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The great depression in Argentina, Brazil and Uruguay: revisiting vulnerabilities and policies

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Citation

Gerona Morales, M. E., & Sosa Clavijo, S. M. (2015, October 1). *The great depression in Argentina, Brazil and Uruguay: revisiting vulnerabilities and policies*. Retrieved from <https://hdl.handle.net/1887/35598>

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Issue Date: 2015-10-01

V. Argentina in the road to the infamous decade

Over the years Argentina has been regarded as one of the most successful of the new countries of the nineteenth century that enjoyed the *belle époque* of liberalism. It had shown tremendous economic expansion until the beginning of the First World War and it was ranked among the first places in per capita GDP. In this regard, Díaz Alejandro (1970, p. 3) states that the real GDP grew at an average annual rate of at least 5% during the fifty years preceding the war whilst rural output and exports expanded *pari passu* with the railway network. It was a country that had everything: wealth; important cultural and social development making Buenos Aires, its capital, one of the greatest cultural centres in the world; and political stability in the democracy. This scenario was definitely propitious to encourage European investment and immigration beyond the Great War. Remarkable examples of this situation were that the British invested in utility service companies (railways, ports, etc.) and activities associated with export trade (e.g. *frigoríficos* -meat-packing plants-); and that Argentina received 6.3 million²⁰⁰ immigrants during 1857-1930, most of them Italians and Spaniards. All these factors contributed to the improvement of economic market conditions prompting a growing international insertion of the country based on the export of primary goods such as meat and grains, which constituted the base of its wealth and let Argentina earn the reputation of being the 'barn of the world'.

However, the international scene was changing very quickly, marked by conflict, uncertainty and pessimism. Firstly, the outbreak of the First World War revealed the vulnerabilities of Argentina which would contribute to its rapid deterioration. As mentioned previously, this country had a high dependence on the external world, not only because the engine of the economy was exports (fundamentally to the UK) but also due to the imports of foreign capital (especially from the UK and the US) and labour, together with all the difficulties surrounding these factors of production in a context of a continued expansion of the agricultural frontier. In this respect, the war negatively affected Argentine foreign trade and entailed the deterioration of the terms of trade, sinking the country into a severe crisis while the world suffered an excess in supply with permanent agricultural surpluses that triggered every government to protect its producers. But, even worse, foreign capital was repatriated because the UK and other European countries were not in a condition to make investments. Thus, in a similar way to other parts of the world, their place was taken by the US. In this respect, the same North American bankers, such as J.P. Morgan, that granted loans to Europe, after then started to lend to Argentina too.

²⁰⁰ This figure was taken from Díaz Alejandro (1970, p. 24).

Then during the twenties the US exported to Argentina cars, lorries, industrial machinery and so on, established large industrial firms such as General Motors and General Electric and particularly competed with the British for the investments in meat-packing plants, as well as in public utility service companies. However, North America was closed to imports of Argentine commodities, so that did not contribute to generate exports from Argentina which created an important imbalance of payments, difficult to handle for the government. In addition, in spite of the fact that the UK had lost ground as an international leader and it had been replaced by the US, Argentina kept a complex relationship with it. Argentina exported meat and grains to the UK which the British paid for with the profits from the sale of railway materials, coal and textiles and with the profits from the railway companies, among others. But the UK did not have the capacity to supply new consumer demands in Argentina or to inject the necessary capital to promote the transformations that the North Americans were encouraging. At the same time, fundamentally after 1921, Argentina lacked alternative buyers, especially for meat²⁰¹ just in a period (between 1921 and 1924) when the country suffered another negative shock with significant contractions in agricultural prices but in this case as consequence of the post-war adjustments. Increasingly under the threat of the advance of the North Americans in Argentina, the British exerted pressure on the Argentine government with the argument of a possible increase of purchases inside the Empire, a situation that was effective later in the framework of the Ottawa Agreements. Thus, from all the elements exposed above it is possible to conclude that Argentina was part of a delicate international economic network closely connected with the swings in the European conjuncture.

Moreover, although the country enjoyed a period of calm until 1929, the political tensions, the social and economic gap between the rural masses and the urban middle class, and regional frictions complicated more and more the internal panorama. These frictions among provinces related to the particular structure around the port of Buenos Aires as the gateway to the world markets. In fact, Argentina was characterized by the famous Argentinean economist Alejandro Bunge as a '*país abanico*' ('fan country')²⁰² where one-third of the total territory centred in Buenos Aires concentrated 80% of the total population and 90% of the economic capacity of the country and where the cultural, economic and social conditions deteriorated according to the distance to the capital: a situation that generated resentment in the rest of the country.

In this chapter, as the background of the impact of the Great Depression, we analyse the prosperity that Argentina was enjoying by the twenties and its rapid deterioration in a difficult

²⁰¹ See Romero (2002, p. 43).

²⁰² '*País abanico*' (in Spanish) is an expression from Alejandro Bunge (1880-1943) in his book '*Una Nueva Argentina*'. According to Bunge (1984, pp. 233-234) in 1924 studies proved that one-third of the total territory of Argentina, covered by an arc of circle of 780 km of radius with a central point in Buenos Aires, included 80% of the total population and 90% of the economic capacity of the country. Then in 1938, in order to analyze how this situation had changed, this author did other studies dividing the country in three zones formed by concentric circular areas to Buenos Aires: the first zone with a radius of 580 km (a nuclear area that concentrated more than 80% of the national production), the second zone with radius of 1,000 km and the third one covering the regions beyond the second arc (a peripheral area, which included, in complete form, the '*patagónica*' region). The result was that when one moves away from the central point, located in Buenos Aires, the population density, the cultural level and the economic capacity of the country decrease.

political and social context, focusing on its economy and its vulnerabilities associated with the main political facts. In addition, in order to have a complete picture of the weaknesses of the country by that time, we present its economic structure and we explain trade aspects more deeply, as well as describing the international standing of Argentina at the beginning of the storm.

i. A South American big player

In this section we tackle Argentina's standing in the world at the outbreak of the Great Depression in aspects such as: per capita GDP, world exports, trade openness, as a recipient of UK and US investments, international reserves level, real wages and social conditions, and finally its interconnectedness with other countries.

This wealthy country with 2,797,000 square kilometres²⁰³ and eleven and a half million inhabitants²⁰⁴ in 1929 shared worldwide leadership in many aspects with countries such as Australia and Canada. It shared with its small neighbour, Uruguay, by 1929, a high per capita GDP. According to figures from Maddison (2010), as mentioned before in 1929 the per capita GDP of Argentina was 4,367 dollars²⁰⁵ which was not far from the per capita GDP of Australia (5,263 dollars) and Canada (5,065 dollars) and Uruguay enjoyed a per capita GDP of 3,847 dollars. However, this was not the case for the larger Brazil²⁰⁶ which had a per capita GDP almost four times lower than Argentina (1,137 dollars), a situation that could be explained, among other things, by the differences in the population growth rate.

In addition, Argentina, categorized as a 'non-tropical agricultural country' by the League of Nations' terminology as an exporter of goods of rural origin, according to data from the League of Nations (1930, pp. 148-149) in 1928 ranked tenth among the major trading nations practically reaching 3% of world exports. Furthermore, taking for the calculations figures from the League of Nations (1942, pp. 99-100), Argentine exports represented 32% of the total Latin American exports and 30% of the total imports from that region, whereas the figures for Brazil were 15% and 16% respectively. On the other hand, after using information on exports and population from the League of Nations (1930), in 1929 Argentina reached per capita exports of 80 dollars a year, a high figure well comparable with developed countries. For example, in countries such as Australia and Canada the per capita exports were 105 and 125 dollars in terms of 1928-1929 US dollars respectively²⁰⁷. Thus, there is no doubt that Argentina had an important international position as a supplier of primary products. In this regard, Table 23 with data compiled from Taylor & Taylor (1943) shows that during the period 1924-1928 and in relation to the grain trade Argentina was the premier exporting country of maize representing more than 60% of world exports. It was followed by the US, the Union of South Africa and countries from Eastern

²⁰³ This figure was taken from the League of Nations (1930, p. 20).

²⁰⁴ This figure was taken from Maddison (2010).

²⁰⁵ They are 1990 international Geary-Khamis dollars (Maddison, 2010).

²⁰⁶ Brazil had a large area ranked near first place, among countries such as Canada, the US, China and Australia. However, Argentina had an area three times smaller than Brazil and Uruguay forty-five times smaller than that country (League of Nations, 1930, pp. 18-23).

²⁰⁷ See Díaz Alejandro (1970, p. 56).

Europe. Moreover, this country ranked in first place for linseed also supplying around 60% of world exports²⁰⁸. And it was the third largest exporter of wheat with a share of around 17%, sharing the world market with countries such as Canada, the US and Australia. In this regard, with these high shares in world exports it is possible to conclude that Argentina for these products (maize, linseed and wheat) had an important influence on the formation of their international prices, that is to say that Argentina in those markets was not a price taker. For example, one of the world reference prices for wheat was from Buenos Aires -*Barletta* market- and for maize (yellow) and linseed from Buenos Aires -*La Plata* market-, too. Concerning the meat trade, Argentina ranked in first place as an exporting country of beef and veal with a share of around 60% of world exports followed by Uruguay, Australia, Brazil, New Zealand and Canada; and in second place in mutton and lamb representing almost 28% of world exports. Finally, this country was the second largest exporter of wool (as a primary product) with a share of around 12% and the fourth largest exporter of cattle with a share of around 6% among countries such as Ireland, Hungary, Mexico, Denmark, Canada, France, the US and Uruguay.

Table 23 International position of Argentina among main exporting countries (1924-1928)

Product	Ranking	Competitors (in order of importance)	Net exports	% of world exports
Maize	1	United States, Union of South Africa, countries from Eastern Europe (as primary exporters)	213.3 million bushels	63.4
Beef and veal	1	Uruguay, Australia, Brazil, New Zealand, Canada	1,616 million pounds	61.0
Mutton and lamb	2	New Zealand, Australia, Uruguay	178 million pounds	27.9
Wheat	3	Canada, United States, Australia	146.9 million bushels	16.8
Wool	2	Australia, New Zealand, Union of South Africa, Uruguay (as primary exporters)	292 million pounds	12.2
Cattle	4	Eire, Hungary, Mexico, Denmark, Canada, France, United States, Uruguay	164 thousand heads	6.3

Source: compiled from Taylor & Taylor (1943). Notes: a) wheat includes wheat flour; and b) 'pounds' as measure of weight.

In relation to the trade openness coefficient of Argentina as the quotient between trade (exports) and GDP, taken from Cortés Conde (2009, p. 322) and if one takes into account the possible limitations of this indicator, in 1927 it reached the figure of 57% whilst in 1929 this was 49.9%. That means that by the late twenties Argentina was decreasing its trade openness. However, as a

²⁰⁸ See Royal Institute of International Affairs (1932, p. 118).

result of its moderate protectionism by the twenties, as Table 24 shows, its ratio of total tariff revenues to the total value of merchandise (15.2%) remained lower than Australia and very similar to Canada but higher than the US, a country that traditionally had been characterized by having high tariffs.

Table 24 Ratio of total tariff revenues to the total value of merchandise (1925)

	%
Australia	18.5
Argentina	15.2
Canada	15.1
United States	13.2

Source: Díaz Alejandro (1967, p. 81) from "Tariff Level Indices" of League of Nations, Geneva (1927).

Moreover, Table 25 with information compiled from the Royal Institute of International Affairs (1937) describes how in 1930 Argentina ranked in fourth place for both UK and US long-term investments. By that year, the British had invested in Argentina around 450 million pounds representing 12.1% of their total long-term investments. This total sum was divided as follows: 57% in railways, 16% in government bonds and the rest was channelled into activities associated with the export trade. On the other hand, for the case of the US, the share was 5.2% reaching 808 million dollars. 449 million dollars were portfolio holdings²⁰⁹ and 359 million dollars were direct investments, mainly in power, transport and communications, banking, meat-packing plants, and petroleum companies. Thus, this scenario shows not only the important position of Argentina for UK and US investments but also the great dependence of the Argentine economy on UK and US capital as another key vulnerability in the case of a downturn in either of these investing countries. It is important to note that British holdings of Argentine securities had tended to decrease since the war, both because a considerable part of US direct investments during this period took the form of purchases of enterprises previously owned by the UK, and because, in the absence of any significant new investment, the process of amortization helped to reduce the volume of capital outstanding²¹⁰.

Furthermore, another factor that positioned Argentina in the world was its international reserves level. By 1928, this country was reinforced with a high sum of reserves with gold backing, 490 million gold pesos²¹¹; a lot more than in the previous great Argentine downturn in 1899 when the reserves were less than 2 million gold pesos²¹². Probably this aspect, and also considering the gold flight from Argentina since 1928, could explain why this country did not default in the thirties.

²⁰⁹ Of which about 72% were in national bonds, 19% provincial bonds and 9% in municipal government bonds (Royal Institute of International Affairs, 1937, p. 270).

²¹⁰ See Royal Institute of International Affairs (1937, p. 271).

²¹¹ According to the yearbook of League of Nations, this gold stock refers only to Conversion Office (League of Nations, 1935c).

²¹² See Díaz Alejandro (1970, p. 57).

With regard to real wages and social conditions, before 1930, the real wages of most Argentine urban and rural workers were at the level of those of many Western European workers. However, the social and political conditions of the workers were worse than in Europe. Health and education facilities for workers of the livestock farms and for cereal tenant farmers were few and of low quality. Moreover, trade unions were scarce and basically related to railway workers. Social legislation before 1930 was basic, there was none concerning trade unions and a general system of social security did not exist, unlike in neighbouring Uruguay which at that time had made progress in this area. It was only in 1930 that the *Confederación General del Trabajo* (CGT, National Confederation of Workers) was created in Argentina as a result of an agreement between Socialists, syndicalists and Independents²¹³.

Table 25 Geographical distribution of British and American long-term investments (December 1930)

Ranking	UK investments			US investments		
	Country or region	Million pounds	%	Country or region	Million US dollars	%
1	India and Ceylon	540	14.5	Canada and Newfoundland	3,942	25.2
2	Canada	525	14.1	Germany	1,421	9.1
3	Australasia	494	13.3	Cuba	1,067	6.8
4	Argentina	450	12.1	Argentina	808	5.2
5	Europe	295	7.9	Chile	701	4.5
6	South Africa	263	7.1	Mexico	694*	4.4
7	United States	201	5.4	United Kingdom	641	3.9
8	Brazil	190	5.1	Brazil	557	3.5
9	New Zealand	123	3.3	France	472	3.1
10	Malaya (including non-British)	108	2.9	Japan	445	2.8

Source: compiled from the Royal Institute of International Affairs (1937, p. 142 and pp. 186-187). Notes: a) for the case of the US the data include direct and portfolio investments; and b) 'Europe' includes all of Turkey. * Portfolio investments estimated at 116 million dollars by Edgar Thurlington; but market value not more than 15 million dollars.

Concerning international relations, by 1929, Argentina had the reputation of an important player, not only in the inter-American scene but also in intercontinental political affairs. As Díaz Alejandro (1970, p. 59) argues, many influential Argentine leaders mentioned that their country acted as counterweight to the US in the Americas and dreamed of increasing the influence of Argentina in neighbouring countries. However, regarding Anglo-Argentine relations, in spite of their mutual respect and independence in a politic level (since citizens of Buenos Aires defeated a British attempt to end Spanish control in *Río de la Plata* in 1807), on an economic level there was a complex and delicate interdependence. In this respect, O'Connell (2000, p. 169) argues

²¹³ See "Se creó la CGT" (1930, p. 482) in *El Bicentenario*.

that Argentina had limited its autonomy for the UK. This country was the main export market for Argentine products (especially beef that was adapted to British tastes) and Argentina constituted important recipient country of British investments, but also Southern European immigrants had inserted into Argentine social life Anglo-Saxon ways and customs.

However, in addition to everything mentioned before, it is worth noting that during the period 1925-1929 Argentina had lost ground in its relative world position and its failure to fulfil pre-1930 expectations had created frustration in society in general. Certainly, many Argentineans started to feel that welfare had declined because of the swings in the economy and the struggle of interests linked to politics.

ii. The undermined prosperity

During the twenties, Argentina enjoyed a relative prosperity. As it is possible to appreciate in Table 26, which shows the evolution of the total and the per capita GDP during the years previous to the Great Depression, both variables steadily grew, marking the notorious success of the Argentine economy during the Radical government that dominated the political scene since 1916²¹⁴. Between 1925 and 1929 the total GDP increased at an average annual rate of 5.5% and the per capita GDP 2.5%, taking into account that Argentina was historically characterized as a country with high per capita GDP. In this regard, in 1929 the per capita GDP not only was the highest in Latin America reaching the figure of 4,367 dollars, but also it was similar to the per capita GDP of France (4,710 dollars) and was not far from Canada (5,065 dollars), New Zealand (5,262 dollars), Australia (5,263 dollars) or even the UK (5,503 dollars).

But, everything was not '*color de rosa*'. In line with Falcoff & Dolkart (1975, p. x) we consider mainly that the dislocation in Argentina occurred because of the abrupt disappearance of the conditions that made possible the emergence of the modern Republic in the late nineteenth century. Those conditions were the existence of the British Empire as a main market for foodstuffs, the international division of labour, and the relatively free movement of goods and services across national boundaries. Therefore, it is possible to argue that together with the disappearance of those conditions and the existence of important vulnerabilities, the failures of Hipólito Yrigoyen's government (1928-1930) which was not able to respond adequately to the international crisis known as the Great Depression, prompted the interruption of Argentine success.

In particular, Figure 8 illustrates the different vulnerabilities of Argentina grouped in economic, political and social aspects –i.e. high dependence on the external world, imposition of the gold standard, political instability with conflicts and divisions, struggle of interests around foreign capital and social and economic antagonisms, among others- as well as external factors that impacted on the economy. In this regard, it is relevant to mention that those external factors were linked to the economic decisions taken by the UK and the US in a context of a changeable international scenario. All these elements, which we develop in this section, caused the rapid

²¹⁴ The Radicals had the control of the government, alternating the presidency between Hipólito Yrigoyen (1916-1922 and 1928-1930), and Marcelo T. de Alvear (1922-1928).

deterioration of the country at the end of the twenties mainly characterized by fiscal deficit, currency depreciation, contraction in export values, capital outflows and disorientation in the society in general.

In 1922 Marcelo T. de Alvear assumed the presidency, succeeded in 1928 by Hipólito Yrigoyen. Alvear was a member of the *Unión Cívica Radical* (UCR, Radical Civic Union) and one of the country's wealthiest landowning families. He boosted the rapid expansion of the middle class and the wealthy social elite that constituted the base of the Argentine liberal economic model of the decade. But, he had to face three important issues: crisis in the beef industry, tariff reform, and the public debt²¹⁵, together with all the Argentine vulnerabilities.

Table 26 Argentina: Total GDP and per capita GDP (1928=100)

Year	Total GDP Million 1990 International Geary-Khamis dollars²¹⁶	Total GDP index 1928=100	Per capita GDP 1990 International Geary-Khamis dollars	Per capita GDP index 1928=100
1925	40,597	84	3,919	91
1926	42,544	88	3,994	93
1927	45,567	94	4,156	97
1928	48,414	100	4,291	100
1929	50,623	105	4,367	102

Source: calculated from Maddison (2010)²¹⁷.

The first issue was dominated by the power wielded by the meat-packing plants (fundamentally of foreign capital origin) in Argentine politics. Thus, for a proper comprehension of the real situation, it is essential to keep in mind the most important facts related to the meat industry. Firstly, the meat boom ended abruptly in 1921 when the British government ceased stockpiling supplies from Argentina, abolished meat control and began to liquidate its accumulated holdings. In this respect, Smith (1969, p. 83) argues that as the UK was focused on reconstruction after the Great War and they were unable to maintain much purchasing power and as they had also stockpiled large amounts of canned and frozen beef, they decided to consume those stocks before importing more. This decision negatively affected the Argentine meat trade. Rock (1985, pp. 204-205) states that in 1921 the number of livestock slaughtered for export was less than half that in 1918 and prices also dropped by half. And therefore the production of frozen and canned beef fell abruptly. As a consequence, the beef trade remained dominated by chilled beef to the point that the proportion of chilled in total beef exports jumped from less than 12% in 1920 to more than 60% in 1922!²¹⁸

²¹⁵ See Rock (1985, p. 203).

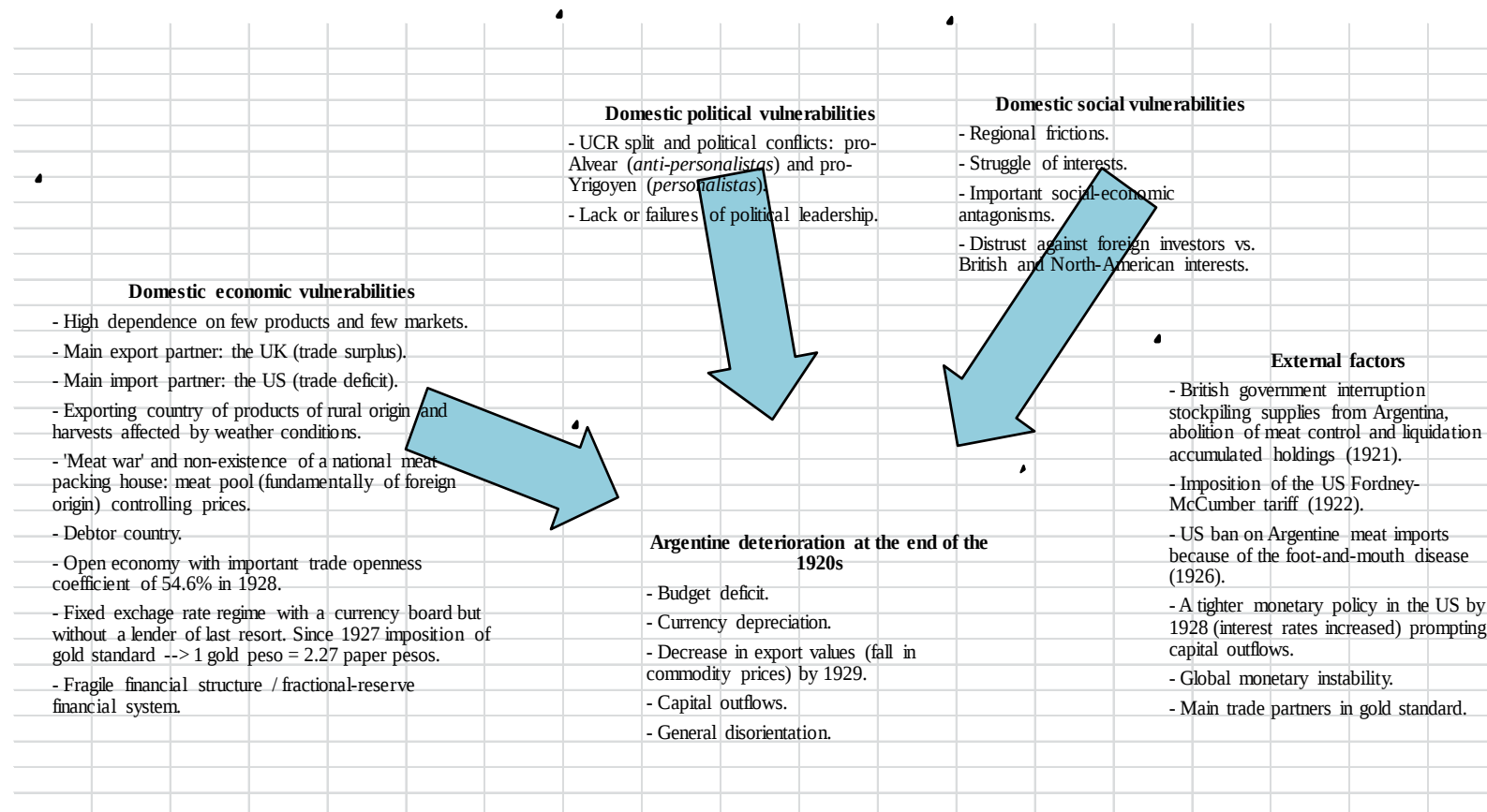
²¹⁶ For more detailed information about Maddison's methodology see the "Introduction" of this thesis.

²¹⁷ Maddison (2010) was taken as source of information in order to make international comparisons and this information is consistent with, for example, the figures taken from Cortés Conde (2009, p. 309) that show the sharp growing of the total GDP, too. These figures (base year recalculated to 1928) are as follows: 1925: 86, 1926: 92, 1927: 99, 1928: 100 and 1929: 101.

²¹⁸ See Smith (1969, p. 83).

Figure 8 Argentina: Deterioration at the end of the twenties

Macroeconomic twin- risk



Moreover, the depression affected all sectors due to the particular vertical organization of the industry and in this concern a key element was that the losses were unevenly distributed. In this regard, the way out of this bad situation for the meat business was to attempt to protect the profit margin by lowering the prices, which was detrimental to subordinate sectors (e.g. fatteners cut prices to breeders). And in this context the meat-packing plants had the greatest power and freedom of manoeuvre. In addition, at the most difficult phase of depression a group representing the livestock breeders led by Pedro Pagés won control over the *Sociedad Rural Argentina* (SRA, Rural Society). That meant significant progress for those who were worst hit in the meat sector because one of the most important functions of this institution was to put pressure on the government to intervene against the meat-packing plants, which were accused of operating a buying pool to protect their own profits.

With the purpose of fighting against the meat-packers' pool the SRA proposed creating a nationally owned plant that would pay higher prices than the American and British buyers. Other important recommendations were: the introduction of an officially regulated minimum price determined by weight rather than pedigree (in order to assist livestock farmers overstocked with creole livestock), and a more severe measure, the exclusion of foreign meat packers from the domestic market, which would be reserved for those with lower-grade stock²¹⁹. In this regard, in 1923, with support from Alvear, Congress passed legislation that incorporated most of these proposals. But, the packers reacted very badly and imposed an embargo on all livestock purchases, an action that entailed confusion, frustration and division among the livestock farmers. Thus, in response to that situation, the government desisted from the idea of other interventions, a reaction that demonstrated the power of foreign-dominated monopsonies.

However, according to Smith (1969, p. 112) the prelude to the 'meat war' began in January 1925, when the British-owned Smithfield & Argentine firm announced the modernization and enlargement of its plant and demanded a two-thirds increase in its quota (from 5.65% to 8.50%). Two years later, after arduous negotiations, the packers reached an agreement of distribution of the market share: Americans, 54.9%; British, 35.1%; Argentineans, only 10%²²⁰! Thus, more than ever before, the Argentine beef trade was controlled by foreign interests and in this regard the war was already established between foreigners and the Argentineans who desired to increase their market share. In this respect there is a relevant difference between Argentina and its neighbouring country Uruguay. The latter had a margin of negotiation in the meat market because it had had a national meat-packing plant since 1928 while in Argentina that was only a project in discussion supported mainly by the breeders, very difficult to make a reality. That was because of the pressure generated by the foreign presence, a situation that, as Figure 8 describes, made the country more vulnerable. In this regard, according to Díaz Alejandro (1970, p. 61) frictions between foreign investors and Argentineans were perhaps the most potentially

²¹⁹ See Rock (1985, p. 205).

²²⁰ By the 1920s the Argentine meat trade was handled by the following companies: the North Americans, Swift, Armour and Morris; the English, Vestey Bros, Smithfield and Argentine Meat Co. Ltd, and the English and Dutch Meat Co. Ltd; and the Argentine firm Sansinena, which used English and French capital (Gravil, 1970, p. 147).

explosive issue kept under control by the twenties²²¹. In general, public service companies such as railways and meat-packing plants, all of them using foreign capital, were involved in terrible scandals accused of making exorbitant profits from the abuse of their oligopolistic and oligopsonist power.

A second issue that Alvear had to handle was the need for a tariff reform because by that time the tariff structure did not reflect reality, showing the predominance of the nineteenth century thinking towards tariffs and industrial development. In this regard, in 1923 Alvear presented to the Congress some proposals that, according to some researchers, could be interpreted as a strong shift towards protectionism in support of domestic manufacturing²²². Some of the main proposals were: to reduce duties on imported raw materials used by the metallurgical industry, to extend the protection to cotton, yerba mate²²³, and temperate fruits (in order to assist government colonization schemes in the Chaco, Misiones and Rio Negro) and to increase tariff valuations (*aforos*)²²⁴, the notional values applied to each category of imports upon which variable schedules of duties were imposed²²⁵. But, in the end, after the resignation of the Minister of Finance Herrera Vegas, these readjustments resulted in no greater effect than to restore duties to the level of 1914, introducing a 60% increase in official valuations and raising specified duties by one-fourth with the main purpose of increasing customs revenues²²⁶. This meant a clear adjustment that attempted to restore normality in a context of imposition of protectionist measures in developed countries. That is the case of the US with the enactment of the Fordney-McCumber tariff that in 1922 restored and extended the earlier policy of exclusion.

Finally, the third issue that Alvear's government had to face was the public debt. A large floating debt²²⁷ that was inherited from the high public expenditure in Yrigoyen's term, turned into a divisive factor in the Radical party ironically entailing the resurgence of Yrigoyen as a popular leader and favourite to win the presidential elections of 1928. The main reason was that in order to fight against the volume of public debt, large-scale dismissals were begun that affected appointees from the previous administration and therefore Alvear quickly lost the support of his party. Even worse, the middle class and mainly the beneficiaries of government patronage and jobbery overwhelmingly renounced Alvear and followed Yrigoyen.

²²¹ It is important to keep in mind that since 1862 when Argentina began to receive capital flows from abroad, a certain distrust against foreign investors, especially the British, was not exceptional (Díaz Alejandro, 1970, p. 60).

²²² This claim was first made by Alejandro Bunge, early apostle of industrialization and a proponent of protectionist programs emulating Japanese practice (Rock, 1985, p. 205).

²²³ 'Yerba mate' is a plant with green leaves belonging to a species of holly, well-known as the source of the mate beverage. The infusion, called 'mate' in Spanish-speaking countries or '*chimarrão*' in south Brazil, is prepared by steeping dry leaves (and twigs) of the mate plant in hot water, rather than in boiling water.

²²⁴ The 1906 Law set an estimated unit value (*aforo*) on each imported item that could be changed only by law (Díaz Alejandro, 1970, p. 281).

²²⁵ See Rock (1985, p. 206).

²²⁶ See O'Connell (1986, p. 88). By the early twenties the real incidence of the *aforos* had reduced substantially, due to the wartime inflation, and government revenues along with them (Díaz Alejandro, 1970, p. 206).

²²⁷ Floating debt: debt issues in bonds or treasury bills with fixed maturity at short-term with the possibility of rescue in order to finance extraordinary expenses. It is the part of the public debt which is not consolidated (Andersen, 1999).

Another factor in the vulnerability of Argentina shown in Figure 8 was that by 1924 the differences in thinking on political conduct (e.g. as mentioned above, differences in the management of the public debt) between the followers of Yrigoyen (*personalistas*) and the followers of Alvear (*anti-personalistas*) caused the split of the UCR. In this regard, severe conflicts in the UCR began and the turbulent scenario was extrapolated to society in general, prompting discontents fuelled by the struggle of interests, regional frictions and important social-economic antagonisms. In the latter matter, by 1929, in a similar way to the events that occurred during the nineteenth century, the discrepancies between the Province of Buenos Aires and the rest of the country were a source of disorder and political tensions in Argentina because of the existence of resentment by the rest of the country against this zone. This area, rich in natural resources, enjoyed the concentration of wealth with a real income higher than the average for the whole of the country and the concentration of population especially around the metropolitan centre of Buenos Aires, which had an important geographical position and a strategic port. All these characteristics allowed the Province of Buenos Aires, as political and economic centre, to control the rest of the country. In this regard, Real (1962, pp. 25-26) stresses that in an area of 300 km around the port of Buenos Aires 72% of cattle, 60% of sheep, 95.7% of cultivated cereals and linseed, 81% of industrial establishments, 80% of invested capitals, 80% of total production and 86% of industrial workers were concentrated. These figures show the split in the national unity of the country divided into a powerful and wealthy coastline concentrating more than 80% of the total production, domestic and foreign trade, and the rest of the country, the North-western quasi colonial and uninhabited, and the '*Patagonia desértica*' (deserted Patagonia).

In the agricultural field, there were also serious antagonisms between those that supported free trade and others who preferred protectionist policies to safeguard their interests²²⁸. On the other hand, the cereal tenant farmers since the late nineteenth century complained about high rents and oligopsonist commercial interests in the grain export trade. In this regard, as in the case of the meat trade mentioned before, the belief grew that a corrupt alliance of foreigners and domestic 'oligarchs' in both import and export activities ran the country only for their own profit²²⁹. Thus, in this conflictive context, whenever Argentina suffered bad harvests or was hit by the fall of commodities prices, these conflicts acted as aggravating factors of the downturn.

However, as it is represented in Figure 8, the main vulnerability of the country was given by the fact that it was an open and export-led economy with a trade openness coefficient around 55%²³⁰ in 1928 which showed a strong dependence on the external world. At this point, Argentina was a developing and debtor country²³¹ and an exporter of foodstuffs and raw materials which depended on the swings of the international prices of commodities or using the expression of Díaz Alejandro (2000, p. 17) on the 'commodity lottery'. But, making the

²²⁸ It is important to note that in days of Spanish domination and under the Rosas regime, restrictions on exports had been used to maintain low domestic prices of wage goods, favouring the worker class (Díaz Alejandro, 1970, p. 65).

²²⁹ See Díaz Alejandro (1970, pp. 61-65).

²³⁰ This figure was taken from Cortés Conde (2009, p. 322).

²³¹ However, Argentina was well positioned in the world. See the section "A South American big player".

situation worse, its few most important export products had as destination few markets; fundamentally the UK and Western Europe. In addition, as mentioned before, Argentina depended not only on US goods -constituting it in its main supplier- but also on US and UK capital to finance and supply its private and public activities and to resolve its problems of balance of payments. In this regard, the external factors fuelled the vulnerabilities and the first signals of the forthcoming Argentine crisis started to appear.

In relation to the evolution of its foreign trade in dollars between 1925 and 1929, Table 27 reveals that in 1926 exports and imports decreased 8% and 5.4% respectively relative to 1925, showing a trade deficit in merchandise of 28 million dollars. This evidence is not a surprise due to the persistent fall in agricultural prices after the First World War²³². In addition, it is important to keep in mind that Argentina suffered harvest losses due to drought every 3 to 5 years²³³ and during the period 1924-1925 Argentina had a bad harvest again pushing down the grain export volumes. And to aggravate more the situation by the end of 1926 meat exports were seriously affected because of the sanitary barrier imposed by the US against Argentine meat, banning the imports of meat from the River Plate –a measure opposed to the interests of the American packers-, affecting also Uruguay, under the justification of the presence of foot-and-mouth disease in the region²³⁴. In this regard, it proves evident that although at first this measure taken by the US was a product of the fear to import infected meat, in the end it acted as a protectionist device. Ironically, this embargo had been prompted, in fact, by a British discovery²³⁵ and in spite of the fact that in June 1926 the British government had prohibited imports of carcasses slaughtered in continental Europe, UK did not apply this measure to Argentina and only demanded a tightening-up of sanitary measures²³⁶.

However, the year 1927 was spectacular in terms of trade: exports increased 33% in comparison with the year before, imports also increased but to a rather lesser extent (8.8%) and for the first time during the period the country reached a trade surplus of 147 million dollars. In that year, although maize, linseed and chilled beef, among the main export products, showed a bad price performance, salted and dried cattle hides increased their prices around 30%²³⁷ and according to

²³² The first downturn in the twenties was during the period 1919-1921 because of a sharp reduction in agricultural prices after the end of the First World War. For more information in this regard see O'Connell (2000, pp. 166-169).

²³³ See O'Connell (2000, p. 166).

²³⁴ For more detailed information see O'Connell (1986b).

²³⁵ The British discovered that the foot-and-mouth virus remained alive for several weeks in the bone marrow and in some of the blood vessels of refrigerated carcasses (O'Connell, 1986, p. 85)

²³⁶ Argentine government introduced some additional measures of sanitary control late in 1927 and early 1928 after the British inspections (O'Connell, 1986, p. 85). For example, in early 1928 Lord Bledisloe, parliamentary secretary to the British Minister of Agriculture, made an inspection tour of Argentina. He noted the mildness of the disease where it existed and recommended several measures for its control; these the livestock farmers promised to carry out. However, Bledisloe's visit was also inconclusive; more would have to be done (Smith, 1969, p. 120). With this evidence, it is possible to conclude that the British were aware of that the imposition of an embargo, like the US did, could cause a disaster for the Argentine economy and probably the UK economy –impacting on the cost of living- taking into account the importance of the British market for Argentine meat exports (see next section) and, therefore, the British government had to stand firm against the pressure exerted by the UK livestock farmers to stop importing Argentine beef.

²³⁷ See Prebisch (1991, p. 261).

Viales (2000, p. 98) the Argentine wheat price reached its maximum in May, 1927²³⁸. Then, in 1928 the improvement in export prices was significant with rises in maize, linseed, chilled beef, cattle hides and wool²³⁹ and, as it is possible to appreciate in Table 27, exports increased 4.6% in relation to 1927 while imports decreased 2.2%, achieving a trade surplus of 210 million dollars! But this prosperity was about to end. Once again, the evolution of the agricultural prices was not favourable to Argentina. In spite of the fact that in 1928 average prices of commodities increased...by mid-1928 wheat market prices declined. In addition, news of larger harvests in the Northern Hemisphere season by mid-1929 only made the situation worse. Thus, wheat prices fell almost 30% between May 1928 and May 1929²⁴⁰. In 1929, although Argentina enjoyed a positive trade balance, this one did not reach the level of 1928. Exports decreased 10.8% in relation to 1928 and kept below the level of 1927 in a context where clear signals of problems of access to external markets started to appear because of the financial constraints and monetary instability all over the world. Wheat, maize, cattle hides and wool prices suffered contractions; the exceptions were linseed, meat and dairy products²⁴¹.

Table 27 Argentina: Foreign trade in million US dollars (1925-1929)

Year	Exports	Imports	Trade balance
1925	793	801	-8
1926	730	758	-28
1927	972	825	147
1928	1,017	807	210
1929	907	820	87

Source: calculated from Statistical Yearbook of the League of Nations (various years). Economic Intelligence Service. Geneva. Notes: a) special trade, only merchandise; b) the export values are FOB values and the import values are CIF values, '*valores reales*'; c) original data expressed in paper pesos, in order to obtain the figures in current million US dollars, the US dollars/gold pesos exchange rates from Officer (2011) and the parity 1 gold peso = 2.27 paper pesos were applied; and d) it is important to highlight that the values expressed in current million dollars are the closest possible to the transaction values taking into account the monetary and exchange rate instability for the period of analysis.

With regard to the value of the Argentine currency, beginning in 1926 the peso –which had depreciated under inconvertibility- started to rise against the pound and the dollar²⁴² whilst capital inflows increased. Furthermore, in 1927 there was a new expansion of capital inflows; especially channelled into fields such as public borrowing and foreign trade. Thus, in that year Argentina found the pre-conditions to adopt the gold standard following the international trend and the monetary authorities established the parity of 1 gold peso = 2.27 paper pesos²⁴³. That

²³⁸ However, in 1927 in average terms the wheat price (11.31 pesos per 100 kg. = 4.79 dollars per 100 kg.) remained below the level of 1926 (12.20 pesos per 100 kg. = 4.95 dollars per 100 kg.). Figures based on Prebisch (1991, p. 261) and after conversions expressed in dollars by the author.

²³⁹ See Prebisch (1991, p. 261).

²⁴⁰ See O'Connell (2000, p. 170).

²⁴¹ See Prebisch (1991, pp. 137-139, 261).

²⁴² According to della Paolera et al. (2003, p. 54) in their study about the contemporaneous macroeconomic performance of Argentina, during Alvear's period (1922-1928), in average terms the devaluation rate was - 2.72% (that meant the revaluation of the peso). For peso quotations in pounds and US dollars see Balboa (1972, pp. 159-160).

²⁴³ Before that year, Argentina was in the gold standard during the period 1899-1914 (Geller, 1975, p. 1).

was two years after the main importer of Argentine products, the UK, adopted that regime as well as its main supplier, the US, a country that was in the gold standard since 1919. In this regard, with the adoption of the gold standard this country increased its level of vulnerability in the face of external shocks in a scenario where the peso was touching parity whilst the banks accumulated sizeable foreign reserves²⁴⁴.

Regarding financial aspects and turning to the exchange rate regime, Argentina was very vulnerable and faced an important macroeconomic twin-risk: the existence of a fragile financial structure with a fractional-reserve financial system²⁴⁵ and a fixed exchange rate regime with a system of *caja de conversión* (currency board) since 1899 but without a lender of last resort²⁴⁶. The task of the Conversion Office was the exchange of paper pesos for specie. Hence, the authorities could not control the nominal quantity of the monetary base in the economy leaving the government without any margin of manoeuvre in case of an economic crisis²⁴⁷. In addition to this, by 1928, a tighter monetary policy in the US²⁴⁸ immediately prompted important capital outflows, which meant, according to the expression used by Bulmer-Thomas (1994, p. 161), that the ‘dance of the millions’²⁴⁹ in Latin America had ended. Argentina was not the exception. In a context of a strong Argentine peso under free convertibility, Table 28 shows the capital flows in Argentina by that time. During the period 1928-1929 there was a capital flight of millions of gold dollars because of the egregious decrease in value, especially short-term capital items (-10.9)²⁵⁰, a situation that to a lesser extent continued for the case of short-term capital during the period 1929-1930. Thus, 1928 meant a special year, not only for the general elections in April but also for the existence of capital outflows, a significant trade surplus and increases in export prices, though the evolution in agricultural prices was not clear (erratic with important falls). In this scenario, in that year the country started to feel an economic dislocation towards the depression as can be seen in the core of Figure 8.

²⁴⁴ See O’Connell (2000, p. 169).

²⁴⁵ Fractional-reserve financial system is a sort of system whereby the main bank, in this case *Banco de la Nación Argentina* (BNA, Bank of the Argentine Nation), does not retain all of a customer’s deposits within the bank. Funds received by the bank are generally loaned on to other customers. This means that available funds (so-called bank reserves) are only a fraction (the so-called reserve ratio) of the quantity of deposits at the bank. As most bank deposits are treated as money in their own right, fractional reserve banking increases the money supply, and banks are said to create money. Bank runs (or when problems are widespread, a systemic crisis) can occur in fractional-reserve banking systems. To mitigate this risk, the governments of most countries, usually acting through the Central Bank, regulate and oversee commercial banks, provide deposit insurance and act as lender of last resort to commercial banks. The latter was not the case for Argentina which created its Central Bank just in 1935 and its main bank did not act as lender of last resort. Thus, Argentina could not mitigate that risk. See also Nuri (2002).

²⁴⁶ See della Paolera & Taylor (1997, p. 17).

²⁴⁷ See della Paolera & Taylor (1999, pp. 575-576).

²⁴⁸ The speculation in the New York Stock Exchange market was so extraordinary that it added to the need for the Federal Reserve to catch more gold reserves, and the interest rates rose (Thorp, 2000, p. 5).

²⁴⁹ This famous phrase was coined by two Colombians, Laureano Gómez and Alfonso López Pumarejo, who were highly critical of the loan bonanza (Bulmer-Thomas, 1994, p. 161).

²⁵⁰ The relevance of these figures is, in a framework of monetary and exchange rate instability, in the sign (positive or negative) of the capital flow because the values in million gold dollars are influenced by the changes in the price of gold.

In 1929, while exports decreased, capital outflows continued, government expenditures increased and the budget deficit reached 2.3% of GDP²⁵¹ but imports did not diminish, the value of the Argentine peso started a decline²⁵². In this regard, Balboa (1972, p. 157) argues that Argentina was constantly a country that needed to keep a significant positive trade balance to face its permanent outflows from financial services and remittances of immigrants which in those years were more than 400 million dollars. By contrast, when the conditions of the economic cycle diminished or the trade balance was negative; the pressure of those outflows had inevitable consequences on the equilibrium of the balance of payments and on the value of the peso.

Table 28 Argentina: Capital items from the balance of payments (million gold dollars)

Period	Capital items		
	Long-term	Short-term	Total
1927/28	106.4	24.3	130.7
1928/29	48.7	-10.9	37.8
1929/30	175.7	-8.3	167.4

Source: compiled from Statistical Yearbook of the League of Nations 1934/1935, p. 214. Economic Intelligence Service. Geneva, 1935. Notes: a) 1.X-30.IX; b) private compilation by M. Carlos A. Tornquist; and c) amortization of the public debt and certain mortgage bonds is not included in long-term capital items.

In the political sphere, the problems of budget, specially the difficulties of Alvear's government in dealing with the public debt, the turbulent political scenario -the UCR split and the dissatisfaction with Alvear's political conduct- and the conflicts around foreign capital, for example in the meat trade, paved the way for the victory of Hipólito Yrigoyen in the elections of 1928. In relation to the latter matter, in the twenties a justifiably strong feeling of society in general against imperialism grew. That was not only for the exorbitant profits of the British companies by using oligopolistic or oligopsonist power but also for the behaviour of the US towards Argentina. It is important to keep in mind that some of the main acts were: in 1922 the imposition by the US of the Fordney-McCumber tariff which restored its policy of exclusion against Argentine products, and later in 1926 the imposition of an embargo on Argentine meat, and in 1928 with its higher interest rates this country boosted an important capital flight throughout Latin America. Thus, during the election campaign, Yrigoyen took advantage with his *personalista* style closer to the people and showed off his anti-imperialist thinking. Indeed, his big bet was the creation of a state monopoly over petroleum, boosting the nationalization of this resource through the *Yacimientos Petrolíferos Fiscales* (YPF) in an attempt to fight against the 'Yankee imperialism'²⁵³. This argument attacked American petroleum interests, particularly the Standard Oil Company –the most prominent private company in the petroleum industry-²⁵⁴ and it turned into a key element in a growing crisis in relations between Argentina and the US.

²⁵¹ This information was taken from della Paolera & Taylor (1999, p. 571).

²⁵² See Cattaruzza (2001, p. 25).

²⁵³ Despite the expansion of the YPF –the first vertically integrated state petroleum industry outside the Soviet Union- in the twenties rapid growth took place among the private companies, which by 1928 had increased their share to almost 38% of nationwide production (Rock, 1985, p. 209).

²⁵⁴ Whilst attacking Standard Oil, the *yrigoyenistas* carefully refrained from giving offense to the British, who had an important presence in the petroleum industry, mostly through Royal Dutch Shell. Yrigoyen apparently

Finally, Yrigoyen -the *caudillo*- despite his advancing age with rumours that he was senile, won the elections and assumed his second presidency (1928-1930) with around 60% of the popular vote. Yrigoyen's administration became a vast employment agency serving the government's political ends, attempting to keep at bay the conservative and military opposition for his political survival. In 1928, that situation boosted the government expenditure by 22% against a fall of 10% in revenues in the previous year. In 1929 revenues rose against those of 1928 by 9%, but expenditure did so too by 12%. Thus, by 1929 revenues were 1% lower than 1927, but public expenditure around 34% greater! ²⁵⁵.

In the meantime, while the petroleum issue remained unresolved²⁵⁶, at the end of 1928, Yrigoyen received with indifference, amid a hostile reception, the President-elect of the US, Herbert Clark Hoover who was visiting some Latin American republics in order to promote trade. By contrast, in the face of the deterioration of the Argentine foreign trade and the fact that after that the US kept its market closed to imports from Argentina and taking into account that the SRA led a campaign for preferences for British goods against American by the slogan '*Comprar a quien nos compra*' ('Buy from those who buy from us'), in 1929 Yrigoyen warmly invited a British commercial mission headed by Lord D'Abernon. In August 1929 D'Abernon succeeded in arranging a trade agreement with Argentina, under which each country undertook to buy up to £ 8,700,000 in value of products from the other²⁵⁷, which represented only around 4% of the total exports of Argentina and 14.5% of the exports to the UK. In addition, Argentina guaranteed the supply of materials for the *Ferrocarriles del Estado* (Argentine state railways), that is to say that this country agreed to buy from the British all these materials for two years. And it granted preferential tariffs for the UK artificial silk, in exchange for a promise that UK would continue to buy Argentine meat²⁵⁸. Thus, it is evident that this agreement which was finally signed on September 6th (a similar agreement was signed between Brazil and the UK, too)²⁵⁹ granted important concessions for the UK without any clear benefit for Argentina. That was a situation that showed that Yrigoyen fundamentally tried to strengthen bilateral relations

tried to give the British the role of chief petroleum importers and suppliers of equipment required by the YPF, a concession that would both reduce the trade surplus with the UK and improve Argentina's bargaining position in the face of imperial preferences (Ibid., p. 210).

²⁵⁵ See Rock (1985, p. 212).

²⁵⁶ The nationalization measure submitted by the *yrigoyenistas* in 1927 had passed through the popularly elected Chamber of Deputies, but was ignored in the Senate. Again Yrigoyen did not have enough allies in the Senate to enact his program (Rock, 1985, p. 211).

²⁵⁷ See Normano (1932, p. 95).

²⁵⁸ But this achievement meant more than this particular transaction in D'Abernon's mission. He studied the commercial situation of Argentina, Brazil and Uruguay, analysed it, and arrived at a full understanding of it. The "Report of the British Economic Mission to Argentina, Brazil, and Uruguay" concluded that the backwardness of European forms of production was the main cause of North American success in South America and perhaps all over the world. In particular, English production was at that time in a sense 'old-fashioned'. Precisely, the main area of North American success lay in the supply of new commodities. For example, concerning Argentina, the report states that the average Argentine household of that time thought more in terms of motorcars, gramophones and radio sets than of Irish linen, Sheffield cutlery, and English china and glass. But, this report did not neglect the importance of cultural influence in the commercial battle because of the marked similarity of ideas between South-American peoples and the British (Normano, 1932, pp. 95-98).

²⁵⁹ See "La Argentina y Gran Bretaña trocarán bienes" (1929, p. 478) in *El Bicentenario*.

with the UK, which was detrimental to those with the US²⁶⁰. However, although this agreement was signed by Yrigoyen and passed through the Chamber of Deputies, in the end, because the government was overthrown and the Congress dissolved by the coup of 1930, it did not get to pass through the Senate, resulting in only a background to the Roca-Runciman Treaty in 1933²⁶¹.

To sum up, by the end of the twenties the complicated panorama in economic, political and social terms described above prompted the rapid deterioration of Argentina just when in October 1929, the Wall Street Stock Exchange market of the US crashed and the crisis was transmitted worldwide. Thus, in a scenario of global monetary instability and with serious problems of balance of payments, the Argentine authorities began to think that to remain in the gold standard would involve high costs for the economy and society in general. And indeed a change of economic model for Argentina could be the suitable response in case of crisis. A similar process was going on in Brazil and Uruguay, although in the former the abandonment of the gold standard was more imposed by the depletion of the gold reserves and the coup of Getulio Vargas.

iii. The mirror of the vulnerabilities

In this section, we present the economic structure of Argentina in the late twenties, that is to say, the structure of its GDP, the composition of exports and imports, as well as the degree of the geographical diversification of its foreign trade. In this regard, it is important to keep in mind that the hypothesis of the current research is that Argentina, Brazil and Uruguay were highly vulnerable to the Great Depression, and among them the smallest country was the most vulnerable of all. Thus, it is of relevance to have a complete depiction of the economic structure of the country of analysis.

As Figure 9 describes, during the period 1925-1929, the services -fundamentally associated with trade activities- represented more than half of the total GDP of Argentina. On the other hand, rural activities had a share of 30.9% -with arable agriculture ranking in first place and cattle farming second- while industry based on manufacturing activities represented around 50% less than the rural activities (16.5%)²⁶². Thus, it is verifiable that in that period rural and trade activities were most important for the country.

With regard to the progress in industrialization, although before the thirties rural entrepreneurs showed little interest in this matter, foreign capital and domestic urban capitalists took industrialization ahead hand in hand with factor endowments changes and the expansion of the domestic market, making more profitable the competition with imports. According to Villanueva (1972, p. 458), an interesting figure from the Industrial Census of 1935 that shows that the process of industrialization was prompted before the thirties is that 66% of the total

²⁶⁰ See Romero (2002, p. 56).

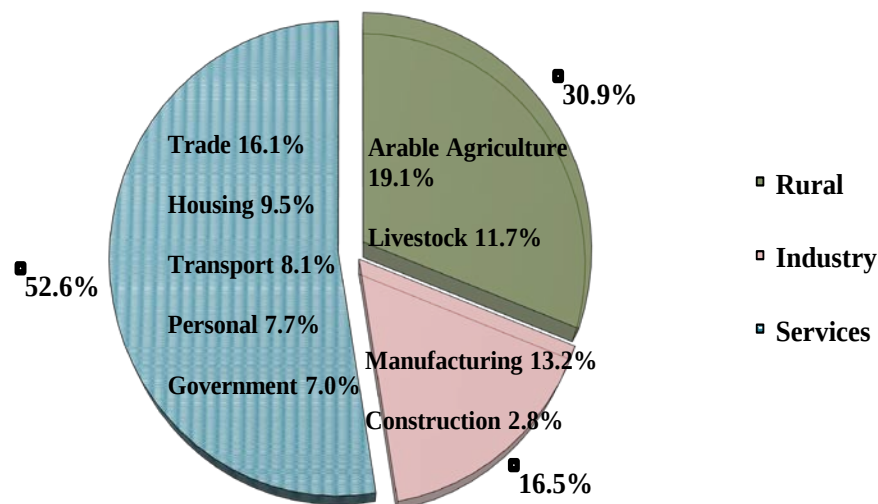
²⁶¹ See Cattaruzza (2001, p. 26).

²⁶² The data were taken from the Economic Commission for Latin America (ECLA) at 1950 prices and converted by the author at 1937 prices using national accounts data at current prices for that year (Díaz Alejandro, 1970, p. 10).

industrial establishments in the country were established before 1930. However, Rock (1985, p. 206) argues that by that time the government attitude towards national industry continued to echo a nineteenth century theme, that protection was justifiable only to support local products that would quickly become price competitive with imports, for the most part only agricultural goods. To support ‘artificial’ industries, it was argued, would induce chronic inefficiencies and social tensions. But, in this concern it is important to highlight the relation between the contribution of industrialization to the value added of products and their destination. Of the goods whose destination was the export or domestic market, one-quarter of the total value of rural production was exported after substantial processing by domestic industry (meat, flour, etc.), another quarter was exported with negligible processing (maize, oats, etc.) and one-half was consumed domestically either in situ or after being transported to, and processed in, consuming centres within Argentina²⁶³. Thus, following this argument, in spite of exports representing almost exclusively goods of rural origin, these goods possessed value added by industry and modern services and, therefore, the rural sector constituted the ‘mother industry’.

Figure 9 Argentina: Structure of GDP (1925-1929)

□



Source: compiled from (Díaz Alejandro, 1970, p. 10).

Table 29 shows the structure of Argentine exports, which were quite diversified in comparison with the rest of the Latin American countries. The main export products which represented 84.3% of total exports were –in order of importance-: wheat, maize, meat –in this group chilled beef had a share of around 50%- linseed, wool in the grease, and dried and salted cattle hides. Thus, it is possible to conclude that for this sort of export products, e.g. grains or meat, the changes in foreign trade and consequently in output depended on their seasonality and the

²⁶³ See Díaz Alejandro (1970, p. 13).

livestock cycle. Furthermore, the composition of the exports shows the clear comparative advantages of this country. The Pampas²⁶⁴, extending for 300-400 miles from Buenos Aires, and the Mesopotamian area²⁶⁵ between the rivers Parana and Uruguay, were given over to cattle and cereals; Patagonia²⁶⁶ to sheep-rearing; and the Chaco or northern lowlands²⁶⁷ produced forest and semi-tropical products²⁶⁸. In addition, there were other factors apart from the character of the land that contributed to the development of the large export trade of specific products. For example, Taylor & Taylor (1943, p. 142) argue that two conditions contributed to increasing the export of maize from Argentina: first, a form of land tenure in the country which encouraged this sort of export rather than the feeding of it to livestock; and second, the market in North-western Europe arising from the development of the livestock industry based on imported feeds.

Table 29 Argentina: Structure of exports (1928)

Product	% (percentages of total)
Wheat	23.8
Maize	21.6
Meat	12.7
Chilled beef	6.7
Frozen beef	1.9
Preserved meat	1.5
Chilled mutton	1.4
Other meat	1.2
Linseed	12.4
Wool in the grease	7.1
Cattle hides (dried and salted)	6.7
All others	15.7

Source: compiled from "International Trade Statistics 1930" in Memorandum on Trade and Balances of Payments, 1930. Vol. III. League of Nations, Geneva (1932). Note: the group 'all others' includes live animals, dairy products (butter and others), cattle by-products (tallow and others), other cereals, wheat flour and its by-products, oilseeds and their oil (excluded linseed), fresh fruits, cotton, quebracho (very hard wood tree) and its products, sugar, products from mining, fishing and hunting and other products.

With regard to the degree of geographical diversification of the exports, as it is possible to appreciate in Table 30, in 1928 the main destinations for Argentine exports were: the UK (28.7% of total exports) and countries of Western Europe such as Germany, the Netherlands, Belgium, Italy, and France with shares between 6% and 13.7%. On the other hand, the US reached a share around 8%. Furthermore, Brazil had a share of around 4%, Spain 2% and some countries of Northern Europe such as Sweden and Denmark and other neighbouring countries (Chile and Uruguay) had shares around 1%.

²⁶⁴ The Pampas region includes the provinces of Buenos Aires, La Pampa, Santa Fe, Córdoba and part of Entre Ríos. Moreover, most of Uruguay, and the southernmost Brazilian State, Rio Grande do Sul have land of this kind.

²⁶⁵ The Mesopotamian region includes the provinces of Entre Ríos, Corrientes and Misiones.

²⁶⁶ Patagonia includes the provinces of Neuquén, Río Negro, Chubut, Santa Cruz, eastern Tierra del Fuego, southern Mendoza and south-western La Pampa.

²⁶⁷ The Chaco includes provinces of Formosa, Chaco, eastern Salta, a big part of Santiago del Estero, northern Santa Fe and part of Tucumán and Córdoba.

²⁶⁸ See Royal Institute of International Affairs (1932, p. 117).

Table 30 Argentina: Exports by destination and imports by provenance (1928)

Exports				Imports			
Nº	Destination	Million USD	%	Nº	Provenance	Million USD	%
1	United Kingdom	292	28.7	1	United States	187	23.2
2	Germany	140	13.7	2	United Kingdom	158	19.6
3	Netherlands	113	11.1	3	Germany	94	11.7
4	Belgium	93	9.2	4	Italy	72	8.9
5	Italy	89	8.7	5	France	58	7.1
6	United States	84	8.3	6	Belgium	43	5.3
7	France	60	5.9	7	British Possessions	38	4.7
8	Brazil	39	3.8	8	Brazil	31	3.8
9	Spain	22	2.2	9	Spain	22	2.8
10	Sweden	12	1.2	10	Peru	15	1.9
11	Denmark	10	0.9	11	Netherlands	11	1.4
12	Uruguay	7	0.7	12	Uruguay	8	1.1
13	Chile	7	0.7	13	Canada	6	0.8
	All others	50	4.9		All others	63	7.7
Total:		1,017	100.0	Total:		807	100.0

Source: calculated from "International Trade Statistics 1930" in Memorandum on Trade and Balances of Payments, 1930. Vol. III. League of Nations, Geneva (1932). Notes: a) special trade, only merchandises; b) original data expressed in gold pesos, in order to obtain the figures in current million US dollars, the US dollars/gold pesos exchange rates from Officer (2011) were applied; c) it is important to highlight that the values expressed in current million dollars are the closest possible to the transaction values taking into account the monetary and exchange rate instability for the period of analysis; d) import values are 'valores de tarifa'; e) the figure for UK includes Irish F. State; and f) 'British Possessions' exclude Australia, Union of South Africa, New Zealand and Canada.

But, in spite of the apparently high degree of geographical diversification of exports –which in comparison with the rest of the Latin American countries was indeed higher-, Argentina had to face an important vulnerability in that it had a strong dependence on very few markets for the case of its most important export products. In that respect, Table 31 details for 1929 the shares of the main Argentine export products grouped by destination. Practically 100% of chilled beef had as its destination the UK. Moreover, the UK imported important quantities of frozen mutton, frozen beef and butter and to a lesser extent it was a significant importer of wheat, wool and linseed. That situation turned the UK into the main customer of Argentina. On the other hand, Germany was the main customer for wool and imported around 20% of total hides and skins. While the US was the main importer of these products (44%) as well as for linseed, importing 35% of the total. The main destination for maize was Belgium and this country was an important importer of wheat and wool, too. The Netherlands was a key importer of linseed and wheat, and finally, Italy and France imported each around 10% of the total maize from Argentina, a little below the main customer, Belgium.

In relation to imports, in general, except beef and a few other foodstuffs, high quality products for private consumption were imported. In 1928 the four main import products were: textiles and their manufactures (20.2% of total imports), machinery and vehicles (17.9%), foodstuffs –including the tropical ones and yerba mate- (9.3%) and petroleum and naphtha (8.2%). Other

import products were coal (especially from the UK), rubber tyres, paper, iron and even wood, cement and sand for construction²⁶⁹. In addition, in relation to the degree of geographical diversification of the imports, Table 30 shows that in 1928 its main supplier was the US (23.2% of total imports) followed by the UK and countries of Western Europe such as Germany, Italy, France, and Belgium, with shares between 5.3% and 11.7%. British Possessions (fundamentally India, Burma and Ceylon²⁷⁰) had a share of 4.7%, Brazil almost 4% and Spain around 3% and Peru, the Netherlands, Uruguay and Canada shares between 1% and 2%.

Table 31 Argentina: Dependence of exports (1929)

Product	Destination	%
Chilled beef	United Kingdom	99
Frozen beef		54
Frozen mutton		91
Butter		85
Hides and skins	United States	44
	Germany	21
Wool	Germany	23
	United Kingdom	18
	Belgium	17
Wheat	United Kingdom	34
	Belgium	14
	Netherlands	11
Maize	Belgium	16
	Italy	11
	France	10
Linseed	United States	35
	Netherlands	23
	United Kingdom	10

Source: compiled from Díaz Alejandro (1970, pp. 20-21) from “*Anuarios de Comercio Exterior*”, Buenos Aires, 1931.

Regarding the import surplus of Argentina from the US, it is necessary to clarify that it dates back to the nineties when the Argentine economy went into a stage of rapid progress, due to the rapid growth of grain exports and to the development of the frozen beef trade rendered possible by refrigeration. These exports went to Europe and competed with US exports of cereals and meat; but they supplied Argentina with the means of financing a growing import surplus from the US, thus contributing to the rapid growth of that country's manufacturing industry²⁷¹. The US, first with Texas petroleum and then with vehicles, lorries, tires and other consumer and capital goods (e.g. agricultural and industrial machinery)²⁷², could obtain a large share in the

²⁶⁹ All figures were calculated from League of Nations (1931b).

²⁷⁰ After calculations from League of Nations (1942, p. 139), the share of India, Burma and Ceylon -British Possessions in that year- reached 4% of total Argentine imports.

²⁷¹ See League of Nations (1942, p. 55).

²⁷² Argentina imported from the US particularly manufactured goods, such as vehicles. Thus, it is not a mere coincidence that Argentina was ranked ahead of the UK in per capita number of vehicles, reaching the figure of twenty-six inhabitants per automotive vehicle in 1930. For more detailed information see Díaz Alejandro (1970, p. 56).

Argentine market (23% in 1928), but Argentina had been unable to develop reciprocal exports to US (reaching only 8% of total Argentine exports in 1928)²⁷³. A good example of this is that after the American Civil War Argentina suffered the closure of the US market to its wool. Later, this country failed to win access for its main grain and meat products and the US seemed to be closed to Argentine products in its market. As mentioned, demonstrative of this situation were the increases of tariffs on products exported from Argentina due to the imposition in 1922 of the Fordney-McCumber tariff²⁷⁴, and the embargo on the Argentine meat trade in 1926.

Argentina had generated enough capacity to supply Europe and by the late twenties it presented a trade surplus with the UK which roughly matched its deficit with the US. This situation was very different until the middle twenties when Argentina had an import surplus from the UK. This import surplus, and the payments due to the UK on account of interest and dividends, had to be financed by net exports to continental Europe. Thus, since that time Argentine trade with the UK had resulted in an excess of exports²⁷⁵, representing in 1928 almost 30% of total exports but not supplying more than 20% because the British goods were displaced from the Argentine market by 'modern' goods (consumer and capital goods) from the US or because of the overvaluation of the sterling. Thus, the British market constituted a key market –fundamentally for chilled beef exports- as a source of foreign currency and to balance the economy, and it was a priority to keep it. In this regard, the tensions in US-Argentine relations together with the anti-imperialism campaign with the slogan '*Comprar a quien nos compra*' led by the SRA made Argentina attempt to strengthen UK-Argentine relations, shown by the Lord D'Abernon commercial mission. But, when the international panorama became complicated, Argentina feared that the UK would soon respond with discriminatory action, decreasing its imports from Argentina to relieve its trade deficit. If, for example, the campaign in progress for imperial preferences in the UK were successful, British dominion producers –Canada, Australia, New Zealand and South Africa- would appropriate the Argentine share in the British market²⁷⁶.

During the late twenties, the trade imbalance of Argentina with the US and the UK was always compensated because of the financial flows: the remittances of interests, utilities and dividends, as well as the net flow of capital in a scenario where the US substituted for the UK as the main capital exporting country and British capital in Argentina was considerable²⁷⁷. That situation started to change when global conditions abruptly altered and the world was immersed in a depression. And although the triangular nature that authors such as Abreu & Svirsky (1985) and Rapoport (2003) attribute to these trade and financial ties of Argentina with the UK and the US is well known, it would be more accurate to say that these ties did not form a complete triangle if one takes into account the export surplus from Europe to Asia and from Asia to the US. Moreover, it is worth noting that this remarkable characteristic of the trade balance of Argentina, that is to say, the trade surplus with the UK and the trade deficit with the US, was

²⁷³ See Romero (2002, p. 43).

²⁷⁴ See Rock (1985, p. 210).

²⁷⁵ See League of Nations (1942, p. 55).

²⁷⁶ See Rock (1985, p. 210).

²⁷⁷ See Abreu & Svirsky (1985, p. 545).

common to other 'non-tropical agricultural countries', e.g. Uruguay, which suffered problems of balance of payments²⁷⁸. These countries were more dependent upon the US as a source of supply than as an export market, importing from the US more than twice as much as they exported to that country. By 1928, the US absorbed only 8% of the exports of the non-tropical agricultural countries against about half the exports of the tropical agricultural countries, as in the case of Brazil²⁷⁹.

iv. Conclusion

Over the period Argentina was a relevant actor, together with Brazil, in the inter-American scene. And although nowadays Argentina is under the shadow of a new default, by the twenties it was a wealthy country with considerable reputation in capital markets and increasing influence in intercontinental political affairs. By that time, its exports represented around one-third of total Latin American exports and, as currently, it was a key supplier of primary goods and foodstuffs, such as meat and grains.

It was a crucial net recipient of foreign investments from the UK and the US. Argentina depended on the capital from those countries to finance and supply its private and public activities and to resolve its problems of balance of payments. In this regard, external factors fuelled the vulnerabilities. Among other vulnerabilities, there was a high dependence on the external world, the management of the public debt was difficult and there was a high exposure to the 'commodity lottery'. The fact that its few most important export products had as their destination the UK and Western Europe entailed strong sensitivities to, for example, trade distorting measures taken by key commercial partners (e.g. sanitary barriers imposed by the US against Argentine meat).

Indeed, just as coffee was a very sensitive issue for Brazil, for Argentina the meat industry held a priority in the national debate. The strong presence of British and North American-owned meat-packing plants was also a source of tensions with local cattle producers. Meat trade was controlled by foreign interests and that fact led to clashes between foreigners and the Argentineans who desired to increase their market share. Argentina was also very vulnerable due to the fragile financial structure and the fixed exchange rate regime linked to a currency board system.

Finally, there was a turbulent political scenario that gradually would undermine the second presidency of aging Hipólito Yrigoyen. The political instability with conflicts and divisions, struggle of interests around foreign capital and social and economic antagonisms linked to regional discrepancies added to the sum of complex vulnerabilities that faced the country in the twenties.

²⁷⁸ For more detailed information see Balboa (1972).

²⁷⁹ League of Nations (1942, p. 54).

Map of the Republic of the United States of Brazil in 1922



