—	27.2	—
Total	<u>100.0</u>	<u>100.0</u>	<u>19.9</u>	<u>22.4</u>

Source: International Labor Organization, Yearbook of Labor Statistics, Geneva, several issues. Australian data exclude full-blooded aboriginals, and allocate the unemployed to sectors of usual occupation.

from Rosario and Córdoba, the second and third largest Argentine cities, while Melbourne was close in population to Sydney. The third Australian city, Brisbane, had a share in total population (5.3 percent) similar to the combined shares of Rosario and Córdoba in total Argentine population (data for this paragraph obtained from United Nations, 1952, p.11 and p.213).

In 1949 the Argentine postwar boom came to an end. Reserves had been drawn down, international prices turned less favorable and dollar shortage became extremely severe: it was to be the first of postwar recessions induced by the need to contain balance-of-payments deficits. Per capita imports and exports levels, as shown in Table 6, reached their lowest peace-time levels this century during 1950-54. Manufacturing output, which had surged during the early postwar years, after 1948 showed sharp fluctuations but a mediocre growth trend: between three-year averages centered around 1943 and 1954, the annual growth rate of manufacturing was 2.5 percent (Naciones Unidas, 1978). Domestic industry was unable to fully make up for the steep decline in per capita imports of manufactures. The fall in the per capita absorption of industrial commodities involved a decline in both the consumption of consumer durable goods and investment in machinery and equipment. Import substitution in intermediate and capital goods, as well as fuels, turned out to be very troublesome given the magnitude of the collapse in foreign exchange earnings, the ambivalence toward foreign capital, and difficulties in obtaining foreign machinery and equipment, especially during the late 1940s. Argentine foreign policy had a non-trivial price not only in terms of foregone exports, but also for import substitution and the maintenance and expansion of social overhead capital, especially in electricity and transport.

The low priority given to exports and other Peronist policies had a sharp negative impact on Pampean production of rural exportable goods, particularly cereals and linseed, whose per capita output in 1945-49 was 57 percent

of the 1935-39 level; during 1950-54 per capita production of cereals and linseed were only 46 percent of the 1935-39 level. Livestock did better; as labor flowed out of Pampean areas that land-intensive activity actually had an incentive to expand, in spite of the overall Peronist policies toward exportable rural goods. Other rural activities selling overwhelmingly in the domestic market, as in the case of most of those outside the Pampean area, experienced substantial expansion. Taking the aggregate of all rural activities, their per capita production shows a decline of about 11 percent between 1935-44 and 1945-54. Australian rural performance during those years is far from spectacular, but per capita rural production manages to remain roughly constant (Commonwealth Bureau of Census and Statistics, 1958, p.114).

During the early 1950s the Peronist administration realized that the economic strategy of the late 1940s contained erroneous assumptions about the evolution of the international economy as well as inconsistencies among targets for growth, industrialization and the balance of payments. In 1950 a loan was obtained from the U.S. Eximbank. Droughts during the early 1950s helped to make evident the decay in Pampean agriculture; in 1952 Argentina had to import wheat. Steps were taken to encourage the production of exportables. But as indicated by Tables 6 and 7 the recovery of Argentine trade was to prove arduous and halting, while the slippage of Argentine per capita GDP behind that of Australia was to continue as shown in Table 3, albeit at a slower place than that registered between 1928 and 1955.

5. A NATION DIVIDED DOES NOT CATCH UP, BUT GROWS

Even if the steps undertaken to encourage foreign trade recovery, during the last years of the Peronist administration and by following governments, had been successful in eliminating or sharply reducing policy-induced biases against production for export, the recovery of Pampean agriculture would have probably

been less than dramatic. Estancia hands were unlikely to return to the farm once they had seen Buenos Aires. The tractors, fertilizers and improved seeds needed to replace them would take some time to be incorporated into production.

On average, export incentives were larger during 1955-1973 than during the first postwar decade. But the policy tilt favoring import substitution and discriminating against exports, whether of rural or manufactured goods, which became substantial during the 1930s and extreme due to war circumstances and postwar Peronist policies, remained a feature of the Argentine economy throughout 1955-1973. Argentine effective rates of protection remained among the highest in Latin America. Furthermore, incentives to Pampean production and to exports in general followed a saw-toothed pattern, diminishing their power. Why did protectionism remain so strong after the first Peronist era, and why were attempts to encourage exports so weak and transient?

By 1960 less than one-fifth of the Argentine labor force was engaged in rural activities. The Pampean production of exportable goods absorbed only part of that labor force. Furthermore, the majority of Argentines living in urban centers, whose budgets were inevitably damaged in the short-run by higher prices for cereals and beef, perceived Pampean producers not as Jeffersonian farmers but as oligarchical landlords, whose large properties had emerged practically unscathed from the Peronist years. Unlike the situation in the United States and Western Europe, the Argentine farm lobby could command scanty emotional appeal, yet was strong enough to veto measures such as land taxes, which could have reconciled efficiency considerations to equity concerns.

More than two decades of sheltered industrialization had created by the mid-1950s vested interests opposing reductions in protection, interests which also derived support from the persistence of export pessimism, still prevalent at that time throughout Latin America. Perhaps the most powerful protectionist

lobby centered around the Armed Forces, whose officers made up a good share of the executive ranks of state enterprises such as those producing steel and armaments. Memories of weapon shortages during the second world war buttressed protectionist arguments.

Protectionism and hostility to Pampean rural producers, then, were hardly limited to the Peronist movement. Neither was a strong nationalist stance toward foreign capital a Peronist monopoly; indeed, it is said that one of the factors contributing to the overthrow of General Perón in 1955 was the discontent caused within the Armed Forces by his negotiations with foreign oil companies. As with export incentives, post-1955 governments zig-zagged in their policies toward foreign capital, especially toward direct foreign investment, but on balance foreign corporations were used as key instruments in expanding industrial production in consumer durables, intermediate and capital goods. It is a moot point whether the monsters begotten by the coupling of protectionism and direct foreign investment, such as the inchoate and spastic automobile industry, were less of an economic error than the Peronist miscalculations of the late 1940s. As in other comparisons, the Australian record on this issue (especially regarding automobiles) shows qualitative features similar to that of Argentina; it is only in the more limited quantitative dimensions of misallocation that Australia emerges in a favorable light.

Throughout 1955-1973 economic policy was conducted in a turbulent political atmosphere. The exiled General Perón maintained a large following, and trade unions were dominated by Peronists. No other single group emerged to challenge Peronism as the largest coalition in Argentine political life; the old Radical party split, while conservatives and right-wing nationalists preferred to rely on favorite Generals to advance their political designs.

Elections were sporadically held, but Peronist candidates were banned by the Armed Forces. Weak civilian governments alternated with military ones; both witnessed a large turnover of economic ministers. It may be noted, however, that until the early 1970s political instability was not accompanied by much bloodletting.

In light of political instability and the limited recovery of foreign trade the 2.2 percent per annum growth in Argentine per capita GDP between 1955 and 1973, shown in Table 1, is respectable, and should dispel the myth of Argentine economic stagnation. The Argentine per capita annual growth during 1955-1973 was of course inferior to that of Australia (2.6 percent). It could be argued that Australia, not having taken protection to Argentine postwar extremes, was in a better position to benefit from the boom in international trade which occurred during 1955-1973, particularly given its fresh mineral discoveries and its proximity to the fastest growing and most voracious market for primary products e.g., Japan. One may speculate that the reasonable Argentine per capita growth performance during 1955-1973 may have been the result partly of an Argentine population growth rate which for the first time since 1880 was lower than the Australian one, and partly due to a catching up with the technological change which had and was occurring abroad, particularly in the production of temperate foodstuffs. Indeed, probably the single most successful Argentine public policy since 1955 has been the support of research and extension agricultural services. One may also conjecture that the significant Argentine per capita growth during 1955-1973 is often overlooked by unawareness of her low contemporary population growth (which may be lower than indicated by Table 2, for reasons to be discussed later), and has been obscured by sharp cyclical savings.

Until fairly recently, both Argentina and Brazil have been conspicuous examples of reliance on import-substituting industrialization as the engine of growth, with a corresponding neglect of exports. Yet Table 1 yields the following annual growth rates in their per capita GDPs, in percentages:

	<u>Argentina</u>	<u>Brazil</u>
1928-1955	0.5	2.5
1955-1973	2.2	4.4
1973-1980	0.9	4.1

Why this contrast in growth performance, which has carried Brazilian per capita GDP in 1980 near that of Argentina? A first, but partial, explanation was suggested in Table 7: while Brazilian foreign trade languished for more than three decades following 1928, it did not experience the postwar collapse registered in Argentina. This point is brought out more clearly in Table 9, which presents Brazilian per capita merchandise exports, in current dollars, relative to those of Argentina. A mediocre Brazilian export performance between the late 1920s and the 1950s was sufficient to generate a sharp gain in Brazilian per capita exports relative to those of Argentina. Interestingly, about half of that gain disappears during the 1960s; it is only during the 1970s that the Brazilian export drive clearly outdistances Argentine efforts, carrying Brazilian per capita exports beyond the high relative position they reached during 1950-54. By 1980, Brazilian per capita exports were 55 percent those of Argentina; in 1928 they had been 16 percent.

As late as 1965-69, the Brazilian export quantum per capita was about what it had been during 1928-29 (Naciones Unidas, 1976, p.31), yet Brazilian per capita GDP in 1970 was more than three times the 1928 level. Import substituting industrialization in Brazil was clearly more successful than in Argentina. A larger domestic market, the war-time alliance with the United States, and milder species of populism and protectionism seem doubtful or

TABLE 9

Value of Per Capita Brazilian Merchandise Exports,
At Current Dollar Prices, Relative to Argentina

(Per capita Argentine Exports equal 100 in each period)

1928-29	17
1930-34	21
1935-39	20
1940-44	26
1945-49	27
1950-54	48
1955-59	42
1960-64	31
1965-69	33
1970-74	47
1975-79	51

Sources: As in Table 7, plus Naciones Unidas, 1976.

incomplete explanations for that Brazilian success. More fundamentally, it should be recalled that during the 1920s Brazil was still a Lewis-type economy with a small modern sector, including both exporting and import-competing activities, surrounded by a large subsistence sector, producing non-tradeable goods and services. Average labor productivity was much higher in the modern than in the subsistence sector; similar gaps probably existed also in marginal labor productivities. In contrast, the Argentine economy by the 1920s had approached neoclassical conditions, in the sense that labor in all major sectors probably had roughly similar marginal products.

One may therefore conjecture that much of the Brazilian per capita growth of the last fifty years could be accounted for by a process not available to the same degree in Argentina, i.e., a reallocation of labor from a low-productivity subsistence sector to higher productivity occupations, whether import-competing or exporting. Such reallocation would raise the average domestic product even without an increase in per capita capitalization, nor an improvement in the technology, of each sector. That process does not even require getting the balance between import-substitution and exporting exactly right, so long as an extreme foreign exchange bottleneck is avoided. The coffee and other traditional Brazilian exporting sectors have had until recently few worries that supply-side considerations would lead them to curtail their output, nor that the growth in the domestic demand for coffee and sugar would significantly reduce their exportable surplus. There has been an awful lot of coffee in Brazil simply because there has been an awful lot of Brazilian low-productivity subsistence farmers and workers. In contrast, Argentine populism and protectionism induced a reallocation of labor, and of other inputs, away from a highly productive Pampean sector toward secondary and tertiary activities whose superior social productivity was often questionable.

The contrast between the Argentine and Brazilian growth performances is particularly striking for 1973-1980: Argentina is far more self-reliant in energy than Brazil. The sharp decline in Argentine growth cannot be explained without reference to the bloodiest political turmoil the country has witnessed since the 1850s. The 1970s saw the brief return of General Juan D. Perón to the Presidency; his death accelerated trends visible earlier. For the first time in Argentine history the revolutionary left became a credible contender for power, proclaiming that "the hour of the furnaces" had come; this challenge produced a strong reaction from conservative and middle-class elements. The violent struggle between guerillas and gorillas dwarfed the old Peronists vs anti-Peronists quarrels. Indeed, much of the violence occurred within the Peronist movement itself, which during the 1970s became even more of an ideological hodge-podge than it had been in the 1940s, as very different factions tried to inherit the mantle of the old leader. The 1970s were probably the first decade in Argentine history when the country became a net source of migrants; exact figures, however, are unavailable either for victims of the quasi-civil-war nor for net emigration. Population data shown in Table 2 for 1973 and 1980 may represent overestimates.

Brazilian political troubles and violence look mild indeed when compared with those of Argentina, just as Brazilian inflation has never reached the wild levels registered in Argentina during the last ten years. While postwar Argentina political life involved strong independent actors such as trade unions, landowners and sundry military factions, leading first to "stalemate politics" and finally to the violence of the 1970s, the continuity of Brazilian policies has been based on the assurance given by a long and almost unbroken history of a state dominated by "the right people". This could be another consequence of the large Brazilian subsistence

sector: its reserve army of the underemployed together with the other army have provided (so far) an unbeatable combination for assuring that political and economic leadership remains committed to unvarnished capitalist growth. Even as once it seemed perfectly natural that the Brazilian state should regulate and watch over the system of slavery, now there is a Brazilian consensus that the state is an obvious guide and ally in the process of capital accumulation, although the exact boundaries between the private and public sectors may still generate some debates. The last fifty years have shattered such feelings in the River Plate where a state once felt strong enough to tackle growth, income distribution and national autonomy objectives, achieving little of each. Finally, one may conjecture that Brazilian geographical heterogeneity and economic diversification has left ample room for compromises and negotiations buttressing the consensus around the growth objective, while Argentina is too transparently a Stolper-Samuelson country where a zero-sum view of economic policy is plausible in the short and even the medium term.

6. ENVOI

Did those who emigrated from Eastern Europe, Italy, and Spain to the River Plate make a mistake, now being corrected as many of their grandchildren leave Argentina? By 1970, in fact, Spain had reached a per capita GDP similar to that of Argentina, while that of Italy was about 25 percent higher (Kravis et al., 1978, pp. 232-236). Argentine liberal traditions should be credited with providing migrants and their offsprings with economic and political conditions far superior to those of their countries of origin at least until quite recently; Eastern Europe, Italy and Spain have had troubles of their own during the years of the Argentine eclipse. Paradoxically, the troubled 1970s in Argentina may have set the bases for political conditions allowing

steadier and more efficient economic policies.

The murderous violence of the 1970s was unprecedented in the Argentine history of the last one hundred years, and hopefully it has discredited extremists both of the left and the right. A Peronist movement without a charismatic leader may become a more flexible and acceptable participant in political life. The myth that military governments will necessarily be more stable and efficient than civilian ones appears hopelessly shattered in Argentina. Perhaps swords and furnaces will be put away, and quieter hours may come. Under conditions of reasonable political stability, the unsinkable Argentine economy could recover from the catastrophes of the late 1970s and early 1980s, including a high external debt for which so little growth can be shown. Abundant foodstuffs and energy resources, plus an industry which whatever its past costs has shown itself capable of exporting, provide solid foundations for a growth which may or may not keep up with those of Australia and Brazil, but which could assure a good life to all Argentines.

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