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

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## Annex I Timelines

Figure 30 Chronology of an announced crisis in Argentina

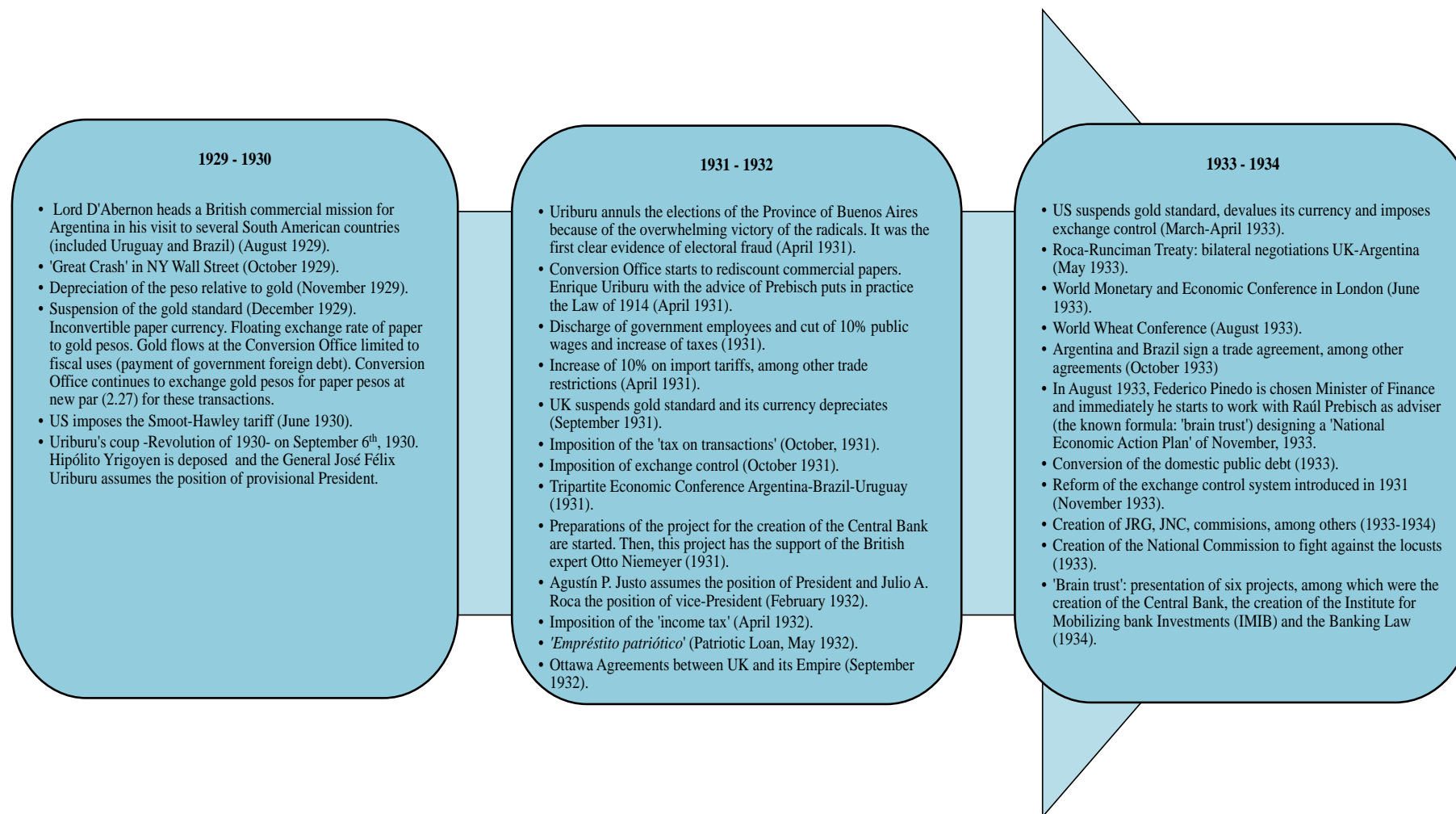


Figure 31 Brazilian timeline of the Great Depression

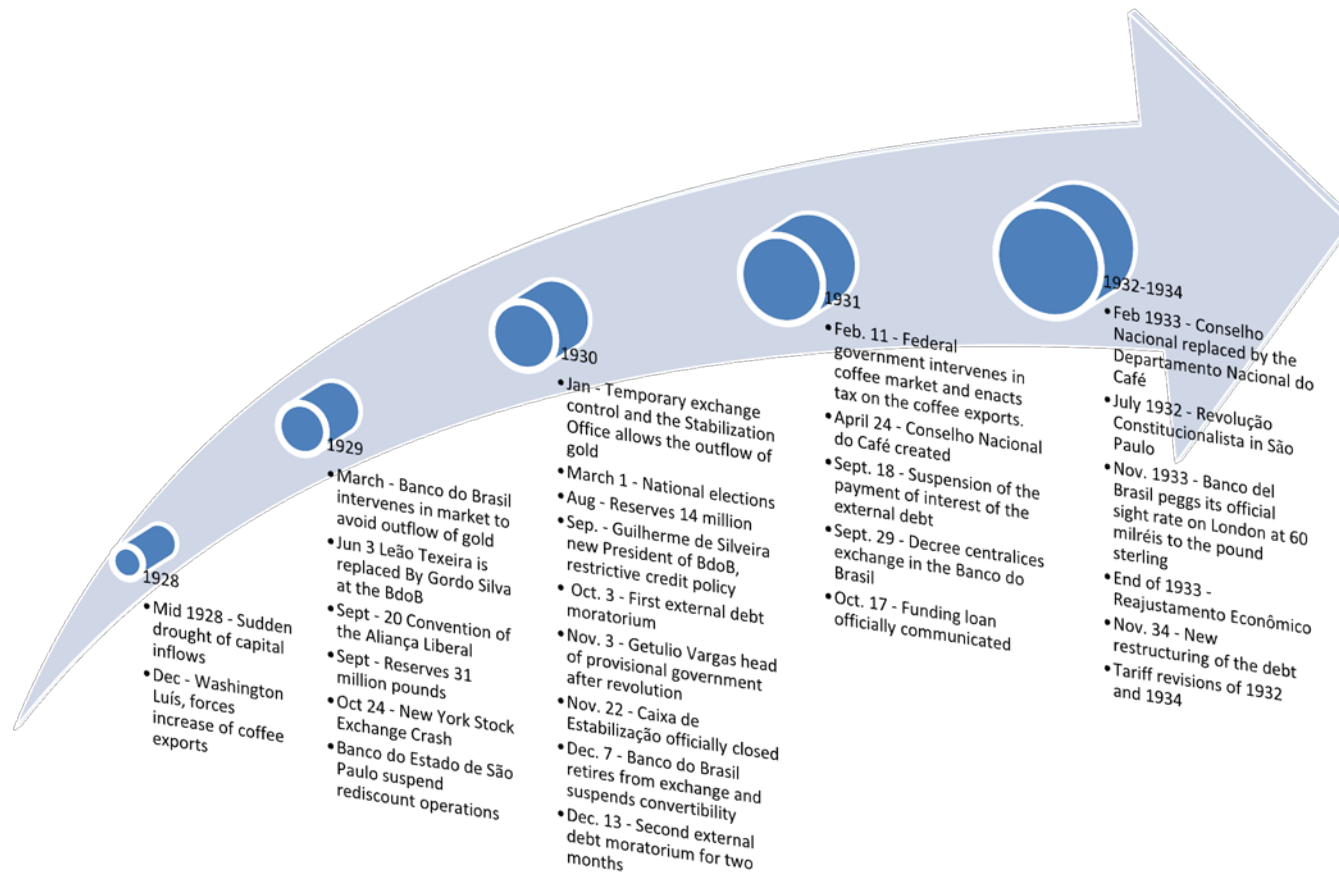
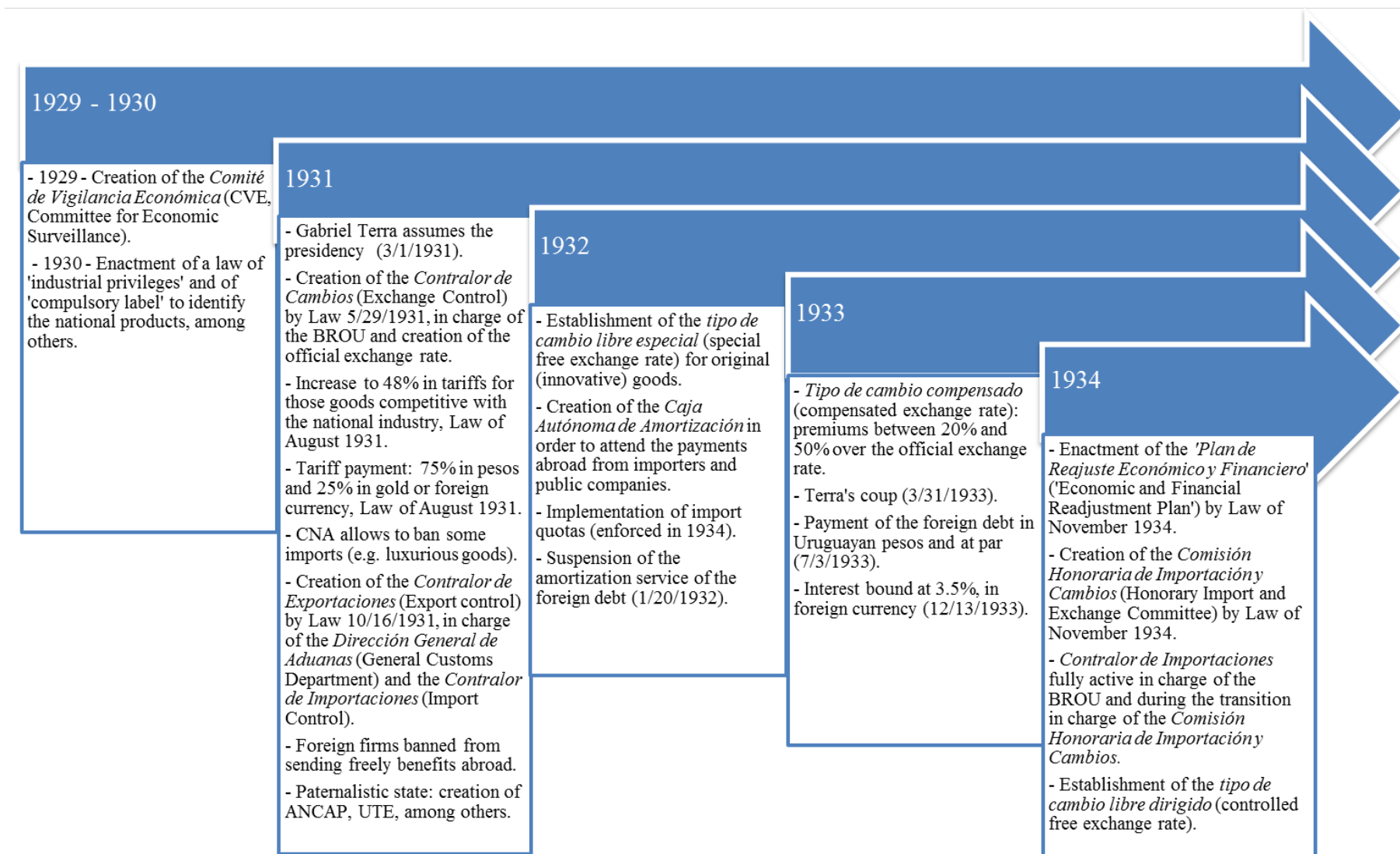


Figure 32 The timeline of the Great Depression in Uruguay





## Annex II Comparison of ABU's policies during the Great Depression

Table 86 Comparison of the reactions of the ABU governments to the Great Depression

	Argentina	Brazil	Uruguay
<b>Trade policy</b>	<ul style="list-style-type: none"> <li>- Tariff increases (e.g. duty-free articles such as fuel oil, printed books, machinery and spare parts, certain heavy chemicals, special industrial sewing machines, eggs, dried beans and pulses, and pleasure boats, were to pay 5%-25% from April 1931), 'temporary' surtax of 10% <i>ad valorem</i> on practically all classes of dutiable goods in September 1931 and import prohibitions (e.g. yerba mate in December 1931).</li> <li>- Tariff exemptions to some countries in 1931 (UK, Brazil, etc.) on foodstuffs, wood (e.g. South American white pine lumber) and machinery.</li> <li>- Tariffs revision in 1931-1932.</li> </ul>	<ul style="list-style-type: none"> <li>- Tariff increases (e.g. duties on cotton yarns practically reached prohibitive levels, duties increase on jute and hemp and duties on other similar national products such as paper goods reached 300% <i>ad valorem</i> in 1932). Introduction of a system of import licensing and import prohibitions (e.g. flour imports prohibited for 18 months in connection with the large-scale barter coffee – wheat with the US in 1931).</li> <li>- Tariff reductions on several foreign products not considered as directly competitive or regarded as necessary to the economic life of the country (e.g. on textiles -raw cotton and corded cotton threads in January 1931 - and on equipment needed for the production of rubber products, alcohol, cellulose, among others in 1934), tariff elimination on capital goods required for the production of cement, canned foods, glass, tires, etc. in 1932/1934, and application of tariffs which included a drawback clause for total or partial exemption of the taxes over raw materials incorporated in products for</li> </ul>	<ul style="list-style-type: none"> <li>- Tariff increases (Law of August 6<sup>th</sup>, 1931 allowed tariff increase from 31% to 48% for goods competitive with the national industry). An increase of 25% on the official customs import values in 1932 and 40% for store haberdasheries, upholsteries and electricity goods in 1933, imposition of new duties on automobiles (which later was doubled), alcohol, cigarettes, spirits, fuels and bananas, consular fees increased to 2% <i>ad valorem</i> on tariffs, CNA allowed to apply import prohibitions (e.g. luxurious goods in August 1931) and implementation of import quotas (law enacted in 1932 and enforced in 1934).</li> <li>- Tariff exemptions: several commodities demanded by industry and essential goods used by the lower classes were waived from this regime (e.g. tariff exemptions on machinery, spare parts, raw materials and industrial inputs).</li> <li>- Tariff reductions: reduction of 10% on the official customs import value for coal and</li> </ul>

	<ul style="list-style-type: none"> <li>- 'Beggar thy neighbour' and competitive devaluation.</li> <li>- 'Buy from those who buy from us'.</li> <li>- Retaliations against some countries (e.g. against Brazil with the imposition of duties on rice and imposition of sanitary regulations on apples imported from the US in 1931).</li> <li>- Increase of bilateralism, e.g. Roca-Runciman Treaty between Argentina and the UK and other bilateral agreements with Brazil, Germany and Uruguay, among others. Barter or clearing agreements (e.g. Argentina-Germany).</li> </ul>	<p>export.</p> <ul style="list-style-type: none"> <li>- Modification of the tariff system readjusting old duties, providing abatements of 20% on general tariff, of 35% on minimum tariff and of 100% (doubled) on general tariff as punitive tariff (Decree of September 7<sup>th</sup>, 1931).</li> <li>- 'Beggar thy neighbour' and competitive devaluation.</li> <li>- Retaliations against some countries (e.g. against France the imposition of a special rate of 120 milréis per kilogramme on serum and vaccine and increase of 25% on consumption tax on wines and foreign beverages.</li> <li>- Increase of bilateralism, e.g. trade agreements with Argentina, Uruguay and Sweden, among others.</li> </ul> <p>Barter or clearing agreements (e.g. exchanging coffee for US wheat, Italian airplanes and with German coal).</p>	<p>62% for fuels.</p> <ul style="list-style-type: none"> <li>- Beggar thy neighbour' and competitive devaluation.</li> <li>- 'Buy from those who buy from us'; seeking negotiations with countries with which Uruguay had a favourable trade balance.</li> <li>- A 15% discount was granted if the goods imported originated in a country whose purchases favoured Uruguayan industry.</li> <li>- Increase of bilateralism, e.g. trade agreements with Argentina, Brazil and the UK (Cosio-Hoare Agreement in 1935), among others.</li> <li>- Barter agreements with Germany and Italy.</li> </ul>
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<b>Exchange rate policy</b>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard (December 1929).</li> <li>- Imposition of exchange control (October 1931).</li> <li>- Currency devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard (November 22<sup>nd</sup> 1930).</li> <li>- Imposition of exchange control (January 1930).</li> <li>- Currency devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard (December 1929?).</li> <li>- Creation of a commission to analyze the depreciation of the currency.</li> <li>- Imposition of exchange control (foreign firms banned from sending freely benefits abroad in May 1931).</li> <li>- Multiple exchange rates (1934).</li> <li>- Currency devaluation.</li> </ul>
<b>Monetary and financial policy</b>	<ul style="list-style-type: none"> <li>- Interest rates increase and then ex ante extremely high real interest rates were lowered.</li> <li>- Closure of the Currency Board (December 1929)</li> <li>- Application of the Rediscount Law (rediscount of commercial papers from BNA) in 1931.</li> <li>- Creation of the BCRA in 1935.</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates increase.</li> <li>- Closure of the Caixa de Estabilização (September 1<sup>st</sup>, 1930).</li> <li>- Government contracted debt with <i>Banco do Brasil</i> and prohibited the foreign banks from overdrawing from their headquarters in October 1929.</li> <li>- Monetary emission.</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates increase.</li> <li>- Second contract of loans with the Hallgarten House of New York in 1930 to stabilize and rectify the foreign exchange, among other purposes.</li> <li>- Enactment of the 'Economic and Financial Readjustment Plan' (1934).</li> </ul>
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>- Contraction of public expenditure (discharges of government employees, cut of 10% on public wages) and taxes increase (e.g. internal post charges, tariffs), as well</li> </ul>	<ul style="list-style-type: none"> <li>- Coffee <i>defesa</i> scheme as an expansionary policy.</li> <li>- Suspension of sinking fund payments on all</li> </ul>	<ul style="list-style-type: none"> <li>- By Law of August 6<sup>th</sup>, 1931, contraction of public expenditure (15% reduction from the ministries' operating expenses, 50% cut of public vacancies, suppression of several</li> </ul>

	<p>as the creation of new taxes (e.g. income tax, petrol tax, tax on transactions). But since the end of 1933 the government started to implement expansionary measures.</p> <ul style="list-style-type: none"> <li>- Authorization of the Patriotic Loan in May 1932 to finance the floating debt.</li> <li>- Conversion of the public debt in 1933</li> <li>- Default avoided.</li> </ul>	<p>foreign loans except the funding loans handled by Rothschilds on September 1<sup>st</sup>, 1931.</p> <ul style="list-style-type: none"> <li>- Suspension of the payment of interest on the external debt on September 18<sup>th</sup>, 1931.</li> </ul>	<p>posts at the Ministry of War and Navy, 10% reduction on the remaining budgetary items), taxes increase (tax on fuels was increased but with a system of tax drawback for public transport and transport of goods, inheritance tax increased) and creation of taxes (wage tax on public servants, retired and pensioners with 6 progressive bands starting from 6% tax for wages ranging from 841 to 1,200 yearly earned pesos, to a maximum of 15% to wages over 7,201 pesos; new tax on land and on lubricating oil) .</p> <ul style="list-style-type: none"> <li>- Imposition of transferring some of the cash from BSE, BROU, ANP and UTE to the national budget. By the end of 1933 the government applied a less orthodox fiscal policy characterized by the expansion of the public investment financed with credit provided by the BROU. The so-called <i>Ley de Revaluó</i> of August 14<sup>th</sup>, 1935 (Revaluation Law) helped the BROU to pursue this objective.</li> <li>- Suspension of amortization of the foreign debt on September 7<sup>th</sup>, 1931. Default.</li> </ul>
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<p><b>Sectoral policy</b></p>	<ul style="list-style-type: none"> <li>- Creation on November 1933 of a strong production and price intervention scheme (support prices) for the agri-export sector (e.g. grain sector -wheat, maize, linseed-) through the regulatory boards (e.g. JRG) using the funds coming from the exchange differential in the official foreign exchange market.</li> <li>- Minimum five-year contracts for farm tenants and reimbursement for improvements they had made on farmed lands (1932).</li> <li>- Moratorium on farmer's debts (1933).</li> <li>- National Economic Action Plan (1933).</li> <li>- Argentina lacked an articulated plan of industrialization, but the National Commission for Industrial Promotion was created.</li> <li>- The protection was focused on 'infant' industry.</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on the coffee and industrial sectors.</li> <li>- Contract of foreign loans to keep the coffee policy running.</li> <li>- Coffee Realization Loans (November 1929 and April 1930).</li> <li>- Relaxation of the coffee stock releases in December 1928, so that future prices fell. - After 1931 gradual liquidation of the coffee valorisation plan.</li> <li>- Bail-out to the coffee industry using funds from the Treasury.</li> <li>- Creation of the <i>Conselho dos Estados Produtores</i> on April 24<sup>th</sup>, 1931 to collect tax and administer the destruction of coffee.</li> <li>- <i>Programa do Reajustamento Econômico</i> enacted by Decree Nr. 23533 on December 1<sup>st</sup>, 1933 with the main objective of reducing by 50% all debts from the coffee producers before mid-1933 and re-contract at 10 years term with a reduction on the amortization initially contracted.</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on industrial protection.</li> <li>- National Meat-packing plant (1928).</li> <li>- Extension of the law of 'industrial privileges' in 1930, among others.</li> <li>- Paternalistic state: creation of public monopolies such as ANCAP and UTE in 1931.</li> <li>- Reorganization of the methods of production and preparation of meat, taking into account the special requirements of European markets (1932).</li> <li>- By 1934-1935 the government started to implement generous policies towards the main supporters of the Terra's coup: the cattle farmers. Some of those measures were: the devaluation of 1935, reduction by 10% of the rural property tax, and the amortization of the loans contracted by cattle farmers was suspended, among others.</li> </ul>
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		<ul style="list-style-type: none"><li>- Selective protection was awarded to developing national industries through customs facilities for raw materials or equipment needed from abroad and exchange control.</li> <li>- Suppression of the interstate taxes in 1931 in order to foster business activities within the country.</li></ul>	
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## Annex III Great Depression vs. the Financial Crisis of 2008

Table 87 Comparison of the reactions of the ABU governments to the international crises

Argentina		
Policies	Great Depression: 1928-1934	Financial Crisis: 2007-2010
<b>Trade policy</b>	<ul style="list-style-type: none"> <li>- Tariff increases (e.g. duty-free articles such as fuel oil, printed books, machinery and spare parts, heavy chemicals, among others, were to pay 5%-25%), tariff creation ('temporary' surtax of 10% ad valorem on practically all classes of dutiable goods) and import prohibitions (e.g. yerba mate).</li> <li>- Tariff exemptions to some countries (UK, Brazil, etc.) on foodstuffs, wood (e.g. South American white pine lumber) and machinery.</li> <li>- Tariffs revision in 1931-1932.</li> <li>- 'Beggars thy neighbour' and competitive devaluation.</li> <li>- Retaliations against some countries (e.g. against Brazil with the imposition of duties on rice and imposition of sanitary regulations on apples imported from the US).</li> <li>- 'Buy from those who buy from us'.</li> <li>- Increase of bilateralism, e.g. Roca-Runciman Treaty between Argentina and the UK and other bilateral agreements with Brazil, Germany and Uruguay, among others.</li> <li>- Barter or clearing agreements (e.g. Argentina-Germany).</li> </ul>	<ul style="list-style-type: none"> <li>- Import duties increase, tighter customs controls (via import licenses and import sworn declarations, among others) on import goods that are sensitive for national industry (e.g. textiles, footwear, metallurgical goods, white goods and motorcycles) and extensions of the deadlines for automatic advance import licenses.</li> <li>- Export financing and support: export duties (<i>retenciones</i>) reductions (e.g. on wheat from 28% to 23% and on maize from 25% to 20%).</li> <li>- According to Mercosur regulations member countries cannot negotiate independently with others but they can negotiate jointly. Main negotiation with the EU was resumed in 2010 and is still on going.</li> </ul>
<b>Exchange rate policy</b>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard.</li> <li>- Imposition of exchange control.</li> <li>- Currency devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- Managed floating exchange rate. Since October 2011 imposition of exchange control over foreign currency.</li> <li>- Liquidity injections in foreign currency: agreement with China and Brazil to do swap operations in local currencies.</li> </ul>
<b>Monetary and financial policy</b>	<ul style="list-style-type: none"> <li>- Interest rates increase and then ex ante extremely high real interest rates were lowered.</li> <li>- Closure of the Currency Board.</li> <li>- Application of the Rediscount Law (rediscount of commercial papers from BNA) in 1931.</li> <li>- Creation of the BCRA in 1935.</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates contraction.</li> <li>- Reduction of the mandatory bank reserves in local currency.</li> <li>- Liquidity injections in national currency.</li> <li>- Measures introduced by AFIP, the BCRA and the National Securities Commission to discourage the flows of private and corporate capital to tax havens and offshore banks.</li> <li>- Capital flow controls.</li> </ul>
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>- Contraction of public expenditure (discharges of government employees, cut of 10% on public wages) and taxes increase (e.g. internal post charges, tariffs), as well as the creation of new taxes (e.g. income tax, petrol tax, tax on transactions). But since the end of 1933 the government started to implement expansionary measures.</li> <li>- Authorization of the Patriotic Loan to finance the floating debt.</li> <li>- Conversion of the public debt</li> <li>- Default avoided.</li> </ul>	<ul style="list-style-type: none"> <li>- Increase of public expenditure (improvement in the expenditure distribution focusing on housing projects, hospitals, sewerage systems and roads) and abolishment of the AFJPs (Retirement and Pension Fund Management Companies).</li> <li>- Tax cuts or benefits and subsidy increases.</li> <li>- Extension of the tax incentives under the law promoting investment in capital goods and infrastructure works.</li> </ul>

<p><b>Sectoral policy</b></p>	<ul style="list-style-type: none"> <li>- Creation of a strong production and price intervention scheme (support prices) for the agri-export sector (e.g. grain sector -wheat, maize, linseed-) through the regulatory boards (e.g. JRG) using the funds coming from the exchange differential in the official foreign exchange market.</li> <li>- Minimum five-year contracts for farm tenants and reimbursement for improvements they had made on farmed lands.</li> <li>- Moratorium on farmer's debts.</li> <li>- National Economic Action Plan.</li> <li>- Argentina lacked an articulated plan of industrialization, but the National Commission for Industrial Promotion was created.</li> <li>- The protection was focused on 'infant' industry.</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on industrial protection.</li> <li>- Loans for financing sales of motor vehicles and consumer durables.</li> <li>- Prefunding of exports and working capital.</li> <li>- Credit lines targeting competitive industry.</li> <li>- Creation of the Ministry of Production with departments of industry, commerce and SMEs, agriculture, livestock, fisheries and food, tourism and mining.</li> <li>- YPF expropriation (May, 2012).</li> </ul>
<p><b>Brazil</b></p>		
<p><b>Trade policy</b></p>	<ul style="list-style-type: none"> <li>- Tariff increases (e.g. duties on cotton yarns practically reached prohibitive levels, duties increase on jute and hemp and duties on other similar national products such as paper goods reached 300% ad valorem), introduction of a system of import licensing and import prohibitions (e.g. flour imports prohibited for 18 months in connection with the large-scale barter with the US).</li> <li>- Tariff reductions on several foreign products not considered as directly competitive or regarded as necessary to the economic life of the country (e.g. on textiles -raw cotton and corded cotton threads- and on equipment needed for the production of rubber products, alcohol, cellulose, among others.), tariff elimination on capital goods required for the production of cement, canned foods, glass, tires, etc., and application of tariffs which included a drawback clause for total or partial exemption of the taxes over raw materials incorporated in products for export.</li> <li>- Modification of the tariff system readjusting old duties, providing abatements of 20% on general tariff, of 35% on minimum tariff and of 100% (doubled) on general tariff as penal tariff (in 1932 and 1934).</li> <li>- 'Beggars thy neighbour' and competitive devaluation.</li> <li>- Retaliations against some countries (e.g. against France the imposition of a special rate of 120 milr��s per kilogramme on serum and vaccine and increase of 25% on consumption tax on wines and foreign beverages).</li> <li>- Increase of bilateralism, e.g. trade agreements with Argentina, Uruguay and Sweden, among others.</li> <li>- Barter or clearing agreements (e.g. exchanging coffee for US wheat, Italian</li> </ul>	<ul style="list-style-type: none"> <li>- Import duties increase, import restrictions via import license requirements and controls over certificates of origin. The main affected sectors were: wheat, plastics, copper, aluminium, iron, capital goods, electrical and electronic material, and automobiles, among others. Controls against 'dumping practices'.</li> <li>- Tariff reductions (temporary measure): reductions on tariffs of 306 products included in the 'ex-tariff' list (not competitive with local production) in order to make it cheaper to import capital goods and products in the electrical, paper and pulp, graphics, medical and hospital, automobile and electronics sectors, among others.</li> <li>- Export financing and support: use of foreign exchange reserves to finance exports, by reverse auction of bank securities to backstop foreign trade. Central Bank allowed the granting of foreign currency loans directly to private banks to finance foreign trade transactions, creation of a special line of credit for the BNDES to provide guarantees to exporters, among other measures.</li> <li>- According to Mercosur regulations member countries cannot negotiate independently with others but they can negotiate jointly. Main negotiation with the EU was resumed in 2010 and is still on going.</li> </ul>

	aeroplanes and with German coal).	
<b>Exchange rate policy</b>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard.</li> <li>- Imposition of exchange control.</li> <li>- Currency devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- Managed floating exchange rate.</li> <li>- Liquidity injections in foreign currency: exchange swap auctions in order to provide liquidity to importers.</li> <li>- Agreement with the US Federal Reserve to establish a currency swap line for up to 30 billion dollars.</li> </ul>
<b>Monetary and financial policy</b>	<ul style="list-style-type: none"> <li>- Interest rates increase.</li> <li>- Closure of the <i>Caixa de Estabilização</i>.</li> <li>- Government contracted debt with <i>Banco do Brasil</i> and prohibited the foreign banks from overdrawing from their headquarters.</li> <li>- Monetary emission.</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates contraction but keeping them comparatively high.</li> <li>- Inflation target (4.5%).</li> <li>- Reduction of the mandatory bank reserves.</li> <li>- Liquidity injections in national currency.</li> <li>- Broader powers for the Central Bank to intervene in failing financial institutions.</li> <li>- Creation of an investment bank within the Federal Economic Fund to buy the stock of the real estate firms, as well as other sectors.</li> <li>- Agreement with Argentina to do swap operations in local currencies.</li> </ul>
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>- Coffee <i>defesa</i> scheme as an expansionary policy.</li> <li>- Suspension of sinking fund payments on all foreign loans except the funding loans handled by Rothschilds.</li> <li>- Suspension of the payment of interest on the external debt.</li> </ul>	<ul style="list-style-type: none"> <li>- Increase of public expenditure (campaign to stimulate consumption and attempts at improving expenditure distribution focusing on infrastructure investments such as roads, railways, housing and so on).</li> <li>- In March 2009 public spending cuts of 11.11 billion dollars were announced affecting ministries.</li> <li>- Renegotiation of debts owned by majors' offices to the social security system, for periods of up to 20 years.</li> <li>- Tax cuts or benefits and subsidy increases.</li> <li>- After 2010, the fiscal policy has been more contractive.</li> </ul>
<b>Sectoral policy</b>	<ul style="list-style-type: none"> <li>- Emphasis on the coffee and industrial sectors.</li> <li>- Contract of foreign loans to keep the coffee policy running.</li> <li>- Coffee Realization Loan.</li> <li>- Relaxation of the coffee stock releases in December 1928, so that future prices fell.</li> <li>- After 1931 gradual liquidation of the coffee valorisation plan.</li> <li>- Bail-out to the coffee industry using funds from the Treasury.</li> <li>- Creation of the <i>Conselho dos Estados Produtores</i> to collect tax and administer the destruction of coffee.</li> <li>- <i>Programa do Reajustamento Econômico</i> with the main objective of reducing by 50% all debts from the coffee producers before mid-1933 and re-contract at 10 years term with a reduction on the amortization initially contracted.</li> <li>- Selective protection was awarded to developing national industries through customs facilities for raw materials or equipment needed from abroad and exchange</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on boosting agricultural sector and industrial protection.</li> <li>- Creation of a guarantee fund for SMEs, for up to 1.75 billion dollars, among the creation of other funds with the same purpose.</li> <li>- Direct support of 6.47 billion dollars for the agricultural sector.</li> <li>- Improvement of the taxation system (e.g. income tax was eliminated on measures to promote exports and the government announced an integrated drawback scheme), public purchases and expansion of credit for the local industry. In particular expansion of borrowing capacity of PETROBRAS and BNDES to keep up planned investment levels.</li> <li>- Creation of a 440 million dollars guarantee fund for the maritime industry.</li> </ul>

	<p>control.</p> <ul style="list-style-type: none"> <li>- Suppression of the interstate taxes in 1931 in order to foster business activities within the country.</li> </ul>	
<b>Uruguay</b>		
<b>Trade policy</b>	<ul style="list-style-type: none"> <li>- Tariff increases (from 31% to 48% for goods competitive with the national industry, an increase of 25% on the official customs import values in 1932 and 40% for store haberdasheries, upholsteries and electricity goods in 1933), imposition of new duties on automobiles (which later was doubled), alcohol, cigarettes, spirits, fuels and bananas, consular fees increased to 2% ad valorem on tariffs, CNA allowed to apply import prohibitions (e.g. luxurious goods) and implementation of import quotas (1932 and enforced in 1934).</li> <li>- Tariff exemptions: several commodities demanded by industry and essential goods used by the lower classes were waived from this regime (e.g. tariff exemptions on machinery, spare parts, raw materials and industrial inputs).</li> <li>- Tariff reductions: reduction of 10% on the official customs import value for coal and 62% for fuels.</li> <li>- A 15% discount was granted if the goods imported originated in a country whose purchases favoured Uruguayan industry.</li> <li>- 'Beggary thy neighbour' and competitive devaluation.</li> <li>- 'Buy from those who buy from us'; seeking negotiations with countries with which Uruguay had a favourable trade balance.</li> <li>- Increase of bilateralism, e.g. trade agreements with Argentina, Brazil and the UK (Cosio-Hoare Agreement in 1935), among others.</li> <li>- Barter agreements with Germany and Italy.</li> </ul>	<ul style="list-style-type: none"> <li>- Import duties increase (tariff protection on specific segments of vehicle manufacture to be reviewed), import license authorization delays. Increase of the corporate income tax (IRAE) on imports of certain consumer goods, such as clothing and footwear.</li> <li>- Tariff reductions: IRAE reductions on imports of consumer goods and extension of tax-free imports of inputs for re-export (temporary admission).</li> <li>- Export financing and support: exporters could swap tax rebate certificates for cash through the BROU. Increase in rate for 180-day credits (from 1.78% to 2.78%, 2009) to pre-finance exports. Preferential rates for pre-financing of textile exports (regime extended to leather and automobile sectors). Additional 125 million dollars to help the banking system to fund investment projects and pre-finance exports. BROU's creation of a guarantee fund of 20 million dollars for exports to countries that classified as representing a non-payment risk.</li> <li>- According to Mercosur regulations member countries cannot negotiate independently with others but they can negotiate jointly. Main negotiation with the EU was resumed in 2010 and is still on going.</li> </ul>
<b>Exchange rate policy</b>	<ul style="list-style-type: none"> <li>- Suspension of the gold standard, creation of a commission to analyse the depreciation of the currency and imposition of exchange control (foreign firms banned from sending freely benefits abroad).</li> <li>- Multiple exchange rates.</li> <li>- Currency devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- Managed floating exchange rate.</li> <li>- Liquidity injections in foreign currency: early redemption in two stages of securities issued by the Central Bank, which offers the possibility of obtaining liquidity in local currency or dollars.</li> </ul>
<b>Monetary and financial policy</b>	<ul style="list-style-type: none"> <li>- Interest rates increase.</li> <li>- Contract of loans with the Hallgarten House of New York to stabilize and rectify the foreign exchange, among other purposes.</li> <li>- Enactment of the 'Economic and Financial Readjustment Plan' (1934).</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates contraction.</li> <li>- Inflation target (4%-6%).</li> <li>- Liquidity injections in national currency (e.g. measures by which tax rebate certificates can be swapped for cash through the Central Bank).</li> </ul>



<p><b>Fiscal policy</b></p>	<ul style="list-style-type: none"> <li>- Contraction of public expenditure (15% reduction from the ministries' operating expenses, 50% cut of public vacancies, suppression of several posts at the Ministry of War and Navy, 10% reduction on the remaining budgetary items), taxes increase (tax on fuels was increased but with a system of tax drawback for public transport and transport of goods, inheritance tax increased) and creation of taxes (wage tax on public servants, retired and pensioners with 6 progressive bands starting from 6% tax for wages ranging from 841 to 1,200 yearly earned pesos, to a maximum of 15% to wages over 7,201 pesos; new tax on land and on lubricating oil) .</li> <li>- Suspension of amortization of the foreign debt on September 7th, 1931. Default.</li> <li>- Imposition of transferring some of the cash from BSE, BROU, ANP and UTE to the national budget.</li> </ul> <p>By the end of 1933 the government applied a less orthodox fiscal policy characterized by the expansion of the public investment financed with credit provided by the BROU. The so-called <i>Ley de Revaluó</i> of August 14<sup>th</sup>, 1935 helped the BROU to pursue this objective.</p>	<ul style="list-style-type: none"> <li>- Increase in public expenditure and tax cuts or benefits and subsidy increases (bonus of 120% exemption from IRAE for investments made in 2009, manufacture of energy equipment 100% exempted from IRAE -then the rebate will be gradually lowered to 50% in 2018-, increase of VAT exemption from 75% to 100% for agricultural machinery, among others.</li> <li>- Cut of at least 5% in spending and investment by the government and public enterprises to balance the budget, as well as increase in specific domestic tax (IMESI) on cigarettes.</li> </ul>
<p><b>Sectoral policy</b></p>	<ul style="list-style-type: none"> <li>- Emphasis on industrial protection.</li> <li>- Enactment of a law of 'industrial privileges', among others.</li> <li>- Paternalistic state: creation of public monopolies such as ANCAP and UTE.</li> <li>- Reorganization of the methods of production and preparation of meat, taking into account the special requirements of European markets.</li> <li>- By 1934-1935 the government started to implement generous policies towards the main supporters of the Terra's coup: the cattle farmers. Some of those measures were: the devaluation of 1935, reduction by 10% of the rural property tax, and the amortization of the loans contracted by cattle farmers was suspended, among others.</li> </ul>	<ul style="list-style-type: none"> <li>- Emphasis on industrial protection.</li> <li>- Creation of a national guarantee system to facilitate access to credit for SMEs.</li> <li>- Increase in guarantee fund for SMEs' loans administered by the National Development Corporation and greater benefits for SMEs under the investment promotion law.</li> <li>- Measures to provide loans and support to the dairy sector and VAT exemption for acquisition of agricultural machinery (government evaluates to support metallurgical and wood sectors, among others, October 2011).</li> <li>- VAT and IRAE reductions on purchases of diesel and manufacturing inputs for the manufacturing sector, promotion of renewable energy equipment, authorization of swaps of tax rebates certificates and increase of the BROU's fund investment in industry, commerce and service provision with favourable rates and maturities.</li> </ul>

