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STAGNATION AND DEVELOPMENT IN ARGENTINA

by

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Up until the elected government of President Raúl Alfonsín took office in December, 1983, the experience of economic development in Argentina had been disastrous, a case that deserves careful analysis and understanding because of the failures of political and economic policies to meet popular expectations and to make use of national assets. In the 1960's, Argentina was used as a case to refute the original "stages of development" theory of Walt Rostow, as the case of a nation-state long past the stage of "takeoff into self-sustaining growth" that had never realized such growth. By the end of the military presidencies of four different generals between 1976 and 1983, however, the country had fallen into sheer involution. Like Ghana, but like very few other nations in the world, the indices of economic performance and welfare had fallen backward, dramatically and over a considerable period of time.

Argentina presents a series of paradoxes. On the surface, it boasts a literate and politically sensitive populace, a strong agricultural sector that can export vast quantities of wheat and beef, and a considerable economic infrastructure with wide experience in industrial production. Problems such as racial conflict or population pressures that plague other nations do not afflict the Argentines. Yet no solid and sustainable patterns of economic growth have been established to undergird the social indicators that, like literacy and house or apartment ownership, portray the image of a "developed" country. The realities behind these paradoxes and the reasons for failures of past policies are

of far more than academic interest; an appreciation of them can also aid leaders--in Argentina, and in other nations as well--to avoid similar errors in the future.

Historical Comparisons

In the last half century, the performance of the Argentine economy has been much worse than that of most other nations. Starting from a base of relative oppulence before the great depression, Argentine per capita income ranked about sixth in the world in 1928, yet the position of the nation had fallen to about thirty-sixth place by the early 1980's.[1] Even before the military governments of 1976 to 1983, as tables 1 and 2 make clear, Argentine growth lagged far behind that of Brazil and Mexico, its major competitors in Latin America, as well as placing at only

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Table 1: Comparative Contributions to the Gross Regional Product of Latin America (in %)

Year	Argentina	Brazil	Mexico
1939	26.8	20.8	17.4
1958	20.7	22.8	22.6
1968	16.7	23.9	26.4
1976	13.7	32.0	24.6

Source: Series historicas de crecimiento de America Latina and the Anuario Estadistico de America Latina (1978).

Table 2: Historical Rates of Growth in Gross National Product (in %)

Year	Argentina	Brazil	Mexico	Latin America
1946-1976	3.06	6.44	6.21	5.15
1966-1976	3.43	9.29	5.89	6.02

Source: Series historicas de crecimiento de America Latina and the Anuario Estadistico de America Latina (1978).

Table 3: The Average Annual Salary of Argentine Industrial Workers (in real terms)

Year	Average Salary
1974	100
1975	94
1976	63
1977	62
1978	61
1979	70
1980	79
1981	70
1982	68

Source: Informes Laborales, segunda epoca, No. 201 (mayo, 1983). Calculated from data in the Encuesta Industrial of the Instituto Nacional de Estadistica y Censo.

Table 4: Basic Industrial Salaries of Argentine Workers

Year	Average Salary
1974	104.5
1975	100.4
1976	57.7
1977	43.6
1978	28.3
1979	28.1

Source: Series estadísticas de la economía argentina (1980).

about half of the average for all the Latin American countries. The Argentine proportion of the total economic product for Latin America fell from nearly 27 per cent in 1939 to less than 14 per cent in 1976.

The performance of the Argentine economy became even worse between 1976 and 1983. By 1983, as a result both of economic mismanagement and the costly war in the Malvinas Islands, the foreign debt had climbed to over 40 billion dollars, while inflation, traditionally high since the first presidency of Juan Domingo Perón in the late 1940's, rose to about 350 per cent a year. Unemployment stood officially at 16 per cent, with surveys showing it to be eight to ten points higher in some parts of the country, while bankruptcies in the private sector were six

times more numerous than they had been seven years earlier. For the period from 1974 to 1982, Argentine gross national product increased by about 2 per cent--not yearly, but for the period as a whole, so that GNP per capita actually declined. The economic downturn was especially great in heavy industry, as steel consumption per capita dropped in the same period from 170 kilograms to only 85 kilograms.[2]

Understandably, this economic involution injured both management and labor. For the former, the utilization of industrial capacity fell to 63 per cent in 1982, while for labor the number of industrial workers fell by 23 per cent from 1970 to 1982. From 1979 to 1982 alone, the per capita consumption of all Argentines dropped some 8 per cent, but the economic hardship came most dramatically to the lowest income members of the society. As tables 3 and 4 demonstrate, during the years of the military governments before 1983 the wages of industrial workers as a whole fell to about 68 per cent of what they had been, but the wages of the lowest paid industrial workers, which are fixed by law, fell to just over 28 per cent.

These grim statistics of economic failure chart a record of economic mismanagement, but, to understand their social and political causation, we must contrast them with a variety of social indicators, which, on the whole, show Argentina to be far more "modern" or "developed" than its per capita income level would suggest. For many years, the number of physicians per capita in Argentina has been roughly equal to that in the Soviet Union and the United States, that is higher than virtually every other nation in the world. As of 1960, and out of a total of 109 nations,

Argentina also ranked exceptionally high in other indices also generally considered to reflect the quality of life, national economic attainment, and the goal of "modernization." In urbanization, in terms of the proportion of citizens living in cities of over 100,000, Argentina placed fifth, whereas the United States and France were eighth and sixteenth respectively. In the number of college students per million inhabitants, Argentina ranked twelfth, placing it on a par with France and Denmark, and ahead of such nations as Sweden and the Federal Republic of Germany.[3]

The sharp differences between the above statistics on the performance of the Argentine economy and on the standard of living of the Argentine people in the past highlight an important dimension of the Argentine case: the fact that Argentina has long as a nation lived above its income, that it has provided a level of medical, educational, and social services that its economic structure could not fully sustain. Its doing so resulted most fundamentally from the populist and redistributionist policies of Juan Perón, who ruled the country for a decade after being elected first in 1945 and who then swept back into power in 1973 after eighteen years of foreign exile. Even when Perón was out of power, the high level of demands and expectations that he had encouraged forced interim governments to keep social spending at elevated levels. Rather than stress productivity and the generation of new wealth, as have nations such as Taiwan and South Korea, the Argentines concentrated upon living well and using what had already been produced. It is this environment that has made it impossible to formulate economic

policies upon purely "economic" grounds, and the policies of the past have also undercut economic planning by setting off members of opposing segments of the elite into inveterately hostile and antagonistic camps. Only by looking systematically at each of these elements in the situation can we obtain a balanced perspective on the clear failures of "development" in the Argentine case.

The Desire for Development

That the Argentine capacity for economic development is enhanced by the economic assets and the characteristics of the work force set out above is well known. What is less well appreciated is that the Argentine people value and want economic advance, that they are willing to work hard and to sacrifice in order to achieve it. It is especially important to understand this fact, because, in comparative perspective, this psychological predisposition toward development among Argentines strongly resembles a similar predisposition among peoples in nations such as Japan, Taiwan, or South Korea that have been far more effective in promoting economic growth. Since very similar attitudes exist in Argentina as in these other nations toward the value of hard work, and since economic development has fared so well in them and so badly in Argentina, this shows that we must look, not to the "Confucian ethic," but to other dimensions of the economic and the political systems to explain such differences.

Scholars from Max Weber to David McClelland and Everett Hagen have stressed the importance of personal values for aggregate

economic growth.[4] In earlier eras, scholars dealt more speculatively with the ways in which values affected growth, or looked at the values of highly achieving groups and post facto found causation in the value patterns that they singled out for analysis. More recently, the proliferation of survey research has now given social scientists a potentially useful new tool with which to investigate the relationship between personal values and economic performance. In detail and with considerable precision, investigators can now analyze the values and attitudes of both national populations and strategic subgroups, seeing how they relate to personal striving and to other issues that affect economic advancement. Then, for various nations, the patterns of these values and attitudes can be compared with the economic performance of the nation as a whole.

Results from large surveys of the urban population in Argentina in 1981 and 1982 demonstrate that Argentines place personal achievement very high upon their scale of values.[5] In both surveys, for example, between 86 and 96 per cent of the respondents agreed with statements stressing the importance of personal achievement.[6] This orientation sharply contrasts those of Western European populations that, as analyzed by Ronald Inglehart, have come to reject "bourgeois" values linked to security, order, and material well-being, while increasingly prizing "post-bourgeois" values connected with self-expression, personal growth, participation, and individual liberty.[7] Although the income of important segments of the Argentine population has grown significantly since World War II, Argentines,

unlike Europeans, have not altered the "bourgeois" pattern of values in the population at large. The "bourgeois" orientation also remained constant in the early 1980's when the socio-economic situation of most citizens worsened greatly, so that the orientation appears to be an enduring trait of the Argentine character.

Argentines also especially appreciate those aspects of their society that allow upward social mobility and reward effort. In the 1981 and 1982 IPSA surveys, for example, nine out of ten respondents found that "every effort" is justified if it leads to a better social and economic position, while the same overwhelming

Table 5: Number of Hours Worked Each Day in Argentina, 1982

Number of Hours Worked	Proportion of the Economically Active Population Working a Given Number of Hours Daily (in %)
less than 4 hours	6
4 to 7 hours	22
8 to 12 hours	65
more than 12 hours	8

Source: Survey conducted by IPSA, S.A., 1982. For more details on the survey, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires

proportion stresses the importance of a university education and finds that one of the best things about their country is the opportunity that it has traditionally provided for immigrants to get ahead.[8] About seven Argentines in ten stress the significance of technological innovation as a means to assure their economic well-being in the future.[9]

With special significance for international comparisons, Argentines also demonstrate very positive attitudes toward work. That they actually do work hard appears rather dramatically in table 5, where three-quarters of the respondents in the urban survey of 1982 worked eight or more hours per day, thus exceeding the local legal regulations and averaging considerably longer work days than their European counterparts. Seven out of ten found considerable satisfaction in their jobs,[10] while less than two in ten found work to be a disagreeable aspect of life.[11] Such views may, of course, have a number of explanations: the need to work even harder in order to support oneself and one's family in a time of economic crisis, fear of unemployment in a country where unemployment insurance barely covers a tiny minority of the population, and the importance attached to professional advancement, among other reasons. But the fact remains that Argentines value work greatly, that it remains a top priority for the vast bulk of the population. In trying to understand the failures of economic development in Argentina, therefore, we must turn away from the investigation of citizens' values and search for other explanations.

The Failure of Development Policies, 1973-1976

The problems of development in Argentina thus do not arise from the attitudes toward work or from the fundamental values of the Argentine people. Instead, they come from a historical pattern of ineffective economic policies and, even more fundamentally, from political antagonisms and expectations that make it very difficult for groups and critical elites to work together for the common good. In the decade from the return of Perón in 1973 to the election of Alfonsín in 1983, both the ineffectiveness of policies and the underlying political factionalism appeared in the very different orientations of the governments of the Peronists from 1973 to 1976 and, after the military coup, of the four de facto governments between 1976 and 1983.

In the year that Perón himself ruled Argentina before his death on July 1, 1974, he tried with some success to bring diverse interests together, to lead workers and managers, students and the military, to give up some of their personal interests in order to set the economy on a path of stability and growth.[12] Despite his efforts, the final two Peronist years became an economic disaster under the leadership of his vice president and wife, María Estela (Isabel) Martínez de Perón, a woman who brought only a sixth grade education to the presidency and who dismissed some of her most competent advisers. The Argentine economy had repeatedly failed to achieve its potential in the earlier decades of the twentieth century,[13] but it fared even worse in the years after the death of General Perón.

The Peronist policies between 1973 and 1976 were "populist" in the sense of responding to the desires of groups that had backed Perón in the elections of 1973. Most important in his coalition were the working class, small and medium industrialists, small farmers and farm workers, public employees, students, and many members of the lower-middle class.[14] The policy objectives designed to meet the interests of this coalition included income redistribution, expanded employment, and restrictions on foreign companies and investment.

Income redistribution was carried out through salary increases and a rigid system of price controls. Following the Peronist tradition, a new system of labor legislation strengthened the negotiating power of trade unions vis-a-vis employers. There were no major nationalizations of foreign or domestic firms, however, and no attempts to change property relationships or undercut small businesses. In this sense, Adolfo Canitrot is quite right when he says that the Peronist objective was the redistribution of income, not the redistribution of wealth.[15] In order to try to safeguard the higher income directed toward the working class and the lower-middle class, the Peronists established generalized price controls, overvalued the peso, and nationalized bank deposits. By 1976 these policies had proven entirely ineffective in achieving their objectives, however, as a black market thrived and as inflation by some estimates reached an annual rate of 1000 per cent in the final months of the presidency of Isabel Perón.

Employment and investment were also keys to the Peronist

approach. From the end of 1972 through the end of 1975, employment in the public sector grew by about 24 per cent, without any great concern for the productivity of the new government employees. New legislation in 1973 restricted the role of foreign capital, but it ultimately only restricted economic activity, because it was not part of a global policy to encourage domestic investment or technological innovation as an alternative to foreign private investment. As one distinguished Argentine economist commented, "The regulatory character of State intervention in the /Peronist/ period hindered the development of production without leading to the mobilization of resources and their more efficient use in the public and private sectors."[16]

In terms of capital accumulation, economic growth, and production, these policies led to results that were the opposite of their original objectives. The Peronist government did not succeed in enlarging public savings, or in capitalizing the state sector and public companies, or in increasing the profitability of national enterprises of small and medium size. The nationalization of bank deposits did not enlarge savings, and the government proved unable to channel what savings there were toward the public sector. On the contrary, its policies produced a massive flight of Argentine capital into other countries and into speculative ventures at home. Instead of gaining autonomy vis-a-vis financial centers in New York, London, and Zurich, the policy of the overvalued exchange rate discouraged exports of both manufactured and agricultural products and created disequilibrium

in foreign trade that ultimately led to a need for more capital from abroad.

Politically, the policies also proved most unfortunate, for the Peronists and for the country. Peronism exhibited ideological and rhetorical strengths, but, when the failure of its economic policies prevented its objectives from becoming realities, the Peronist coalition fell apart, the military took power for seven years, and Italo Luder, the Peronist candidate for the presidency, was soundly defeated in the elections of 1983. For the nation as a whole, the Peronist rhetoric generated inflated expectations, which became impossible to fulfill under the policies that the government implemented, so that people became more and more frustrated. More specifically, the constraints imposed on medium and small companies heightened conflicts between employers and workers, thus undermining a fundamental alliance in the coalition that originally supported the government. With administrative disorganization and the withdrawal of political support, the government of Isabel Perón lost its ability to govern, to mediate among different sectors of society, and the military overthrew it in March, 1976.

Policies of the Military Governments, 1976-1983

If the Peronist governments of 1973 to 1976 at least tried to engineer policies to aid the large constituencies that put them in office, the military leaders who overthrew them worked to take away the "privileges" that had been granted. This scenario of categorical reversal in economic policies had been played out twice

before in recent Argentine history, when military coups ousted elected governments in 1955 and in 1966,[17] and it was to prove no more successful this time than it had earlier. The main beneficiaries of the economic "orthodoxy" established by the military were sectors linked to the international banking system and the bureaucratic elite linked to the military establishment. In the long term, large landowners were also to have been favored, since the objective was to depend more heavily for national income upon "competitive" exports from the agricultural sector, but the policies instituted after 1976 collapsed long before they could create the sort of structures that had been envisioned.

From 1930 to 1976, all Argentine governments had, at least to a certain degree, fostered industrial growth, transferring resources from the agricultural sector to industry. Going beyond earlier "antipopulist" reforms that opposed featherbedding and cut workers' real incomes, leaders after 1976 tried to end the subsidization of industrialization from the agricultural sector. In the words of José Alfredo Martínez de Hoz, Minister of the Economy from 1976 through 1980, "the two basic pillars supporting the main courses of action of the economic program announced on April 2, 1976, were the subsidiary role of the State and the opening-up of the economy."[18] By this, Martínez de Hoz envisioned a degree of state withdrawal from the economy that was to go far beyond the reforms of such leaders as Margaret Thatcher in Britain or Ronald Reagan in the United States, reforms that led both nations to greater productivity and more rapid rates of economic growth. Instead, the withdrawal of the state from economic activity under

Martínez de Hoz was more extreme, more comparable to the policies of General Augusto Pinochet in Chile in the late 1970's. By the early 1980's, the policies in both Chile and Argentina seemed to have failed in important objectives, leading to reorientations in both nations.

In theory, the policies of Martínez de Hoz at first seemed attractive, just as had the opposing policies of the Peronists. He stressed "competitiveness," "efficiency," and the doctrine of comparative advantage. Under him, the government was no longer to foster economic "distortions" by "overprotecting" inefficient producers and sectors. He worked to eliminate price controls, drastically reduce import quotas, cut duties on agricultural exports, reduce the size of the state bureaucracy, lessen regulations on financial institutions, and allow greatly expanded foreign investment and technology transfers. It proved impossible, however, to turn the clock back to 1930. Although strong, the agricultural sector could not support the nation; it employed only 15 per cent of the labor force, and the national population of 27 million people could not live off the export earnings that went to a privileged few, even if those earnings turned up sharply.

Reforms in the financial sector were especially unfortunate. The original objective was to replace the former policy of selective and subsidized credit with a new scheme oriented toward the well-to-do sectors and groups, who would naturally find savings easiest. Banks were left free to establish their own interest

rates, and, in time, this led to the proliferation of banks and financial institutions and to the maintenance of very high interest rates, as each bank tried to attract the largest amount of deposits. As the government in effect encouraged bankruptcies in the industrial sector through its withdrawal of subsidies and its encouragement of foreign competition, however, the increasing indebtedness and high interest rates paid by Argentine firms exacerbated the situation. In a country in the midst of industrial recession, it made little sense for financial institutions to proliferate.

Similarly, Martínez de Hoz greatly undervalued the United States dollar in its rate of exchange with the Argentine peso. Wealthy Argentines bought apartments on Park Avenue dirt cheap, and as much as a quarter of the national population traveled and vacationed abroad in a year. Quite literally, including air fare, it became cheaper for Argentines to send their children to the University of Notre Dame in Indiana than to send them to universities in their own country. The foreign debt was contracted in dollars, largely from banks in the United States; this seemed logical when dollars were artificially cheap, but it seems shortsighted today, when those debts must be repaid in far more costly dollars after repeated devaluations of the peso. Even more myopic were the reasons for incurring the debt: instead of using public and private borrowing to modernize agricultural or industrial production, the huge increases in foreign debt after 1976 went largely for the importation of luxury goods, for

"operating" subsidies to industry, and for military equipment that was soon consumed in the unsuccessful attempt of President Leopoldo Galtieri to retake the Malvinas Islands from Great Britain in 1982.

Even more important in the policies of Martínez de Hoz was the repression of organized labor. In fact, some observers have seen the economic program that he instituted for President Jorge Videla as little more than a "facade," a means permanently to subordinate the role of the working class that Perón had increased so dramatically in Argentine politics,[19] a means to solve definitively the political conflicts and the terrorist violence that Perón himself denounced before his death and against which the military was forced to fight the "dirty war" of the late 1970's with its great cost in human life.

In restricting the role of organized labor, the government severely repressed strikes and other forms of labor protest. It passed a law depriving trade unions of the administration of their "social funds," such as the health insurance systems that they had created with their own money. With regard to income distribution, it established base salaries for workers, requiring that any increases above these figures be tied to productivity. In a refinement on the traditional efforts of military governments to hold down the wages of Argentine workers, the economic team under Martínez de Hoz sought "to stretch the economic pyramid," to widen the distance between the best paid and the least paid workers. Officially, the rationale for this policy was to reward

competitiveness, effort, and efficiency, but the underlying purpose was to create divisions within the working class and to prevent its members from acting cohesively together.

In broader terms as well, the military governments were not as "liberal" as they claimed to be. Under the banner of what pretended to be economic "liberalism" in the nineteenth-century, laissez-faire sense of the term, the policies of the military were actually interventionist and repressive, "conservative" in the sense only of aiding the owners of capital. If the orientation had been truly "liberal" as it pretended, it would have included not only the freedom of prices to fluctuate but also the freedom of labor to negotiate, to seek higher wages, and to strike. Thus both the Peronists and their opponents wanted to intervene in the economy; their interventions simply had different beneficiaries and victims in mind. Just as the Peronists were less radical than their rhetoric suggested, wanting to redistribute income but not to redistribute wealth, so the "neoliberal" policies of Martínez de Hoz used government to undercut the local industrial sector and the working class, the groups that had been the backbone of the Peronist movement.

What were the outcomes of these policies? Of what did the economic involution of the late 1970's and the early 1980's consist? The results are clear, and much has been written about them. The policies, whether they had true economic objectives or whether they resulted more directly from desires for political repression, produced a generalized economic depression, a

Table 6: Unemployment According to Age Groups in Argentina, 1983 (in %)

	Total	Ages 15-19	Ages 20-24	Ages 25-29	Ages 30-34	Ages 35-44	Ages 45-54	Ages 55-64	65 and older
Unemployed	10	21	8	10	10	10	7	10	13

Source: National, urban survey conducted by IPSA, S.A., 1983. For more details on the survey, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires.

Table 7: Wage Earners and Self-Employed People in Argentina, 1981-1983 (in %)

	1981	1982	1983
Wage-Earners	65	57	54
Self-Employed	35	39	43

Source: National, urban surveys conducted by IPSA, S.A. The base for this table are respondents from a survey in each year who were at the time holding any kind of job. The reason that the percentages in each year do not add up to 100 is that some people reported themselves to be both wage-earners and self-employed at the same time, and their category does not appear above. For more details on the surveys, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires.

Table 8: Wage Earners and Self-Employed People in Argentina, According to Educational Level, 1983 (in %)

	Incomplete Elementary School	Incomplete Secondary School	Completed Secondary School	Incomplete College	Completed College
Wage Earners	48	58	56	55	68
Self-Employed	50	41	43	42	21

Source: National, urban survey conducted by IPSA, S.A., 1983. The base for this table is respondents from the survey who were at the time holding any kind of job. The reason that the percentages in each case do not add up to 100 is that some people reported themselves to be both wage earners and self-employed at the same time, and their category does not appear above. For more details on the survey, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires.

pronounced industrial recession, unprecedented public and private indebtedness, a host of bankruptcies, widespread unemployment, and uncontrolled inflation. The economic failures since 1976, whose consequences became especially apparent as the 1980's began, are frequently seen as a reason why, in order to vindicate the honor of the armed forces and regain popular support, President Galtieri tried to wrest the Malvinas Islands from Great Britain, leading after the British victory to further humiliation for the Argentine military. Also, the economic failures after 1976 required the military to hold free elections once again, turning the reins of government back over to civilians. The situation had become so

grave that even the Peronists congratulated Raúl Alfonsín and his Radical Party after their 1983 victory, promising to work with them to prevent military coups in the future.

The results of the policies of the military--as well as the groups benefitting and being hurt under them--appear starkly in statistics on unemployment and on self-employment. As table 6 makes clear, unemployment was extraordinarily great for teenagers, for those in the labor force aged fifteen to nineteen, an energetic group in the national population. Having one out of five teenagers unemployed constituted a potentially explosive situation, and the military tried to defuse it by the return to civilian government. Similarly, as table 7 suggests, "self-employment" rose sharply from 1981 to 1983, and, as appears from table 8, self-employment was two and a half times more common among the least educated than it was among the best educated segment of the population. The recent rise in "self-employment" has no precedent in Argentina, and the level there came far to exceed that in the "developed" countries of Europe to which Argentina has so long and so appropriately been compared. Indeed, the self-employment rate is often used as a reliable index of economic growth and "development"; for countries where the level of self-employment is high, the measure is one of "underdevelopment." For Argentina in the early 1980's, the index does reflect the involution of the economy as a whole, but it also portrays the more specific effects of government policies since 1976. Those who swelled the ranks of the "self-employed" in the early 1980's were largely former workers and employees sacked from

the "formal" labor market, those forced by economic recession to struggle for meager incomes in the marginal and unproductive activities of the "informal" market. "Self-employment" masks disguised, but all too real, unemployment and underemployment. In doing so, it is but one more indication of the devastating political struggle among the elites of Argentine society.

Elites and Development

A final dimension of the development literature to which the Argentine experience speaks eloquently is the concern for elite consensus. Development theorists of very different persuasions stress the importance of such consensus, and, from the dismal record of the Argentine economy, we would expect dissensus in this case if the theorists are correct. In fact, this is the case. Careful survey research among Argentine elites on the central issues of development policy reveals them to have differing, mutually antagonistic perspectives. These antagonisms, and the elites' inability to overcome them, stand as a fundamental cause for the political instability and the economic failures of the country.

From the developmental models of G. Lowell Field on the right to those of Barrington Moore on the left, well informed writers on the process of modernization have frequently stressed the importance of elite consensus. For Field, this is the most vital dimension of the development process, especially as regards political stability, as the sectoral proportions of the labor force shift away from

agriculture and toward industry and the service sector.[20] For Moore, it is vital in the rise of capitalism for pro-capitalist elites to form alliances among themselves and then to prevail over the anti-capitalist elites of the agrarian sector.[21] Empirical data from Western Europe, the United States, and Australia does in fact show that, in these "developed" nations, the elites tend to be highly consensual and cohesive.[22]

In Latin America, the experience of Argentina sharply contrasts that of Mexico and Brazil. The economic and political strength of the traditional agrarian sector in Argentina has allowed its members to make their interests predominate over others, as they did in the orientations of the military governments after 1976. In Brazil and Mexico, on the other hand, the separate interests of the agrarian elite have long since been subsumed in the process of elite integration. Accordance among the leaders of the various sectors is strong there regarding the priority assigned to industrial growth and regarding the active role of the state in furthering industrialization. In no small part as a result of this fundamental contrast, the economic growth of Brazil and Mexico has been far greater and steadier than that of Argentina over the past half century, as tables 1 and 2 above demonstrate.

Dissensus in Argentina encourages the alternation in office of governments with categorically opposing views of what the process of "development" should be in the nation, views derived from the more general orientations of the elites that constitute the backers and beneficiaries of each government. This makes it very

frustrating to try to govern the country. Aldo Ferrer, one of the most thoughtful and articulate men to try, put it this way:

> Probably the gravest drama of Argentina in the last fifty years has been its failure to implement an economic policy compatible with a democratic political system. Populist policies have ended in chaotic or unmanageable situations. Orthodox policies have ended in the aggravation of basic economic conditions and deep social resentment. It is not accidental that all orthodox economic policies in contemporary Argentina have always been based in de facto political regimes. It seems that they can not be implemented otherwise. Other strategies, neither populist nor orthodox, including policies carried out while I was Minister of Economy and Labor between 1970 and 1971, lacked sufficient political support to last and prove their viability.[23]

Survey research carried out in 1982 demonstrates that the fundamental orientations of Argentine elites remain very much at odds with one another. Classic elite research in the country, such as that of José Luis de Imaz, reveals that there is no single "power elite" in the nation, that instead it is ruled by various elites in turn, each of which comes from very different origins and maintains opposing political objectives.[24] This remained true in the early 1980's, as entrepreneurs and officials of the military government on the one hand contrasted trade unionists and party activists on the other hand, especially in regard to their attitudes toward the appropriate roles of the state and of foreign investment in the process of development.

As table 9 indicates, the entrepreneurs from large companies in the private sector and their allies among the public officials

Table 9: The Positions of Argentine Elites toward the Economic Role of the State, 1982 (in %)

	Public Officials	Entrepreneurs	Politicians	Trade Unionists
Opposes State Intervention	79	75	26	27
Favors State Intervention	12	25	69	73

Source: Study of national elites conducted by IPSA, S.A., 1982.[25] For more details on the survey, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires.

Table 10: The Positions of Argentine Elites toward Foreign Investment, 1982 (in %)

	Public Officials	Entrepreneurs	Politicians	Trade Unionists
Foreign Investment Has Been Beneficial	87	83	32	33
It depends	4	4	37	40
Foreign Investment Has Not Been Beneficial	7	4	26	20

Source: Study of national elites conducted by IPSA, S.A., 1982. The table depicts the percentages of each elite that agreed with the statement that "foreign investment has been beneficial to the country." For more details on the survey, contact the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or IPSA, S.A., Cerrito 1054, Buenos Aires.

of the military governments differend categorically with trade unionists and the leaders of the Peronist and Radical parties in their views of the appropriate role of the state in the economy, particularly in regard to furthering industrial activity. The former favored minimal participation, while the latter (together with the owners of small and medium-sized firms) favored state intervention to support industrial production and the urban working class. The former also supported agrarian, exporting activities, while the latter emphasized basic industries and domestic manufacturing. The two perspectives remained diametrically opposed to one another, just as the two groups have alternatively defended and dethroned successive governments that could not agree over these fundamental issues.

Also, as table 10 makes clear, these same elites differ consistently over the appropriate role of foreign investment. The entrepreneurs and public officials of the de facto government favor it overwhelmingly, while the trade unionists and political party leaders either question or reject it by nearly the same proportions. When asked about their views in more detail, the former say that foreign investment aids Argentina through the introduction of modern technology and the generation of employment, while the latter talk of the "speculative" character of foreign investment and its tendency to bring into Argentina only technology that has recently become obsolete in its country of origin.

For decades, Argentine political history has been an uninterrupted struggle between the polarized coalitions of these

antagonistic elites. Their interests, perceptions, and developmental paradigms differ greatly, as do their policy goals and their means of policy implementation. Even though neither coalition has the political strength to consolidate power and establish stability in the long run, each of them retains enough "veto" power to destabilize the other when it tries to govern for a matter of years. Resulting from this situation has been the chronic instability of governments, the successive failure of the various "models" of development put into practice since 1945, and the economic stagnation and paralysis that in recent years have gripped a country that, on paper, would seem to have all the ingredients for rapid economic advance.

Conclusions

In terms of theoretical approaches to economic and political development, the Argentine case is both saddening and instructive. With its natural resources, the characteristics of its labor force, and the fundamental attitudes and values of its people, the country seems admirably suited for rapid economic advance. Yet, for fifty years it has grown far more slowly than the major nations competing with it, and during the past decade a number of economic indicators have actually gone backward.

In economic policies, the experience of Argentina reinforces themes that have become evident in other nations also: the dangers of overvaluing the domestic currency and borrowing excessively from abroad, the importance of savings and capital accumulation at the

expense of current consumption and luxury imports, the significance of consistency in economic policies over time rather than wide swings between opposing paradigms of development. It remains easier for government officials to encourage some redistribution of income if they first assure that the income level is rising for the society as a whole, and it is easier to generate that rising level of income if the occupational groups in society do not concentrate solely upon their own welfare. Rather than intervening for or against the agrarian sector or the working class, officials of the national government might better concentrate upon building up the economic infrastructure and creating an environment where productivity and hard work are rewarded.

Recent Argentine history also demonstrates the primacy of politics in the process of development. The most important political elites remain fundamentally divided over such issues as the appropriate roles of the state and of foreign investment. Dissensus among critical elites demonstrates that, despite the multiple social indicators that have long made Argentina appear to be one of the most "developed" nations in the world, it has remained entangled in the conflict between agrarian and industrial groups that other nations in Europe and Latin America overcame long ago. Furthermore, despite the recent withdrawal from office of the Argentine military once again, the country is still plagued by the weakness of such institutions as political parties in the face of such corporatist structures as the military establishment. Inspite of the euphoria surrounding the election and the

inauguration of President Raúl Alfonsín, the fundamental conflicts of Argentine politics lie just below the surface. Perhaps the unprecedented economic and psychological crisis of the early 1980's will shake the nation free of its earlier patterns. Perhaps the initiative and insight of Alfonsín and his followers will establish new patterns for the future. Or perhaps the weight of the past will remain too great.

Notes

1. Frederick C. Turner, "The Aftermath of Defeat in Argentina," Current History, Vol. 82, No. 481 (February, 1983), p. 58.

2. Clarín (Buenos Aires), Suplemento Económico, July 24, 1983.

3. Charles Lewis Taylor and Michael Hudson, World Handbook of Political and Social Indicators (2d ed., New Haven, Conn.: Yale University Press, 1972), pp. 229, 316, 342.

4. Central to such interpretations is the understanding that, for certain groups or for the most hardworking and effective entrepreneurs in a society, these persons believe passionately in economic advancement as a positive value. As Weber commented on the Protestant entrepreneur, "his whole social existence in the here and now depended upon his 'proving' himself." From "The Protestant Sects and the Spirit of Capitalism," chapter 12 in From Max Weber: Essays in Sociology, edited and translated by H. H. Gerth and C. Wright Mills (London: Routledge & Kegan Paul, 1967), p. 320. For classic interpretations of the relationships between personal values and economic performance, see Max Weber, The Protestant Ethic and the Spirit of Capitalism, translated by Talcott Parsons (New York: Charles Scribner's Sons, 1930); David C. McClelland, The Achieving Society (Princeton, N.J.: D. Van Nostrand and Company, 1961); and Everett E. Hagen, On the Theory of Social Change: How Economic Growth Begins (Homewood, Ill.: The Dorsey Press, 1962).

5. The surveys were designed and carried out at IPSA, S.A., an Argentine research firm. Both are based upon probabilistic samples. The first (1981) survey covers the federal capital and the surrounding area (Gran Buenos Aires), while the second (1982) covers Buenos Aires, Greater Buenos Aires, and three urban centers in the interior of the country. For more details on the surveys, write to the Roper Center, University of Connecticut, Storrs, Connecticut 06268, or to IPSA, S.A., Cerrito 1054, Buenos Aires.

6. The statements read, "I try to attain, through all possible means, the goals that I have set for myself;" "The attainment of difficult goals makes me feel very satisfied;" and "It is very important to be somebody in life."

7. Ronald Inglehart, "The Silent Revolution in Europe: Intergenerational Change in Post-Industrial Societies," American Political Science Review, Vol. 65, No. 4 (December, 1971). amd Ronald Inglehart, The Silent Revolution: Changing Values and Political Styles Among Western Publics (Princeton, N.J.: Princeton University Press, 1977).

8. The questions, with the percentage of agreement for 1981 and 1982 respectively in parentheses, are "Every effort is justified if it leads to the attainment of a better social and economic position" (93/91 per cent), "(In my view) the university is very important for my children, because it will give them the chance of attaining a better position in society" (86/91 per cent), and "One of the best things about Argentina was to allow the progress of immigrants" (88/89 per cent).

9. Some 72 per cent of the respondents in the 1982 survey agreed that "The only way of attaining social and economic well-being is through the introduction of new technology."

10. In a question on job satisfaction, the percentages giving the various responses were as follows in the 1982 IPSA survey: "very high satisfaction" 34 per cent, "relatively high satisfaction" 38 per cent, "neutral or indifferent" 20 per cent, "relatively high dissatisfaction" 6 per cent, "very high dissatisfaction" 2 per cent.

11. In the 1982 survey, 20 per cent of the respondents agreed that "Work is the main purpose of life." Some 62 per cent agreed that "Work is an acceptable aspect of life," and only 18 per cent found that "Work is a disagreeable but necessary aspect of life." In 1982, in the context of high unemployment, 81 per cent of the respondents also said that they preferred "a routine but stable job rather than an interesting but unstable one," and 88 per cent said that they "would not mind working extra hours if they are adequately paid."

12. On the role of Perón and the experience of his third presidency, see Frederick C. Turner and José Enrique Miguens, eds., Juan Perón and the Reshaping of Argentina (Pittsburgh, Pa.: University of Pittsburgh Press, 1983).

13. Among the best interpretations of the structure and problems of the Argentine economy are Carlos F. Díaz Alejandro, Essays on the Economic History of the Argentine Republic (New Haven, Conn.: Yale University Press, 1970); Aldo Ferrer, The Argentine Economy, translated by Marjory M. Urquidi (Berkeley, Calif.: University of California Press, 1967); Laura Randall, An Economic History of Argentina in the Twentieth Century (New York: Columbia University Press, 1978); and Richard D. Mallon and Juan V. Sourrouille, Economic Policymaking in a Conflict Society: The Argentine Case (Cambridge, Mass.: Harvard University Press, 1975).

14. Edgardo Catterberg and Luis Aznar, "Coaliciones sociales y orden político en la Argentina," Revista Paraguaya de Sociología, No. 38 (1977).

15. Adolfo Canitrot, "La experiencia populista de distribución de ingresos," Desarrollo Económico, Vol. 15, No. 59 (octubre-diciembre, 1975), p. 331.

16. Aldo Ferrer, Crisis y alternativas de la política económica argentina (Buenos Aires: Fondo de Cultura Económica, 1977), p. 44.

17. For detailed analysis of the alternation in economic policies in the earlier periods, see Gary W. Wynia, Argentina in the Postwar Era: Politics and Economic Policy Making in a Divided Society (Albuquerque, N.M.: University of New Mexico Press, 1978); and Gary W. Wynia, "Workers and Wages: Argentine Labor and the Incomes Policy Problem," in Turner and Miguens, eds., Juan Perón and the Reshaping of Argentina.

18, José Alfredo Martínez de Hoz, Bases para una Argentina moderna, 1976-80 (Buenos Aires: Compania Impresora Argentina, 1981), p. 30.

19. Adolfo Canitrot, "Teoría y práctica del liberalismo. Política antiinflacionaria y apertura económica en la Argentina, 1976-1981," Desarrollo Económico, Vol. 21, No. 82 (julio-septiembre, 1981), p. 132.

20. G. Lowell Field, Comparative Political Development: The Experience of the West (Ithaca, N.Y.: Cornell University Press, 1967).

21. Barrington Moore, Jr., Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (Boston: Beacon Press, 1966).

22. John Higley and Gwen Moore, "Elite Integration in the United States and Australia," American Political Science Review, Vol. 75, No. 4 (December, 1981).

23. Aldo Ferrer, "The Argentine Economy, 1976-1979," Journal of Interamerican Studies and World Affairs, Vol. 22, No. 2 (May, 1980), p. 160.

24. José Luis de Imaz, Los Que Mandan, translated by Carlos A. Astiz (Albany, N.Y.: State University of New York Press, 1964).

25. This elite survey contained fairly small groups of respondents in each elite category: 24 public officials, 24 entrepreneurs, 19 politicians, and 15 trade unionists. The findings are entirely consistent with the results of earlier

elite interviewing, such as that done at IPSA, S.A. in the elite survey directed by Frederick C. Turner during the election campaign of Juan Perón in August and September, 1973, where, for example, a group of 120 entrepreneurs held views strikingly similar to those revealed in the elite study a decade later.

The data in table 9 comes from composite answers to the following survey questions: "The state must act as a regulator and moderator of society, and must not participate in the production of goods and services"; "The state must be like a policeman controlling the traffic and must take care of its main duties, such as health, education and national security; production should be left in private hands"; "The role of the state is more important here /in Argentina/ than in developed countries for, while the latter have already attained their capital formation, that is not the case in our country"; and "The state must not only gear the economic system; it must also establish controls for income distribution, in order to prevent some sectors (the weakest ones) from undergoing the full costs of a policy of economic growth."