A (STILL) “WOULD-BE” COUNTRY

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Abstract

This article explores two hundred years of Argentinean economic and political history, seeking for the causes that might explain why a potentially prosperous country, seen as such thanks to its natural and human resources, has been unable to defeat underdevelopment and guarantee its population an acceptable standard of living. An attempt at understanding the evolution of this unusual, "would-be" country includes an analysis of the Spanish colonial legacy, the concentration of rural property, profiteering and speculative practices, the State's poor management, and neoliberal deindustrialization policies.

What thread might lead to an explanation for the course of Argentina’s economy over the past two hundred years? Is it possible to find a logic of behavior pointing to a given direction? Are there permanent causes and reasons for Argentina’s poor performance over two centuries? It is quite likely that, in countries that view themselves as successful, one could write an economic history that would “necessarily” culminate in a more or less extended present of prosperity. How to tell such a history about Argentina, an ever potentially prosperous country whose plentiful material and human resources render it impossible to explain its inhabitants’ poor economic achievements as well as their lacks and sufferings? Comparative studies in economics placed Argentina in the same group as Canada and Australia one hundred years ago and with Brazil fifty years ago. As the decades pass, the reference group changes as countries with similar characteristics move ahead and Argentina is included in the new subset of “developing countries.”

It is generally agreed that two hundred years ago the geographic area now known as Argentina possessed some valuable natural resources such as its soil, water, and climate while it was short of others —coal and iron, for example— and needed to begin an industrialization process. However, a satisfactory explanation of Argentina’s evolvement requires exploring into social and human factors. Both because of objective facts (sparse population and territorial occupation) and because of the culture that pervaded the Spanish colonies, this particular geographic area made very slow progress in terms of productive modernity and self-centered development.

The Spain that arrived at what would later be called America was the same that had just gone against its own progress through the expulsion of Moors and Jews. The victory of the Inquisition put a stop to the expansion of the innovative ideas that began to circulate towards the

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end of the medieval era. It is undeniable that the colonial approach sustained by the Spanish Empire was based on nothing but the extraction of wealth from the conquered lands. These were a space to be explored for the sake of the metropolis’ grandeur rather than new territories in which to establish Spanish civilization. The predatory approach to peoples and wealth signaled the viceroyalty and planted the seed of underdevelopment. The fall of the Spanish monarchy rushed a political process that ended with the independence of the American colonies. These lands were freed from Spain’s impoverishing trade monopoly only to fall prey to England’s impoverishing free trade policy. The instability of the Provincias Unidas del Río de la Plata in terms of production and technology, along with the Balkanization of Latin America, set the initial conditions for the new economic relations with the developed world of the times (i.e. Northern Europe). In Argentina, the protracted internal conflicts ended up in the victory of the interests upheld by landowners, tradesmen, and financiers associated to the port of Buenos Aires. This led to a highly concentrated structure of power whose commerce and finance became increasingly articulated with Europe’s most dynamic region.

Vast fertile areas were “cleared” thanks to the forced displacement of the aboriginal population (Rosas’s and Roca’s “conquest of the desert”). Far from being colonized, the “conquered” lands were distributed among relatives and friends of the military leaders of the “wars against the Indians.” The highly concentrated agricultural structure was to define a shrunken market for the local industry with enormous financial surplus in the hands of a couple of hundred families.

The fierce American civil war (1860-1865) imposed a protectionist industrial project opposed to England’s productive complementarity, thus destining the United States of America to become one of the great powers. At that time, Argentina had completed its process of national organization and our ruling class (with some honorable exceptions) chose a path at odds with that of the United States. Argentina favored a free trade agricultural project in productive complementarity with England; that is to say, the country would exchange four or five farming products for all modern industrial goods coming from “abroad.”

The fertile plains (Humid Pampas) were Argentina’s cornucopia, especially for an elite whose wealth was spent partly locally and partly on luxury consumption in Europe. The high international prices that contrasted with local costs worked the miracle of financing a modern, export-oriented infrastructure for a country that was changing its population through massive immigration from Europe’s worst stricken countries.

The State emerged small and weak, adapted to its agro-exports needs. Tasks became defined in accordance with exporters’, merchants’, and financiers’ requirements for maximized profit. Ever since 1824, the country was indebted to British banks, a fact that gave rise to interesting brokerage business, and already found it difficult to comply with payment. It was assumed that a special relation with the world’s greatest power would last forever and solve all problems.

The importance of the United Kingdom in Argentina’s history should not be underestimated. British influence was already felt at the time of the independence and lasted until the mid-20th century. The remarkable complementarity between the needs of the island (inexpensive, good quality food for its workers) and the productive capacity of our fertile plains structured Argentina’s presence in the world, the distribution of power and money at home, and the foundational narrative of the country: Argentina, forever agricultural, was the developed world’s “breadbasket.”

However, it was precisely that solid bond between Argentine landowners and the British Empire that went into a crisis with the 1929 American stock market crash, followed by the 1930 fall of the world economy and the breakout of World War I. The decline of the United Kingdom as a world power bewildered the Argentine elite, for they could not think of a way of living, producing, and making profit other than the one they had enjoyed in the glorious fifty or sixty years that came to an end in 1930.

It was precisely during that “glorious” period that some of the most negative socio-economic features that were to stick with Argentina until the present took shape. In part, they account for its progressive backwardness. We are talking about a weak State pervaded by private interests, shady business between entrepreneurs and politicians at the expense of the
general well being, income deriving from privilege and obtained through public regulations designed by the very people who benefited from them, grabbing at national wealth, rights acquired under suspicious circumstances, resorting to the law and to “constitutional rights” to keep such rights, appealing to the institutions of the republic with the purpose of hindering social progress projects, the subordination of the country’s foreign affairs to the business of the elite, and so forth.

The profiteering, speculative mentality that characterized many of those who were in power in those times, particularly in the 30s, contaminated other actors and sectors of the economy. The notion of “making plenty of money through one good harvest” became integrated into our national idiosyncrasy, miles away from a long term project of systematic accumulation that would have improved the quality of domestic insertion and guaranteed a high standard of living for the population.

The blunt division of labor in comparison to the developed world created a passive attitude towards scientific and technological knowledge, which was assumed to come from “abroad” then and ever after. Argentina would always consume rather than produce such knowledge. Thus, courses of studies related to modern production were discouraged, while those dealing with liberal professions and fostering individual advancement were encouraged, such as could be expected from a dependent, agro-exporting country. The lack of interest in scientific and technological research, which proved decisive in the 20th century, was later apparent in the behavior of our manufacturers and in the overly low public investment in these matters.

Despite amply exceeding the farming produce, our industry never reached the status of a genuinely Argentine activity. In other words, the main activity that, in modern capitalism, defined self-ruling and subordinate countries was not a priority in a country whose elite viewed themselves as a prosperous province of the British Empire. This archaic self-image was to last until the 21st century.

Thus, the society that emerged in the first decades of the 20th century, educated in the intellectual issues of an upper class with aristocratic aspirations, was open to and incorporated into Western culture. Such society picked up the customs, consumption habits, and ideas from the big cities, but remained basically passive and mentally dependent. The dominant class, which had maintained an important presence until 1943, began to decline and resorted to violence in order to reappropriate power. It focused its economic activity on big, high-return business, drawing on its connections with military, financial, and diplomatic sources.

This displaced sector looked upon the economy as yet another scenario of political dispute, privileging the goal of shutting out such forces as it could not control, even at the cost of economic destabilization and serious social consequences. Its distrust of its own country led them to prefer cash flow to other forms of wealth and to keep a part of it in foreign countries. Such behavior severely hampered the country’s possibility of sustaining an accelerated accumulation process with its own resources.

**Eventful industrialization**

Industrialization changed the country’s social and productive physiognomy, but it would have lacked impetus had it not been for the 1930 world crisis. The crisis of the central countries forced Argentina to fend for itself without its traditional agro-export model. When the country’s strong bond with the United Kingdom was severed, Argentina slowly and spontaneously devoted its efforts to industrial manufacture, the only activity that, at the time, could provide employment and production. Going against its self-image of a farming country, Argentina took a path that it would never retrace. In spite of the wishes and beliefs of its ruling class, Argentina became an industrialized country. The following fifteen years hatched the conditions for the rise of Peronismo. Thousands of rural workers, unable to pursue their natural activity, migrated to the suburbs of the big cities and became employed in the thousands of workshops and factories that were established to cater to local needs. Thus there sprung a fast-growing industry that supplied the domestic market. Its limitations would be due to the private sector’s difficulty in moving on toward a more complex, sophisticated manner of
industrialization capable of exporting and supplying the various productive activities with capital goods.

The Armed Forces, particularly the Army, took part in the process, contributing to the autonomization of the state. Having protagonistized national politics for over fifty years (1930-1982), the military were partly supportive of Peronista distributionism. Later on they became divided as some backed pro-agrarian policies and others pro-industrialist policies. They fostered a failed authoritarian developmentalist project and, when neo-liberal predominance succeeded, the Armed Forces engineered their own destruction as they embarked on the biggest antinational attack in Argentine history: the Proceso de Reorganización Nacional [Process of National Reorganization].

Despite the violent political struggles of the 60s and 70s, signaled by Peronismo-anti-Peronismo and Communism-anti-Communism, the basic Peronista pattern remained. It consisted of an overall though mediocre presence of the State in the economy, of industry-led growth aiming at the domestic market, income distribution half-way between Europe and Latin America, excessive inflation, low unemployment rates, ample possibilities of social mobility, and a tendency to foreign crises owing to insufficient foreign currency. In some way or other, every political and intellectual force of those years was pervaded by strong nationalist ideas insofar as they were persuaded that Argentina had potential. They also believed in developmentalism, trusting that State interventionism could lead a modernization process of production and technology. One of the best periods for our Universities was between 1956 and 1966.

Argentina’s relation with the United States and with such international agencies as reflected the latter’s hegemony began after the fall of Peronismo. A large investment flow from the States and Europe contributed to strengthen domestic heavy industry. In those years, development did not seem utopic, and the harsh social struggle had to do with the profile of the future development. The traditional difficulty to place Argentina within some homogeneous group of nations was reflected in the way we ourselves looked upon our country. Was Argentina a part of Europe that had been accidentally estranged from geographical proximity to it, or was it just the Third World, with its burden of poverty, violence, and backwardness? However, the striking political instability did not detract from continual economic growth regarding both output and diversification of increasingly sophisticated manufactures.

The State showed all the symptoms of a conflictive society. Relentless inflation mirrored the constant struggle about distribution, something that was not solved insofar as each sector had the power to increase its own prices. Our national currency lost value and became an unfit savings vehicle. Public deficit resulted from the State’s inability to collect taxes in accordance with the law as well as to rationally plan the use of resources. The struggles between various interest sectors with an influence on administrative areas and public enterprises were superimposed on the structural weakness. In turn, public enterprises were shaped in order to meet a number of political needs such as subsidizing social sectors, promoting certain regions, increasing employment rates, creating demands for certain companies, curbing prices, and so on. Quite often this destabilized these enterprises’ financial equilibrium, estranging them from their specific functions, which consisted in providing goods and services. The whole of the State structure appeared as unmanageable. While it did contribute to growth and carried out activities that would otherwise not have been performed, it also squandered significant resources and failed to prioritize strategic goals. No doubt the State’s “inefficiency” was functional to a number of business done in its proximity. Thousands of State suppliers benefited from the surcharges that the State paid, from the lack of appropriate controls, and from administrative errors that gave rise to lawsuits which the public sector nearly always lost. The State was the ground for economic dispute that blurred thousands of different kinds of transactions that made private interests rich. Under these conditions, the State structure and its bureaucracy became solely responsible for an unsatisfactory functioning whose chief beneficiaries stood outside.

Argentina’s relation to the world economy remained conflictive. The country failed to take a stance about foreign investment, which in those days focused on new factories and other undertakings. Did these factories prevent the development of a local industrial bourgeoisie or, rather, did they complement such development? At any rate, foreign companies settled in the
country quickly joined the business of selling relatively expensive products in the domestic market while buying machinery and sophisticated consumables abroad. The issue of self-supply in the petroleum industry lay bare the limitations of Argentine development. The successive administrations hesitated whether to hand over the industry to multinational companies or boost Yacimientos Petrolíferos Fiscales*, a plan that seemed always in the making. Despite achievements in the industrial field, Argentina was still dependent on rural production to obtain the dollars it needed to pursue foreign trade.

**Financial capital takes over**

The military coup of 1976, whose historical importance may be compared to the world crisis of the 30s, acted as a hinge in our history. The five years during which Minister José Alfredo Martínez de Hoz commanded the economy with unchecked power inaugurated the longest stagnation period we had ever experienced together with the first economic model that meant no progress at all to society. The traditional struggle between industry and rural activities witnessed the advent of a new financial private sector, promoted and subsidized by the State. This new actor gradually became predominantly influential on the middle classes, on entrepreneurial ideology, and even on the public agenda.

The State was responsible for the indebtedness of public enterprises. It likewise encouraged the inflow of speculative capital and made its contractors rich through overpriced public works. The temporary abundance of dollars acquired via external credit created an artificial effect of well being, manifest in the massive consumption of imported goods and foreign travel. The other side of the coin showed public indebtment, a financial crisis that broke out in 1980, and the bankruptcy of part of the domestic industry. These factors strongly modified Argentina’s social characteristics, bringing the country nearer a more “Latin American” structure by driving factory workers to precarious, low-productivity employment.

Just as Peronismo created a number of economic realities that survived its ousting, so did the military regime in power between 1976 and 1983 instal most serious hindrances to the country’s economic progress. It is quite likely that the most crucial obstacle lay in the foreign public debt, which systematically bled out State resources and demanded an uninterrupted transfer of part of the GNP to creditor countries/agencies.

Martínez de Hoz’s experiment set a precedent for a new, successful manner of social manipulation: the “neoliberal populism” that reappeared in the 90s. This model, based on financial profit, consists in stimulating the society’s accelerated indebtment to foreign counties. The pill is sugared by access to massive consumption of imported goods. Thanks to the State’s premeditated reduction of the value of foreign currencies, capacity of consumption is artificially increased, and a considerable number of inhabitants improve their lifestyle. Thus the “annoying” features of traditional populism are avoided, preventing income transfer between sectors in real time. The debt method gives a temporary illusion of the possibility of consumption that seems to have no cost. Payment is shoved to the future, and it is in that future that income will drop. From a political viewpoint, the euphoria generated by the “success of the model” serves the purpose of operating structural changes free from the society’s surveillance. Later on, at some point, the fictitious well being becomes a tragedy as the time comes to pay the interests of the loans that financed the consumer binge. Economic dynamics and creditors’ pressure leads to an abrupt deterioration of middle and low income sectors’ lifestyles so as to “save” the money needed to repay external “commitments”.

The huge foreign debt incurred during the Proceso opened the gates of Argentina to international financing agencies, intent on subordinating all economic goals to the collection of funds destined to pay the external debt. This was done at the expense of the Argentines’ lifestyle and of the country’s actual possibilities of economic growth.

Systematic intervention of these agencies, which acted on our economic policy on behalf of creditor countries and banks, lasted until 2005 and kept the course of our national

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* State-owned petroleum company [T.N.]
economy in the hands of international financial capital. However, their “guardianship” was accompanied and promoted by a highly organized lobby of national interests, which became firm allies of global financial aims. The political system seemed to conform to the new reality, and the old nationalist and developmentalist ideas gave way to the new ideological trends provided by the central countries’ think tanks.

Democracy was reborn in the framework of a heavily indebted State, a stagnant economy, an entrepreneurial leadership that lacked a national project and was hostile to regulation by the State, and a society weakened by the offshoots of deindustrialization. The rest of the world was also enamoured of financial returns above production profits, and the “morality” of quick, easy gains prevailed. Many of the structural weaknesses and distortions in the behavior of the economy that originated during the last military dictatorship became rooted after it was over. In the face of the uncertainty posed by the national economy –a sequel of the devastation left by the military regime –the dollar acted as a refuge and a fundamental point of reference. In addition, both prices and personal income became dollarized, reflecting the claims of the upper and middle sectors to earn a steady income in hard currency. Companies dollarized their earnings in an attempt to maintain their profits in dollars regardless of the course of the economy. Thus, the dollar became the currency of reference for the whole system of domestic prices and, at the same time, it was a potential trigger for generalized repricing were it to soar.

In short, if the dollar went up, so did prices, inflation rocketed, wages and salaries dropped, and the resulting conflicts could end up in violence and social riots. Foreign indebtedness, which was again encouraged in the 90s, brought about lasting exchange rate fragility. An anemic State and poor currency reserves created the right scenario for destabilizing maneuvers. Whoever has the means to start a currency run or can provide dollars in large numbers but can also refrain from selling them has the power to affect the rate of exchange, with the concomitant social and political consequences.

The 1989 hyperinflation, a direct precedent of neoliberal reforms, resulted from the combination between a severely indebted, weakened State that failed to collect taxes or discipline the proprietary sectors and a private sector with poor export capacity but quick financial reactions.

Every parasitic, short-term practice resigned to play a dependent role in pre-1930 Argentina reappeared in the guise of modern “structural reforms”, “economic opening”, and “privatizations”, all of them within the larger narrative coming from “globalization” centers. Again our public funds and enterprises fell prey to hazy business. The State guaranteed high profits for new activities, relaunched foreign indebtedness creating a source of commissions for intermediaries, fostered a generalized alienation of public and private companies as well as of natural resources, and squandered resources that, in a number of cases, had been borrowed. All of this happened amid a festive ideological atmosphere that floated on an increasing short-term-ness.

Only after the late 2001 economic collapse did a new era seem to rise in Argentina. The State’s total subordination to the claims made by large companies and big business groups had plunged the country into an unprecedented social and economic catastrophe that shook its social foundations. Nevertheless, neoliberal thought continued to exercise its ideological influence on a large part of the society, while the behaviors typical of the neoliberal decade did not change. It was still believed that development depended on foreign capital; thus, it was imperative “to do the homework”; i.e. to submit to the central countries’ domination and play a passive role in the globalization process. In this sense, there was a return to our economic ideological tradition previous to the 30s. Deprived of its spirit of progress inside of a national community, large sectors in Argentina headed towards a strong, antisocial individualism. Distrust of the social collective (which often amounted to acknowledging private wrongful behaviors) was translated into a series of economic behaviors that turned collective decline into a chronic disease.

In the 90s, the notion of national development changed into magic thought. Advent to the First World would not be achieved through effort, production, and research but through “homework”; namely, by following the guidelines that the center established for the periphery.

* In English in the original [T.N.]
Such guidelines invariably lead to insurmountable backwardness. But the ultimate “success” in luring foreign investment, “opening up to the world”, and abiding by the guidelines set by the international establishment ended up in economic and social regression with rare precedents worldwide.

Whether viewed from a structural or a conjunctural perspective, Argentina reached the 21st century in a serious condition. However, the crisis did not offer a new option to determine the root and solution of its most serious problems. Up till now, a relative recovery of State autonomy has not sufficed to transform the State into an effective mechanism that may coherently implement public policies. The private sector –its leaders, at any rate– seem to miss “the good old times” of the subordinate and powerless State, one that neither controls nor regulates the game. The various entrepreneurial groups are unable to come up with an economic project that might improve the country’s participation in the world’s division of labor, with full, satisfactory inclusion of the population. Nearing the Bicentennial, the meager proposals speak of an actor with a zest for veto but impotent when it comes to exercising a socially positive leadership. Along more general lines, two centuries after Argentina’s foundation, most of her leading class seems trapped in irrelevancies and unable to put forward a mobilizing ideal.

International relations appear to be flowing easily and call for an active presence. Despite its valuable potential, the process of regional integration embodied in MERCOSUR has not yet succeeded in giving expression to institutions ready to overcome the private pressures that hinder its progress. In turn, the United States of America (the dominant power) barely manages to integrate regional economies into her own needs without offering real, palpable improvement. At the same time, the United States leashes out at such national experiences as show greater political autonomy. Productive, technological, and financial changes at world level rise as big challenges and strengthen the need to fortify regional spaces.

Conclusions

It is precisely in this history that lies part of Argentina’s wealth, insofar as it teaches much of what should not be done. Thus one way of thinking Argentine history is noting the country’s greater or lesser capacity and will to control its own evolution and avoid productive dependence on the demands posed by the great powers or the world market at large.

There is no doubt about the economy’s extreme fragility when confronting the movements of the world’s system. The country’s peripheral status, the relative smallness of its economy, and its asymmetric position in its exchanges with the rest of the world are shared with all other dependent countries. While it is true that Argentina’s evolution cannot be understood outside the evolution of the world’s system, it is no less true that there has always been and still is some leeway to define one’s own course, particularly in the case of Argentina.

Much of our national lot has been decided inside our borders. In this sense, one should point out the systematic misuse of our national saving potential, which is far from insignificant and which was wasted on endless payments of endless debts, luxury consumption that would benefit an emirate or a superpower, unbelievably overpriced public works, and billion-dollar deposits abroad.

Argentina has swung between two “ideal kinds” of capitalism. One involved a fully productive economy, with an accumulation of wealth that systematically increased the capacity of generating goods and services. The other tended to foster an economy in which the main source of gains consists in the appropriation of income generated by other sectors. In this model, production proves unprofitable. Argentina has always been a combination of both kinds, with a high incidence of the most parasitic forms, which even prevailed over others in the economic logic that ruled the country as from the 1976 coup.

It is impossible to narrate the history of Argentine inefficacy by just turning to the State or the private sector. There has been a long-standing combination of wrong public policies, parasitic private lobbies, and external acts and pressures that furthered the worst possible practices. The dynamic thus generated ended up by consolidating a kind of capitalism rooted in a strong appetite for privilege, with few productive and technological achievements as
compared to those of other experiences. Another striking feature is the discrepancy between the desire for high standards of living and levels of consumption expressed by the well-to-do and their poor willingness to accumulate productive capital, which is the only non-parasitic way to reach such standards and levels.

Recent history is best understood from this history that dates back to at least two hundred years ago. The rise of China, the new world power, has created a market for soy, a new Argentine rural product. Multinational biotechnology companies supply a “technological package” for its production, our domestic companies produce it, and multinational grain enterprises take care of the profitable export business. Driven by the conjuncture in the world market, a part of the country goes back to the old dream of unlimited wealth. The State, now composed by mixed, partly dismantled structures that lagged behind neoliberalism and by neo-interventionist and erroneously applied practices is once more put in question. The object of criticism is its regulating function over the economy and social life. Once again, the world scenario affects Argentina by making monocultures the easiest, most profitable activity. Once again the dominant class can only focus on immediate profit, while subordinate sectors are severely weakened as a consequence of economic stagnation, recurrent crises, and the lack of structuring discourses. The country as a whole seems unaware of what it is up against, and it does not attempt an explicit discussion about its political, economic, and social priorities.

Be it as it may, Argentina possesses a wealth of undeveloped resources and underestimated human capacity. The mere mobilization of such dormant resources could prompt a remarkable leap in terms of economic well being. The country can certainly generate its own savings and investments in addition to interesting technological developments. It can offer all of its inhabitants a better life. It has the necessary means to abolish destitution and poverty, which would significantly reduce a set of related evils that debase the society at large.

In regard to the world’s system, Argentina owes its vulnerability to its subordinate position within the globalized economy. This can be assuaged by integrating the country into a weightier economic group, a fact that requires a more solid political agency than the one MERCOSUR represents today. If regional construction were possible, the country would lose a certain degree of freedom with respect to its particular options, but it would be less vulnerable and, therefore, more stable and predictable in the face of the huge movements in the world market.

The mere rational social use of the economic surplus, the reduction of squandering on unnecessary external indebtedness or consumption, and the productive application of resources would increase growth and prosperity. While objective conditions speak of great possibilities, the way our society is shaped poses serious determining factors.

One central issue is the leading entrepreneurial class’s incapacity to formulate a comprehensive economic proposal including their need for accumulation and the population’s need for a decent life. Perhaps such incapacity is explained by the traditional rentistic, shortsighted “habitus” strongly influenced by the neoliberalist ideology. An additional reason may lie in the large number of managers working for multinational companies, naturally indifferent to our national destiny. Whatever the case, these actors’ lack of significant ideas is complemented by their deep rejection of conditioning or regulatory factors stemming from a collective economic project.

No transhistorical force binds Argentina to her “would-be” role. World history shows that many countries declined after a period of sustained growth, and that many others resurfaced after extreme weakness.
The Argentine people will (or will not) have their say on the matter.
Bibliography


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