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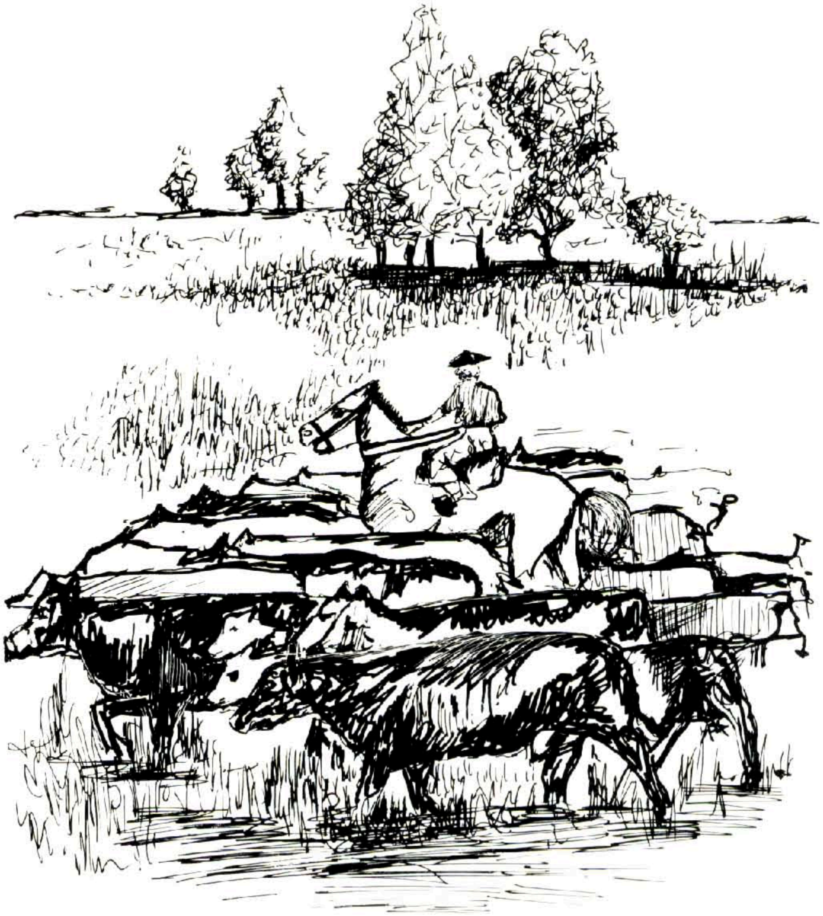

Argentina
a country study

Foreign Area Studies
The American University
Edited by
James D. Rudolph
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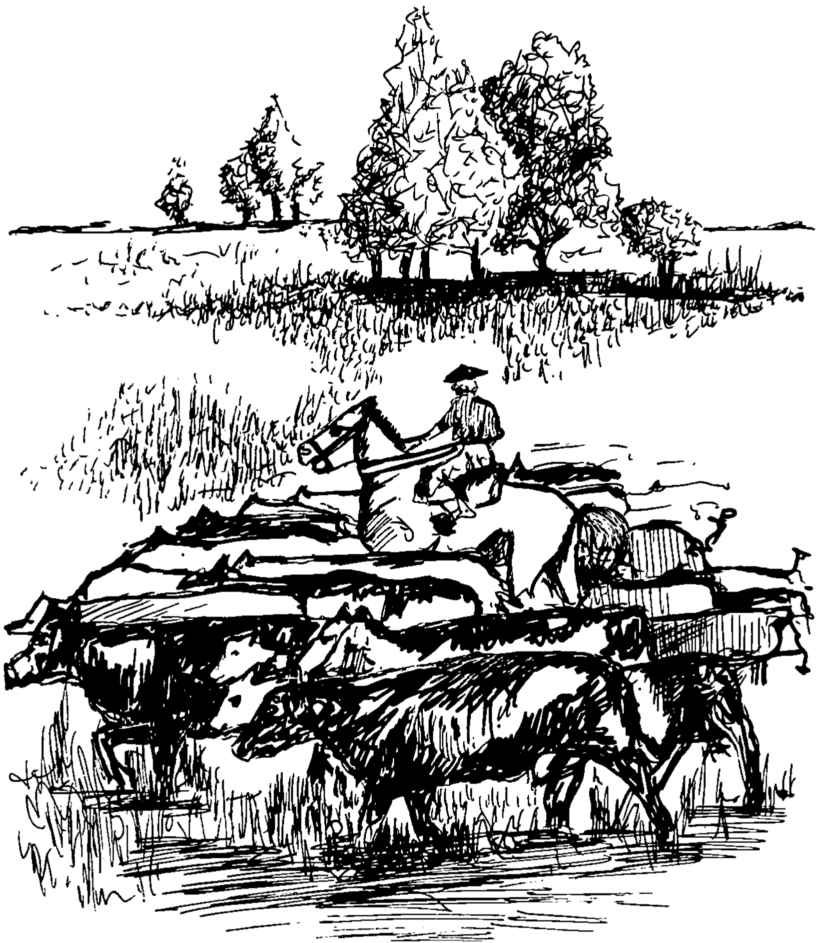

On the cover: Gaucho tending cattle

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Foreword

This volume is one of a continuing series of books prepared by Foreign Area Studies, The American University, under the Country Studies/Area Handbook Program. The last page of this book provides a listing of other published studies. Each book in the series deals with a particular foreign country, describing and analyzing its economic, national security, political, and social systems and institutions and examining the interrelationships of those systems and institutions and the ways that they are shaped by cultural factors. Each study is written by a multidisciplinary team of social scientists. The authors seek to provide a basic insight and understanding of the society under observation, striving for a dynamic rather than a static portrayal of it. The study focuses on historical antecedents and on the cultural, political, and socioeconomic characteristics that contribute to cohesion and cleavage within the society. Particular attention is given to the origins and traditions of the people who make up the society, their dominant beliefs and values, their community of interests and the issues on which they are divided, the nature and extent of their involvement with the national institutions, and their attitudes toward each other and toward the social system and political order within which they live.

The contents of the book represent the views, opinions, and findings of Foreign Area Studies and should not be construed as an official Department of the Army position, policy, or decision, unless so designated by other official documentation. The authors have sought to adhere to accepted standards of scholarly objectivity. Such corrections, additions, and suggestions for factual or other changes that readers may have will be welcomed for use in future new editions.

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Contents

	Page
Foreword	iii
Acknowledgments	v
Preface	xi
Country Profile	xix
Introduction	xxv
Chapter 1. Historical Setting	1

Elizabeth de Lima-Dantas

DISCOVERY AND COLONIZATION, 1492-1810—The Native Peoples of Argentina—Spain's Expanding Frontiers—Discovery and Occupation—Colonial Administration—Socioeconomic Structures—The Viceroyalty of the Río de la Plata—The Dawn of Independence—INDEPENDENCE AND FIRST ATTEMPTS AT NATIONAL CONSOLIDATION, 1810-29—The Revolution of 1810—The Revolutionary Assembly of 1813—The United Provinces of South America—Unitarians and Federalists—Gauchos and Caudillos—THE DICTATORSHIP OF ROSAS, 1829-52—NATIONAL CONSOLIDATION AND EUROPEANIZATION, 1852-80—The 1853 Constitution and the Argentine Nation—The Paraguayan War, 1865-70—"Facundo" Versus "Martín Fierro"—A NEW ERA FOR ARGENTINA, 1880-1930—Revolution on the Pampas, 1880-1914—The Oligarchy, 1880-1916—The Road to Popular Democracy—The Radical Administration, 1916-30—CONSERVATIVE RESTORATION, 1930-46—Aftermath of Depression, 1930-43—National Revolution, 1943-46—ARGENTINA UNDER PERÓN, 1946-55—Perón's First Presidency, 1946-51—Perón's Second Administration, 1952-55—"REVOLUTIONARY" ARGENTINA, 1955-72—The Liberating Revolution, 1955-66—The Argentine Revolution, 1966-72—THE PERONIST RESTORATION, 1973-76—THE NATIONAL REORGANIZATION PROCESS, 1976-83—The Military in Power—The South Atlantic War and Its Aftermath

Chapter 2. The Society and Its Environment	81

Jorge P. Osterling

TOPOGRAPHY AND CLIMATE—The Northwest—Cuyo—Gran Chaco—Mesopotamia—Greater Buenos Aires and the Littoral—The Pampas—Patagonia—ETHNIC CATEGORIES AND POPULATION—The Native Argentines—The European Immigrants—Internal Migration—Immigrants from Neighboring Countries—Mid-

1980s Demographic Trends—SOCIAL STRATIFICATION—Income Distribution—The Upper Class—The Middle Class—The Lower Class—EDUCATION—Lower-Level Education—Higher Education—HEALTH AND WELFARE—RELIGION

Chapter 3. The Economy 125
Robert S. Noth
GROWTH AND STRUCTURE OF THE ECONOMY—LABOR FORCE—INDUSTRY—Public Industrial Policies—Energy—Mining—Manufacturing—TRANSPORTATION—AGRICULTURE—Public Agricultural Policies—Land Use—Crops—Livestock—Fishing—FINANCIAL SYSTEM—PUBLIC SECTOR FINANCE—FOREIGN DEBT—TRADE—BALANCE OF PAYMENTS

Chapter 4. Government and Politics 201
Craig H. Robinson
INSTITUTIONAL STRUCTURE—Constitutional Background—Executive—Legislature—Judiciary—Local Government—Elections—POLITICAL MENTALITIES—Conservatism—Radicalism—Nationalism—Peronism—INSTITUTIONAL ACTORS—Political Parties—Business Groups—Labor Groups—The Military as a Political Force—Mass Media—THE POLITICS OF DEMOCRATIC RESTORATION—The End of Military Rule—The Radical Government of Raúl Alfonsín—FOREIGN RELATIONS—History and General Principles—Relations with Britain—Relations with the United States—Relations with Other Countries

Chapter 5. National Security 275
Phyllis Greene Walker
BACKGROUND AND TRADITIONS OF THE ARMED FORCES—The Armed Forces' Origins—San Martín's Legacy—The War with Brazil and the Creation of Uruguay—Anarchy Versus National Order—The War of the Triple Alliance—Early Professionalization Efforts—German Military Influence—The Modern Armed Forces—The National Security Doctrine—CONSTITUTIONAL PROVISIONS AND TREATY OBLIGATIONS—THE ORGANIZATION OF THE ARMED FORCES—The Reorganized Command Structure—Military Expenditures—Operational Command, Deployment, and Equipment—

Conscription and the Reserves—The Military Education System—Officers' Insignia of Rank and Benefits—MILITARY INDUSTRY AND EXPORTS—NUCLEAR DEVELOPMENT AND CAPABILITIES—THE SOUTH ATLANTIC WAR—THE WAR AGAINST SUBVERSION—THE MINISTRY OF INTERIOR AND INTERNAL SECURITY

Appendix. Tables 335
Bibliography 345
Glossary 381
Index 385

List of Figures

1 Administrative Subdivisions, 1985 xxiv
2 Early Colonial Settlements and the Viceroyalty of the Río de la Plata 14
3 Political Evolution of Argentina, 1810-80 32
4 Terrain and Drainage 86
5 Regions 87
6 Population by Age and Sex, 1985 107
7 Transportation System, 1983 151
8 Officers' Insignia of Rank, 1985 317

Preface

More than a decade of political turmoil that was partially resolved in the return to civilian, democratic rule in December 1983 necessitated a replacement for the 1974 *Area Handbook for Argentina.* Like its predecessor, *Argentina: A Country Study* is an attempt to treat in a compact and objective manner the dominant social, political, and national security aspects of contemporary Argentine society. Sources of information included scholarly journals and monographs, official reports of governments and international organizations, foreign and domestic newspapers, numerous periodicals and newsletters, and interviews with individuals who have special competence in Argentine and Latin American affairs. Chapter bibliographies appear at the end of the book; brief comments on some of the more valuable sources appear at the end of each chapter. Measurements are given in the metric system; a conversion table is provided to assist those readers who are unfamiliar with metric measurements (see table 1, Appendix). A Glossary follows the Bibliography. Table A, a reference tool that lists the presidents of Argentina from 1862 to the present, immediately follows this Preface; Table B, which gives the Spanish names and English translations for the many organizations and institutions referred to in the text by an acronym, follows Table A. The dictionary used was *Webster's Ninth New Collegiate Dictionary.*

Spanish surnames often consist of two parts—a patrilineal name followed by a matrilineal. In Argentina, however, the matrilineal is only rarely used. More often, a middle name appears in formal usage, e.g., Juan Domingo Perón, or a middle initial is used, e.g., Reynaldo B. Bignone. In many instances, such as that of Raúl Alfonsín, the formal name consists simply of the given name followed by the patrilineal. The patrilineal name is used for filing in the Index and the Bibliography.

Table A. Presidents of Argentina, 1962-1985

Name	Period	Means of Accession to Office
Bartolomé Mitre	1862-68	Military victory
Domingo Faustino Sarmiento	1868-74	Election
Nicolás Avellaneda	1874-80	-do-
Julio Argentino Roca	1880-86	-do-
Miguel Juárez Celman	1886-90	-do-
Carlos Pellegrini (vice president)	1890-92	Resignation of president
Luis Sáenz Peña	1892-95	Election
José Evaristo Uriburu (vice president)	1895-98	Resignation of president
Julio Argentino Roca	1898-1904	Election
Manuel Quintana	1904-06	-do-
José Figueroa Alcorta (vice president)	1906-10	Death of president
Roque Sáenz Peña	1910-14	Election
Victorino de la Plaza (vice president)	1914-16	Death of president
Hipólito Yrigoyen	1916-22	Election
Marcelo T. de Alvear	1922-28	-do-
Hipólito Yrigoyen	1928-30	-do-
José F. Uriburu	1930-32	Military revolt
Agustín P. Justo	1932-38	Election
Roberto M. Ortiz	1938-40	-do-
Ramón S. Castillo (vice president)	1940-43	Delegation of authority by president
Arturo J. Rawson	1943	Military revolt
Pedro Pablo Ramírez	1943-44	Coup d'état
Edelmiro J. Farrell	1944-46	-do-
Juan Domingo Perón	1946-55	Election
Eduardo Lonardi	1955	Military revolt
Pedro E. Aramburu	1955-58	Coup d'état
Arturo Frondizi	1958-62	Election
José M. Guido	1962-63	Coup d'état
Arturo Illia	1963-66	Election
Juan Carlos Onganía	1966-70	Military revolt
Roberto Marcelo Levingston	1970-71	Coup d'état
Alejandro Agustín Lanusse	1971-73	-do-
Héctor J. Cámpora	1973	Election
Juan Domingo Perón	1973-74	-do-
María Estela (Isabel) Martínez de Perón (vice president)	July 1974-March 1976	Death of president
Jorge Rafael Videla	May 1976-March 1981	Coup d'état

Table A—Continued

Name	Period	Means of Accession to Office
Roberto Viola	March-December 1981	Resignation of president
Leopoldo Galtieri	December 1981-June 1982	-do-
Reynaldo B. Bignone	July 1982-December 1983	Military revolt
Raúl Alfonsín	December 1983-	Election

Source: Based on information from Carlos A. Astiz, "Forward" in Alberto Ciria, *Parties and Power in Modern Argentina (1930-1946)*, Albany, 1974, xiv.

Table B. Acronyms from Spanish and English Translations

Spanish (English Translation)	Acronym
Political Parties and Coalitions	
Alianza Demócrata Socialista (Democratic Socialist Alliance)	ADS
Alianza Federal (Federal Alliance)	AF
Alianza Revolucionaria Popular (Revolutionary Popular Alliance)	ARP
Frente de Izquierda Popular (Popular Left Front)	FIP
Línea Nacional (National Line)	LN
Movimiento al Socialismo (Movement to Socialism)	MAS
Movimiento de Afirmación Yrigoyenista (Yrigoyenist Affirmation Movement)	MAY
Movimiento de Integración y Desarrollo (Movement for Integration and Development)	MID
Movimiento de Intrasigencia y Movilización (Intransigence and Mobilization Movement)	MIM
Movimiento de Renovación y Cambio (Movement of Renovation and Change)	MRC
Partido Comunista Argentina (Argentine Communist Party)	PCA
Partido Demócrata (Democratic Party)	PD
Partido Demócrata Cristiano (Christian Democratic Party)	PDC
Partido Demócrata Progresista (Progressive Democratic Party)	PDP
Partido Federalista del Centro (Federalist Party of the Center)	PFC
Partido Intransigente (Intransigent Party)	PI
Partido Justicialista (Justicialist Party)	PJ
Partido Obrero (Workers' Party)	PO

Table B—Continued.

Spanish (English Translation)	Acronym
Partido Popular Cristiano (Christian Popular Party)	PPC
Partido Revolucionario Cristiano (Christian Revolutionary Party)	PRC
Partido Socialista (Socialist Party)	PS
Partido Socialista Democrática (Democratic Socialist Party)	PSD
Partido Socialista Popular (Popular Socialist Party)	PSP
Unión Cívica Radical (Radical Civic Union)	UCR
Unión Cívica Radical del Pueblo (People's Radical Civic Union)	UCRP
Unión Cívica Radical Intransigente (Intransigent Radical Civic Union)	UCRI
Unión del Centro Democrático (Union of the Democratic Center)	UCD
Unión Democrática (Democratic Union)	UD
Unión Federal Demócrata Cristiana (Christian Democratic Federal Union)	UFDC
Unión Republicana (Republican Union)	UR
Labor Organizations	
Confederación General del Trabajo de los Argentinos (General Confederation of Labor of the Argentines)	CGTA
Comisión Nacional de Trabajo (National Labor Commission)	CNT
Comité Gestión y Trabajo (Labor Action Committee)	CGYT
Conducción Única de los Trabajadores Argentinos (Only Vehicle of the Argentine Workers)	CUTA
Confederación General de Trabajo (General Confederation of Labor)	CGT

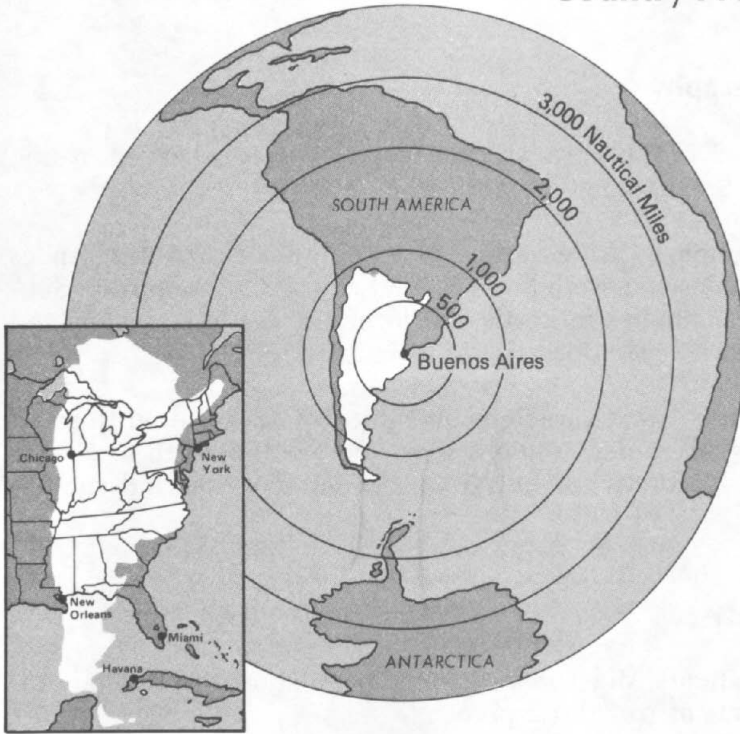
Table B—Continued.

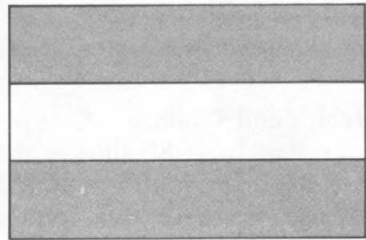
Spanish (English Translation)	Acronym
Confederación General del Trabajo de la República Argentina (General Confederation of Labor of the Argentine Republic)	CGT-RA
Confederación Obrera Argentina (Argentine Workers' Confederation)	COA
Confederación Obrera Regional Argentina (Regional Confederation of Argentine Workers)	CORA
Federación Obrera Regional Argentina (Argentine Regional Federation of Workers)	FORA
Movimiento de Unidad y Coordinación Sindical (Movement of Labor Unity and Coordination)	MUCS
Unión General de Trabajadores (General Workers' Union)	UGT
Unión Sindical Argentina (Argentine Syndicalist Union)	USA
Other Political Actors and Interest Groups	
Acción Coordinadora de Instituciones de Empresa Libre (Coordinating Action of Free Business Institutions)	ACIEL
Alianza Argentina Anticomunista (Argentine Anticommunist Alliance)	AAA
Cámara Argentina de Comercio (Argentine Chamber of Commerce)	CAC
Confederación General de Profesionales (General Confederation of Professionals)	CGP
Confederación General Económica (General Economic Confederation)	CGE
Confederación General Universitaria (General University Confederation)	CGU
Confederación Rural Argentina (Argentine Rural Confederation)	CRA
Ejército Revolucionario del Pueblo (People's Revolutionary Army)	ERP
Fuerzas Armadas Peronistas (Peronist Armed Forces)	FAP
Grupo Obra de Unificación (Unification Task Force)	GOU
Juventud Argentina por la Emancipación Nacional (Argentine Youth for National Emancipation)	JAEN

Table B—Continued.

Spanish (English Translation)	Acronym
Juventud Peronista (Peronist Youth)	JP
Movimiento Industrial Argentino (Argentine Industrial Movement)	MIA
Movimiento Industrial Nacional (National Industrial Movement)	MIN
Sociedad Rural Argentina (Argentine Rural Society)	SRA
Unión Industrial Argentina (Argentine Industrial Union)	UIA
Government Agencies	
Comisión Nacional de Energía Atómica (National Atomic Energy Commission)	CNEA
Comisión Nacional sobre la Desaparición de Personas (National Commission on the Disappearance of Persons)	CONADEP
Dirección General de Fabricaciones Militares (General Directorate of Military Manufactures)	DGFM
Instituto Argentino de Promoción del Intercambio (Argentine Trade Promotion Institute)	IAPI

Country Profile





Country

Formal Name: Argentine Republic (República Argentina).

Short Form: Argentina.

Term for Citizens: Argentines.

Capital: Buenos Aires.

Flag: Three vertical bands—two light blue, one white.

Geography

Size: 2,771,300 square kilometers—second largest nation (after Brazil) in Latin America.

Topography: Wide variety of topographical features. Andes mountains and foothills lie in west along Chilean border. Subtropical jungles in north, fertile prairie lands in center, and subantarctic territories in south.

Climate: Great variations owing to considerable north-south extension. Andean regions vary from cool in north to cold in south. Northern lowlands tropical; central prairie lands moderate.

Society

Population: Mid-1985 estimated population 30.7 million. Annual rate of growth 1.5 percent.

Education and Literacy: Partially decentralized system. Primary education compulsory. In 1980 official literacy rate 94.2 percent.

Health and Welfare: One of highest health standards in Latin America. In 1985, life expectancy 70 years. Infant mortality rate 35.3 per 1,000 live births. Leading causes of death heart disease, cancer, accidents, and problems relating to childbirth.

Language: Spanish, official language, spoken by virtually all.

Religion: 91.6 percent of population professes Roman Catholicism. Protestantism, with 2.5 percent, ranks second.

Economy

Gross Domestic Product (GDP): In 1983 equivalent to US$2,

497 per capita. Growth of economy linked closely to production and export of cereals and oilseeds.

Agriculture: Production alone accounted for over 15 percent of GDP. Associated agroindustrial activities in processing, transport, sales, and other services raised total share of agriculture-based output in GDP to about 30 percent.

Manufacturing: Contributed 24.1 percent of GDP in 1983. Major industries comprised metal products, machinery and equipment, food and beverages, and chemicals.

Exports: US$7.8 billion in 1983. Agricultural goods accounted for 79 percent of total export value. Most important agricultural exports—cereals, oilseeds, and their byproducts—accounted for 56 percent of total export value. Other important exports included minerals and fuels, metals, plastics, resins, and rubber.

Imports: US$4.5 billion in 1983. Main imports included machinery and equipment, chemicals, fuels and lubricants, and metals.

Major trade partners: In 1983 major export markets included Soviet Union, United States, Netherlands, China, Iran, and Japan. Major sources of imports included United States, Brazil, Federal Republic of Germany (West Germany), Bolivia, Japan, and Italy.

Currency: Austral, divided into 100 centavos, is unit of currency.

Government and Politics

Government: 1853 Constitution in force in 1985. Federal system with 22 provinces, the Federal District, and one national territory formally autonomous in matters not specifically delegated to national government. Local autonomy limited by national government power to intervene in provinces in order to "guarantee the republican form of government." National government power concentrated in indirectly elected president. Bicameral legislature (Congress consisting of 46-member Senate and 254-member Chamber of Deputies) relatively

weak. Most senators elected indirectly; deputies elected directly. National judiciary headed by Supreme Court. Provincial governments headed by elected governors. Means of election vary, with some elected directly and some indirectly. Most provincial legislatures unicameral; some bicameral. Most local governments headed by mayors appointed by governors.

Politics: Liberal-democratic system reestablished in December 1983 after eight years of military rule. In 1985 governing party, Radical Civic Union (Unión Cívica Radical—UCR), controlled presidency and Chamber of Deputies. Major opposition party was Justicialist Party, with strong ties to organized labor. Large number of smaller parties to both right and left of these two. Organized labor and armed forces important political forces, together with large number of interest groups.

Foreign Relations: Formally of United States but maintains independent posture on many issues. Relations seriously damaged as result of 1982 South Atlantic War with Britain. Growing trade relationship with Soviet Union. Major issues include status of South Atlantic islands and questions concerning payments on country's foreign debt.

International Agreements and Memberships: Party to Inter-American Treaty of Reciprocal Assistance (Rio Treaty). Membership in international organizations includes Organization of American States and its specialized agencies, United Nations and its specialized agencies, Latin American Integration Association, and Nonaligned Movement.

National Security

Armed Forces: Controlled by civilian-directed Ministry of Defense. Total strength of professional troops in 1985 approximately 110,000: Argentine Army, 65,000; Argentine Navy, 28,000; Argentine Air Force, 17,000. Total number of conscripted personnel about 47,000. Paramilitary forces, responsible to Ministry of Defense, divided between National Gendarmerie and Argentine Naval Prefecture and totaled 20,000 personnel. Reserve troops, including National Guard and Territorial Guard, also available for military service.

Military Units: Personnel in Argentine Army divided among

four army corps. Argentine Navy divided among four naval zones corresponding to coastal and riverine territory. Air force divided among nine air brigades. Number of army brigades—largest ground troop formations—being cut from 10 to six in mid-1980s. Major naval vessels in 1985 included four submarines, one aircraft carrier, and 10 destroyers. Major air force formations included four ground-attack/interceptor squadrons, three ground-attack squadrons, one bomber squadron, two counterinsurgency squadrons, and one attack helicopter squadron.

Internal Security: Civilian-directed Ministry of Interior principal government body responsible for internal security in 1985. Size of Federal Police, major law enforcement agency, estimated at slightly over 20,000. Other law enforcement bodies included provincial, city, and municipal police forces. Right-wing terrorism identified by government as primary internal security problem in 1985. By mid-1985 elite antiterrorist police corps formed.

Figure 1. Administrative Subdivisions, 1985

Introduction

IN A GREAT MANY WAYS, Argentina is the nation of Latin America that least abides by the stereotypes that many North Americans hold with respect to the nations to the south. Not mestizo (of mixed Indian-European race), nearly 90 percent of Argentina's 30.7 million inhabitants in 1985 were considered "white." Not poor, rural, and illiterate, the Argentine population was nearly 80 percent urban, 95 percent literate, and a great majority middle class (see Ethnic Categories and Population, ch. 2). Although mountains and tropical regions are found within its borders, the greater part of Argentine territory consists of rich agricultural lowlands and is blessed with a temperate climate. Its vast endowment of resources once led citizens of the young Argentine nation to hypothesize that "God is an Argentine."

In the realm of politics, however, Argentina has been for over half a century a virtual archetype of an unstable Latin American system with a high degree of military participation. Social scientists studying Argentina in a comparative context have long been puzzled by this seeming paradox in which socioeconomic development led not to an "advanced" democratic political system but to political decay. Argentines—who tend to consider themselves superior to their "Third World" Latin American neighbors—have agonized to the point of developing what some observers have called a "collective neurosis" over their inability to establish a stable political order that could restore the nation's pre-1930 economic vigor.

It was not until the 1973 publication of the seminal work by Argentine political scientist Guillermo A. O'Donnell, called *Modernization and Bureaucratic-Authoritarianism*, that outside analysts began to consider Argentina's advanced level of socioeconomic development as a *cause* of its political instability and its tendency toward an authoritarian, military-dominated political system. High levels of socioeconomic development were accompanied by mounting demands from various political groups. These demands, O'Donnel reasoned, were beyond the ability of a democratic government to fulfill—given local economic resources that were limited by high levels of foreign participation—thereby forcing the assumption of political

power by an authoritarian who would impose limits on the political demands of one or more interest groups.

The election and inauguration of Raúl Alfonsín in 1983 marked the end of Argentina's most recent plunge into military rule. The return of democratic rule did not end the conflict within the Argentine polity, but, very importantly, it did mark the reining in of conflict to within legal boundaries. The year 1985 held the potential of becoming, before its end, an even more important watershed in the nation's political history. Through May the nascent democracy had been threatened by runaway inflation as the government spent recklessly—in a fashion consistent with O'Donnell's analysis—to satisfy the economic demands of various interest groups.

Then, after announcing the need to institute a "war economy" to attack the nation's economic ills, Alfonsín implemented a series of austerity measures in June that together constituted the most drastic economic "shock treatment" ever attempted in the nation's history. All interest groups were asked to sacrifice in the short term in order to confront collectively the crisis wracking the economy, which had been stagnant for more than a decade and was on the verge of complete paralysis because of inflation and a staggering foreign debt of some US$48 billion. Argentines were asked to put aside their traditional divisiveness and, together, adhere to measures designed to stop inflation in its tracks and restore the productive potential of an economy with many and varied natural, human, and industrial resources.

Such an expression of political will to set a truly national agenda was a rare act of statesmanship in the history of a nation whose politicians seldom looked beyond their particular interests to consider the common good. Three months after the program's implementation—to the amazement of observers accustomed to the contrariness of Argentines in matters that affected their pocketbooks—the population remained supportive of Alfonsín's austerity measures. If this support were to become sustained over time, it could profoundly alter the heretofore pessimistic course of modern Argentine history.

Divisiveness between Federalists and Unitarians (those seeking a federal and a centralist political system, respectively) and between coastal and interior populations prevented the formation of the modern-day Argentine nation-state until 1880, more than a half-century after the successful struggle for independence from Spain (see National Consolidation and Europeanization, 1852-80, ch. 1). The political unification of

Buenos Aires with the interior provinces was richly rewarded; the decades following 1880 were to be the heyday of the modern Argentine nation. Argentine production of beef and wheat and a vast trading network with Western Europe, especially Britain, brought immense wealth. At the close of the nineteenth century, Argentine riches matched those of the United States. Its citizens imitated the life-style of Europe, and Buenos Aires became known as the "Paris of South America." Millions of immigrants—mostly from Spain and Italy—flocked to Argentina to share in the bounties offered in the southern reaches of the New World.

In 1916 the political system—long dominated by Conservatives representing export-oriented elites—was transformed to reflect the social changes brought on by waves of immigrants. That year saw the election of Radical Civic Union (Unión Cívica Radical—UCR) caudillo Hipólito Yrigoyen, who represented the coming to power of the nation's new middle classes. By 1930 the aged and increasingly incompetent UCR leader was unable to meet the crisis of the Great Depression, and he was overthrown by members of the armed forces representing the old Conservative export elites. Thus began the cycle of military interventions into the political process that has plagued Argentina ever since.

The second major actors in contemporary Argentine politics—the Peronists—first came into play in 1946, when Juan Domingo Perón was first elected to the presidency. Over the next six years his populist policies brought great advances to the nation's lower classes. The death in 1952 of Eva Duarte de Perón—Perón's second wife, who had adopted the role of personal benefactor to Argentina's working class and assumed a political persona of near mythical proportions—however, coincided with the beginning of a progressively deepening economic recession (see Argentina under Perón, 1946-55, ch. 1). By 1955 the armed forces again intervened to oust the *líder*, whose mass appeal had rapidly faded with the growth of the economic crisis.

Both the Peronists and the armed forces gained opportunities to rule again during the 1970s. Both periods were to end in disaster.

Perón returned for his second period of rule in 1973 amidst great popular expectations. He had continued to play an important political role during nearly two decades of exile in Spain, when the spectrum of political interests that remembered his legacy favorably widened while Argentina's present

reality became progressively less appealing. All but his most reactionary supporters were to be disappointed with Perón's second performance. The situation went from mediocre to disastrous after his third wife, María Estela (Isabel) Martínez de Perón, assumed the presidency following the death of the aged *líder* in 1974. Under Isabel, terrorism from the left and the right ran rampant, as did economic decay, which became manifest most clearly in runaway inflation. The nation breathed a collective sigh of relief when the armed forces removed the incompetent Isabel from office in March 1976.

The new regime under General Jorge Rafael Videla attempted to apply a monetarist solution to economic problems and launched what it called the war against subversion, which came to be widely known to others as the "dirty war", in an attempt to defeat definitively left-wing guerrilla activity that was out of control by early 1976. With the complicity of silence among all but a handful within the Argentine population, the military regime undertook widespread kidnappings, torture, and murder—not only of the violent guerrilla left but also of the nonviolent leftist political activists, their sympathizers, and their families. The war against subversion was viewed within the military's National Security Doctrine as the beginning of "World War III," which it defined as a struggle against the efforts of communism for world supremacy (see The War Against Subversion, ch.5). In three years as many as 30,000 Argentines were killed; many simply vanished, never to be seen again, and thus earned the misnomer "disappeared."

It was economic failures, however, that brought increasing pressures from outside the regime, while interservice rivalries brought pressures to bear from within. By early 1982 the third successive military junta, led by General Leopoldo Galtieri, found the pressures from rapidly escalating economic problems accompanied by widening strike activities to be too much to bear. It reached into its last refuge of public legitimacy—patriotism—and launched a disastrous war effort to recover the Falkland/Malvinas Islands from Britain. The war had the desired short-term effect as the population—in near revolt against the regime in March—rallied around the flag in April. The Argentine surrender in June came as a shock to a population whose government-controlled press had reported little but propaganda to fuel the patriotic fire during three months of hostilities. When the beleaguered Argentine troops began to return, the truth was revealed about the lack of coordination among the army, air force, and navy; the poor performance of

raw recruits in battle; the lack of preparation for conditions on the cold, windswept islands; and the diversion of food and supplies meant for the troops into black markets (see The South Atlantic War, ch.5). One citizen summarized the sentiments of many toward the armed forces: "First they showed us they cannot govern, then they showed us they cannot run an economy, and now they show us that they cannot fight a war." The humiliated armed forces began a retreat from governing shortly afterward. The military government was not routed from political office by an outraged populace, however. Rather, 18 months after having spent the last of its political capital on a miscalculated war effort, it stepped down and peacefully handed power back to civilian authorities.

The population was initially skeptical about the return to civilian rule, given the disaster of 1973-76 under the Peróns. It was not until the evening following the voting, October 30, 1983, that the nation expressed a sense of joy and celebration over the return to democratic rule. For the first time in more than a half-century, neither the armed forces nor the Peronists (who had won every other freely contested election since 1946) held supreme political authority.

The victor, Raúl Alfonsín, who was born in a small city in the province of Buenos Aires in 1926, had joined the UCR at age 17 and had been elected to the Chamber of Deputies in 1953 and again in 1963. After 1970 Ricardo Balbín, who headed the party's powerful machine in Buenos Aires, became the leader of the UCR, and Alfonsín established a rival "Renovation and Change" faction. Balbín's death in 1982 left the door suddenly open to the still relatively unknown Alfonsín, who sought a younger and more dynamic image for the Radicals.

His victory in 1983 was more a rejection of the Peronists than a popular embrace of Alfonsín and the UCR. Alfonsín won 52 percent of the popular vote versus 40 percent for the Peronist candidate, Italo Luder. The UCR also won an absolute majority of the seats in the Chamber of Deputies, giving Alfonsín a clear mandate to pursue his own policy agenda. This agenda had been given only vague, left-of-center definition during the campaign: the power of the armed forces was to be limited, and they were to be held accountable for past excesses; the economy was to be reactivated with a primary role envisioned for the state; and a nonaligned foreign policy was to emphasize the need to recover the Falkland/Malvinas Islands through peaceful means (see The Politics of Democratic Restoration, ch. 4).

Alfonsín's most immediate task, for the sake of his political survival, dealt with the armed forces. Three days after his December 10 inauguration, Alfonsín named new commanders for the three armed services and, by reaching down the ranks for personnel whose loyalty he felt assured of, forced the retirement of 40 senior generals and admirals. Drastic cuts were ordered in the military budget, which had been greatly inflated during seven years of military rule, and trials were ordered for nine former junta members for their roles in the dirty war. After the armed forces' own top tribunal found them innocent of any wrongdoing, they were ordered to be tried by a civilian federal appeals court.

The months preceding the April 1985 opening of the trial, dubbed "Argentina's Nuremberg" by the press, were filled with tension. Terrorist bombings, death threats against a number of the 1,000-plus witnesses, and frequent reports of planned coups d'état by officers both angered by Alfonsín's budget cuts and unrepentent with respect to the dirty war evoked an eerie sense of déjà vu. One month before the trial began, Alfonsín forced the retirement of 16 more top officers (leaving only three of the 53 army generals who had been on active duty when he assumed office) by naming new army and air force commanders. Although this second purge of the top ranks silenced the coup rumors, critics argued that hundreds, if not thousands, of like-minded officers and noncommissioned officers remained in the lower ranks. Furthermore, his naming Air Force Brigadier General Teodoro Waldner to chair the Joint Chiefs of Staff, the armed forces' highest position, which had traditionally been held by an army officer, exacerbated interservice rivalries that had blossomed as a result of public recriminations following the 1982 South Atlantic War.

The initial stage of the trial ended in mid-August after four months of testimony against the nine, who, charged with various counts of murder, torture, robbery, breaking and entering, and falsifying public documents, faced from between 10 years and life imprisonment. After a recess and a month for the prosecution and the defense to summarize their cases, a verdict was expected in October or November. It was ironic that toward the end of the trial, which Alfonsín had declared necessary in order to ensure that such massive abuses of human rights never again occurred and which had earlier riveted the attention of the Argentine population, public concern with the issues brought forth by the trial took a backseat to pressing

economic matters, such as unemployment and low wages, the foreign debt and, particularly, inflation.

Alfonsín's performance with respect to the economy during his first 18 months in office was a disappointment to all. Efforts to reactivate the economy had been mediocre at best, and political pressures to keep wages up and government spending apace by resorting to the printing presses had sent inflation soaring. By May 1985 consumer prices were rising at an annual rate of over 1,000 percent and continuing upward (see Growth and Structure of the Economy, ch. 3). Hyperinflation threatened not only the Argentine standard of living but also the political popularity of Alfonsín, who, six months hence, was to face the twin challenges of the military reaction to the verdict in the dirty war trial and, on November 3, interim elections for half the seats in the Chamber of Deputies and numerous municipal offices.

On June 14 the president confronted these challenges with the implementation of drastic economic "shock treatment." The announcement of austerity measures, which promised to result in severe hardships for the population in the short term, was a bold gamble for his political future as well as for the future of the nation. The measures included the initiation of wage and price freezes; a pledge to reduce the government budget deficit from over 12 percent of the gross domestic product (GDP—see Glossary) to 2.5 percent during the second half of 1985 and to stop the printing of new money; and the introduction of a new currency, the austral, to replace the peso at the rate of one to 1,000.

The success of these extraordinary anti-inflationary measures depended on both the government's willingness to hold down its end of the bargain by freezing the supply of money and by drastically reducing its past spending habits and, more difficult to control, the sustained support of the normally fickle Argentine citizenry. Initial signs were encouraging. Minister of Economy Juan Sourrouille announced that consumer price rises dropped from almost 30 percent during the month preceding the implementation of the austerity measures to only 6.2 percent in July and about 3 percent in August. In addition, the government borrowed no money during July, and its deficit fell dramatically to 4.1 percent of GDP in that single month. Most important, the public remained supportive of the austerity program despite the appearance of the anticipated fall in real wages and rise in unemployment. A general strike called by the General Confederation of Labor on August 29 to protest

the president's economic program failed to gain widespread support. A few days later, having satisfied its foreign creditors of its compliance with the policy guidelines of the International Monetary Fund (IMF—see Glossary), the government obtained a US$13.9 billion debt rescheduling agreement and a pledge of US$4.2 billion in new loans to be disbursed by the end of 1985.

Difficult hurdles remained if the austerity program was to be judged successful, however. Breaking the long-held inflationary psychology of the Argentine population and thus thinking in terms of production rather than financial gamesmanship in order to cope with inflation would demand a major readjustment in a life-style to which the nation had become accustomed. In addition, a renewed sense of civic responsibility would be essential to the program's success. Past loans had been squandered on personal consumption and often ended up in foreign bank accounts and other investments overseas. One of Alfonsín's greatest challenges was to instill the public confidence and patriotism necessary to draw the estimated US$25 billion to US$35 billion held by Argentines abroad into vitally needed investments back home. Finally, it remained unclear how great a loss of income the nation's two most historically powerful political groups—the armed forces and the Peronist-dominated labor unions—would tolerate before galvanizing their forces and exercising their often proven capacity to disrupt the political order.

September 25, 1985 James D. Rudolph

* * *

In elections held November 3, there were 5,807 seats contested at all levels of government, including 127 seats in the Chamber of Deputies and some 50 percent of the seats in the provincial legislatures. Prior to the election, the UCR had 129 deputies and the Justicialist Party (Partido Justicialista—PJ) 111. The PJ went into the elections divided, running two separate slates in Buenos Aires and other provinces. The UCR repeated its campaign strategy of 1983, running on a platform

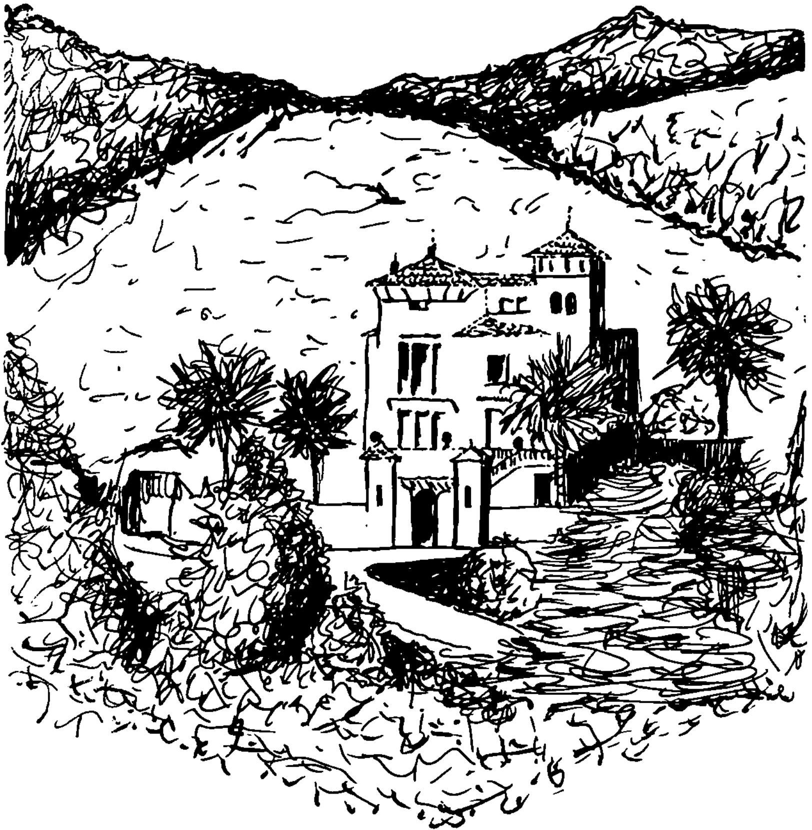
emphasizing the need for a rededication of the newly installed liberal–democratic system.

As the election campaign progressed, the incidents of terrorist bombings continued and intensified. On October 22 Alfonsín ordered the arrest of 12 people on conspiracy charges, including fugitive retired General Guillermo Suárez Masón, two other retired officers, three army officers on active duty, and six civilians, two of whom were journalists. The arrest decree was ruled unconstitutional by the courts, however, prompting Alfonsín to declare a stage of seige suspending constitutional guarantees for 60 days. In an address to the nation on October 30 explaining the move, Alfonsín argued that the bombings were part of a carefully orchestrated campaign by a small group attempting to seize power and were not an indication of social conflict in Argentine society. He also promised that the elections would proceed normally.

The elections took place as scheduled on November 3. The results were widely interpreted as a boost for Alfonsín and the UCR. Incomplete returns showed the UCR with some 43 percent of the national vote compared with some 34 percent for all the factions of the PJ combined. UCR representation in the Chamber of Deputies increased to 130 while the PJ's declined to 106. More significant, the UCR also scored victories in several of the provincial contests, increasing the likelihood that it would achieve a majority in the Senate in elections scheduled for 1986.

November 22, 1985 — Craig H. Robinson

Chapter 1. Historical Setting



Colonial church in mountains of Córdoba Province

THE SPANISH DISCOVERY, conquest, and settlement of the area of present-day Argentina began in the early sixteenth century. Two distinct flows of exploration converged into the area: one directly from Spain, the other from previously conquered areas of South America. The early centers of Spanish colonial rule were located to the northwest of present-day Argentina, in areas where mineral wealth was readily available. Northwestern Argentina developed links to the mining areas of present-day Bolivia, but coastal Argentina remained a backwater for most of the colonial period. The effective occupation of the Río de la Plata basin was eventually prompted by the threat of Portuguese encroachment from Brazil. A new colonial administrative unit, the Viceroyalty of the Río de la Plata, was created in 1776, marking the beginning of Buenos Aires' preeminence in Argentina.

The era of the viceroys initiated the struggle for Argentine independence, which was achieved in 1810 as a result of a combination of internal and external factors prompted by the Napoleonic Wars in Europe. Between 1810 and 1829 Argentina experienced intense competition between the interior and the city of Buenos Aires. This was followed by a period of predominance of the interior landed interests over the port city.

The dictatorship of Juan Manuel de Rosas (1829-52) was characterized by harsh military rule, censorship, and complete domination of "enlightened" Buenos Aires by the "barbarous" interior. Rosas' instruments of government were repression and terror, generating strong opposition to his regime, which finally collapsed owing to increasing foreign political and economic pressures.

After a long stretch of dictatorial rule, the majority of Argentines longed for representative government. In 1853 Argentina produced one of the most liberal constitutions in the world. However, the tenacious rivalries between *porteños* (residents of Buenos Aires) and provincial interests created a protracted institutional battle that divided the country until 1880, when Buenos Aires finally joined the other provinces and became the capital of the Argentine Republic.

The period of the late nineteenth and early twentieth centuries was characterized by major economic and social transformations resulting from massive European immigration to

Argentina and general technological improvements in agriculture, transportation, and communications. It also marked the emergence of popular political forces representing the criollo-immigrant classes, which opposed the traditional landed elite. The period roughly corresponding to World War I was important for the consolidation of Argentine political life, the growth of the national economy, and the recognition of the significance of the masses in the political process. By the end of the 1920s Argentina was suffering the effects of the Great Depression; agricultural prices declined, and foreign investors shied away from the country.

The following decade brought a new set of actors represented by the professional military of middle-class origin, which played an important role in Argentine politics during the next half-decade. Juan Domingo Perón changed the course of Argentine history after World War II by training generations of politicians in the art of political manipulation of the labor force. Perón's political legacy was embodied in the Peronist movement—Justicialismo—that remained a major force in Argentine politics long after World War II.

Argentina witnessed two formative periods under Rosas and Perón: the consolidation of landowning interests in the mid-nineteenth century and that of urban industrial interests in the mid-twentieth century. Based upon these foundations, after 1955 the country faced an internecine struggle to redistribute income and wealth among the predominant export sector and other interest groups, even for a short time, which directly influenced the course of Argentina's political and economic development. During recurrent periods of economic stagnation when export prospects and living standards deteriorated, distributional claims often were settled at the expense of required austerity measures and democratic institutional arrangements. The armed forces were often compelled to intervene and halt the ensuing economic chaos and political turmoil that resulted. Political changes were primarily characterized by new political arrangements between traditional forces such as the export sector, the military, the middle classes, and the labor organizations rather than by the introduction of new groups to the political spectrum.

The fall of the second Peronist administration in 1976 led to seven long years of authoritarian rule in Argentina. The period of 1976-83 was similar to that of 1829-52, when Rosas held absolute power over the entire nation. Both eras were distinguished by growing nationalism, armed repression, ter-

ror, and despair. As the end of the Rosas regime led to a period of national consolidation, so Argentina embarked on a new phase of civilian-led democratic reorganization with the 1983 election of Raúl Alfonsín to the presidency. At the time of Alfonsín's December inauguration, however, Argentina remained plagued by the aftermath of the 1982 South Atlantic War; the still unresolved boundary dispute with Chile over the Beagle Channel; an ailing economy handicapped by a US$40 billion foreign debt; and the legacies of the thousands of people who had been abducted, tortured, and killed in the military government's "dirty war" against subversion during the previous decade.

Discovery and Colonization, 1492-1810

The Native Peoples of Argentina

The Spanish conquistadores encountered high civilizations in the New World in the area of present-day Mexico and in the Andean region. At the time of the Spaniards' arrival in the sixteenth century, the territory of present-day Argentina was inhabited by native populations that lacked the sophistication of the Mayas, Aztecs, and Incas. In areas of northwestern Argentina, however, the ruins of stone buildings attest to the former presence of more sedentary groups that were under Inca influence. Because of the difficulties of classifying all Argentine native peoples according to linguistic and anthropological characteristics, most scholars have agreed upon a classification based on their geographic distribution.

The extinct Diaguitas, or Calchaquians, were native warriors who inhabited the mountains of the Argentine Northwest (present-day provinces of Jujuy, Catamarca, Tucumán, La Rioja, and Salta), a region characterized by its arid climate. They were organized in tribes under the control of a chief. Their dwellings, which were made of stones piled without mortar to secure them in place, were located in densely populated villages. Agriculture and the manufacture of pottery were primary occupations, and their diet consisted of maize, peas, gourds, and native fruits.

The Matacos-Mataguayos, Chorotes, Guaycurúes, and Chiriguanos were the most important tribes that inhibited Argentina's Gran Chaco forests (in the present-day provinces of Chaco, Formosa, Santiago del Estero, northern Córdoba, and northern Santa Fe). They were nomadic fishermen and hunters

whose main activity was textile manufacturing. They also built canoes from the trunks of trees and knew how to produce fire by rubbing together two pieces of wood.

The most important tribes of the Littoral (the 500-kilometer urban corridor stretching along the western banks of the Río Paraná and the Río de la Plata) and Mesopotamia (present-day provinces of Misiones, Entre Ríos, and Corrientes) were the now extinct Timbúes, Cainguás, Mocoretas, Charrúas, and Agaces. Like the Gran Chaco tribes, their main activity was textile manufacturing. The Charrúas were nomadic peoples who built their artifacts from stones and bones and who survived by fishing and hunting. The Cainguás were a sedentary group that occupied the Misiones territory in colonial times.

The most technologically advanced native tribes—the Querandíes, the Pulcheans, and the Araucanians—occupied the region of the pampas (present-day provinces of Buenos Aires, La Pampa, southern Córdoba, and southern Santa Fe). After the Diaguitas, the Araucanians were the most advanced people in preconquest Argentina. Originally confined to part of the province of Mendoza and to the area of the Río Neuquén, they advanced to the eastern plains after the destruction of the Querandíes and Pulcheans. Their weapons were the lance and the bola, and they traded with other tribes in cloth, hides, and ostrich plumes.

The region of Patagonia took its name from the peoples who inhabited the southern portion of the country before the arrival of the Spaniards. These were nomadic tribes that hunted wild guanacos and ostriches and whose industries were linked mainly to the preparation of pelts and the manufacture of stone artifacts such as knives, drills, and balls. After the initial Spanish attempts to penetrate Patagonia and the introduction of the horse, they improved their hunting techniques by riding on horseback and by immobilizing their prey with bolas. Farther south, the people of the Isla Grande de Tierra del Fuego, because of their isolation and proximity to the sea, were nomadic canoers who explored the coasts of the region.

Spain's Expanding Frontiers

The discovery of the New World was the culmination of a series of important developments in European history that were taking place in the late fifteenth and early sixteenth centuries. Voyagers and missionaries of the thirteenth and fourteenth centuries had already described the wealth and beauty

of distant lands to the east. These travel accounts kept Europeans full of curiosity and, with the advent of new navigational technology, ready to expand the geographical limits of their known world.

In Spain the fall of the city of Granada in 1492 marked the end of almost eight centuries of Moorish occupation of the Iberian Peninsula and led to the release of large contingents of men previously engaged in the Wars of Reconquest. The combination of available manpower and technology led to an expansionist movement beyond Spain's European frontiers at a time when land and sea routes to the east had been cut after the fall of Byzantine Constantinople in 1453 to the Ottoman Empire.

The first achievement in this direction was the discovery of the Americas in 1492 by Genoese navigator Christopher Columbus (Cristoforo Colombo in Italian, Cristóbal Colón in Spanish). Columbus sailed west in search of the rich "Spice Islands," and his initial assumption that he had landed on the eastern shores of Asia led to the misnaming of the new islands as the Indies and its natives as Indians.

Early territorial disputes between Spain and Portugal over the new lands to the west yet to be discovered were settled through the arbitration of Pope Alexander VI. The papal bull *Inter Caetera* of 1493 granted Spain exclusive rights over all newly discovered lands 100 leagues (approximately 870 kilometers—see Glossary) to the west of the Cape Verde Islands not yet occupied by a Roman Catholic prince. But Portuguese claims led to further arbitration and the signing of the Treaty of Tordesillas in 1494 between Spain and Portugal, which moved the north-south line of demarcation to 370 leagues (approximately 2,350 kilometers) west of the Cape Verde Islands. According to the terms of the treaty, all lands east of the line were to belong to Portugal, west of it, to Spain.

Discovery and Occupation

Columbus' voyages generated a wave of scientific curiosity and adventure in the minds of Europeans, who saw the possibilities of wealth and prestige associated with the discoveries. Spain's main objectives were to find a new, shorter route to Asia and to stop the Portuguese, who, after the discovery of Brazil in 1500, began to explore the interior beyond the Tordesillas line of demarcation.

The communities founded after 1553 by Spaniards who

had originally settled other areas of the New World became the main centers of Argentine life throughout the colonial period. Urban settlement of the Northwest was linked to the presence of sedentary Indian populations whose labor was used for the production of goods and the breeding of pack animals that supplied the rich silver mines of Upper Peru (present-day Bolivia). The settlement of coastal Argentina took several decades more because of the resistance of coastal elites in Panama and Peru—merchants, shippers, and financiers—who did not want competition from settlers in a region beyond their control.

The most important men associated with the exploration of the eastern shores of South America were Juan Díaz de Solís, who discovered the Mar Dulce (Sweet Sea), later known as the Río de la Plata, in 1516; Ferdinand Magellan, who reached the shores of Patagonia and the strait (later named after him) in 1521; and Sebastian Cabot, who in 1527-28 explored the Río Uruguay and the Río Paraná and upstream discovered the Río Paraguay and the Río Pilcomayo. Cabot also founded the fort of Sancti Spíritus, the first Spanish settlement in the Río de la Plata basin, at the site of the present-day city of Rosario. It was destroyed, however, by a surprise Indian attack in September 1529.

Cabot's frustrated attempt to establish a permanent settlement in the area was later repeated by Pedro de Mendoza. Mendoza was a Spanish nobleman whose mission was to assert Spain's military control of the area and to establish a base of operations for the conquest of the interior. He arrived at the Río de la Plata in February 1536, and after exploring the estuary he founded a settlement, Nuestra Señora de Santa María del Buen Aire (later to become Buenos Aires), on a harbor protected by large sandbars and a small stream. But the presence of hostile tribes and the lack of sedentary Indian populations to provide labor thwarted Mendoza's initial plans. Still lured by potential mineral wealth in the interior, scouting parties went up the Río Paraná and contacted the only agricultural people in the area—the Guaranís. In 1537 most of Mendoza's expedition went up the Río Paraná and the Río Paraguay to settle Asunción (in present-day Paraguay), and four years later Buenos Aires was left deserted. By the late sixteenth century Asunción was a well-established colony from which expeditions went downstream to found new settlements, such as Santa Fe (1573) and Buenos Aires (1580) by Juan de Garay and Concepción del Bermejo (1585) and Corrientes (1588) by Juan Torres de Vera y Aragón.

Using old Inca routes, another wave of Spaniards arrived from Peru, Upper Peru, and Chile. They established the first Spanish towns in the Northwest: Santiago del Estero (1553) by Francisco de Aguirre; Catamarca (1559) by Juan Pérez de Zorita; Mendoza, founded in 1561 by Pedro del Castillo and resettled in 1562 by Juan de Jufré; Tucumán (1565) by Diego de Villaroel; Córdoba (1573) by Jerónimo Luis de Cabrera; Salta (1582) by Hernando de Lerma; La Rioja (1592) by Juan Ramírez de Velazco; Jujuy (1593) by Francisco de Arganaraz; and San Luis (1594) by Luis Jufré.

The discovery of the Falkland/Malvinas Islands and their dependencies, a group of about 200 islands in the South Atlantic located some 480 kilometers east of the Strait of Magellan, also dated from the early colonial period. Under the auspices of either the Spanish or the British crown, several navigators sighted the islands: Amerigo Vespucci in 1502; Esteban Gómez in 1520 (the islands appeared on Spanish maps for the first time in 1522, following this voyage); Sarmiento de Gamboa, who laid claim to the Strait of Magellan and adjacent islands and founded a settlement there in 1580; Thomas Cavendish in 1592; John Davis in the same year; Richard Hawkins in 1594; Dutch sailor Sebald de Weert in 1600; and Antonio de la Roché, who headed another British expedition in 1675. The first actual landing on the islands was headed by Captain John Strong in 1690. He named the islands after Viscount Falkland, treasurer of the British navy. The Spanish name for the islands—Islas Malvinas—was derived from the designation given them by French seal hunters, Isles Malouines, named after the French port of St. Malo.

Colonial Administration

The early centers of Spanish colonial administration were Mexico City in the Viceroyalty of New Spain (established in 1535) and Lima in the Viceroyalty of Peru (established in 1542), of which present-day Argentina was a remote and neglected dependency. Colonial administration in the New World was carried out through two major institutions in Spain: the House of Trade, a clearinghouse for all goods and trade to the Indies, and the Council of the Indies, where all judicial, political, and military affairs of the colonies were decided. The first concern of the Spanish crown was to secure the exploitation and shipment of mineral wealth to Spain. Each year a fleet brought European goods to Panama and Lima and left with a

cargo of bullion for Seville by way of the Caribbean. The idea of an Atlantic outlet to Europe was rejected because of the dangers of a long and difficult transshipment of bullion and goods through the deserted interior and the threats of foreign interlopers in the South Atlantic.

The Roman Catholic Church was an important element in the social fabric of colonial society, and it was responsible for evangelizing the Indians. Priests and friars had accompanied the early conquistadores in the exploration and colonization of the New World, and the religious orders of Franciscans, Dominicans, and Jesuits established themselves as missionaries in the most remote areas of Spanish America. In colonial times the local church was the major social center, a place where all classes met for religious celebrations. The church was also the main educational institution, and it founded schools and universities, trained young men for lay and/or religious careers, encouraged the arts, and provided a number of social services to the sick and the poor. Aside from its apostolate, the church performed economic functions using funds bequested by the faithful; it served as an investment/lending institution whose investment capital derived from the exploitation of large urban and rural estates. In a subtle way, the church also exercised control over the Indian labor force that it befriended through the process of evangelization.

The Spanish conquistadores were men who came to the New World with high expectations of wealth and prestige and who had no desire to perform manual tasks, which they considered beneath their standing. The availability of a native labor supply was an important element for the establishment, permanence, and successful exploitation of any settlement. Crown and church, however, prohibited the enslavement of native populations.

Spanish colonization in Argentina followed the traditional pattern of establishing urban settlements in areas that offered conditions for defense, had mineral wealth and a water supply, and had an exploitable labor force. Once the site had been chosen, a settlement was founded in the name of the king. The settlers appointed representatives to the *cabildo* (town council), which had political and social functions in the administration of the town.

To counteract these policies, an old Spanish feudal institution of Roman origin was introduced to the New World—the *encomienda* (literally, in trust). It established a series of rights and obligations between the *encomendero* (grantee) and the

Indians under his care. The Indians were required to pay tribute and provide free labor to the *encomendero*, whereas he was responsible for their welfare, their assimilation into Spanish culture, and their Christianization. The *encomiendas* came under attack in the first half of the sixteenth century as sources of abuse against the Indians. One of the most important voices for the Indian cause was Bartolomé de las Casas, a Spanish priest who became known as the "Protector of the Indians." He based his plea on the ideas of Saint Thomas Aquinas concerning the dignity of man. Las Casas influenced the Spanish crown to promulgate the New Laws in 1542-43, which encouraged humane treatment of the Indians, regulated tributes, prohibited the inheritance of labor grants, and outlawed the holding of *encomiendas* by religious and civil officials. Nevertheless, disease and overwork decimated the Indian population all over the New World, and the remainder was absorbed into the lower class. The *encomienda* system was finally abolished in the early eighteenth century.

Socioeconomic Structures

The towns that emerged in the Argentine Northwest were the result of favorable local conditions, and they became important economic centers in the colonial period. Although small, this frontier society was set up along clearly defined social lines, where discrimination against mestizos, blacks, and Indians regulated even the clothes they wore. The upper class was initially formed by the early settlers and their descendants, who prided themselves on their Iberian origins. Later on, offspring of conquistadores and Indians also shared in the power structure of wealth and position. This mestizo criollo upper class came to dominate all aspects of frontier colonial life. Its members held the land and controlled the labor force, commerce, and the civil and religious administration of the towns. The rest of the population was a mix of both racial gradations and levels of income. By the late sixteenth century, black slaves and freemen started to move to the interior from the coastal areas, and they joined the labor force in various capacities. At the bottom of the social scale were the Indians from the nearby villages who tilled the soil or were assigned other specific chores. Their numbers declined steadily through the colonial period as a result of harsh work conditions, a high death rate, and assimilation into Spanish society. The interior towns evolved into centers of royal administration and commerce

that were staffed by bishops, governors, merchants, and military and civilian personnel from Spain.

The colonization of the Río de la Plata basin in the late sixteenth century was different from that of the interior. The main objective was to establish trade on the Atlantic coast and supply Asunción with goods. The region was inhospitable, having wild herds of horses and cattle, no local labor pool, and few prospects for agricultural exploitation.

Its separation from the main colonial centers in the Northwest left Asunción in almost complete isolation for many years, and intermarriage with local Guaraní Indians produced a large mestizo population. Garay's expedition founded Santa Fe and resettled Buenos Aires with a contingent of mestizos who formed a criollo upper class in a society less stratified than that in the interior. The lack of large Indian communities made the *encomienda* impractical in the Río de la Plata basin.

Because the shortage of labor prevented the development of manufacturing, the most viable economic activity in the area was cattle raising. Merchant interests in Panama and Lima persuaded the crown to create the Córdoba customhouse in 1618 and, four years later, to prohibit Argentine trade with Brazil. Despite the imposed restrictions, trade flourished in the region. In 1676 the crown moved the Córdoba customhouse farther north to Salta and Jujuy, in recognition of Buenos Aires' control of the Argentine interior markets.

In 1680 the Portuguese founded Colônia do Sacramento across the Río de la Plata from Buenos Aires, and it soon became a source of border frictions. It was occupied by Spanish troops on several occasions and was restored to Portuguese hands in a series of peace efforts: by the Treaty of Utrecht in 1713, which ended the War of the Spanish Succession and recognized Philip V as king of Spain, and by the Treaty of Paris between England and France in 1763, at the end of the Seven Years' War. Despite all prior institutional arrangements, the question was settled only by the Treaty of Santo Idelfonso between Spain and Portugal, signed on October 1, 1777. According to the terms of the treaty, the Colônia do Sacramento and the missions east of the Río Uruguay were to be transferred to Spain, whereas Portugal kept the areas of Santa Catarina, Guaíra, Mato Grosso, and both banks of the Río Jacuy and Río Grande.

In the eighteenth century economic opportunities in the area attracted foreigners who joined the urban labor force as craftsmen, whereas Negro slaves were brought from Brazil as

servants and laborers in small industries. In the mid-eighteenth century, outdated mining techniques provoked the decline of Peruvian silver production. At the same time, the annual fleet system was abolished, destroying the mercantile monopoly of the Panama and Lima interests. Unaffected by the economic decline in the mining regions, the area of the Río de la Plata continued to thrive and finally attracted Spain's attention. To establish effective control over the region, in 1776 the crown created a new administrative unit in Spanish America—the Viceroyalty of the Río de la Plata—with its seat in Buenos Aires.

The Viceroyalty of the Río de la Plata

The creation of the Viceroyalty of the Río de la Plata rested largely on Spain's desire to assert political authority in the South Atlantic, where Buenos Aires had become an important center of contraband trade, thus effectively bypassing the economic domination of Lima. Spain feared a continuous British advance in the area after the Treaty of Paris, which had already destroyed French colonial influence in the New World. Its fears were also directed toward the Portuguese at Colônia do Sacramento and toward a possible British invasion of Patagonia. Concerns about the latter were heightened by two colonization attempts on the Falkland/Malvinas Islands—the French had established a colony at Port Louis in 1764, and the British had settled Port Egmont in 1766.

The Viceroyalty of the Río de la Plata was formally established on October 27, 1777, with the appointment of Juan José Vértiz y Calcedo as its first viceroy. By 1778 its territory included the areas of present-day Argentina, Uruguay, Paraguay, and part of Bolivia (see fig. 2). Institutional arrangements included the creation of a royal treasury in 1778, an intendance of the army and provincial subdivisions in 1782, an *audiencia*—a royal administrative council that combined executive, legislative, and judicial powers—in 1785, and a *consulado* (trade tribunal) in 1794. The *consulado* was given extensive powers to protect and develop commerce, increase agricultural production through technical innovations, stimulate trade, improve commercial and technical education, build roads and improve harbors, plan settlements, and even take care of the cleaning and lighting of the streets of Buenos Aires.

This period was characterized by the rise of Buenos Aires as the major port and marketplace for a large area that also

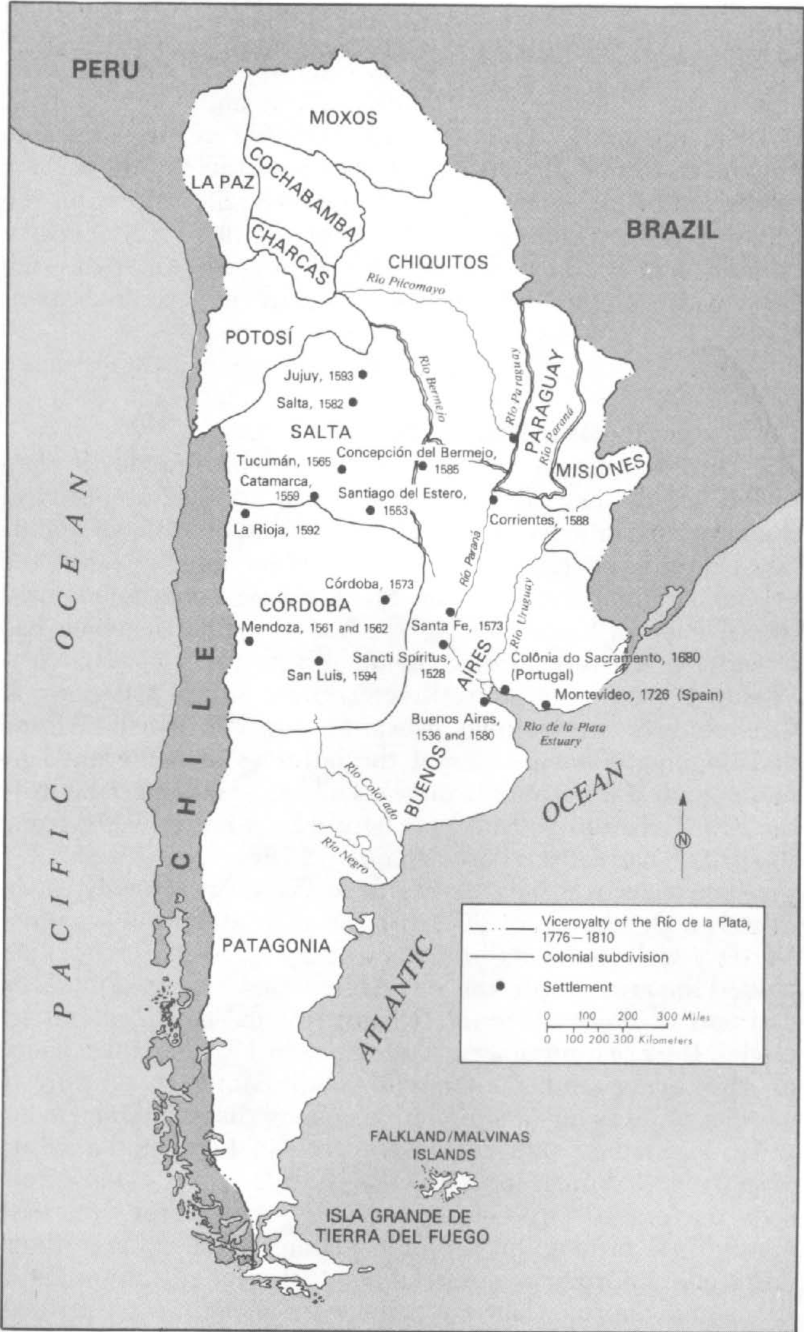


Figure 2. Early Colonial Settlements and the Viceroyalty of the Río de la Plata

encompassed the mining areas of Upper Peru. The end of 200 years of economic isolation unleashed *peninsular* (Spanish-born white) mercantile interests in Buenos Aires that were now allowed to trade directly with Spanish ports around the world. The combination of the loose hold of colonial institutions and the mixed racial character of the Argentine criollo upper class led to the development of a unique and relatively egalitarian society in Buenos Aires. The Buenos Aires merchant community depended on the expansion and maintenance of trade, whereas the interior towns were self-sufficient. Conflicts of interest also existed between the *peninsulares* and criollo merchants within Buenos Aires. The former group was protected against criollo competition that would result from free trade, while the latter longed to break away from the *peninsular* trade monopoly and participate in commerce with all nations.

The establishment in 1776 of viceregal authority on the Atlantic coast was part of a broader plan of reforms adopted by the Bourbon kings of Spain. The eighteenth-century reforms promoted the growth of colonial intellectual life, an increase in economic activity, and greater awareness of regional potential. Even before the advent of viceregal rule, the pastoral economy had already developed its main features. The *estancias* (cattle ranches) employed gauchos as salaried workers; they maintained a great degree of independence from their employers, owing mostly to their skills in dealing with the herds and the Indians. The cattle industry gained momentum with the opening of trade, which encouraged more intensive cattle raising and, in the early nineteenth century, led to the development of *saladeros* (salted meat plants) geared toward an export market based on a rational division of labor and wage workers. This combination of factors eventually prompted a more critical assessment of Spain's institutional role as an obstacle to the region's social and economic development. Increasing discontent and the example of revolutionary movements in France, Haiti, and the United States finally led to the breakdown of Spanish colonial rule in the New World.

The Dawn of Independence

The revolutionary movement in the Río de la Plata basin began during the age of the viceroys through a gradual transformation of colonial society in response to political turmoil in Europe and its repercussions in the Americas. In 1776 the

British were deprived of their major colonial market in North America, and they shifted their commercial interest to Spanish America. The period until the turn of the new century witnessed a series of British attempts to promote the emancipation of Spanish America and the acquisition of new commercial markets. Spain's neutrality during the Napoleonic Wars (1804-15) in Europe was disrupted by a British seizure of Spanish ships en route from the New World in 1804. The incident led to a formal alliance between France and Spain and their naval defeat in the Battle of Trafalgar in 1805. The destruction of the Spanish fleet left the colonial empire unprotected.

In 1806 and 1807 the British twice invaded Buenos Aires, which brought about important political and commercial consequences for the Río de la Plata basin. The invasions stimulated thoughts of freedom and emancipation from Spain among Argentina's criollo society while giving it an opportunity to test its capacity for organizing a military defense and a provisional government. Once the British attempts were successfully repelled, the *cabildo abierto* (open town council) of Buenos Aires sent an emissary to inform the crown of the criollo victory. Revolutionary propaganda calling for negotiations for independence under a British or Portuguese protectorate quickly gained momentum.

Napoleon Bonaparte invaded the Iberian Peninsula in 1808. When the news reached Buenos Aires, considerable turmoil arose over the question of who would rule the colony in the absence of a legitimate king. In 1809 criollo rebels from Buenos Aires began to meet secretly in order to organize an uprising against Spanish authority in the viceroyalty. Finally, on May 20, 1810, they presented Viceroy Baltasar Hidalgo de Cisneros with an ultimatum for his resignation and for the convocation of a *cabildo abierto*, which met two days later.

The 246 persons present at the *cabildo abierto* of Buenos Aires personified the victory of the liberal ideas of eighteenth-century European economists, philosophers, and encyclopedists. Their writings had inspired criollo intellectuals such as Mariano Moreno, Bernardino Rivadavia, and Manuel Belgrano in their search for a new social and economic order. On May 25 the *cabildo abierto*—despite resistance from some regular *cabildo* members—deposed the viceroy and appointed the Provisional Revolutionary Junta to govern and ensure independence throughout the area.

The revolutionaries intended to compel all local *cabildos* to depose royal officials and take over local administration

until a central government could be established. However, conservative oligarchies in Buenos Aires and the interior opposed such measures and sought only the establishment of a provisional government until royal authority was restored in Spain. As members of the upper classes of wealthy merchants, landowners, and the high clergy, they had vested interests in the viceroyalty. They had no intention of jeopardizing their privileged position and thus refused to accept the broader aims of the junta. Spontaneous rebellions against the junta broke out in the interior, as well as in Montevideo (in present-day Uruguay) and Asunción, which led *porteño* revolutionaries to organize unsuccessful liberating expeditions to those areas.

Independence and First Attempts at National Consolidation, 1810-29

The Revolution of 1810

The political organization of Argentina was a long process that started with Argentina's assertion of autonomy on May 25, 1810, commonly referred to as the May Revolution (see The Armed Forces' Origins, ch. 5). A political declaration of independence was not formalized until 1816, and a constitution was promulgated in 1853. Despite nominal loyalty to the captive Spanish king Ferdinand VII in 1810, the governing junta—whose most influential members were Cornelio Saavedra, Moreno, and Belgrano—began to address the most important questions posed in the viceroyalty: the protection of the Indians; the ascension of criollos to government positions; and the promotion of government services, agriculture, industry, and trade.

The revolution of 1810 generated an increase in political and economic regionalism. These were conflicts of interest between revolutionary nationalists and royalists, criollos and *peninsulares*, and Unitarians (Unitários—mostly *porteño* centralists who advocated a strong central government) and Federalists (Federales—provincial autonomists who supported a loose confederation). They occurred even among junta members and led to its reorganization on August 12, 1810, along more conservative lines. A *porteño* movement unfurled the banner of independence throughout the Río de la Plata basin, and its Plan of Operations was a political project for independence under its control. But the hegemonic plans of Buenos Aires and its liberating expeditions were frustrated by strong

resistance built along the lines of geographical isolation and regional pride. On June 20, 1811, the revolutionaries were defeated at Huaqui (in present-day Bolivia) and lost the entire area of Upper Peru; the liberating column from Buenos Aires was repelled by Paraguayan forces, which were seasonsed by the numerous battles for autonomy during the colonial period. On June 9, 1811, an independent junta had been created under the leadership of José Gaspar de Francia, who declared Paraguay independent from both *porteño* and Spanish control. The territorial losses of Upper Peru and Paraguay prompted the fall of the junta and the appointment of the first Triumvirate on September 23, 1811, composed of Feliciano Chiclana, Manuel de Sarratea, and Juan J. Paso.

Under the influence of Rivadavia, the Triumvirate instituted important changes through the creation of a commission of justice to deal with vagrants and delinquents and the establishment of a national library and schools. The Triumvirate commissioned Julián Perdriel to write a history of the revolution. It also announced the emancipation of slaves and decreed the freedom of the press. The Triumvirate soon lost the support of the people, however. At the Literary Society of Buenos Aires, patriots began to organize in opposition to the Triumvirate for its having failed to convoke a congress and having neglected the liberating expedition of Belgrano to the north. After Belgrano's victory at Tucumán on September 24, 1812, the government lost all of its prestige, and on October 8 another revolutionary phase began.

The Revolutionary Assembly of 1813

The new revolutionary movement was led by José de San Martín and Carlos M. de Alvear. Both were born in what would later become Argentina and began military careers in Spain. When Napoleon's army invaded the Iberian Peninsula, both fought against the French. News about the revolution led them to return in March 1812 to fight for the liberation of their native land.

On October 8, 1812, San Martín and Alvear, leading the revolutionary troops, gained the resignation of the Triumvirate in favor of new triumvirs—Juan J. Paso, Nicolás Rodríguez Peña, and Antonio Álvarez Jonte—and called for a general congress of provincial representatives to be elected by universal suffrage. Although this was not planned to be a constituent assembly, a constitution for the free and independent prov-

inces of the former viceroyalty, to be led by a centralist government, was commissioned.

The congress, known as the Revolutionary Assembly, met on January 31, 1813, and passed laws with provisions that almost amounted to a declaration of independence: abolition of vassalage to the king (even the Catholic church was instructed to pray for the people rather than the king); removal of all Europeans from government positions; issuing of a national currency; freedom of commerce; a United Provinces coat of arms to replace that of the king; manumission for the children of slaves; and an end to Indian labor obligations, titles of nobility, rights of promogeniture, and the physical punishment of prisoners. Other laws encouraged freedom of the press, a reorganization of the system of education, and the establishment of schools.

The assembly approved a reorganization of executive power under the leadership of one man—the director of the United Provinces—and appointed Gervasio A. Posadas the first director on January 31, 1814. Posadas' main concern centered on the Banda Oriental (present-day Uruguay), where Montevideo—still under royalist control—had been surrounded by the revolutionary army under the command of José Gervasio Artigas. In mid-1813 the assembly had refused to allow the participation of delegates from the Banda Oriental, which prompted Artigas to abandon his position at Montevideo in order to incite rebellion against the Posadas government in Entre Ríos, Corrientes, and elsewhere in the Banda Oriental. Posadas was forced to resign in January 1815 and was replaced by Alvear, whose tenure in office lasted only three months because of Artigas' advance on Buenos Aires and growing discontent in the city and in the interior. The fall of Alvear on April 15, 1815, brought about the dissolution of the Revolutionary Assembly.

The United Provinces of South America

Political and administrative changes occurred in the former viceroyalty after 1810. Buenos Aires was soon left with only three of the eight jurisdictions of the former Viceroyalty of the Río de la Plata—Buenos Aires, Salta, and Córdoba. In 1813 a further subdivision of Córdoba created the jurisdiction of Cuyo (present-day provinces of Mendoza, San Juan, and San Luis); the next year Entre Ríos and Corrientes separated from Buenos Aires to form individual provinces, while Salta was

divided into Salta and Tucumán (present-day provinces of Tucumán, Santiago del Estero, and Catamarca). In that same year the Banda Oriental was also given separate provincial status.

Soon after the dissolution of the Revolutionary Assembly, the *cabildo* Buenos Aires assumed the reins of government and created the Junta of Observation, whose most important duty was to convoke a general congress, which met at Tucumán on March 24, 1816, and remained in session until 1820. To assert political authority against national dissolution and anarchy, the provincial representatives appointed Juan Martín de Pueyrredón to lead the United Provinces on May 3. San Martín and Belgrano were important participants in the congress, where they lobbied for a declaration of independence, which was finally achieved on July 9, 1816. The congress of Tucumán formalized the process of national consolidation that had begun in 1810 when it unanimously declared the independence of the United Provinces of South America in 1816.

After his designation as supreme director, Pueyrredón accepted San Martín's invitation to a meeting in Córdoba to discuss his continental plan of liberation. In 1814 San Martín had been appointed governor of Cuyo and since then had been preparing a revolutionary army to defend the region against royalist forces from Chile. Chilean patriots under the command of Bernardo O'Higgins were defeated by royalist forces at the Battle of Rancagua in late 1814 and then crossed the Andes mountains to Mendoza in hopes of assistance from San Martín. San Martín's Army of the Andes was soon to play a vital role in the independence of the Spanish colonies throughout South America (see San Martín's Legacy, ch. 5).

During Pueyrredón's rule (1816-19) the United Provinces enjoyed political stability even though international recognition was delayed. A constituent assembly was appointed in 1817 that passed a conservative constitution in April 1819 providing for centralized control under the authority of Buenos Aires. The new constitution disregarded the strength of the local adherents of Federalism and provincial autonomy, who soon forced the collapse of central authority and the resignation of Pueyrredón. The 1819 constitution deepened the conflicts between Buenos Aires and the provinces and led to a period of anarchy in 1820. Since 1810, however, a common bond had developed among the provinces over achieving both independence from Spain and some sort of national organiza-

tion, while their rivalries were the result of diverse regional views of a national project for political consolidation.

After a year of internal conflicts, the election of Martín Rodríguez to the governorship of Buenos Aires signaled the beginning of a period of provincial reorganization that was to become an example to the other provinces. A series of reforms were implemented under Rivadavia's influence that touched all aspects of provincial life. Among the most significant provisions were the creation of a junta of representatives elected on the basis of universal male suffrage and direct elections, the passing of a "law of amnesty" for all political dissidents, the signing of a treaty of cooperation among the provinces of Buenos Aires, Entre Ríos, Corrientes, and Santa Fe under the principles of national unity and provincial autonomy, and the abolition of the *cabildo*, which was incompatible with the existence of a congress of representatives.

Economic reforms were also implemented through a loan for harbor improvements, the establishment of a municipal water supply, and the settlement of communities on the southern coast and in Patagonia; the creation of a bank; and the organization of a military pension system. Despite opposition among Catholics, the church was reorganized, and its *fuero* (privileges, particularly to be judged by one's peers) and tithes were abolished. Additional new regulations prohibited people under the age of 25 from taking religious vows and limited the size of religious communities. Another accomplishment of the administration was the creation of the University of Buenos Aires on August 12, 1821, and the reorganization of primary education. By the end of Rodríguez' governorship, a constituent congress had been convoked. On April 2, 1824, Rodríguez was succeeded by Juan Gregorio de las Heras.

Unitarians and Federalists

The constituent congress met in Buenos Aires on December 16, 1824, and was vested with both legislative and constituent powers. Two factions emerged at the congress: the Unitarians, who advocated a strong central government under the control of Buenos Aires, and the Federalists, who defended provincial autonomy within a loose federation. The following month it passed a "fundamental law" that provided for provincial autonomy until a national constitution was adopted. On February 25, 1825, a treaty of commerce and friendship was signed between the provinces and Britain, and at the end of the

year war broke out between Brazil and Argentina over the Banda Oriental.

The Cisplatine War grew out of colonial boundary disputes between Portugal and Spain, which in the late seventeenth century had led to the establishment of the Colônia do Sacramento. In 1820 Artigas was defeated by the Portuguese, and the following year Portugal annexed the Banda Oriental under the designation of Cisplatine Province. In 1822 Brazil became an independent monarchy but did not relinquish its claim to the area. Resistance against Brazilian pretensions and the acceptance of the Banda Oriental to the Buenos Aires constituent assembly of 1824 prompted Brazil to declare war on Argentina on December 1, 1825. The threat of a foreign power served to unite Argentine governors and provincial caudillos, whose aid led to a victorious campaign. However, a peace agreement was signed between Brazil and those who opposed Rivadavia, which led to the effective loss of the Banda Oriental.

Meanwhile, at the constituent congress in Buenos Aires, a project for the creation of a national executive power was approved on February 6, 1826, and the congress elected Rivadavia first president of the United Provinces of South America. Rivadavia then moved to propose the federalization of the city of Buenos Aires as the capital of the United Provinces. Support for Rivadavia came from the Unitarians, who defended administrative and political centralism, while *porteño* and provincial Federalists rejected the loss of their provincial autonomy. On July 19, 1826, a Unitarian constitution was approved, but rebellion then broke out in the provinces, and Rivadavia lost political support for his government. After Rivadavia's fall in 1827, a conservative provisional government was established in Buenos Aires, which negotiated a peace treaty with Brazil on September 5, 1828, for the independence of the Banda Oriental (see The War with Brazil and the Creation of Uruguay, ch. 5).

Gauchos and Caudillos

Colonial life in the pampas south and west of Buenos Aires developed under conditions of isolation and hardship. At the end of the colonial period, the grassland frontiers were inhabited by Indians and gauchos—mestizo offspring of Spaniards and Indian women—who asserted their freedom from all formal institutional arrangements, being indifferent to the gov-

ernment and the church. Illiterate and unexposed to the rudimentary civilized mores of the early colonial towns, gauchos became identified with savagery, courage, and independence, with a clear disposition to rebel against any attempts at political control by Buenos Aires.

A folkloric view of the gaucho permeated the writings of travelers in the colonial period. They depicted the pampas frontiersmen as indolent and extremely fond of singing and dancing, although in fact they were skillful on horseback and expert in the use of gun, knife, lasso, and bola. Gauchos survived on a diet of raw meat and water and lived in miserable mud huts covered with hides, owning almost no furniture but for some skulls of horses for stools. While the men hunted, the women prepared meals, sheared sheep, milked cows, made cheese, and wove coarse wool into ponchos. The nomadism of the gaucho had several implications; it prevented any kind of settled work, and it made sedentary concepts of land, property, or family alien to the gaucho.

During the wars of independence, gauchos were recruited into the cavalry of the revolutionary armies. After 1810 life in the pampas became even more difficult for them because of the spread of *estancias* owned by *hacendados* (large landowners): the land and the wild herds were appropriated, hunting and slaughter were regulated, trade in hides and tallow was controlled, and the life-style of the gaucho was disrupted. This conflict between *hacendados* and gauchos revived during times of war, when gauchos raided the *estancias* for cattle, although the *hacendado* reaffirmed his property rights once order was reestablished. Eventually, the gauchos were recruited to work on the *estancias*. There were advantages in this patron-client relationship since both groups struggled to defend the cattle from Indian raids. The *hacendado* sought a loyal and skillful labor force, whereas the gauchos traded their freedom for a salary, a house, food, and clothing. These alliances extended beyond the limits of individual patron-client arrangements and into the larger social pyramid where *hacendados* became clients of a more powerful landowner—the caudillo.

Caudillos fought in the civil wars in Argentina during the decades after independence, joining in the struggle for self-determination as an opportunity for adventure and an outlet for excess energy. They became agents against urban interests, and every province produced its own band of gauchos under the leadership of a famous caudillo. Names such as Artigas (from the Banda Oriental), Juan Facundo Quiroga (from La

Rioja), and Juan Manuel de Rosas (from Buenos Aires Province) are historically identified with the power of caudillos in the area of the Rio de la Plata. The political turmoil of the 1820s was rooted in the struggle of caudillo interests for political autonomy and against the Unitarian tendency of the city of Buenos Aires.

The Dictatorship of Rosas, 1829-52

Juan Manuel de Rosas was born in Buenos Aires Province to a wealthy criollo family. At the age of 13 he participated in the reconquest of the city of Buenos Aires as part of the troops under the command of Santiago Liniers, a Frenchman by birth but a loyal servant of Spain. In 1807 Rosas took over the management of his parents' estates in the countryside but soon went into business and formed a company to exploit agricultural ventures. Rosas and his business partner established one of the first *saladeros* in Buenos Aires Province in 1815, but shortages of meat in the urban markets prompted the closing of all meat-salting enterprises. The expansion of the *estancia* economy after 1815 provoked clashes between the white settlers and the Indians of the pampas, and at about that time Rosas invested in landed properties around the area of the Río Salado. During the 1820s Rosas put together a well-mounted cavalry militia of his own gauchos—the Colorados del Monte—dressed in red, who joined the troops of the city of Buenos Aires to form the Fifth Militia Regiment. His gaucho power base intimidated the urban Buenos Aires upper class, which considered it symbolic of the victory of "barbarism" over "civilization". Military success generated political gains, and in 1829 Rosas was elected governor of the province of Buenos Aires. Together with neighboring caudillo governors, Rosas' ascension symbolized the victory of the caudillos and of the Federalist cause throughout the Río de la Plata basin.

On December 8, 1829, Rosas was inaugurated as governor of Buenos Aires with extraordinary powers and much political support from the conservative landed, mercantile, and religious elites, whose goals were peace and stability, law and order. These powerful interest groups wanted to restore the country to its old ways and opposed the instability that had marked the Unitarian administration of Rivadavia. Rosas inherited a province recently ravaged by war and plagued by factionalism at a time when production and exports were declin-

ing and the treasury was depleted in a situation aggravated by a severe three-year drought. Despite the odds, Rosas was able to forge a compromise, recognizing provincial autonomy and, in 1831, establishing a basis for national unity through the Federal Pact concluded between the provinces of Buenos Aires, Entre Ríos, Santa Fe, and Corrientes.

Rosas' first term was a period of restoration. He strengthened the army, protected the church, established government financial credit, protected agrarian interests, and promoted pastoral industry—all at the expense of education and freedom of expression. As part of the landowning class, he fully understood its needs for more land and greater security. Pressure for new grazing areas pushed ranchers into Indian territory, and government action was necessary to occupy and protect the new settlements. Military action was postponed until 1833, when Rosas personally led the troops against the Indians in the Desert Campaign. (The pampas were widely known as the desert at that time.) Rosas' victorious campaign led to his being awarded the title of "Conqueror of the Desert," giving him an even broader power base among ranchers, the military, and the pacified Indians, upon whom he would later draw political support for a return to power.

At the end of his term in December 1832, Rosas relinquished his extraordinary powers and was succeeded by Juan Ramón Balcarce. Less than a year later, Balcarce was forced out of office following a *rosista* (follower of Rosas) rebellion led by the Popular Restoration Society and its paramilitary squad, the Mazorca, which had been organized about the time Rosas left the government. To succeed Balcarce, Congress appointed Juan José Viamonte provisional governor, a post he held until June 1834. Rosas' departure had left a power vacuum that was manipulated by the *rosistas* to bring the caudillo back to power on the record of his first administration.

During Rosas' absence, the concepts of territorial expansion and national unity suffered a severe blow beyond the continental boundaries of the Río de la Plata basin. Historical disputes remained unresolved in the Falkland/Malvinas Islands, and the situation worsened when Captain J.J. Onslow of H.M.S. *Clio* occupied and reasserted British sovereignty over the islands in late 1832 and early 1833. Despite protests from the government in Buenos Aires, the British continued to occupy the islands with only a small settlement and naval detachment. At the onset of his second administration, Rosas echoed the protests against a violation of national territorial integrity.

Although he considered the British occupation to be of minor importance, he recognized the potential of using it in bargaining with the British on more important matters.

On March 7, 1835, Congress appointed Rosas once again to the governorship of Buenos Aires with unlimited powers to defend the Federalist cause and with a mandate to remain in office for as long as he considered necessary. Rosas conditioned his acceptance on his receipt of popular confirmation. A plebiscite was held in the city of Buenos Aires in March, and the results fully vested the caudillo with dictatorial powers. On April 13, 1835, in a climate of adulation and submission to the new ruler, Rosas took the oath of office and pledged to bring punishment and death to the enemies of the regime. Buenos Aires was decked in the red of the Federalist militia, and portraits of Rosas were paraded through the streets. The formal preparation of every demonstration of support was an early indication of Rosas' style of government. Support for his policies was not enough; he sought public and absolute backing from all citizens and institutions throughout the country, including the elites, the military, the church, the bureaucracy, the courts, and Congress. Opposition to his regime was not tolerated, and a climate of terror and suspicion permeated the country.

Rosas' rule was blended with mock constitutionalism, legitimized by a puppet Congress that voted him back into office at the end of every "presidential term". A spoils system was instituted to provide rewards for Rosas' followers; his opposition, which often sought refuge in nearby Chile and the Banda Oriental, was systematically punished. Relations with the provinces were kept informal. Although there was no written constitution, the provinces were subjected to policies that reflected the interests of Buenos Aires.

Rosas' personal dictatorship was conducted from his residence, the Palace of Palermo, and from Santos Lugares del Morón, the military headquarters of his regime. Propaganda was the most important ingredient of *rosismo* (Rosas' tenets of rule) and provided the slogans that effectively terrorized the population. The use of *rosista* slogans was considered a sign of loyalty to the regime, as was the public display of a red badge on the left side of the chest bearing the motto "Federation or Death." Uniformity in dress, appearance (men had to wear mustaches and sideburns), and public displays of loyalty were all part of the state-sponsored program of coercion and terror-

ism. Political propaganda was disseminated by the *rosista* press of Buenos Aires.

A Catholic by tradition, Rosas protected the institution of the church and ended the liberalism and anticlericalism of the Rivadavia era. In 1836, almost 70 years after their expulsion, the Jesuits were allowed to recover their Argentine churches and schools, but after 1840 they joined the opposition. In 1843 they were again expelled from Buenos Aires, and by 1852 there was not a single Jesuit left in the country. The Jesuit opposition to Rosas was not shared by the regular church hierarchy: the pulpit was used for dictatorial propaganda, and Rosas' portrait was displayed as an icon at church services with full approval by the Catholic hierarchy. As part of his mass support, the lower clergy of uneducated, untrained, and undisciplined criollos preached loyalty and obedience to Rosas as the restorer of the law.

Rosas' military power base was built during his years as commander of the Colorados del Monte. He earned a reputation and the praise of rural militiamen during the Desert Campaign, and he remained faithful to his *estanciero* background and its traditional patron-client relationships. He advocated the army's use of guerrilla warfare, which, because of its characteristic elements of surprise attacks, disbanding, and regrouping of forces, was most effective in the countryside. Rosas' army was composed largely of regular, noncommissioned officers and conscripts, whereas the higher-ranking officers were veterans of the wars of independence. It was not a popular army because military service was perceived as a form of imprisonment for the reluctant conscripts led by professional soldiers. Rosas' absolute powers rested heavily on his use of the military and the bureaucracy as agents of coercion and terror.

However fragmented and lacking in coordination, opposition to Rosas' regime was widespread after 1829. Montevideo became a haven for political exiles, who organized the opposition within Argentina through a few representative nuclei, such as the Association of the Young Argentine Generation, headed by Esteban Echeverría, Juan María Gutiérrez, Juan Bautista Alberdi, Vicente Fidel López, Miguel Cane, and Marcos Sastre. It began as a literary society but branched out to become a political group, called the May Association, committed to the organization of society and the creation of a free government according to the ideals of the May Revolution of 1810. The young intellectuals found their inspiration in

French political thought of the time. Most of them worked in exile in Santiago or Montevideo, and only two of these outstanding young men, Bartolomé Mitre and Domingo Faustino Sarmiento, were to become soldiers. Both would be instrumental in the overthrow of Rosas and the process of national consolidation that followed the end of the dictatorship.

A series of challenges to the regime began in 1838. French economic interests in the Río de la Plata basin had been curtailed by Rosas' hegemonic pretensions in the area. A French naval blockade of Buenos Aires in March 1838, however, was followed by an alliance between France and Uruguay against Rosas. The blockade was damaging to the economy, and it destabilized the regime and prompted even more autocratic rule, which Rosas blamed on the French. Between 1845 and 1847, Britain joined France to blockade again Buenos Aires harbor.

The opposition gained momentum after the governors of Corrientes, Berón de Astrada, issued a manifesto in February 1839 asking the other provincial governors to deprive Rosas of the power to negotiate with foreign nations. Uruguayan president Fructuoso Rivera and the Unitarian exiles in Montevideo offered their support to Astrada. Rosas' forces under Pascual Echagüe, governor of Entre Ríos, and Justo José de Urquiza invaded Corrientes and destroyed the opposition in March 1839. At about the same time, Carlos O'Gorman, an army lieutenant, organized a dissident movement in the south, and a conspiracy led by Ramón Maza and the May Association was discovered in Buenos Aires. The conspiracy's leaders were executed, but opposition forces gathered in Montevideo under Juan Lavalle, who attempted an invasion of Buenos Aires in 1840. Despite the invasion's failure, it encouraged other movements in the interior and the creation in Tucumán of the "Coalition of the North"—composed of the provincial governments of Tucumán, Salta, La Rioja, Catamarca, and Jujuy—led by Marco de Avellaneda. These attempts to overthrow Rosas reflected the ideals of independence that had remained unfulfilled after 1810, and they provoked Rosas to intensify the reign of terror in the country. Its end in 1842 did not completely halt the arbitrary and repressive tendencies of the regime, but the Mazorca was disbanded in 1846, and the number of executions dropped significantly toward the end of the dictatorship.

During the second half of Rosas' rule, a new potential leader surfaced. Urquiza was the best local military leader, a

seasoned politician, and a wealthy *estanciero-saladerista* from Entre Ríos. Urquiza's opportunity came in 1851 when, after the end of the period of foreign interventions by Britain and France, he was able to secure the support of a coalition of provincial governments. To support the Uruguayan bid for independence, Brazil broke off relations with Rosas in 1850 and established alliances with Paraguay and the provinces of Entre Ríos and Corrientes. Brazil believed that to maintain peace and trade in the area it was necessary to protect the independence of Uruguay and Paraguay, which were threatened by Rosas, and for this purpose it joined Urquiza's forces when he declared himself against Rosas in May 1851. Rosas' interference in the affairs of his neighbors coalesced the forces that ended his nearly 20 years of conservative rule. In July 1850 Urquiza crossed into Uruguay and in 1851 ended the siege of Montevideo by an ally of Rosas that had begun in 1843. An army was gathered in Entre Ríos with troops from Brazil and Uruguay and émigrés from Buenos Aires and the provinces, which then advanced to Santa Fe. On February 3, 1852, Rosas was defeated at the Battle of Caseros, and a week later he left Buenos Aires for exile in Britain, where he died in 1877 (see Anarchy Versus National Order, ch.5).

National Consolidation and Europeanization, 1852-80

The 1853 Constitution and the Argentine Nation

After the fall of Rosas, Urquiza established his headquarters at Palermo and began to use the same control mechanisms as his predecessor: coercion, violence, and terror. The victory at Caseros did not bring about a substantial change in the political structure of the country. Initially, it appeared only that one caudillo had replaced another.

One of Urquiza's first acts was to appoint Vicente López y Planes provisional governor of Buenos Aires. A commission of governors from the provinces of Santa Fe, Entre Ríos, Corrientes, and Buenos Aires later designated Urquiza provisional director. He was committed to a process of national reorganization. In May 1852 he met with all provincial governors at San Nicolás de los Arroyos and drew up an agreement providing for the renewal of the Federal Pact of 1831 and the convocation of Congress. Mitre and other deputies from the Buenos Aires legislature rejected the agreement, thus prompting a rebellion under the leadership of Valentín Alsina. The main

reason for Buenos Aires' adamant refusal to participate in the union was still related to the status of the port of Buenos Aires, the most important customhouse in the Río de la Plata basin. Loss of political control of the province would represent the loss of customs revenues.

In November 1852 congressional delegates from all the other provinces met in Santa Fe to begin work on a new constitution. The main documents studied during the debates were *The Federalist Papers* by James Madison, Alexander Hamilton, and John Jay and the *Bases and Points of Departure for the Political Organization of the Argentine Republic* by Juan Bautista Alberdi. Alberdi sought a reassessment of the concept of provincial autonomy, whose advocates had historically been polarized between those who favored either centralism or federalism. Alberdi's recommendations for a charter that integrated both sides of the provincial political debate were taken into account, and Congress adopted a constitution modeled upon his *Bases*. The Constitution was sanctioned on May 1 and proclaimed on May 25, 1853. As of 1985 the 1853 Constitution remained one of the most liberal national charters in the world. It established the government as representative, republican, and federal; Catholicism was declared the official religion of the country. The overthrow of Rosas and the promulgation of the Constitution also instituted free trade and foreign investments in the country and the development of a stable Argentine market for British manufactures, which were exchanged for inexpensive foodstuffs shipped to European consumers.

In accordance with the constitutional provisions of 1853, elections took place on November 20, 1853, and Urquiza became the first constitutional president of the Argentine Republic. He undertook the difficult task of reestablishing friendly international relations through a series of treaties with Britain, Chile, Brazil, Bolivia, Paraguay, Belgium, Prussia, Naples, and Sardinia. He also began to organize public instruction by providing subsidies to education at the provincial level, and he nationalized the University of Córdoba and the Academy of Montserrat. The administration also promoted immigration through the establishment of agricultural colonies in Santa Fe and Entre Ríos. Each family was given land, oxen, implements, seeds, and wood for a house. The first Swiss settlers arrived in 1856, and they founded the colonies of Esperanza and San José. In 1854 the problem of land transportation began to attract the government's attention in the form of a projected railroad between Rosario and Córdoba. In 1855 Argentina

reached an agreement with Chile for the construction of a trans-Andean railroad, and other arrangements were made for the establishment of stagecoach lines. A central bank was established to negotiate a loan for the consolidation of the government's foreign debt.

While the rest of the nation was being organized according to the 1853 Constitution, Buenos Aires maintained its independent position and constituted itself as a separate state under a Unitarian political charter passed in April 1854. The Buenos Aires charter provided for a bicameral legislature, freedom of worship, and abolition of the slave trade. In the month following the adoption of the charter, the legislature designated Pastor Obligado Buenos Aires' first governor. Mitre and Alsina became the most important aides in the new Buenos Aires government. A number of schools were founded in the countryside, a provincial bank was established, water and gas plants were built, and towns were developed in the locations of old military fortresses: Fuerte Esperanza, San Martín, Santos Lugares del Morón, Las Flores, Lomas, Chivilcoy, and Bragado. Whereas Buenos Aires, a busy port that generated money for the state administration, thrived, the rest of the country languished.

To neutralize Buenos Aires' predominant position, it was necessary for Argentina to federalize the port city. Between 1852 and 1880 there was a climate of continuous struggle, when five short civil wars were fought over the province's incorporation into the federation. Despite the formal separation between the federalized provinces and the state of Buenos Aires, an agreement of cooperation for peace and commerce was signed in late 1854. At about the same time, the granting of "differential duties" to the port at Rosario, a protective measure that sought to compensate it for the loss of customs revenues from Buenos Aires, increased *porteño* opposition against joining the federation. In 1857 Alsina was elected governor of Buenos Aires, and old rivalries with Urquiza prompted an invasion of the state. The army of Buenos Aires under Mitre was routed at Cepeda, in the northern part of the state of Buenos Aires, and Urquiza proceeded to San José de Flores, where a pact was signed in November 1859 that provided for the incorporation of Buenos Aires into the union if some amendments were introduced into the 1853 Constitution. In October Buenos Aires had accepted the Constitution of the Argentin Republic and agreed to turn over most of its custom revenues to the nation after a period of five years (see fig. 3).

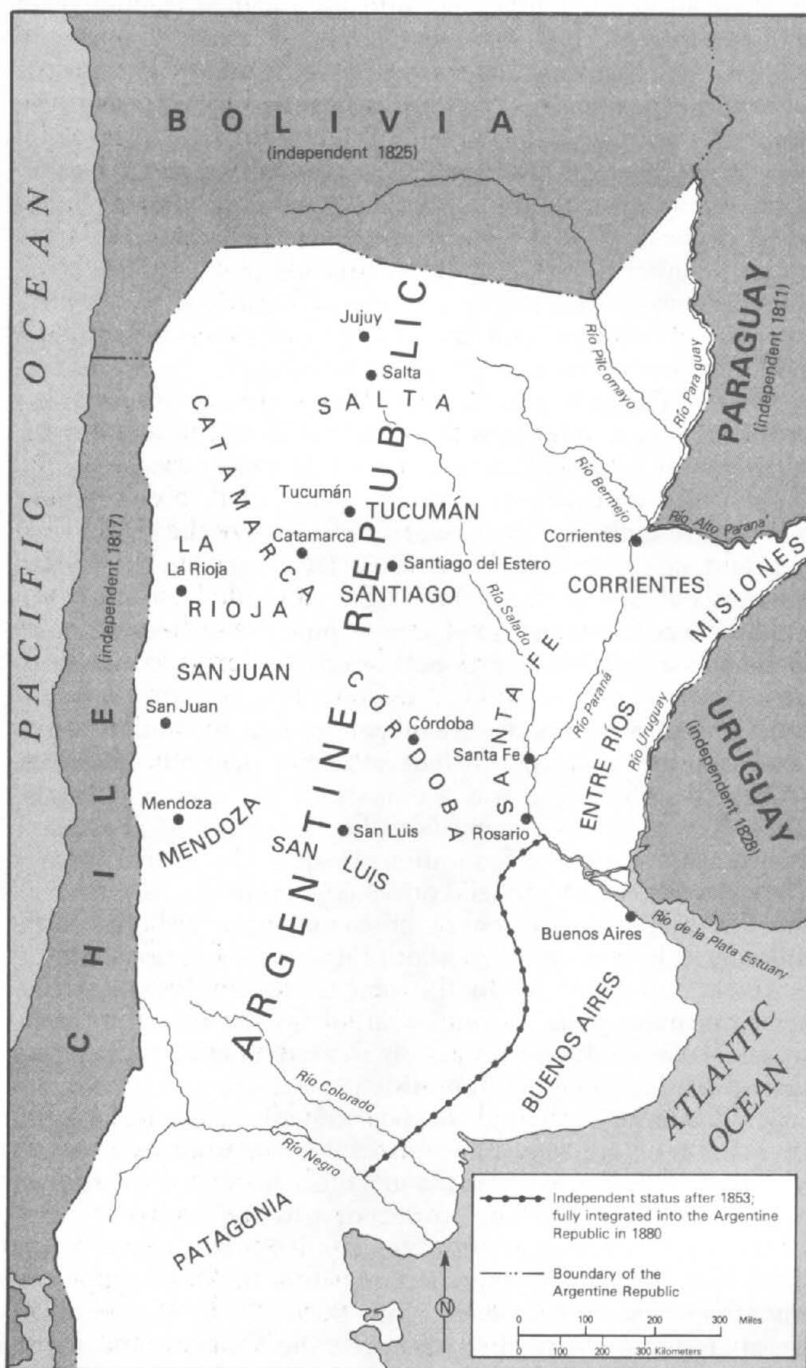


Figure 3. Political Evolution of Argentina, 1810-80

Intervention in provincial life had been a trademark of Urquiza, who exercised the legal power to interfere in provincial affairs whenever the constitutional rights of the people were in danger. Santiago Derqui succeeded Urquiza as president in 1860 and followed his predecessor's policies of involvement in local disturbances in the province of Buenos Aires. In September 1861 opposing armies under Urquiza and the governor of Buenos Aires, Mitre, clashed again at Pavón. Mitre's losses were higher than Urquiza's, but Urquiza withdrew with his troops. Mitre proceeded to Rosario, whereas President Derqui felt the lack of support for his government and fled to Montevideo.

After his victory at Pavón, Mitre continued to hold the governorship of Buenos Aires and took over the nation's administration. This step was taken on a temporary basis until provincial representatives could be assembled to elect a new national leader. Congress decided to federalize the city of Buenos Aires as the national capital for five years, and it elected Mitre as constitutional president. The new administration promoted communications, immigration, and the settlement of the interior, and it passed a customs law giving preferential treatment to trade with European nations. It also organized a supreme court, promoted secondary education, and founded academies in Catamarca, Salta, Tucumán, San Juan, Mendoza, and Buenos Aires.

The Paraguayan War, 1865-70

In 1864, after incursions by Brazilian gauchos into Uruguay, reprisals came from Uruguay, and Brazilian troops counterattacked. At the time Paraguay was governed by dictator Francisco Solano López, who advocated the doctrine of noninterference in the affairs of sovereign nations. However, Paraguay had armed itself over the years.

In 1864 the exiled Uruguayan caudillo, Venancio Flores, invaded Uruguay with troops assembled in Argentina. Flores had helped Mitre at Pavón, and he also counted on Brazil's support. Despite previous agreements on neutrality toward a friendly government, internal developments complicated the issue in Argentina, where the opposition to Mitre supported the Uruguayan president, Atanasio Aguirre, who thus sent formal complaints to the governments of Paraguay and Brazil about Argentine participation in the invasion. In response, Brazil complained to Uruguay about frontier skirmishes that were

threatening Brazilian lives and property. When no measures were taken to reassure Brazil, Brazilian troops moved to the Uruguayan border. In October 1864 Paraguay—wanting to ensure the continued existence of Uruguay as a buffer zone—protested against the deployment of troops and seized a Brazilian ship, the *Marquês de Olinda,* and invaded the Brazilian province of Mato Grosso. Paraguay next wanted to attack the Brazilian troops through the province of Corrientes, but Argentina refused to grant permission. Solano López attacked Argentine ships in the port of Corrientes, and the following March he sent a formal Paraguayan declaration of war to Argentina. A few months later Brazil, Argentina, and Uruguay joined forces against Solano López under the terms of the May 1865 Treaty of the Triple Alliance (see The War of the Triple Alliance, ch. 5).

The Paraguayan War (also known as the War of the Triple Alliance) lingered through five years of losses for both the allied army led by Mitre and the marquis of Caxias, Luís Alves de Lima e Silva, and the Paraguayan forces under Solano López. Several important battles were fought during the campaign, and the allied armies eventually regained the territories that had been occupied by Solano López. On March 1, 1870, Solano López was killed at Cerro Corá, ending a war that had been costly for all parties.

"Facundo" Versus "Martín Fierro"

After Buenos Aires joined the union, *porteños* maintained hopes of dominating the nation from their port city. However, political figures from the interior provinces who were acquainted with liberal, European, secular, and cosmopolitan mores had started to infiltrate the exclusive politics of Buenos Aires. This new generation of liberal politicians rejected the authority of the caudillos and the Spanish Catholic cultural and political heritage associated with the uneducated masses of the interior. Domingo Faustino Sarmiento from San Juan and Nicolás de Avellaneda from Tucumán were two such political figures.

The *porteño* leadership remained divided over the question of permanent federalization of Buenos Aires. The elections of 1868, in which Sarmiento was elected to the presidency, highlighted this schism. Sarmiento had written *Facundo: Civilization and Barbarism*in 1845. In it, he had presented an analysis of the caudillo as a historical force in the social forma-

tion of the country whose domination had to be uprooted from modern Argentina through the education of the people. He also advocated constitutional government, European immigration, and laissez-faire economics to ensure the victory of "civilization over barbarism."

The defense of the old sociopolitical structure had its strongest advocate in José Hernández, author of the epic poem *Martín Fierro*, which was published in the 1870s. Hernández presented the gaucho as the authentic Argentine, the symbol of the interior that had been defeated by *porteño* and foreign political and economic interests.

Sarmiento's administration saw the realization of the doctrines he defended in his writings. Firmly believing that criollo ignorance had nurtured the evils of the past, he devoted himself to education and founded the first five teacher training schools in the country. Communications and immigration also received the attention of the enlightened government. Railroad lines were built from Córdoba to Tucumán, the first streetcar line began operations in the province of Corrientes, and telegraphic communications reached Rosario. New waves of immigration and the establishment of immigrant colonies were promoted through effective propaganda and government financial guarantees. The increase in available labor produced higher agricultural outputs and led to the subdivision of the *estancias* into smaller holdings. The newcomers settled in and around the port of Buenos Aires and, in sharp contrast with the stagnant interior provinces, completely changed the outlook of the city during the subsequent decade.

In September 1874, during the transition from Sarmiento's administration to Avellaneda's, Mitre led a revolt against the central government. The rebellious politician claimed that Sarmiento's support of Avellaneda had tainted the electoral process, but in reality Mitre's revolt represented the resentment of Buenos Aires at losing its preeminence. Upon Mitre's defeat a period of relative calm was introduced in Argentina.

President Avellaneda's inauguration in October 1874 marked the integration of the provinces into the mainstream of the Argentine political process. Avellaneda was backed by his own National Party; by Adolfo Alsina, son of the former governor of Buenos Aires and leader of the Autonomist Party of Buenos Aires; and by Julio Argentino Roca from Tucumán, a member of the local political elite. The fusion of Avellaneda's and Alsina's parties resulted in the formation of the National

Autonomist Party. During his six-year tenure in office, Avellaneda promoted economic growth, welcomed 250,000 immigrants, and furthered Sarmiento's educational policies by establishing schools all over the country. As minister of war, Roca led the "conquest of the desert," which brought army occupation of Patagonia by May 1879. After the extermination of the warrior tribes, the "threat" of miscegenation was ended, and safe conditions encouraged the settlement of Patagonia by European colonists and Argentines from the north.

Although the two previous presidents had disproved the belief that liberal ideals could only be found among *porteño* politicians, the old rivalries came to a head as the 1880 elections approached. Provincial politicians organized the Córdoba League (Liga de Córdoba) to campaign for Roca, who also had the support of Avellaneda, and to federalize the city of Buenos Aires in order to transform it into the national capital. The *porteños* supported Carlos Tejedor, the governor of Buenos Aires, in order to regain their preeminence and defend the territorial basis of their political power. Roca won at the polls, and shortly thereafter a brief civil war broke out in which Tejedor was again defeated. Elections for new provincial and national legislatures followed, and Congress then approved the separation and federalization of the city of Buenos Aires on September 21, 1880.

The city of Buenos Aires was the heart of the province whence foreign ideas, capital, labor, the railroad lines, and most foreign trade emanated. The province of Buenos Aires had historically derived its strength from its sole access to, and revenues from, the port. The loss of these advantages placed the province in a position of equality with the other provinces. Rivalries between *porteños* and the provinces ceased once Buenos Aires became the seat of national authority. The entire nation then benefited from the wealth and prestige of the port city, and the dangers of a future breakup of the country were eliminated. The integration of Argentina was further promoted by the railroads, which soon penetrated the nation. The federalization of the city of Buenos Aires signaled the end of the period of national consolidation and the beginning of a new era for Argentina.

A New Era For Argentina, 1880-1930

Revolution on the Pampas, 1880-1914

From the second half of the nineteenth century to the eve of World War I, Argentina went through major economic and social transformations owing to a rapid increase in population, the size and quality of its herds, and agricultural production. The amount of land under cultivation grew from about 100,000 to 25 million hectares between 1862 and 1914, and national wealth increased rapidly in response to higher trade revenues. This transformation resulted from increased demand for agricultural products—meat and cereals—in industrialized Europe and from the availability of labor, capital, and technology for the development of Argentina, which became a leading world exporter of foodstuffs and raw materials. The provinces of Entre Ríos, Corrientes, and Misiones produced sheep, cattle, flax, and yerba maté; the Chaco area produced cattle, cotton, and dyes; the west produced sugar, wine, and goats; Patagonia supplied sheep, cattle, wood and, after 1907, oil; the pampas, one of the most important breadbaskets of the world at the time, exported beef, wool, wheat (accounting for 25 percent of all exports in the first decade of the twentieth century), flax, corn, and swine; and even the Isla Grande de Tierra del Fuego offered grazing grounds for sheep.

At the time of national consolidation massive waves of European immigrants arrived in Argentina. Between 1880 and 1886 some 483,000 immigrants entered the country, and in 1889 alone some 261,000 reached Argentina. This massive influx of Italians, Spaniards, French, Russians, Germans, British, Swiss, Belgians, and even North Americans also stimulated demographic growth. The first national census in 1869 recorded just over 1.8 million inhabitants; by 1895 their numbers had increased to almost 4 million, of which 1 million were foreign-born. By 1914 there were over 7 million people in Argentina, one-third of those being foreign-born, and by 1930 the country boasted over 11 million inhabitants. The new immigrants tended to remain in the coastal areas and mainly in urban centers. Buenos Aires saw its population double between 1889 and 1909 to over 1 million.

This extraordinary demographic expansion provoked an intensification of the overall development of the country. More land was brought under cultivation, cattle raising improved because of the application of controlled stockbreeding, and the meat industry developed with the advent of refrigeration and

better transportation. Crop cultivation, however, was the economic activity that expanded most rapidly along with the increased availability of technology and immigrant labor that came to Argentina in vast numbers, especially during the economic booms of 1882-89 and 1904-12. The ruling criollo upper class became a landed aristocracy, but its members chose to live in the cities. Their wealth was a result of the international demand for agricultural products, cheap labor, and rising land values.

The technological revolution in agriculture in the United States came about with the improvement and marketing of earlier inventions. In Argentina the arrival of new technology—the reaper and the thresher for wheat harvesting in 1870, barbed wire fencing to allow adjacent cattle breeding and soil cultivation in 1876, and the steel windmill in 1890—played a major role in the revolution on the pampas.

Access to the domestic and international markets was facilitated by the expansion of the railroad network that had begun in 1850. Railroad construction gained momentum after 1870 because of a heavy influx of foreign, particularly British, capital, and the network expanded from 726 kilometers in 1870 to 33,288 kilometers in 1913. Another important innovation was the establishment of regular steamship service both within Argentina and to the leading European markets. A further development in the transport of perishable meats came in the 1880s with the first refrigerated ships, introduced by the French and the British, which made possible the export of fresh meat to the European markets.

Argentine export revenues increased from US$1 billion in 1886 to US$4 billion in 1895 and to US$15 billion in 1914. Distribution was skewed, however, and became a cause for labor agitation. Nevertheless, increased wealth promoted public services, mainly in education, in keeping with the tradition of Mitre, Sarmiento, and Avellaneda. By 1914 the educational system in Argentina, incorporating features such as compulsory education for children six to 14 years old, ranked among the best in Latin America. Whereas the provinces were responsible for the establishment of primary schools, the federal government subsidized all secondary and university education. Between 1869 and 1914, illiteracy among individuals over age seven dropped from 78 to 35 percent.

The Oligarchy, 1880-1916

The federalization of the city of Buenos Aires promoted a certain degree of stability but failed to solve other historical Argentine problems. Provincial unrest was commonly met by armed federal interventions, and until 1912 the political life of the country remained controlled by an oligarchy. The men of the generation of 1880, the republican liberals who had helped shape the national consolidation, adopted a Conservative position to withstand the political pressures that resulted from the economic and social changes occurring in turn-of-the-century Argentina. The Conservative republican elite did not, however, betray its liberal ideals of economic and administrative progress.

Members of the oligarchy, composed of the leading families in Argentina, shared social and economic interests that were voiced by the Argentine Rural Society and perceived the future of the nation as a personal project. They controlled the electoral process through the use of all sorts of gimmicks—including fraud. Provincial governors appointed their successors, the presidential candidates, and the candidates for both provincial and national legislatures. Constitutional presidential prerogatives included federal intervention in provincial affairs, which created another powerful mechanism for the manipulation of the political life of the country. After 1880 the oligarchy became conscious of its political strength and adopted an aristocratic outlook characterized by ostentation and a fever for luxury. The absence of strongly organized political parties was related both to the inexperience of the Argentine masses in self-government and to the unwillingness of the oligarchy to allow popular participation in the political process.

Class interests thus became the stumbling block of liberalism, which developed into a system of one-party rule, known locally as the *unicato*, which was defended by presidents Roca (1880-86) and Miguel Juárez Celman (1886-90). Later presidents, Carlos Pellegrini (1890-92), Manuel Quintana (1904-06), and José Figueroa Alcorta (1906-10), followed these same policies to a lesser degree. The *unicato* provided an absolutist concept of the presidency in response to the country's political instability and the oligarchy's desire for centralization. There were no political groups capable of launching an effective opposition to the oligarchy, which held the land and promoted agricultural exploitation for its own profit. Immigration was encouraged to increase land productivity, and public works projects were undertaken to increase profits for the landed

elite. Because most immigrants remained in the coastal area, those provinces reaped most of the profits. The elite favored foreign enterprises to carry out the improvements and, although loans became a drain on the national economy, the oligarchy kept protecting foreign investment and speculation, even on the eve of financial disaster. After the balance of payments crisis of 1889, however, the country's oligarchy adopted more prudent economic policies.

The reform and reorganization of the legal code was one of the most liberal tenets of the *unicato*. In 1884 the Law of Civil Registration and the Law of Public Education were approved, though they divided Catholics and liberals and caused a rupture of relations with the Vatican between 1884 and 1890. Conflicts developed over the ideas of freedom of conscience, civil marriage, divorce, public education, and the appointment of church officials. In 1890 serious disturbances occurred in response to the oligarchy's determination to impose modern legislation upon Argentina. The power brokers of this period failed to realize the need for renovation of their cadres, and by alienating its political leadership from both the old clans and the leaders of the new families of money and education, the oligarchy damaged its own future position in society. The new wealth was being bred in the coastal provinces, from which sprang an opposition group of young intellectuals who were to become the new contenders for political power.

The Road to Popular Democracy

The 1880s saw the emergence of popular political forces that represented the criollo-immigrant masses, which opposed the Conservative liberalism of the oligarchy. The release of these forces was prompted by the financial debacle of 1889-90 and the emergence of new leadership in Leandro N. Alem and Bernardo de Yrigoyen. Alem, a man of austerity, denounced the regime's corruption to the young audience gathered at the local Civic Union meeting hall in April 1890. Three months later the Unión Cívica was firmly established as a political movement, having gained the support of dissatisfied Catholics, military officers, and workers. In Buenos Aires Alem led a rebellion in July that, despite being suppressed, forced Celman to resign. Vice President Pellegrini completed Celman's presidential term.

The 1892 election was preceded by growing political un-

rest. The Conservative political forces favored the candidacy of Mitre but decided in favor of a compromise candidate, Luis Sáenz Peña, who also gained the support of the moderate faction of the Civic Union. Alem opposed the nomination and was arrested and exiled. In 1891 two new parties emerged, Alem's Radical Civic Union (Unión Cívica Radical—UCR) and the National Civic Union (Unión Cívica Nacional), headed by Mitre.

Sáenz Peña's administration was too honest to please the landed provincial elites organized into the Córdoba League, and it failed to gain any party support in Congress. After Alem returned from exile, he resumed his congressional duties and led the opposition in Congress. The UCR defended the principles of formal democracy under universal male suffrage and the mobilization of all sectors of society against the oligarchy. By mid-1893 revolts had spread through the provinces of Santa Fe, San Luis, Tucumán, and Buenos Aires, only to be suppressed by Roca's forces. Sáenz Peña's position did not improve, and in early 1895 he resigned in favor of Vice President José Evaristo Uriburu. The weight of political pressures was also too much for Alem, who committed suicide in 1896 and left the leadership of the UCR to Bernardo de Yrigoyen and that of the Buenos Aires branch to his nephew Hipólito Yrigoyen. Until 1912 the political strategy of the UCR consisted of abstention from the usual electoral fraud and the promotion of "popular" uprisings against the government.

In 1896 the Socialist Party (Partido Socialista—PS) was founded by Juan B. Justo as a reformist party to represent the Argentine proletariat. It opposed both the oligarchy and the UCR for not being responsive to the social and economic grievances of the working class. Immigration brought the influence of European ideas, such as socialism and anarchism, to Argentine trade unions, and in 1905 and 1909 violence and strikes hit the urban areas. In 1890 the Argentine Regional Federation of Workers was formed as a central labor federation, but it soon disappeared. In 1905 the Argentine Workers' Confederation was created. It was later reorganized as the Argentine Regional Federation of Workers, which became exclusively involved in syndicalist policies. Although they also provided leadership to the proletariat before 1916, socialists and anarchists more often battled each other on ideological principles than on social and political questions (see Labor Groups, ch. 4). The strongest political organization that emerged from the popular movement was the UCR of Hipólito Yrigoyen. Its con-

tempt for electoral participation, however, brought the return of Roca to the presidency in 1898.

By 1902 labor agitation was met with the Law of Residence, which provided for the deportation of labor organizers. The presidencies of Quintana and Alcorta were plagued by agitation promoted by the UCR against legislation passed during the Roca regime that provided for strict political control of the labor force in order to end unrest and violence. Alcorta continuously battled with Congress, and in January 1908 he closed it down. Under the influence of PS representatives between 1904 and 1907, important labor laws had been enacted, which, among other things, regulated female and child labor and provided rest on Sundays.

The government's presidential candidate in 1910 was Roque Sáenz Peña, who won the unanimous support of his peers in the oligarchy. He was the son of the former president and a man who had always defended electoral reform. Sáenz Peña realized the strength of the politicized masses under UCR leadership as well as the danger of excluding them from the government. He passed legislation on the rights of foreigners and on the secrecy of the ballot and compulsory universal male suffrage—the Sáenz Peña Law—just before taking a leave of absence in October 1912. He was succeeded by his vice president, Victorino de la Plaza, who enacted further labor laws on low-income housing, work injuries, and prohibition of attaching wages to pensions and retirement benefits. The improvement of the electoral process during the administrations of Sáenz Peña and his successor brought the UCR back into the electoral process in 1912. In these elections the UCR gained one-third of the seats in Congress and won the governorships of Santa Fe, Entre Ríos, and Córdoba. Hipólito Yrigoyen won the presidential election in 1916 under the banner of the UCR.

The Radical Administration, 1916-30

A new era in Argentine politics commenced upon Yrigoyen's victory in 1916, brought about by a coalition of disparate groups united by the ideas of political participation and the redistribution of the benefits of the nation's exports. The UCR found its support among the former middle class of criollo independent farmers and the new middle class of children of immigrants—small shopkeepers and white-collar government workers. The immigrant industrial middle class had been growing since the 1890s but had not previously partici-

pated in Argentina's political life. Yrigoyen, the party leader turned president, was himself a schoolteacher and small farmer.

After 1916 the general trend of Argentine politics was determined by the relationship between the various Radical governments and the Conservative elite, which controlled five out of the eight cabinet posts in Yrigoyen's cabinet. The political alliance of Radicals and Conservatives, domination of the economy by the export sector, and support of Radical policies by the urban professional middle class and labor groups characterized the period from 1916 to 1930. The major challenges to the Radical administrations in these years stemmed from conflicts arising among these groups, which seemed to threaten the elite's relationship with foreign capital and markets. Another trademark of Yrigoyen's administration was the introduction of a personalistic political style revolving around the president.

At the time of Yrigoyen's inauguration, the country was in the midst of an economic depression that resulted from a lack of foreign investments and trade. These in turn resulted from a financial crisis in Europe and World War I. Despite opposition from congressional leaders, Yrigoyen maintained Argentina's neutrality all through the war. The war generated higher shipping charges and production costs in Europe, to which the Argentine market responded by curbing imports and raising prices. By 1917 growing demand for Argentine primary products in the European markets created another boom era that lasted until 1921, when the effects of the postwar recession began to influence international trade. Inflation became a major concern of Yrigoyen's government, which found itself caught between the urban consumers and the export interests of the elite.

To appease the urban sectors, the government developed a system of patronage, which was sternly opposed by the socialists. Opposition to Yrigoyen's personal power over middle-class groups developed within the Radical coalition itself. The system of favoritism led to an increase in public spending after 1918, a tendency to alienate urban groups outside the bureaucracy's clientele, growing tensions with elite sectors, and the preeminence of Buenos Aires over the interior provinces. One of the most important benefits acquired by the middle class was the university reform of 1918, which provided for more comprehensive criteria for university entry, changes in university curricula, and the establishment of new universities. The

reform, however, was only granted in response to student strikes that denounced the ills of scholastic and clerical influences in Argentine universities (see Education, ch. 2).

The main source of friction between the Radical government and the elites developed in relation to the working class, whose support was needed by the Radicals in congressional disputes and for the political control of urban Buenos Aires. To defend the workers was to take a stand against the exploitation of their cheap labor by the elite and indirectly by the foreign interests. Because the government lacked congressional support and because no legislative measures had been introduced to integrate workers into the political process, the main avenue for contacts between the government and the workers was the series of strikes that occurred between 1916 and 1919.

The strikes resulted from rising inflation and a drop in workers' real wages during the prewar and postwar economic recessions in Argentina. Government involvement in the strikes stemmed from its control and strategic use of the police force. In reality, the government tended to blame foreign enterprises for labor grievances, as in the cases of the maritime workers' strikes of 1916-17 and the railroad strikes of 1917. By doing so, the government hoped to neutralize the socialists and allow for the growth of the more moderate syndicalists within the union movement. In 1917 and 1918 strikers involved in conflicts with the government of Buenos Aires (as in the case of the municipal workers' strikes) or whose actions interfered with the export interests (in the railroad stoppage and the meatpackers' strikes) were harshly suppressed.

Tensions between the government and the Conservative elite over the strike situation came to a head during the so-called Semana Trágica (Tragic Week) in January 1919. The conflict developed from a metalworkers' strike in November 1918, which grew to a general "solidarity" strike in January 1919 that was followed by severe repression. Despite the strike's ending, civilian and paramilitary groups continued the violence and attacked the Russian-Jewish community in the center of Buenos Aires on charges of communist activism among immigrants. The bloody reaction against the immigrants unveiled the fears of the upper and middle classes that strikes were political conspiracies. The government's labor policies thus became an obstacle to ongoing middle- and upper-class political support. At that point a new group of power brokers was born in Argentina—the armed forces.

The Semana Trágica almost provoked the government's

collapse. A new paramilitary vigilante organization threatened the government; the Liga Patriótica (Patriotic League), a loose coalition of conservative and liberal groups, replaced the criterion of class conflict with one of Nationalism against communism. Institutionalized in 1919, the Liga provided the military support for the control of workers and agitators. Meanwhile that same year 259 strikes took place in Buenos Aires, and a movement for unionization of workers gained strength. The government used both the repression of strikes and political patronage to co-opt the international business interests, the army, and the elite. However, the events of January 7-17, 1919, underlined the frailness—despite Yrigoyen's charisma—of the first Radical government and also demonstrated the revolutionary potential of the Argentine labor movement.

During the last two years of Yrigoyen's administration continual attempts were made to gain support among members of the Liga, the military, the church, the international interests, and the elite. After the government acted against a dockworkers' strike in 1921, unionization was discouraged. Despite conflicts with labor, the Radical administration enacted a homestead law and a series of laws that regulated hours of labor, minimum wages, and female and child labor. It also established municipal workers' pensions; required arbitration in international disputes; reduced penalties for strikes; called for supervision of the manufacture and distribution of dangerous materials; created water and sewage systems for Argentine urban communities; and founded numerous universities and primary schools. The postwar economic slump, coupled with labor agitation and congressional opposition, handicapped further legislation. The government's commitment to the rough reform program was realized only by the following administration.

The inflationary trend of the war and postwar periods ended with the postwar recession in 1921. In the 1920s a decline in agricultural production took place as a result of the scarcity of both finance capital and new lands to be brought under cultivation. There was also a shift in the international demand for agricultural products from grains to beef. This new phase of the Argentine economy was characterized by an increasing presence of United States interests, which provided both financial capital and goods to Argentina and became increasingly linked to Argentine industrialization. Between 1923 and 1927, when total foreign investments in Argentina grew from 3.2 billion to 3.6 billion pesos (for value of the peso—see

Glossary), United States investments rose from 200 million to 505 million pesos. In the 1920s Argentine politics, previously dominated by the relationships between the elite and the urban working class, changed to reflect those between the elite and the middle class.

Radical candidate Marcelo T. de Alvear won the 1922 elections. During Alvear's administration the Radicals split over the question of government spending. *Yrigoyenistas* (Yrigoyen's supporters) defended the patronage system, while *alvearistas* (Alvear's backers) defended government budget cuts. In 1923 Alvear ended his emphasis on controlling spending because the unpopular measures were undermining his political support. At local UCR conventions the next year, two factions appeared that identified themselves as for or against Yrigoyen's personalistic brand of politics. Those aligned against Yrigoyen were led by Vicente C. Gallo, who founded the Antipersonalist Radical Civic Union. The remainder of Alvear's administration was characterized by his attempts to play one faction against the other.

Despite his advanced age, Yrigoyen maintained his leadership position and popular support, and after 1924 the *yrigoyenista* faction of the UCR strengthened its power base among the middle-class groups that longed for a return of the patronage system. The faction also tried to win working-class support by reminding workers of Yrigoyen's intervention in favor of the strikes of the previous decade. Yrigoyen's move was facilitated by a crisis within the PS, which split into two factions upon the creation of the Independent Socialist Party, which advocated patronage to win urban middle-class support. By 1925 the *yrigoyenistas* found it more politically acceptable to justify government spending on the promotion of industrialization and the defense of the country's natural resources. Economic Nationalism and, in particular, the nationalization of foreign-owned oil resources became a popular rallying cry. This political program gave Yrigoyen a landslide victory in the elections of 1928.

In 1928 the *yrigoyenistas* changed their political power base from the old landowning elites to the urban professional middle class. Purges of Alvear's partisans, growing corruption, and abuses of power came to characterize Yrigoyen's second term in office. Yrigoyen used the banner of anti-communism to consolidate his position toward the army and the elite groups. Government troops were used to crush labor unrest in Santa Fe in late 1928 and early 1929. No attempt was made to revive

former labor policies, and labor was controlled through local UCR committees that used patronage to elicit support for the government. At the same time, the government favored British interests over both the local working class and United States economic interests in Argentina. Yrigoyen had no majority in the Senate and turned to the provinces to secure support for his Nationalist policies toward Argentine natural resources. Despite growing violence in Buenos Aires, the government continued to enjoy middle-class support.

The Wall Street stock market crash of October 1929 brought severe declines in agricultural prices and investments in Argentina in 1930. Adverse climatic conditions and the Great Depression provoked the collapse of the export sector. The resulting inflation and decline in imports further hampered the government's financial position and its ability to maintain its system of political patronage, thus undermining its popular support. Radicalism, which had sprung up through periods of growth, crumbled during times of stagnation and depression. Argentina's attempt at popular democracy failed, but it unveiled a pluralistic society within a political structure that was distinguished by elitism and privilege.

Conservative Restoration, 1930-46

Aftermath of Depression, 1930-43

The Great Depression had a profound political effect in Argentina because it highlighted the weakness of the political and economic arrangements of the liberal period and gave strength to political aspirations within the military. The country suffered the consequences of its dependent economic role as a producer of primary products for the international market and an importer of capital, finished goods, and labor. After 1930 the economic system was modified through greater state participation in the organization and direction of the economy. The fall in export earnings provoked a flow of Argentine gold reserves abroad to pay for imports, which was followed by a government decision to suspend the conversion of paper money into gold in mid-December 1929. This generated a feeling of despair that soon found political expression in the electroal defeat of the UCR in Buenos Aires and in popular protests against the federal government. Yrigoyen's leadership was challenged by right-wing organizations, which held street demonstrations to demand the president's resignation. On Sep-

tember 5, 1930, Yrigoyen resigned from the presidency and was replaced by Vice President Enrique Martínez. The next day General José F. Uriburu, commander of the Buenos Aires garrison, revolted, deposed Martínez, and declared martial law. The liberal constitutional process that had been established in 1862 was put to an end.

Uriburu was an aristocratic officer from Salta, the son of the former Conservative president, and a member of the "new professional army" of soldiers in Argentina. Military professionalization had begun in the late nineteenth and early twentieth centuries (see Background and Traditions of the Armed Forces, ch. 5). It was characterized by the modernization of military training and equipment (provided largely by Germany), the establishment of the Superior War College in 1900, and the passage of a law of obligatory military service in 1901. The new professional army of mostly middle-class sons of immigrants welcomed the Radical government in 1916, but by 1921 a group of discontented officers had organized the San Martín's Lodge, a secret society that was to play an important role in the conspiracies leading up to the 1930 coup d'état. Although supported by a coalition of Conservatives, antipersonalists, and moderate socialists, Uriburu was against popular democracy and dreamed of delivering Argentina from the professional politicians. Uriburu had great admiration for Miguel Primo de Rivera and Benito Mussolini, who had imposed fascist dictatorships in Spain and Italy to rid their countries of corruption and anarchy. Thus, the rise of Uriburu marked a new phase of ultranationalism in Argentine politics and the replacement of the old bourgeois political regime by a new corporate state in the contemporary European tradition.

Uriburu's seizure of power was handicapped by the lack of full support from his military colleagues. General Agustín P. Justo, who defended the oligarchical interests and the restoration of the old order, led a liberal faction within the army. Uriburu's style of authoritarian rule and ultranationalistic speeches alienated most of the army officers and prompted a widespread challenge to his authority. In certain matters, however, he was careful to avoid antagonizing the military establishment. He carried out major cuts in government spending but spared the military budget; its share of government spending increased from 18.6 percent in 1930 to 20 percent in 1931.

Military opposition and ill health led to Uriburu's resignation. The Radicals abstained from participation in the fraudu-

lent presidential elections of 1931, and Justo ascended to the presidency. Justo's victory resulted from a united political front of various Conservative factions, called the Concordancia, which controlled the Argentine political process from 1931 until 1943. Justo's presidency (1932-38) was characterized by a restoration of the export-oriented economic model, greater electoral fraud, government corruption, and favorable conditions for foreign investors.

Justo intended to discourage military involvement in politics. The economy was weak as a result of the worldwide depression and years of government financial mismanagement. The administration took unpopular steps to control the production and marketing of exports, including the establishment of a series of bilateral commercial agreements and foreign exchange controls. It centralized the collection of taxes, introduced an income tax, and created the Central Bank of the Argentine Republic to regulate all banking and fiscal activities in the country. These measures were criticized because they protected the agricultural and commercial interests and provided increasing concessions to foreign interests. The Roca-Runciman Trade Agreement of 1933 ensured British markets for Argentina's meat and agricultural products, and it protected British-manufactured imports from foreign and domestic competition in Argentina.

The British-owned utility and transportation companies were also protected from nationalization and further competition by railroads and streetcar lines. To bypass the 1933 agreement, the government began to build a road network that linked those areas not served by the railroads. The banking reorganization of 1935 also opened the doors to foreign interests, even though the new Central Bank remained in charge of national monetary policies. Justo's reforms went unchallenged as the result of the Radical strategy of electoral abstention between 1931 and 1935, while military skepticism of Justo's capacity to lead the country through the difficult times of economic recovery increased.

Despite limitations on his performance, Justo was successful in reorienting the Argentine economy toward a diversification of exports and the development of import-substitution industries, which prompted the emergence of new industrial classes not directly dependent upon the export sector. The former elite resented the newcomers and entrenched itself in old-fashioned social and religious values, while corruption increased at all levels. In early 1938 the new administration of

President Roberto M. Ortiz and Vice President Ramón S. Castillo was inaugurated under the auspices of the Concordancia.

Ortiz was a lawyer and the son of immigrants. His career underlined the opportunities open to bright young people in early twentieth-century Argentina. He believed in the moralization of the political process through the application of the Sáenz Peña Law, despite having climbed to the presidency through a rigged election manipulated by Justo's followers. The administration was the object of public scrutiny, and in 1939 Ortiz was personally charged with having received a substantial payoff in a land-purchase deal for the construction of an airport. To make matters worse, Ortiz was in frail health and was forced to relinquish power to his vice president in 1940. He died in 1941.

The Ortiz-Castillo administration coincided with major changes in the world balance of power marked by the early Allied losses in Europe and the occupation of France by Hitler's troops. To preempt demonstrations from the different pro-Allied and pro-Axis factions in Argentina, a state of siege was declared after the Japanese attack on Pearl Harbor on December 7, 1941. Argentina had declared its neutrality in 1939 and during the war was economically dependent on European, especially British, markets and militarily dependent on German matériel and training missions. Pro-Axis sentiments were widespread within the military and other nationalistic groups, and Argentina defied United States pressures to join the Allied cause in 1942 (see The Modern Armed Forces, ch. 5). The death of Ortiz and Castillo's determination to rule without keeping the old compromises embodied in the Concordancia—including the neutrality of the armed forces in political matters—prompted its dissolution and unleashed military opposition to the government.

National Revolution, 1943-46

The previous decade had witnessed various incidents of government repressions, military interventions, rigged elections, economic depression, and oligarchical rule. The situation changed abruptly with the emergence of a new Nationalist military opposition. On the morning of June 4, 1943, an army of some 10,000 marched on the government palace under the command of General Arturo J. Rawson. The military coup came in response to the breakup of the Concordancia and the frustration of major Argentine political and economic interests

that felt threatened by Castillo's determination to exclude them from the political arrangements of the next administration. When the troops approached, President Castillo abandoned the Casa Rosada (Pink House, official presidential palace) and sailed to the nearby port of La Plata. The next day he submitted his resignation to the military commander of Buenos Aires.

The military coup against the Conservative government of Castillo was the work of a secret Nationalist military organization, the Unification Task Force (Grupo Obra de Unificación—GOU), a group of young colonels that included Juan Domingo Perón. The conspirators were strongly influenced by Italian and German nationalist military organizations, and they perceived the army in a redeeming role. Under this view, they were committed to rule Argentina and achieve national industrial development and social reforms, which they viewed as necessary for national unification and the creation of a strong professional army. As a result, political power was transferred from the old landed and mercantile aristocracies to the new military bureaucracy. For the first time in the history of Argentina, military men were entrusted with all political and administrative posts under a dictatorship that suspended the Constitution and proclaimed General Rawson president on June 4, 1943. His pro-Allied sympathies forced him to resign three days later, however. Between 1943 and 1944 three ministers of war were appointed to the presidency by the GOU. Rawson's successor was General Pedro Pablo Ramírez, who was replaced in 1944 by General Edelmiro J. Farrell, who appointed Perón as his minister of war.

Throughout this initial period of military consolidation, Perón developed his power base as a major leader of the young officers within the GOU. In October 1943 Perón became the head of the newly created Secretariat of Labor and Social Welfare, which acquired ministerial status the following month. From this vantage point, Perón was able to take over the labor organizations under the General Confederation of Labor (Confederación General de Trabajo—CGT) and to direct and subject it to his personal control. He maintained a commanding position over both the corporate military and the new laboring classes and became the dominant personality in Argentine political life until his death more than three decades later.

Perón was born in 1895 to a rural middle-class family from Lobos, in Buenos Aires Province. He was educated at the Military College and began his military career as an army lieuten-

ant in 1915. In the 1930s Perón's career began a new phase: in 1930 he became a military history instructor at the Superior War College; in 1936 he was assigned to Chile as military attaché; and in 1939 he was assigned to Italy as a military observer. During his stay in Europe, Perón came to admire the new corporate states in Italy and Spain. Perón's military career gave him (and many others, for that matter) the opportunity to acquire professional training and also to mingle with the upper strata of Argentine society. Back in Argentina he helped organize the GOU and participated in the fall of Castillo's government, but the increasing failures of the fascists in Europe prompted him to confine his corporatist ideas to the Secretariat of Labor and Social Welfare in 1943.

Perón's ability to manipulate his following produced an alliance between young officers and new labor leaders who were outside the mainstream of political parties and labor organizations. This coalition was encouraged by the emergence of a new generation of Extreme Nationalists and the increasing unrest and expectations of the new industrial labor force, which was swelled by migrations from the countryside and consequent unemployment at a time of rapid industrialization, capital accumulation, and scant redistribution of the nation's growing wealth.

Perón integrated nonunion and union workers into a national welfare system that provided pensions and health benefits for all. Between 1943 and 1946 he enacted a series of labor decrees that represented his redistribution program, sanctions against persons or enterprises obstructing the actions of the newly created Ministry of Labor and Social Welfare and the labor courts; regulations against unfair job dismissal and for rent control; measures regulating the work of minors and domestic servants; and provisions for paid vacations and a New Year's bonus.

However, Perón's growing popularity among the labor force antagonized the military, who soon came to distrust him. On October 9, 1945, he was removed from the position he had held for more than a year as vice president of Argentina and was arrested by the military. Demonstrations for Perón's release began six days later, and on October 17 a mass rally of *descamisados* (the shirtless ones—the poor who were the base of Perón's supporters) was organized by his mistress, Eva Duarte, and the labor leaders who packed the Plaza de Mayo in front of the presidential palace. Once freed, Perón began to organize for the presidential elections of 1946 as a constitu-

tional candidate backed by his newly formed Labor Party and by a Radical splinter group, the UCR Renovating Junta. The two parties merged in June 1946 after Perón's election to become the Unified Party of the National Revolution, which was renamed the Peronist Party in January 1947.

Perón's opposition came from the Conservative agricultural interests, a sector of industry trialists linked to exports; the UCR; the Socialists; the Argentine Communist Party; and the Catholic church. Most of the opposition united to form the Democratic Union (Unión Democrática—UD), which received United States support. Before the elections the "Blue Book," prepared by the United States ambassador, Spruille Braden, was circulated. It denounced Nazi influence in Argentina, to which Perón replied with the "Blue and White Book," named after the national colors of Argentina, in which he denounced United States involvement in Argentine political life. The electoral campaign became a battle in which Perón declared Braden to be his fiercest opponent, and the Peronists chanted the slogan "Perón or Braden." Perón also had to contend with the Roman Catholic Church, the official state church to which Argentine presidents were required to pledge allegiance. Although the Argentine clergy was less orthodox than its counterparts elsewhere in Latin America, political demonstrations of religiosity were requirements for public office. Perón's relationship with Eva Duarte needed to be sanctioned by the church before the elections of 1946, and they were duly married in October 1945.

Argentina Under Perón, 1946-55

Perón's First Presidency, 1946-51

On February 24, 1946, Perón won the presidential elections in a climate of order and fairness. Perón's political allies won almost all the governors' posts and Senate seats, as well as two-thirds of the seats in the Chamber of Deputies. Before Perón's inauguration in June, President Farrell, under Perón's advice, nationalized the Central Bank and its foreign assets and created the Argentine Trade Promotion Institute (Instituto Argentino de Promoción del Intercambio—IAPI) and empowered it to fix agricultural prices and to use the assets and revenues generated by agricultural exports to promote small- and medium-sized industries. He also established a state-owned commercial airline.

At the end of the war Argentina had accumulated over US$1.4 billion in gold and hard currency, which amounted to 70 percent of all Latin American reserves at the time. Soon after his inauguration Perón signed the Eady-Miranda Treaty, which regulated the acquisition of all British-owned railroads in Argentina. The treaty was highly controversial because of the age of the rolling stock and because the purchase encompassed several other related British-owned enterprises—hotels, meat-packing plants, transportation companies, bonds of several companies, and large tracts of land. Although it did serve to recover some of the capital that had been held in Britain during the war in the form of revenues generated by the Argentine export sector, it also depleted Argentina's postwar reserves.

A positive trade balance following World War II allowed Argentina to embark on a rapid industrialization program. Prosperity reigned throughout the country and gave rise to the aphorism that "God is Argentine." The concept of economic emancipation was expanded beyond the purchase of utility concessions. Industrial activity was encouraged by the IAPI: textile production grew by 100 percent, chemicals by over 300 percent, and the production of plastics, food products, and leather by significant amounts as well. A major handicap to industrial growth was the limited energy capacity of the country. Perón's first state of the union address in 1947 emphasized industrialization and the need for full cooperation from the CGT.

Between 1945 and 1948 the real wages of industrial workers rose by 50 percent, those of government officials by 30 percent, and the overall level of consumption by 20 percent. Perón transformed all decrees enacted by the Ministry of Labor and Social Welfare into laws; 34 percent of all government expenditures were labor related, including a program to build inexpensive housing for workers. The first signs of the country's inability to continue such increases in real income for the work force surfaced in 1948. Foreign reserves were exhausted, and the prices for Argentine primary products began to fall relative to imports of fuel, capital goods, and industrial raw materials. The government resorted to printing more money and borrowing abroad. An inflationary spiral led to the fall of real wages in 1949. The reform-minded administration intensified its pursuit of stronger mechanisms to exercise political control. In order to mobilize popular support, a new Peronist party was organized under the banner of Fairness (Justicialis-

mo). To circumvent the provisions of the 1853 Constitution regarding presidential reelection, a constitutional reform was undertaken and promulgated in March 1949. In the elections of 1951 Perón won 4.6 million votes against 2.3 million cast for his opponent, Ricardo Balbín of the UCR.

The mythical aspects of Perón's regime were embodied in Eva Duarte de Perón (popularly known as Evita), who personified the confused revolutionary aspirations of the Argentine masses. Evita came from a poverty-stricken family and was constantly reminded of her origins by the Argentine elites, whom she despised and antagonized with her public displays of wealth and power. Her main activities between 1948 and 1951 took place at the Ministry of Labor and Social Welfare, where she met daily with hundreds of people who came to ask for help, to thank her for previous bequests, or to bring her a contribution for the Eva Perón Foundation, a private institution established in 1948 that provided services to the needy. The foundation had political significance and was a branch of Perón's social programs. Although Evita did not participate in the campaign for women's suffrage—granted in 1947—she was politically active in the 1949 establishment of the Women's Peronist Party and encouraged women to participate in politics. Evita was the standard-bearer of her husband's following. Acknowledging her debt to Perón, she incited the people to adore him. Evita occupied a preeminent position in the Argentine political hierarchy during her husband's rule, and she acquired the skills of an emotive public speaker.

On the eve of Perón's second term, Argentina had made important strides in foreign relations and in internal social policies, whereas economic conditions had deteriorated. In a bipolar world split between the United States and the Soviet Union, between capitalism and communism, Argentine foreign policy moved after 1946 to a position of nonalignment that was called a Third Position (see Foreign Relations, ch. 4). Argentina adopted this approach to the Cold War in order to establish itself as a leading nation in the hemisphere. The economic policies of Perón's first term had concentrated on import-substitution industrialization in order to supply a growing domestic market. The increasing purchasing power of wage earners stimulated the growth of consumer goods industries, whereas basic industries were largely neglected. One exception was the beginning of a steel industry in 1945-47 under the auspices of the General Directorate of Military Manufactures, which had been created in 1941 (see Military Industry and Exports, ch.

5). This consumption-oriented model of industrialization, however, eventually led to an unanticipated dependence on imported capital goods and to the decapitalization of the economy. The transfer of resources from agriculture to industry provoked a reaction from the landed interests, which began to undermine production by reducing the acreage of land under cultivation. This in turn generated a drop in exports and created a trade deficit. In 1950, as the Korean war began, United States purchases of grain doubled, and Argentina was able to secure a US$125 million loan from foreign private interests to shore up its foreign reserves. This bonanza was to be short-lived, however.

Perón's Second Administration, 1952-55

In 1951 Perón's candidacy for a second term did not please all sectors of Argentine society. Before the elections in November, a military rebellion broke out in Buenos Aires. Although it was easily quelled, the government declared a state of siege, which was not lifted until 1955. In June 1952 Perón was inaugurated for his second term, and the next month Evita died of cancer. With her death an important phase of Peronism came to an end.

The Peronist legislative majorities in both houses of Congress and its control of most governorships, as well as the press, made Peronism pervasive throughout Argentina. Perón used his almost complete control of a rapidly growing government bureaucracy to lure the working class away from the old power structure.

The years 1951 and 1952 saw a Peronist attempt to co-opt students through a government-sponsored university reform that abolished admission requirements for all candidates to higher education. Heavy-handed Peronist control of the university system provoked reaction among students, which was met by harsh repression and led to the creation of a new anti-Peronist front among intellectuals. The improvement of financial conditions was halted by an economic slump that was prompted by bad harvests, an increase in internal meat consumption in Argentina—thus decreasing meat available for export—and low international prices for grain. The 50-percent growth of the Argentine trade deficit between 1951 and 1952 reflected government policies that promoted increased consumption among workers and an inordinate growth of small enterprises and that discouraged capital investments. To coun-

terbalance the bleak prospects for improving the trade balance in 1952 the government decided to encourage agriculture and the pastoral industries. The end of the Korean war in July 1953, however, caused a drop in international agricultural prices. The industrial elites thus began to press the government for another change of economic policy, one that would concentrate on raising industrial output, reducing workers' real wages, and increasing capital investments.

In 1951 the government created the General Economic Confederation (Confederación General Económica—CGE) to regulate production, industry, and commerce. In 1955 the CGE and the CGT negotiated a productivity pact that established the goals of both organizations: interaction between employers and employees; modernization of the enterprises; rational utilization of the labor force; and wage increases in response to increases in productivity. Perón's dream of creating an "organized community" had been put forth in a 1953 law that regulated collective bargaining on the basis of solidarity instead of opposition between management and labor. These were palliative measures, however, because the much needed capital accumulation required the exploitation of the productive capacity of the labor force. Despite the favorable terms of the 1953 legislation, Argentina was able to attract a total of only US$11 million of foreign capital investments in industry, mining, and petroleum development during that year. United States, Italian, and German firms took advantage of the protective tariffs and developed high-cost automobile, tractor, and chemical plants, whereas Argentine energy needs were met by the establishment of new power plants. In March 1955 Argentina signed contracts with the Standard Oil Company of California for the exploration—which proved unsuccessful—of oil in Patagonia.

While Peronist support stemmed from its alliance with workers, domestic and foreign industrialists, and the bureaucracy, opposition to Perón grew out of the economic hardships faced by the discontented elements of the middle classes—the armed forces, students, and the church—and the increasing political and economic pressures from the United States, whose presence in Latin America increased substantially after the end of World War II. The anti-Peronist movement found an ally in the Roman Catholic Church, especially after Perón's speech in November 1954 in which he charged the church with antigovernment activities based on its increasing involvement in political affairs and labor relations. Perón had attracted

the youth to his government by sponsoring student activities, sports, and outdoor gatherings, thus undermining the church's control of the youth movement. He also removed religious instruction from public schools, introduced legislation to legalize prostitution and divorce, and in May 1955 called for the separation of church and state. On June 12, 1955, the church organized a mass demonstration for the celebration of Corpus Christi that was attended by more than 100,000 people. A few days later, the seeds of rebellion incited the anti-Peronist air force to attack the Plaza de Mayo and Casa Rosada, leaving more than 200 people dead. The revolt was soon crushed by the army, however. These events were followed by Peronist attacks on church property, which were followed by Vatican sanctions.

On September 16 the navy revolted with the support of army battalions in the interior, and from Córdoba, General Eduardo Lonardi proclaimed a "Liberating Revolution." A military junta in Buenos Aires took control of the government on September 18, and Perón fled into exile. On September 23 Lonardi was nominated provisional president until Argentina's constitutional democratic institutions were restored. Perón's ouster showed that his populist administration had proved incapable of responding to the needs of the dominant classes in Argentina.

"Revolutionary" Argentina, 1955-72

The Liberating Revolution, 1955-66

Lonardi's provisional government was lenient toward the old Peronist order, and it failed to fulfill the economic expectations of the elite and the military—a freeze on wages and a redistribution of wealth away from the working class. On November 13, 1955, General Pedro E. Aramburu, who had participated in Perón's expulsion, overthrew Lonardi. Aramburu had the tacit support of the moderate left (communists and socialists), the Radicals, and the right wing of the conservative faction to carry out the "de-Peronization" of Argentina. The CGT was put under military control; independent unions were consigned to the care of friendly communists or socialists, and the formation of new parallel unions was encouraged. Meanwhile, the government began a bloody campaign against the Peronists, who were imprisoned, tortured, and executed. All Peronist organizations were banned, the constitutional reform

of 1949 was abrogated, and Decree Number 4161, which banned the use of words associated with the Peronist regime, was issued in March 1956.

The Peronist resistance still counted on a few supporters in the army, whose frustrated coup d'état of 1956 prompted an official reprisal and the execution of 27 Peronist military officers. The Peronist leadership was disbanded, and a series of indiscriminate terrorist bombings took place between 1956 and 1958. Nonunionized labor groups with Peronist sympathies resorted to work stoppages and sabotage in response to wage freezes and the drop in workers' purchasing power.

The growing labor unrest and the deteriorating economic situation worried the army and the economic elites, who called for new elections. Repression of the Peronist movement led to the creation of the conservative People's Radical Civic Union (Uníon Cívica Radical del Pueblo–UCRP) under Balbín, and the Intransigent Radical Civic Union (Unión Cívica Radical Intransigente—UCRI), led by Arturo Frondizi (see Political Parties, ch. 4).

Frondizi's campaign strategy promised to integrate Peronism into the regime. He established personal contacts with Perón, who was in exile, and promised a general amnesty, legal recognition of the Peronists, and a restoration of the social and economic gains of the workers. Despite a high rate of Peronist abstention, Frondizi won the election of February 1958 with more than 4 million votes and was inaugurated in May. Frondizi upheld his promises to the Peronists, but his economic program was geared toward opening up the national economy to foreign capital as a means of industrializing the country at any cost. In mid-1958 the government passed a law regulating professional associations that provided for centralization and control of the unions, and in October a general strike was declared. The government responded by instituting a state of siege and launching a massive campaign of repression.

From 1958 to 1962 austerity measures brought forth increasing labor agitation and repression, and the government attempted to make amends with the military and the Peronist movement. The Peronists carried 40 percent of the votes in the congressional elections of March 1962, and before the end of the month the military staged a coup d'état that ousted Frondizi and installed José M. Guido as provisional president.

Guido's administration conducted an economic program that favored United States interests in Argentina, thus provoking dissension within the armed forces. Two groups surfaced:

the *colorados* (reds), which represented the more reactionary sector of the armed forces, and the less reactionary *azules* (blues), which included such high-ranking officers as generals Juan Carlos Onganía and Alexandro Agustín Lanusse (see The Modern Armed Forces, ch. 5).

The presidential candidate from the UCRP, Arturo Illia, won the elections of 1963. His victory was limited, however, by a preelectoral agreement between his party and the military that gave the military veto power over all legislation. Although Illia supported moderately conservative policies, he shared middle-class apprehensions about both the workers and the upper classes. His weak measures against the trade unions, foreign interests, and the export sector pleased the lower middle class but irritated employers' associations. Illía granted a general amnesty to all political prisoners, created a flat tax on total income, and started to curtail foreign oil interests by canceling oil concessions. This hampered the development of the oil industry and led to greater dependence on United States investments. Illia's government was unable to overcome economic stagnation, which was visible in the lack of services to the urban population, rising unemployment and inflation, lack of capital investments, a thriving black market in foreign currencies, and a continuous decline of trade.

The government lacked the political support necessary to enable it to strike a balance among the different interest groups. At the same time, the Peronists began a series of labor actions designed to force the government to allow for Perón's return. Elements in the military felt that stability could be achieved only through the repression of some of those groups. On June 28, 1966, General Onganía led a coup d'état against Illia, removed all provincial governors, dissolved Congress, banned all political parties, declared all public demonstrations illegal, and proclaimed the Act of the Argentine Revolution.

The Argentine Revolution, 1966-72

The military dominated Argentine politics once more after Illia's removal from office. On June 29 a military junta offered the presidency to Onganía, an ultraconservative Catholic who commanded the support of the local industrialists linked to foreign capital. On July 29 the government ordered police and troops to close the University of Buenos Aires under the force of arms and took control of all Argentine universities. This resulted in the mass resignations and exile of the most liberal

and leftist professors and generated widespread student reaction against the government (see The National Security Doctrine, ch. 5).

Onganía's economic policy was geared toward creating favorable conditions for foreign investments, thus reinforcing the country's economic dependence. These were hard times for the Argentine labor force, which suffered from a reduction of the minimum wage, a subsequent wage freeze, and a change in the retirement age from 55 to 60 years. Real wages declined by 8 percent between 1966 and 1970. The protective policies toward basic industries had the effect of increasing foreign ownership from 14 percent of the total in 1957 to 59 percent in 1969 and caused the elimination of locally owned small and medium-sized textile and food-processing enterprises, which lacked access to government credit. Between 1966 and 1971 over US$2 billion left the country in the form of repatriation of profits, royalties, and dividends. To fill the growing deficit in the balance of payments, Argentina resorted to foreign loans that generated a foreign debt of US$5.3 billion between 1969 and 1971. The government tried to recover its losses by imposing a 5-percent tax on land used in the production of exports and additional taxes on meat and agricultural exports. The policy of "rationalization" of the agrarian sector led to the closing of 12 sugar mills in 1966, provoking thousands of layoffs and stepping up migration of rural workers to major cities.

Seventeen percent of the population shared 60 percent of the country's total income in 1968, whereas the remaining 83 percent earned only 40 percent. Economic deterioration reached down to the educational system: one-third of all school-age children did not have access to education, and over half of those who entered the educational system never completed it. Opposition to Onganía became more militant in 1968 with the creation of the General Confederation of Labor of the Argentines (Confederación General del Trabajo de los Argentinos—CGTA), under Peronist leadership and supported by the left and the student movement. The CGTA was hampered by its lack of organizational and ideological cohesiveness. Another problem was its lack of support by the large unions (all of which were then under government control). However, the CGTA fulfilled an important role in generating a certain degree of labor militancy among the Argentine working class, which was best exemplified in the events of May 1969 in the city of Córdoba.

The second largest city of Argentina had historically been

opposed to administrative centralism. After 1955 Córdoba became a major industrial center, but by the 1960s it was surpassed by Buenos Aires as a center of automobile production. Córdoba's economic decline, together with the institutionalized repression under Onganía, ignited conflicts among local businessmen, foreign automobile interests, workers, and students. Encouraged by the Cuban Revolution and the May 1968 uprisings in France, the Cordobazo (literally, coup of Córdoba) sprang from the militant working classes and received support from the local business community, students, and the liberal sectors of the Catholic church. The events in Córdoba had important repercussions throughout the country.

The conflicts that led to the Cordobazo started in mid-May. A few isolated incidents of protest were met by armed force, creating a common bond among different sectors of Argentine society. A rise in the price of meal tickets in the universities sparked student protests in the interior. In Rosario the local CGTA supported the student protests against armed intervention; in Córdoba, police brutality provoked street clashes with the workers.

In response to these events, the CGT and the CGTA of Córdoba organized a strike and a demonstration for May 29. In the center of Córdoba the students joined the demonstration, which was met by police and army troops and transformed the city into a battlefield for two days. The violence left 100 dead or injured. Despite the harsh repression coordinated by the National Security Council, the Cordobazo promoted an alliance among students, workers, and local business groups against the government. Government control of the university system and bleak economic prospects brought about the radicalization of these groups. The Cordobazo inspired a wave of strikes and protests against the Onganía administration, which became more heavy-handed as the opposition turned more militant. A series of political assassinations took place, including that of former president Aramburu. The unity among the opposition proved to be short-lived.

On June 8, 1970, the joint chiefs of staff, led by General Lanusse, deposed Onganía and appointed to the presidency General Roberto Marcelo Levingston, who was recalled from his post as military attaché in Washington. New government economic policies replaced wage freezes with indexing, leading to inflation and discontent among government supporters (bankers and business interests), while the radicalized intellectuals—including many university professors and students, law-

yers, and journalists—started an open campaign against the regime. Riots in Córdoba, economic chaos, and lack of political support led the way to Levingston's dismissal by the joint chiefs of staff on March 23, 1971.

Three days later Lanusse was sworn in as president while maintaining his post as army commander. Lanusse immediately contacted Perón in Madrid, approved a project for legalization of all political parties, proposed the "Great National Agreement" for the constitutional reorganization of Argentina, and announced elections for 1973. Lanusse's plan for the process of transition to be directed by the military was legitimized by the proposed agreement, in which Peronism was to be legalized in exchange for Perón's support of the government and condemnation of the budding guerrilla movement.

Between 1968 and 1970 several guerrilla groups began to operate in Argentina, among them the People's Revolutionary Army, the Peronist Armed Forces, the Revolutionary Armed Forces, and the Montoneros. Revolutionary activism was shared by sectors of the Catholic clergy. The Movement of Priests for the Third World was organized in 1968 by the liberal wing of the Argentine clergy, which applied the tenets of the Second Vatican Council (1962-65) and those of the 1968 Latin American Bishops' Conference in Medellín, Colombia, to the Argentine reality. Many priests were arrested for their opposition to government violence. By the end of 1971 the widespread repression had provoked open criticism from groups such as the International Commission of Jurists in Geneva, which denounced the obstruction of justice, intimidation, and persecution of Argentine lawyers who defended political prisoners.

Lanusse institutionalized censorship to control the press, other mass media, and the performing and visual arts. Militant groups suffered systematic abductions, arrests, torture, and assassinations. Government backing was provided by over 20 laws passed between 1966 and the early 1970s proscribing "subversion and communism" and establishing the death penalty for political crimes. Lanusse created a new judicial body, the Federal Court Against Subversion, to try political cases. Twenty-five political prisoners were released in 1971 after being subjected to torture, and several others disappeared; 16 people who were alleged to have helped in the hijacking of a plane in Rawson (Chubut Province) were executed in 1972 after attempting an escape from Rawson Prison. The executions fomented popular demonstrations throughout the coun-

try. After the incident and the resulting protests, the administration imposed even more severe treatment on the remaining 2,000 political prisoners in Argentina.

Prior to the 1973 elections, the government established eligibility requirements for all presidential candidates, including residence in Argentina before August 25, 1972. Perón refused to comply with the residence requirement or to declare himself a candidate, although he arrived in December to carry out political negotiations. Instead, he appointed Héctor J. Cámpora candidate of a coalition of the Peronist Justicialist Party (Partido Justicialista—PJ) and a large number of small parties. The last year of Lanusse's administration entailed intense political activity as all factions tried to build their political bases in preparation for the elections of 1973.

The economy deteriorated further in 1971 and 1972. The most important indicators of this were rising inflation, a lack of foreign currency reserves, a trade deficit, and meat shortages. Labor strikes, demonstrations, increasing violence and police torture, and terrorist attacks and counterattacks were widespread. There was a general climate of disintegration and the threat of a major national insurrection unless the government allowed free elections to take place in 1973.

The Peronist Restoration, 1973–76

On March 11, 1973, Cámpora won 49.5 percent of the votes in the presidential election following a campaign based on a platform of national reconstruction. Riding a wave of mass support, Cámpora was inaugurated on May 25. The military conceded Cámpora's victory, but strikes, as well as government-backed violence, continued unabated. Cámpora and his coalition supporters refused to intervene before the inauguration. After years of repression, the Peronist masses were delirious at the inauguration. The slogan "Cámpora in government, Perón in power" expressed the real source of popular joy, however. Campora's short tenure brought a few popular measures: a general amnesty was declared for all political prisoners, university officials sympathetic to student grievances were appointed, a price freeze was declared on basic food items, and diplomatic relations with Cuba were reestablished.

Perón returned to Argentina on June 20, and his arrival brought about an unexpected crisis. At Ezeiza International Airport an estimated 2 million people gathered to welcome

Perón. Bullets were exchanged among the demonstrators and between them and the security forces, leaving several hundred people dead and over 1,000 injured. Perón arrived instead at a military base, and on a television broadcast that evening he condemned the demonstrators. Perón delivered a final blow to the Argentine youth movement on May 1, 1974, when he called it "stupid and mercenary."

Increasing violence and a lack of support from Perón forced Cámpora to resign in July, and he was replaced by Raúl A. Lastiri, president of the Chamber of Deputies, who scheduled new presidential elections for September 23. Perón won 61.9 percent of the vote and, with his wife María Estela (Isabel) Martínez de Perón as vice president, was inaugurated on October 12. In his second period in office, Perón was committed to achieving political peace through a new alliance of business and labor to promote national reconstruction. Perón's charisma and his past record with respect to labor helped him maintain his working-class support. In early 1974, however, the economy was on the brink of collapse. As in the 1950s Perón resorted to foreign borrowing in order to subsidize consumption, thereby producing huge budget deficits. Workers' real wages continued to drop as regular wage increases did not keep pace with the rising cost of living.

By early 1974 the Peronist restoration had lost the support of the trade union rank and file and its more militant followers among students and intellectuals. To control workers and activists, the administration resorted to police actions, and a series of reforms of the Penal Code provided the government the legal means to institutionalize the repression. Popular demonstrations became illegal and subject to police intervention; political exiles were repatriated or repressed in Argentina; and the media were placed under state control. Perón was nevertheless able to hold onto his office until he died suddenly on July 1, 1974.

Perón's death precipitated a crisis that could be handled neither by his wife and vice president nor by her adviser, José López Rega. Isabel de Perón was inexperienced in politics and only carried Perón's name; López Rega was described as a man with numerous occult interests, including astrology, and a supporter of dissident Catholic groups. They took power, however, and surprised even Conservative political sectors with an authoritarian, ultraconservative government program designed to end subversion through the use of civilian paramilitary groups, the largest of which was known as the Argentine

Anticommunist Alliance (Alianza Argentina Anticomunista—AAA), created by López Rega.

The new administration also sought to eliminate leftist influence in education, particularly at the University of Buenos Aires, through the appointment of a group of Conservative officials to the Ministry of Education and to the University of Buenos Aires. Economic policies were directed at restructuring wages and currency devaluations in order to attract foreign investment capital to Argentina. The program soon led to labor reaction. By mid-1975 devaluations had prompted a price explosion that was resented even by organized workers whose wages had benefited from increases. At that point the CGT requested an across-the-board 100-percent wage hike that was rejected by the government, thus prompting labor opposition. Threats of a general strike led to a reshuffling of Isabel's cabinet that failed to satisfy either the CGT or the military leadership, whose allegiance the administration had been so eager to attract. In response to the economic chaos and the lack of government political control of the country, terrorist attacks began to rise. These were led by leftist organizations such as the Montoneros and the People's Revolutionary Army, as well as by the AAA. A general feeling of uneasiness grew as inflation skyrocketed to some 350 percent by the end of 1975.

López Rega was ousted as Isabel de Perón's adviser in June 1975; General Numa Laplane, the commander in chief of the army who had supported the administration through the López Rega period, was replaced by General Jorge Rafael Videla in August 1975. On Christmas Eve, 1975, Videla issued an ultimatum calling for the government "to adopt decisions to resolve the country's problems." On March 24, 1976, exactly 90 days after the ultimatum was issued and shortly after the CGT had demanded Isabel de Perón's resignation, the armed forces removed her from the presidency.

The National Reorganization Process, 1976–83

The Military in Power

The bloodless coup d'état was welcomed by the landed and business interests, most of the middle and working classes, the major newspapers, the church, the UCR, and some Peronists who longed for economic stability and the end of subversion. The military had three major goals: to reorganize the country politically; to end the guerrilla civil war that had

plagued Argentina since the late 1970s; and to end inflation and the economic chaos inherited from the Peronist administration.

Before Perón's return to the presidency, guerrilla activities had developed among radicalized portions of the middle and working classes and were sometimes sponsored by the Peronists. After a brief interlude, Perón disavowed the activism of the youth movement, which led to a new era of underground terrorism. It reached even larger proportions after Perón's death and undermined the survival of Peronism in Argentina. The government responded by launching a war on subversion and creating its own kind of terror through the use of paramilitary troops such as the AAA (see The War Against Subversion, ch. 5).

The political structure of the military regime was legitimized by a constitutional amendment—the Statute for the National Reorganization Process—of March 31, 1976. It established a military junta composed of the commanders of the three armed forces—General Videla, Admiral Emilio Massera, and Brigadier Orlando Ramón Agosti—as the supreme organ of the nation. This body was responsible for the appointment of the president, who held both executive and legislative powers after Congress was dismissed. The Legislative Advisory Committee was created to assist the president in drafting and approving the laws by decree.

The first act of the junta was to appoint Videla to the presidency. He was inaugurated in May 1976 to restructure completely the political, economic, and social organization of the country under the terms of the military's National Reorganization Process (see Public Industrial Policies, ch. 3; Constitutional Provisions and Treaty Obligations, ch. 5). Once fully vested with power, Videla undertook a war against subversion, which became known as the "dirty war." In August 1978 Videla resigned from the army and from the junta to assume the presidency of Argentina as a civilian. His successor in the junta was General Roberto Viola. During the 1976-79 period, both the government and the guerrillas bypassed all legal limitations and engaged in open warfare. Countless numbers of kidnappings, killings, bombings, and disappearances were charged against both sides. Government counterinsurgency actions were carried out by special paramilitary units under armed forces leadership. The whole repressive network was highly decentralized, which made it very difficult to assemble proof of direct military involvement. In the absence of due process,

the victims of the dirty war were denied all rights and were subjected to torture at hundreds of special detention centers throughout the country.

With the support of the civilian elites, the military resorted to open violence and complete disregard for human rights. The country was kept under the fear of reprisals because almost any activity could be considered subversive and charged as a crime against national security. The war against subversion was broadened to encompass potentially disruptive elements. Censorship was applied to the media, the universities, and other learning institutions. A more hideous form of censorship that derived from the terror was self-censorship, which proved to be a castrating weapon against scholarship and artistic creation. Many who escaped the terror, along with the few released from prison, emigrated, resulting in a tremendous loss for Argentina. Aside from a handful of people, most of the victims never surfaced again and became part of the estimated 10,000 to 30,000 who "disappeared." Most likely they were executed; their bodies were buried in countless mass graves or, in some cases, dropped into the ocean.

Human rights violations provoked little reaction in Argentina but elicited widespread condemnation abroad. In 1979 a special commission from the Organization of American States (OAS) was sent to Argentina to verify charges of human rights violations. The government acknowledged the existence of 3,500 political prisoners, and it disavowed any responsibility for human rights violations. In June, while prisoners were being tortured and murdered, the government allowed the people to celebrate the World Cup soccer match held in Argentina; the crowd at the stadium was not ideologically homogeneous but could congregate around a common bond of sport. Like the old Roman circus, soccer in Argentina—entertainment for the masses—was used to mask the most abject reality of human rights violations. Despite all the funds expended to present a positive picture of Argentina abroad, the coercion and fears of its citizens were exposed by the international media. It became even more clear that the regime operated through a dual structure—the formal institutional government apparatus and the fearsome informal paramilitary structure.

International criticism attracted attention to the problems inside Argentina and undercut the Videla regime's efforts to cover up its human rights violations. During the 1970s the only domestic protests against the government had been the regular

Thursday vigils of the Mothers of the Plaza de Mayo, who held the administration responsible for the "disappearance" of their sons and daughters. The situation in Argentina ignited criticism abroad, especially in the Federal Republic of Germany (West Germany), France, Mexico, Sweden, and the United States. The United States imposed a series of economic sanctions against Argentina. The moral condemnation of Videla's regime was enhanced in 1980 by the awarding of the Nobel Peace Prize to Adolfo Pérez Esquivel, a poet, human rights activist, and critic of the Argentine government.

Another diversion from the main issues that plagued Argentine political life was a crisis over the territorial dispute with Chile in the Beagle Channel. Arbitration had taken place from time to time since 1902, and by the end of 1978 both countries were preparing to wage war against each other. The crisis developed from a 1973 agreement to accept British arbitration on the basis of a 1902 treaty. The 1976 arbitration award was in favor of Chile's claim and was not accepted by Argentina. Increased tensions were only partially halted in 1979, when both parties agreed to accept the arbitration of the Vatican (see Relations with Other Countries, ch. 4).

Despite worldwide disgust, the military regime declared victory in the dirty war against subversion in late 1978. Dissension surfaced within the military junta over the question of the future democratization of the political structure, however. There were three main factions. Generals Videla and Viola led the moderate faction, which sought a certain degree of accommodation with opposition political forces but nevertheless banned labor unions from political activity. The hardliners advocated the continuation of repression through an ideological crusade and were represented by generals Carlos Suárez Masón, Ibérico Saint Jean, and Luciano Benjamín Menéndez. The third group, led by Massera (a member of the junta until August 1978), advocated a conservative alliance with the right-wing Peronists.

To stabilize the economy, Minister of Economy José Martínez de Hoz introduced a series of measures that aimed to reduce the size of the public sector and displace inefficient enterprises in an effort to reverse the long-standing development strategy of import-substitution industrialization. The key elements of the economic program that were pursued between 1976 and 1981 opened the economy to foreign competition (using lower tariffs, lower export subsidies, free mobility of capital, and daily exchange rate adjustments) on the basis of

international comparative costs and the development of Argentina's most efficient economic sector—export agriculture. It resulted in a series of bankruptcies, and numerous industrial enterprises folded in the presence of foreign competition.

The economic situation in mid-1976—an annual inflation rate of 450 percent, a government deficit equivalent to 13 percent of the gross domestic product (GDP—see Glossary), depleted foreign reserves, and imminent danger of a default on Argentina's international commitments—was short of catastrophic. As a result of three good wheat harvests, the value of exports grew by 116 percent between 1975 and 1978, and in 1978 the nation recorded a favorable trade balance of US$4 billion. Economic growth was sporadic, however. Real GDP declined by 1.7 percent in 1976, rose by 5.2 percent in 1977, fell again by 3.2 percent in 1978, and then rose once more by 7.3 percent in 1979.

Foreign banks awash with petrodollars deposited by oil-exporting countries promoted a flow of loan capital into Argentina. By 1979 private short-term foreign loans outstanding reached US$10 billion, three times their level of 1976. These infusions of capital allowed the government to maintain an artificial overvaluation of the peso. At the same time, unemployment was kept at less than 3 percent, although real peso wages were drastically reduced.

By early 1979 the economic policy became a patchwork of measures attempting to reverse a process of decay. Between December 1978 and July 1980, the peso was devalued a total of 87 percent relative to the United States dollar, well below the rise in wholesale prices of 212 percent and retail prices of 256 percent. By 1980 the monetarist policies of Martínez de Hoz had led several more banks and major firms into bankruptcy. Just before leaving the Ministry of Economy in 1981, Martínez de Hoz announced a series of economic measures that included a further 23-percent devaluation of the currency, which dealt a tremendous blow to the military government's public credibility.

By the end of Videla's administration in 1981, the political stability long sought by Argentina had finally been achieved, but at the price of much suffering and injustice. Despite the beginnings of dissension within the military over its future course, the transfer of power to Viola was carried out within the institutional procedures dictated by the National Reorganization Process during the presidential succession of 1981. After his designation as president in March, Viola continued to

meet with the political parties as part of the dialogue initiated by Videla in March 1980. Opposition to the government by both workers and entrepreneurs, however, did not end (see The End of Military Rule, ch. 4).

The Viola administration inherited the problem of accounting for the thousands of "disappeared" persons and other charges relating to human rights violations during the dirty war. In February 1981 a report by the United Nations (UN) Commission on Human Rights attested that 13,000 cases had been brought to its attention that included "disappearances" of children, adolescents, pregnant women, and entire families.

Viola was willing to allow for a normalization of Argentina's political life through party and union participation. In July he released Isabel de Perón from house arrest, after which she left for exile in Spain. By mid-month he accepted the formation of what became known as the Multipartidaria (Multiparty Commission)—an alliance that included the most important political groups in Argentina: the UCR, the Peronists, the Christian Democratic Federal Union, the Movement for Integration and Development, and the Intransigent Party. The objective of this alliance was to exert pressure on the military for elections without, however, antagonizing the military. The ongoing economic crisis hampered Viola's efforts at liberalization; the Multipartidaria was ambiguous about the prospects of assuming power at a time when the whole economic system was collapsing under the weight of inflation, unemployment, bankruptcies, foreign debt, and growing balance of payments deficits. The military establishment for its part resented Viola's overtures toward the civilian political groups. In November the president was taken ill. That same month a mass demonstration for "peace, bread, and work" was held in Buenos Aires with the participation of church, political, labor, and human rights organizations. On December 11 the military forced Viola to resign from office and appointed the army commander, General Leopoldo Galtieri, to the presidency.

Soon after Galtieri's inauguration, the Multipartidaria issued a statement that repudiated the military's doctrine of national security and called for national reconciliation, liberalization of the political process, and free elections for 1984. Galtieri's rise to power took place outside the legal procedure of the National Reorganization Process and undermined the legality the military had been so careful to create in 1976. His seizure of power brought a sense of malaise to the Argentine populace, but hard-liner Galtieri was determined to overcome

the odds, become a popular president, and ensure his election to the office in three years. He moved to place civilians at the head of provincial governments, thus trying to move away from military domination of public offices at a time when he also imposed strong economic controls. Meanwhile, triple-digit inflation, numerous currency devaluations, and rising foreign indebtedness and unemployment marked a deepening economic crisis that brought on political crises. On March 31, 1982, a series of antigovernment demonstrations took place throughout the country that were met with force, particularly in the cities of Mendoza and Buenos Aires. The alternatives facing the military ranged from relinquishing power in favor of civilian leaders to the hardening of military rule. In April 1982 the military carried out what proved to be a suicidal move to rally popular support around the government—war.

The South Atlantic War and Its Aftermath

The British-Argentine dispute over the Falkland/Malvinas Islands, as well as four other groups of small South Atlantic islands and part of Antarctica, dates back to the nineteenth century (see The Dictatorship of Rosas, 1829-52, this ch.). Argentina based its claim on the islands' discovery by Spain, the British and French recognition of Spanish sovereignty in a series of treaties, the Spanish occupation and administration of the islands from 1774 to 1810, the British recognition of Argentine independence in 1825 without restrictions to Argentine sovereign rights on the Falkland/Malvinas Islands, and the peaceful and undisputed occupation of the islands by Argentina in the 1820s (see Discovery and Occupation, this ch.).

Argentina's position on the issue of sovereignty received support from many in the international legal community. The islands were abandoned by Spain in 1811, and Argentina did not occupy them until a decade later. In 1833 the recent Argentine settlers were ousted by the British. Apparently both the Argentine and the British occupation efforts were undertaken in the hope of asserting political rights over the islands. Britain did in fact incorporate the territory into its colonial empire in 1833. The strategic position of the islands relative to the Antarctic continent and their suspected mineral resources lying within the territorial waters would lead the British to defend the territories at high costs nearly a century and a half later.

Argentine-British negotiations, encouraged by the UN,

opened in 1966 and later broke down, but in 1979 full diplomatic relations were reestablished between Argentina and Britain, and in 1980 both countries resumed talks on the Falkland/Malvinas question. During a round of talks in February 1982, however, Argentina refused to establish a compromise with Britain, and on March 1 the Minister of Foreign Relations Nicanor Costa Méndez of Argentina warned Britain that Argentina would seek other means of settling the dispute. Costa Méndez told the UN Security Council on April 3 that the British occupation of the islands in 1833 had been "an act of usurpation of [Argentine] national territory" (see Relations with Britain, ch. 4).

In April 1982 the Galtieri administration sought a way out of political and economic crises by initiating a suicidal war. The military was victorious in the short run, and indeed it rallied popular support around national loyalty. On March 19, less than three weeks after the Argentine warning to Britain, a group of Argentine scrap merchants had landed on South Georgia/Georgia del Sur Island (part of the area under dispute) to dismantle an old whaling station under contract with a Scottish-based shipping firm. The men, who did not carry appropriate visas and work permits, raised the Argentine flag on the island. Reprisal came the following day when a group of Falkland/Malvinas islanders invaded the offices of the Argentine State Airline in the islands' capital of Stanley, replaced the Argentine flag with the British flag, and vandalized the office. Reports of the Stanley incident prompted Argentine naval movements in the South Atlantic, and on April 2 Argentine troops occupied the Falkland/Malvinas Islands.

International reaction to Argentina's deployment of troops was quick to follow. The UN Security Council adopted Resolution 502 on April 3, 1982, which deplored the invasion by Argentina, requested the cessation of hostilities, and demanded the withdrawal of Argentine forces from the Falkland/Malvinas Islands. Resolution 502 was soon invoked by the United States and the European Economic Community (EEC) in their calls for an end to the war. On April 6 Britain imposed a commercial embargo on all Argentine imports, which was seconded by the EEC and followed by Norway, Australia, and the Commonwealth of Nations countries, including Canada and the English-speaking nations of the Caribbean. The Argentine position was defended by a number of Latin American countries; Brazil declared itself neutral. Argentina's refusal to comply with a United States peace initiative prompted United

States economic sanctions and the end of its officially neutral stance. On April 30 the United States declared a suspension of deliveries of all military hardware in the pipeline to Argentina and the withdrawal of further financial credits and guarantees.

The OAS held an emergency meeting from May 27 to 29 to deliberate on the Falkland/Malvinas crisis, and a resolution was passed that invoked the principle of inter-American solidarity and called for a peaceful settlement. The OAS asked the United States to withdraw its support for Britain and lift its economic sanctions against Argentina. Finally, on June 14 three groups of Argentine troops under General Mario Benjamín Menéndez formally surrendered to the British. The war had been a product of a combination of miscalculations by both the British and the Argentines. On the one hand the British never imagined that Argentina would attempt to take over the islands by force, while on the other hand the Argentines did not expect that Britain would respond with force or that the United States would refuse to take the Argentine side. In the end, about 1,000 people died, scarce resources were spent, and international relations were strained (see The South Atlantic War, ch. 5).

For more than two months the propaganda machine in Argentina had worked feverishly. On June 15, however, Galtieri acknowledged the military defeat. It was not only the war that had been lost, but the military's professional competence was also brought into question, as well as its capacity to provide political leadership for Argentina. The war dealt a fatal blow to Galtieri's political aspirations and prompted the president's resignation on June 17. The discussions between the military government and the political parties broke down as soon as news of the military defeat reached Buenos Aires. The frustration of an entire nation could be heard in the demands for the return of civilian rule that was embodied in the Multipartidaria's call for elections before the end of 1983.

The war had prompted a last-minute papal visit to Argentina on June 11 and 12. John Paul II denounced all wars and called for peace and reconciliation. The visit itself was a media event. However, it led the Argentine Roman Catholic hierarchy to take a stance against the government in the document "The Path to Reconciliation," which was released two months later. In it the church maintained its position in favor of an end to the state of siege and an investigation into the whereabouts of all those who had "disappeared" since 1976.

On June 21 the United States and the EEC lifted their

economic embargo on Argentina. Dissension within the military over the appointment of the new president was resolved the following day with the choice of retired general Reynaldo B. Bignone. Even before his inauguration, Bignone stated that Argentina had lived through abnormal days since the military takeover in 1976, and he established contacts with the Multipartidaria, which nonetheless announced the "National Emergency Program" condemning the regime and calling for structural changes in the country's political and economic system. The Multipartidaria program called for the reestablishment of constitutional rights, the end of the state of siege in effect since 1974, and the release of all political prisoners. In the socioeconomic sphere it sought increased consumption, exports, investments, and wages; lower interest rates; protection of industry and agriculture; the rescheduling of the international debt; and improvements in education, housing, and health services.

President Bignone announced the restoration of civilian political activity and stressed Argentina's commitment toward recovering the Falkland/Malvinas Islands in his July 1 inaugural address. Soon afterward he declared that his greatest ambition was to end the National Reorganization Process and hand the government over to an elected constitutional president. The new president had to deal with a series of pressing problems. The fate of the "disappeared" and the military involvement in the dirty war were being questioned, and the government prohibited media coverage of any demonstrations or the publication of any material dealing with subversion. A series of austerity measures were implemented to ease the country's economic problems, but a rescheduling of the foreign debt was needed most (see Growth and Structure of the Economy, ch. 3). By 1983 the austerity measures imposed by the Bignone government had produced a favorable trade balance of US$3.7 billion. A steady decline in imports was largely the result of massive currency devaluations and import controls between 1982 and 1983. The peso fell during that period from 2,000 to 200,000 per United States dollar. However, in the early 1980s the major economic problems were the uncontrolled inflation, which rose from 131 percent in 1981 to 433 percent in 1983, and Argentina's ability to keep up with payments on its foreign debt, which reached US$45 billion in 1983.

Several demonstrations were organized by trade unions, church, and human rights groups in late 1982. In October a

demonstration at the Plaza de Mayo brought together over 10,000 people, and another large Peronist meeting was held at a soccer stadium in Buenos Aires. In November 20,000 people protested against higher city taxes in Buenos Aires. In December there were two major demonstrations: a general strike supported by the Multipartidaria and observed by 90 percent of the work force, and a demonstration at the Plaza de Mayo, where about 300,000 people gathered to call for democracy. Under increasing popular pressure, Bignone announced in February 1983 that elections for a civilian government would take place on October 30 and that the inauguration of the new president would be held in January 1984.

In March the government experienced difficulty in meeting its international debt obligations. After a series of negotiations with the International Monetary Fund (IMF—see Glossary) that led to Argentina's agreement to take drastic measures to bring its inflation rate down to a 160-percent annual rate, a rescheduling of its short-term debt was achieved in August.

As the election of a civilian government approached, the military created mechanisms to protect itself from future acts of vengeance. Thus in April 1983 the military junta issued the *Final Document of the Military Junta on the War Against Subversion and Terrorism* in which it disavowed government responsibility for the excesses committed during the dirty war and emphasized its role in the struggle against violence and subversion, while praising the armed forces. In September the administration passed an amnesty decree, called the Law of National Pacification, which exempted from responsibility and prosecution all those involved in the repressive apparatus, and also the "Antiterrorist Law," which gave the security forces the power to tap telephones, search private houses, make arrests without the need for a warrant, and hold suspects without charges for a period of 10 days. The law was designed as a legal instrument to control violence and provide for a peaceful transition to democratic rule. Discontent grew stronger as a result of these legal provisions, and the wave of protests and strikes intensified. On October 29 the state of siege was finally lifted.

The electoral campaign did not initially engage all Argentines, who were preoccupied with day-to-day problems of inflation and repression and held a certain amount of pessimism about the prospects of civilian rule. But as the campaign developed and candidates were nominated by the different parties, pessimism gave way to enthusiasm. On October 30 Raúl Alfonsín of the UCR received an absolute majority of the popular

vote, despite the crowded field of candidates for the presidency. On December 9, the military junta was dissolved. One day later, Alfonsín was inaugurated and a new era of democratic rule began in Argentina (see The Politics of Democratic Restoration, ch. 4).

* * *

There is a wealth of historical literature on Argentina, and both Argentine and foreign scholars have produced important analyses of the country's evolution. Among the general introductions, the most outstanding is James R. Scobie's *Argentina: A City and a Nation*, which focuses on the struggle between the port city of Buenos Aires and the interior. To supplement Scobie's book for more recent developments, there is William F. Sater's *The Southern Cone Nations of Latin America.* The best English-language in-depth history of Argentina, from preconquest times to the early twentieth century, is Ricardo Levene's *A History of Argentina.*

Among the best analyses of specific aspects of Argentine history are John Lynch's *Argentine Dictator: Juan Manuel Rosas, 1829-1852*, Scobie's *Revolution on the Pampas: A Social History of Argentine Wheat, 1860-1910*, and José Luis Romero's *A History of Argentine Political Thought.* Lynch's book presents a detailed analysis of the Rosas period and the emergence of militarism and repression, which remain relevant to developments in recent Argentine history. The book by Scobie is another outstanding contribution to the understanding of the structural changes that have shaped modern Argentina. Romero's book complements Scobie's in providing insight into the emergence of Argentine modern political thought and party politics.

The emergence of the middle classes and that of the army in Argentina have been widely researched. Among the best works on the period of the early twentieth century to the present are Robert A. Potash's *The Army and Politics in Argentina, 1928-1945*; Félix Luna's *Argentina de Perón a Lanusse, 1943-1973*; Pierre Lux-Wurm's *Le Péronisme*; Donald C. Hodges' *Argentina, 1943-1976: The National Revolution and Resistance*; and Alain Rouquié's *Pouvoir militaire et société poli-*

tique en République Argentine. These are all outstanding works that center the evolution of Argentine history on the rise and the political significance of the military in Argentina and cover the most important aspects of Argentina's social, political, and economic developments as well. A recent addition to the literature on Argentina from colonial times to the present is Juan E. Corradi's *The Fitful Republic: Economy, Society, and Politics in Argentina.* It presents a survey of the relevant political roles played by different interest groups in promoting the alternation of authoritarianism and political chaos during the development of modern Argentina. (For further information and complete citations, see Bibliography.)

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Chapter 2. The Society and Its Environment

Gaucho drinking traditional yerba maté

ARGENTINE SOCIETY IN THE MID-1980s was affected by rapid change as a result of the deepening economic crisis and the return to democratic rule upon the 1983 election of a civilian president, Raúl Alfonsín. The military government's National Reorganization Process had taken place from 1976 to 1983 as the nation suffered widespread human rights violations stemming from the junta's efforts to stamp out opposition. Deep wounds were inflicted on the national psyche by the disappearance of an estimated 30,000 Argentines during this period, the disappearance of nearly one-third of which were fully documented by a presidential commission. The fate of the so-called *desaparecidos* (disappeared persons) caused an international outcry and, together with seemingly uncontrollable economic problems and military defeat in the 1982 South Atlantic War, was a major factor behind the demand for a return to democratic civilian government.

The diversity of Argentine society is shaped in part by the major geographic and climatic contrasts that characterize the country. Argentina's distinct regions range from the Andean altiplano, or high plateau, of the Northwest provinces of Salta and Jujuy to the tropical jungle of the Gran Chaco and the cold sheep-raising country of Patagonia in the south. Perhaps best known are the pampas, among the world's most fertile agricultural lands, which are devoted to grain and cattle raising, and Greater Buenos Aires and the Littoral, where large concentrations of wealth, industry, and population are found.

Other significant determinants of Argentine society were the nineteenth-century efforts by the elite to rid the country of its Indian population and encourage the immigration of large numbers of Italians and Spaniards. Greater Buenos Aires became a primate city that in the mid-1980s contained 48 percent of the national population. The population came to be heavily concentrated in the area between Concordia (in the province of Entre Ríos) and Bahía Blanca (in southern Buenos Aires Province), leaving the rest of the country thinly populated or, in some areas, virtually uninhabited. Illegal aliens became a problem as a result of economic pressures in neighboring countries. *Porteños*, as inhabitants of the port of Buenos Aires were known, looked down on the indigenous population from the northern provinces, which came to be called the "*cabecitas negras*" (the black-haired).

During the 1970s wealth came to be more concentrated in the hands of a minority. The landed elite continued to exercise considerable power while the urban poor tended to become poorer still. The problems of hunger and malnutrition became so acute among certain sectors of the population that the Alfonsín government found it necessary to distribute food to 20 percent of Argentine families. *Villas miseria*, or shantytowns, sprang up on the edge of urban areas throughout Argentina.

The foreign debt, inflation, economic recession, and high rates of unemployment and underemployment necessitated drastic economic measures, including wage and price freezes implemented by the Alfonsín government in June 1985. The social impact of these and other steps taken to solve Argentina's problems could only be assessed over time.

Women came to exercise increasing influence on Argentina's political, social, and economic life. Two wives of President Juan Domingo Perón—Eva Duarte de Perón in the late 1940s and María Estela (Isabel) Martínez de Perón in the mid-1970s—played decisive roles in national policy and aroused the consciousness of the nation's women of their own ability to effect change. A very different kind of influence was that of those known as the Mothers of the Plaza de Mayo, who fought unrelentingly to end human rights abuses and hold the former military governments accountable for their missing loved ones. Yet another major factor in social change in Argentina in the mid-1980s was the substantial number of bright, highly educated women who increasingly assumed positions of power in a variety of institutions.

What had been one of the best educational systems in Latin America was undermined, and it deteriorated as a result of severe repression during the late 1970s and early 1980s. Among the targets of the repression were the university assemblies, which attempted to make possible the cogovernance of the universities by faculty and students. New changes and an effort to make higher education available to a broader segment of the population were initiated by the new civilian government.

In the mid-1980s the Argentine health care system suffered an embarrassment of riches from the overabundance of professionals; doctors outnumbered nurses two to one. Yet, inefficient and unequal distribution of health care and welfare resources meant that adequate assistance was by no means available to all.

Argentina in the mid-1980s was a society of contrasts and

dilemmas. It held the advantage of having many trained and capable people but suffered from a plethora of difficult social and economic problems. Just solutions were not easy to find.

Topography and Climate

Argentina, covering an area of 2,771,300 square kilometers, is the second largest country in Latin America, after Brazil, and the eighth largest in the world (see fig. 4; fig. 5). It occupies most of the southeastern part of the continent of South America and resembles either a giant cornucopia or a wedge having its base near the Tropic of Capricorn and its point aimed at Antarctica.

Officially, Argentina's total area exceeds 4 million square kilometers. Of these, over 1.2 million square kilometers correspond to the insular and antarctic territories that are part of the Federal Territory of Tierra del Fuego. (The Argentine government adds "Antarctica and the Islands of the South Atlantic" to the name of this territory.) It includes the eastern portion of the Isla Grande de Tierra del Fuego, Isla de los Estados, Falkland/Malvinas Islands, South Georgia/Georgia del Sur Island, South Orkney/Orcadas del Sur Islands, South Sandwich/Sandwich del Sur Islands, South Shetland/Shetland del Sur Islands, and a wedge-shaped sector of the antarctic continent lying to southeast of Cape Horn and extending southward to the South Pole. Only the eastern portion of the Isla Grande de Tierra del Fuego and the Isla de los Estados were claimed without dispute; Chilean and British claims in Antarctica overlapped with Argentina's, and Britain effectively controlled the other South Atlantic islands claimed by Argentina.

Argentina shares land borders with five nations. To the west and south it is bounded by Chile; to the north, by Bolivia and Paraguay; and to the east by Brazil, Uruguay, and the Atlantic Ocean. Argentina's eastern border runs east and then south from the Iguazú Falls along an estimated 1,000-kilometer river border with Brazil that follows the Río Iguazú, Río San Antonio, Río Pepiri Guazú, and Río Uruguay. Farther south it shares a 784-kilometer river border with Uruguay along the Río Uruguay and the Río de la Plata estuary. Argentina's Atlantic coastline measures 2,850 kilometers.

The altiplano (high plateau) of the Andes mountains forms the northern border with Bolivia. To the east Argentina shares over 1,500 kilometers of its northern border with Paraguay

Figure 4. Terrain and Drainage

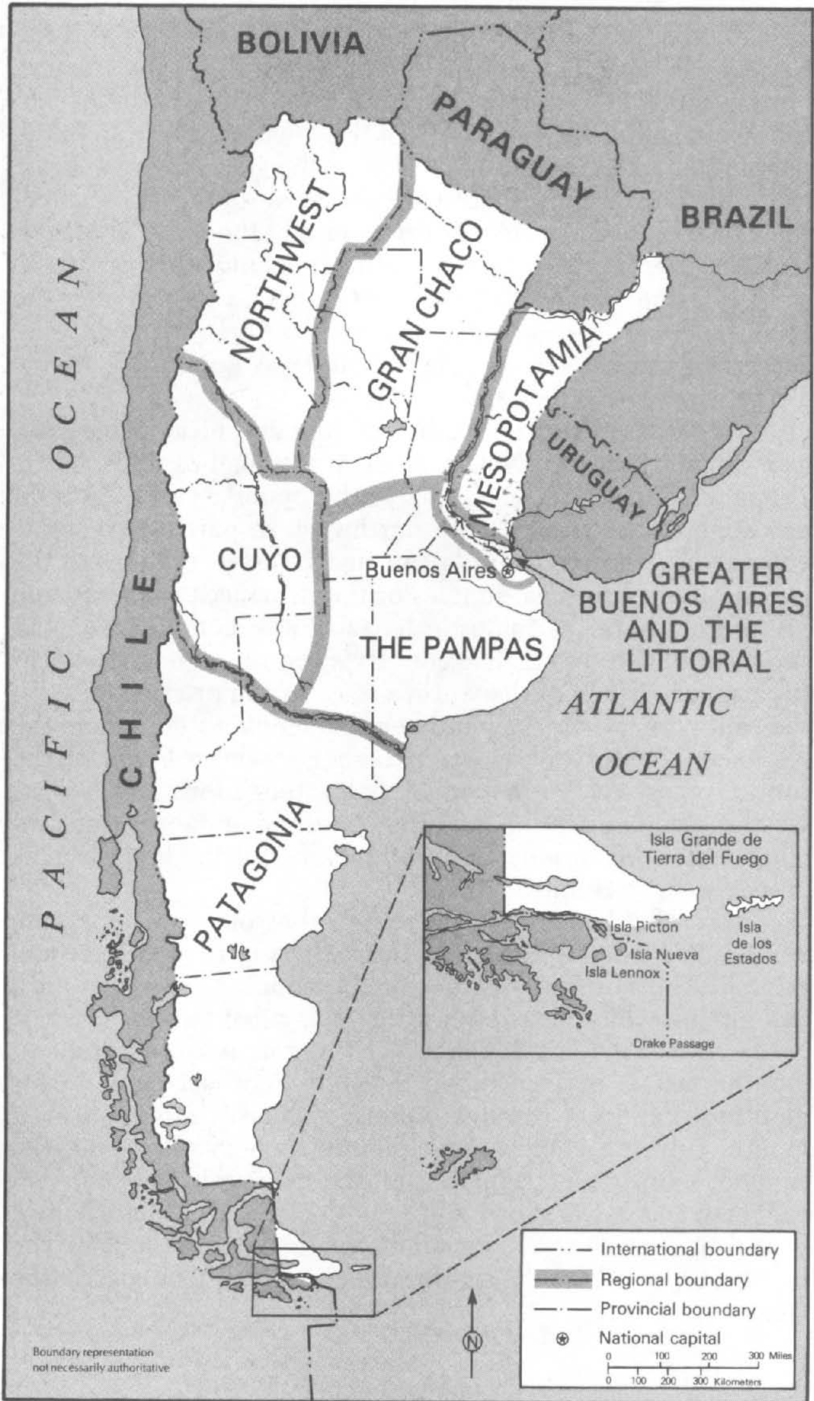


Figure 5. Regions

demarcated by the Río Pilcomayo, the Río Paraguay, and the Río Alto Paraná. The Andes mountains also form the western border with Chile, running southward the length of the Argentine-Chilean border until south of the town of El Turbio in the Argentine Andes, near the source of the Río Gallegos. From there the border moves eastward and then southeast, reaching the Atlantic Ocean at the eastern mouth of the Strait of Magellan. The border with Chile continues southward across the strait in a line ending at the Beagle Channel, which divides the Isla Grande de Tierra del Fuego between Argentina and Chile. The triangular eastern part of the island is Argentina's National Territory of Tierra del Fuego.

Argentina has a wide variety of topographical, ecological, and climatic features. Nearly all of Argentina lies south of the Tropic of Capricorn, which marks the boundary of the southern edge of the tropics. The northwestern part of Argentina consists of a dry Andean plateau that lacks vegetation; to the east lie the subtropical jungles of the provinces of Chaco and Misiones, where the majestic Iguazú Falls (composed of 275 separate falls) is found. The country's central region, known as the pampas, is one of the world's most fertile prairie lands. To the south are the bleak, windswept Patagonian steppes and the National Territory of Tierra del Fuego, where Ushuaia, the southernmost city in the world, is located. Along Argentina's western frontier are the towering Andes mountains, which include Cerro Aconcagua; at 6,980 meters it is the highest peak in the Western Hemisphere.

Argentina lies almost entirely in the southern temperate zone but registers considerable variations in temperature and rainfall. The northern regions of the country are subtropical and humid, while the southern region is subantarctic. The rest of the country has predominantly temperate weather. Summer months are from December through February and winter months from June through August. January is the warmest month, July the coldest. Precipitation is heaviest during the summer months, and rainfall is most abundant in the subtropical north and in the subantarctic south. The rest of the country is arid or semiarid. The proximity of the Atlantic and Pacific oceans, especially in the southern regions, has an impact on the weather.

The Northwest

The Northwest region of Argentina, which includes the

provinces of Catamarca, Jujuy, La Rioja, Salta, and Tucumán, is dominated by the Andes. In this region mountains nearly 7,000 meters in height and high basins separated by short, steep ranges are found, as is a cold, dry desert area known as the Puna, which extends northward from Catamarca to Bolivia. There are two major cordilleras, or subranges: to the west the Salta-Jujeña, cut by canyons through which run small rivers that originate in the high desert plateau, with average altitudes above 3,600 meters and peaks reaching over 5,500 meters; and the Sierra Subandinas to the east, where many of Argentina's highest peaks are found. Among these are Cerro Dos Conos, rising to an altitude of 6,820 meters, and Cerro Llullaillaco, 6,684 meters high.

This was the first region settled by the Spanish colonists in the Argentine territory during the sixteenth century, and up to the early nineteenth century it had strong economic links, through the Andean highlands, with the silver-mining communities of Bolivia and with Lima, the capital of the Viceroyalty of Peru. In the 1980s cattle ranches; sugarcane, citrus, and tobacco plantations; vineyards; olive trees; and vegetable farms were found in the region's valleys and piedmonts.

Cuyo

The Cuyo region, in the central part of the Argentine Andes, consists of the provinces of San Juan, San Luis, Mendoza, and western La Pampa. This area was settled during the late sixteenth century primarily by colonists from the central valley of Chile. In this region the Andes become a single, towering range with peaks higher than 6,600 meters. Discontinuous desert ranges extend east of the main range into the eastern plains, separated by a number of small desert areas. The mountains take on the characteristic forms of glacial mountains: gaps in ridges, horns, steep hollows, glacial troughs, and hanging valleys. Argentina's highest peaks are found in this range, including Cerro Aconcagua. A few kilometers south at an altitude of 3,800 meters is Uspallata Pass, also known as the Camino de los Andes, through which railroad and highway traffic travel to and from Chile.

The Río Desaguadero and its tributaries, the Río Jachal, Río San Juan, Río Mendoza, Río Tunuyan, Río Diament, and Río Atuel, help water the sandy deserts of this region. Extensive irrigation has produced flourishing agriculture, especially vineyards and fruit trees. Almost all the agricultural produc-

tion of these provinces relies on irrigation that channels the melting snows from the nearby Andes. The sandy soils, dry climate, average year-round sunshine, and infrequent rains, which guarantee a high production of grapes, have enabled the province of Mendoza to become the heart of the Argentine wine district, producing nearly 80 percent of the country's wines.

Gran Chaco

The Gran Chaco, in north-central Argentina, is the southern portion of South America's tropical Gran Chaco—a hot region covered mostly by thorny scrub. The entire Gran Chaco region covers an area of some 160,000 square kilometers and is shared with Bolivia, Brazil, and Paraguay. It is bordered on the north by Brazil's Mato Grosso, on the east by the Río Paraguay, on the west by the Andes mountains, and on the south by Argentina's Río Salado. The Spanish word *chaco*, which literally means hunting area, refers to the flat jungle plains that characterize the region and are subject to annual floods from the rivers that cut across them.

The Argentine part of the Gran Chaco includes the provinces of Formosa, Chaco, Santiago del Estero, northern Córdoba, and northern Santa Fe. Mostly a tropical and subtropical jungle, this region is also known for the resin of a tree, the *quebracho*, that produces a tanning substance important to the leather industry, as well as for the high quality of its woods. When part of the forest was cleared, settlers came in and developed lumber mills, cotton farms, and other subtropical agricultural enterprises. Cities were also established along the riverbanks or the railroad lines.

This region is rich in high-volume, navigable watercourses, which are part of the Río de la Plata basin and generate floods during the rainy season. Among the most important of these is the Río Pilcomayo on the northern border with Paraguay, whose waters converge into the Río Paraguay. The Río Bermejo, together with various tributaries, also empties into the Río Paraguay. Finally, the Río Paraguay and the Río Alto Paraná merge to produce the Río Paraná, one of the nation's most important waterways.

Mesopotamia

The region of Mesopotamia, which derives its name from

the Greek words *mesos* (middle) and *potamos* (river), is located on northeastern lowlands between the Río Paraná and the Río Uruguay until they coverge into the Río de la Plata. The region includes the provinces of Entre Ríos, Corrientes, and Misiones and is characterized by rolling hills and high rainfall.

The province of Misiones in the narrow northeastern part of this region, which narrowly projects into Brazil and Paraguay, corresponds to the small Argentine section of the Paraná plateau, composed of sandstone and basalt and covered by subtropical forest cut by rapidly running rivers. Among these is the Río Iguazú, which is four kilometers wide near its convergence with the Río Alto Paraná and drops over 60 meters, producing an impressive waterfall. The economy in Misiones relies heavily on tourism and various lumber mills and agricultural plantations that have been developed especially to cultivate yerba maté tea and subtropical fruits.

The provinces of Corrientes and Entre Ríos are characterized by cattle ranches and grasslands that provide pasture. They are among the leading wool-producing areas of Argentina. The southern part of the region, where the Río Paraná joins the Río Uruguay to make the Río de la Plata, is swampy and covered by many small natural channels that are part of the Río de la Plata estuary.

Greater Buenos Aires and the Littoral

Greater Buenos Aires (Gran Buenos Aires, or Buenos Aires Metropolitan Area) is a 2,500-square-kilometer area situated on the southern banks of the Río de la Plata and includes the nation's 200-square-kilometer Federal District and the 19 adjoining *partidos* (districts) in the province of Buenos Aires. The Federal District is the seat of the central government as well as the headquarters of the nation's most important public and private sector enterprises in all economic fields. It also contains one of the nation's most important seaports and one of South America's most important railroad terminals.

Greater Buenos Aires, as well as most of the eastern areas of the Southern Cone, of South America, grew as a consequence of the development of port facilities in the Río de la Plata estuary. Founded in the 1530s, the port of Buenos Aires was strategically located at the natural entrance to the heartland of the southeastern section of South America at the mouth of the Río de la Plata basin. This river basin is the largest in Argentina, draining an area of over 3.1 million square kilome-

ters that includes substantial parts of Bolivia, Brazil, Paraguay, and Uruguay. Many of the tributaries of the Río de la Plata are navigable by oceangoing vessels.

Although Greater Buenos Aires occupied only 0.09 percent of the national territory, when combined with the interconnected urban areas that stretch up to San Lorenzo to the northwest and to the city of La Plata in the southeast, it formed one of South America's largest megalopolises. This urban corridor, commonly known as the Littoral, stretches 500 kilometers along the western banks of the Río Paraná and the Río de la Plata and contains some 70 percent of the country's industrial concerns. Argentina's first colonial *estancias* (farms or ranches) were established in the Littoral during the eighteenth century, and subsequently they expanded westward from the banks of the Río Paraná into the pampas.

The Pampas

The pampas, described by many as the heartland of Argentina and considered by others to be among the richest farmlands in the world, are the estimated 57 million hectares of rich and fertile alluvial plains situated in central Argentina within a 580-kilometer radius of Buenos Aires. They include the provinces of Buenos Aires, eastern La Pampa, southern Córdoba, and southern Santa Fe and are bordered on the west by the Andes mountains, on the north by the Gran Chaco, on the east by the Río Paraná, and on the south by the Río Colorado.

The pampas region is flat and fertile, with temperate climate, moderate winds, and adequate rainfall. The greater part of the land is at sea level or at altitudes under 100 meters. Drainage tends to be poor. Argentines usually subdivide the region into two areas, the humid pampa (*pampa humeda*) and the dry pampa *pampa seca*. The humid pampa, located along the Atlantic Ocean and in the areas east of Greater Buenos Aires and west of Córdoba, contains Argentina's most fertile lands and has an average annual rainfall of 1,000 millimeters. The semiarid dry pampa, closer to the Sierra de Córdoba and to the eastern piedmont of the Andes mountains, is increasingly drier as one moves to the west, receiving an average rainfall of 600 millimeters.

At least three different areas can be distinguished within the humid pampa, based on topographical, ecological, and economic criteria. Among these are the northern area, devoted to the cultivation of grain for export; the Buenos Aires hinterland,

mostly devoted to truck farming and to the dairy industry; and the eastern area, cooler and poorly drained and used for livestock breeding, raising, and fattening. The entire humid pampa is subdivided into hundreds of privately owned *estancias* that range in size from hundreds to thousands of hectares.

Near the pampas region, and serving its grain and livestock industries, are Argentina's four largest ports. Rosario and Santa Fe are river ports located on the western bank of the Río Paraná; in the mid-1980s more than 58 percent of the nation's grain export production was shipped from those ports. Bahía Blanca, the third, is an ocean port complex situated in the southern part of the province of Buenos Aires and in the mid-1980s handled 20 percent of Argentina's cereal exports. This is Argentina's only port where most of the largest ships can be fully loaded without risking embankment. Buenos Aires, the fourth, handled 15 percent of the nation's grain production in the mid-1980s. Rosario and Buenos Aires rely heavily on artificial deep channels that have to be periodically dredged because of the sediment deposited by the Río Paraná. Despite such dredging, the largest ships cannot leave these ports fully loaded (see Transportation, ch. 3).

Patagonia

Patagonia, Argentina's southernmost region, covering an area of over 690,000 square kilometers, is a series of windswept plateaus rising from the edge of the Atlantic Ocean toward the eastern slopes of the Andes that is crossed by a succession of steep cliffs and flat-bottomed, deep canyons. Some rivers, especially in northern Patagonia, however, flow eastward across the plateau in low, wide valleys. Near these rivers vegetable farms and fruit orchards have developed as a result of extensive irrigation and agricultural projects. Among the most important are the Río Colorado (1,300 kilometers long) and the Río Negro (700 kilometers), which is fed by the Río Neuquén (500 kilometers) and the Río Limay (400 kilometers). Rivers farther south include the Río Chubut (400 kilometers) and the shorter Río Deseado, Río Chico, Río Santa Cruz, and Río Gallegos.

Patagonia covers all the territory south of the Río Colorado, including the areas between the Andes to the west, the Atlantic Ocean to the east, and north of the Beagle Channel. Administratively it includes the provinces of Nuequén, Río

Negro, Chubut, Santa Cruz and, crossing the Strait of Magellan, the eastern part of the Isla Grande de Tierra del Fuego.

In southern Patagonia glacial and volcanic formations dominate the landscape. There are forests on the slopes, and snow blankets the summits. The mountains, although lower, tend to be snow covered, and glaciers sometimes meet the Atlantic Ocean. Even in the lowlands the temperatures are too cold for the growth of crops, but natural grasses (for animal fodder) are widespread. Since the end of the nineteenth century, the Río Chubut valley and the area to its south have accommodated sheep breeding. Patagonia's plateaus, canyons, and cliffs were inhabited by millions of sheep, making Argentina the world's fourth largest wool producer.

Farther south, southeast of the Strait of Magellan, begins the Federal Territory of Tierra del Fuego. Prosperous cattle farms and sawmills have been established on the Isla Grande de Tierra del Fuego. As of mid-1985 Ushuaia, the federal territory's capital located on the northern bank of the Beagle Channel, was the world's southernmost permanent settlement. The name Tierra del Fuego (land of fire) was given by Portuguese navigator Ferdinand Magellan during his first trip around the world after he saw the hundreds of fires that the Shelknam Indians lit at night. Neither Argentine territorial claims in Antarctica and the South Atlantic Ocean nor those of Britain were recognized by the United States.

Ethnic Categories and Population

The United States Bureau of the Census estimated the mid-1985 population of Argentina at 30.7 million persons. This constituted a growth of 480,000 from its mid-1984 estimate, representing an annual rate of growth of 1.5 percent. The official Argentine government census conducted in 1980, however, counted 27.9 million Argentines, 83 percent urban, and a national population density of 10 per square kilometer. Population distribution varied widely throughout the nation. Population was most heavily concentrated in the Federal District, where it reached a density of 14,651 per square kilometer, and was most widely dispersed in the Patagonia region, where the average density was less than 1.4 per square kilometer (see table 2, Appendix).

The Native Argentines

Argentina's demographic history is enigmatic. The current territory was colonized by the Spanish in the sixteenth century from three fronts: the Bolivian altiplano and the Mendoza highlands in the western Andes and through the various rivers that make up the Río de la Plata basin in the east. In all of their expeditions the European colonists found various Indian ethnic groups. The Spanish settled mostly in the agricultural oases of the central and northern Andes, leaving the entire area of the pampas unoccupied. European colonization was not altogether peaceful. After the founding of the first Argentine urban centers during the early sixteenth century, the relationship in the 600,000-square-kilometer area between the cities of Concordia (bordering Uruguay, in the province of Entre Ríos), Córdoba, and Río Cuarto (both in the province of Córdoba), and the Atlantic Ocean port of Bahía Blanca. Two-thirds of the national population, hence, lived in 21 percent of the national territory.

In the mid-1980s, during the presidency of Raúl Alfonsín, some 10,000 of the estimated 60,000 to 80,000 Argentine political exiles returned to Argentina—many as a result of the government's policies of encouraging their return and of restoring citizenship to all Argentines who had been deprived of it by the previous military government. Other exiles were able to return upon receiving financial assistance from the United Nations High Commissioner for Refugees.

Social Stratification

A major goal of the Argentine government during the mid-1980s was to control the severe economic crisis that had drastically reduced the population's standard of living during the past decade. According to Argentina's National Institute of Statistics and Census, the 1974-based consumer price index (1974–100) was over 56 million by April 1985. During the first four months of 1985, consumer prices went up by 147 percent while salaries were increased by only 90 percent of this rate (see Growth and Structure of the Economy, ch. 3). In June 1985 the Argentine government introduced and began enforcing new, harsh economic measures aimed at controlling the over 25-percent monthly inflation rate (which, when compounded, was equivalent to an annual rate of over 1,000 percent). These measures included a freeze on wages and prices, an end to indexing of wages and prices, devaluation of the

national currency, and introduction of a new national currency. For the Argentine worker, however, the new measures meant an end to automatic salary increases and a sudden decrease of over 20 percent of purchasing power.

Severe restrictions on sociological research and censorship on the distribution of sociological literature were enforced during the military administrations that ruled the country from March 1976 to December 1983. Government agencies stopped releasing reliable socioeconomic indicators. These years were a time of severe human rights violations and, especially after 1979, worsening economic conditions, an overall deterioration in the quality of life, and increased poverty and malnutrition throughout the country (see The National Reorganization Process, 1976-83, ch.1). Only during the mid-1980s did the first academic publications describing these processes begin to appear.

According to various government figures, poverty and hunger increased in Argentina during the 1970-80 decade. In 1980 close to 28 percent of the national population was living below the poverty line, compared with 7 percent estimated a decade earlier. Of those below the poverty line, 42 percent lived in rural areas, mostly in the Northwest, 25 percent in urban areas of under 10,000 inhabitants, and 33 percent in larger urban centers. Sixty-six percent of the nation's poor were regularly employed in jobs with very low salaries, 24 percent declared themselves self-employed (which included a considerable number of the underemployed), 9 percent were retired, and only 1 percent claimed to be unemployed. Argentine sociologist José Luis de Imaz was more skeptical. Commenting on these figures, he suggested that during the 1970s there was an increase in impoverishment, but in relative rather than in absolute numbers.

In 1985 newspaper sources reported that humanitarian organizations estimated that some 35 percent of Argentine children were suffering from malnutrition. This led the Alfonsín administration to launch a monthly food distribution program in mid-1984 that served 1 million families (16 percent of the national population) with 14-kilogram boxes of food.

Income Distribution

During the mid-1980s most of the available published data on income distribution were based on analyses made during the early 1970s. Because of the lack of homogeneous indica-

tors and existing differences among various sources, data on income distribution should be used with caution.

According to the World Bank's *World Development Report, 1984*, Argentina's income distribution continued to be unequal. Working with 1970 data on household income, it reported that the wealthiest 10 percent of the population received 35.2 percent of the national income, whereas the poorest 20 percent of the population received only 4.4 percent of the total income.

An example of Argentina's unequal distribution of income was found in a study of income distribution in Greater Buenos Aires made between July 1969 and June 1970, prior to the worsening economic conditions of the 1970s. This study found that the poorest 10 percent of the population of Greater Buenos Aires received 2 percent of the city's income, while the wealthiest 9 percent received 28 percent. The city's average income for all percentage categories during the research period was 12,695 pesos (for value of peso—see Glossary). The poorest 10 percent of the population, however, had an average income of 5,004 pesos, while the wealthiest 9 percent of the population had an average income of 38,068 pesos.

In evaluating the years 1976-81, which corresponded to the government of General Jorge Rafael Videla, economists Arthur J. Mann and Carlos E. Sánchez suggested that a significant movement toward greater income concentration, a process that also adversely influenced the level of aggregate demands, took place. Another study, conducted in 1983 by economist Álvaro Orsatti, found that in 1976 the ratio of salary to national income dropped to its lowest levels in Argentine history. During 1975 and 1976, after salaries had been frozen and free market policies adopted, the salary-to-national-income ratio fell from 49 percent in 1974 to below 32 percent. By 1980 the ratio had begun to recover, reaching 41.5 percent, but it subsequently fell again.

The Upper Class

The composition of Argentina's upper class has been changing throughout the twentieth century. Exclusively composed of the *estancieros* (owners of farms and ranches) of the pampas at the turn of the century, the upper class shared power with other groups in the 1980s by including the nation's new industrial and commercial entrepreneurs and, later, high-ranking military officers and financial tycoons. In the mid-

1980s the core of the Argentine elite continued to be the families of immigrant origin who based their social prestige on the ownership of large landed estates.

The *estancieros*, sometimes referred to as "the beef barons of Argentina," traditionally enjoyed the highest social status. Some sources claimed that the agricultural elite consisted of a closely knit group of some 30,000 families who were increasingly associated with other powerful national and international interests and who controlled the nation's most productive land. their holdings averaged 10,000 hectares in size but ranged up to a few million hectares. *Estancieros* were associated with the Argentine Rural Society, a powerful lobby group of agricultural and livestock interests, and other interest groups (see Business Groups, ch. 4).

Residence in one of Buenos Aires' exclusive neighborhoods, such as the Barrio Norte, and the holding of a senior governmental position were important indicators of elite status. The upper class was flexible enough to incorporate successful industrial entrepreneurs of immigrant extraction who had acquired wealth and prestige by participation in entrepreneurial ventures.

Commercial, financial, and industrial entrepreneurs had achieved an important position in Argentina's social structure, sharing many of their political concerns with the agricultural elite but also differing from them on other issues. However, as was the case with the *estancieros*, the entrepreneur group was highly heterogeneous. Its members, which included owners and senior executives of smaller or average-sized low-technology, mass-consumption industries, as well as those from high-technology industries or multinational corporations, were usually associated with the Argentine Industrial Union.

Kinship and intermarriage among members of the economic elite were also important. Caviedes commented in 1983 that an analysis of the kinship structure and power bases of the Argentine elite demonstrated its intertwined interests within the governmental, industrial, financial, intellectual, and public spheres. Well-placed relatives in a large number of interlocking corporate directorates, as well as in governmental and financial circles, were expected to superimpose their family interests on those of the nation as a whole.

The various economic and financial crises during the 1970s resulted in a considerable amount of capital flight out of Argentina (see Balance of Payments, ch. 3). The upper class reacted by opening foreign bank accounts. Estimates of the

amount deposited overseas varied. One 1984 press account reported that Argentine bankers and financiers had sent abroad some US$40 billion in personal assets and that capital flight continued unabated. Another source suggested that in 1983 alone, Argentina lost between US$1 billion and US$2 billion through the flight of capital abroad.

The Middle Class

Argentina in the mid-1980s was characterized by a large and highly heterogeneous middle class constituting from 35 to 40 percent of the national population, its members residing in both urban and rural areas. The urban middle class was fundamentally composed of self-employed professionals, civil servants, white-collar private sector workers, the owners of small-scale industries or businesses, and the managers of service and manufacturing firms. The rural middle class, which was largely between the conquistadores and the various Indian ethnic groups deteriorated. This was followed by some 300 years of often violent confrontation, economic exploitation, political control, and racial discrimination, which climaxed with the Indian massacres conducted especially under the governments of two Argentine presidents, generals Juan Manuel de Rosas during the 1830s and Julio Argentino Roca during the 1880s (see The Dictatorship of Rosas, 1829-52; "Facundo" Versus "Martín Fierro," ch. 1). In an effort to modernize the country through the "conquest of the desert" (the name then given to the pampas), these two presidents defeated the Indian population that lived in this region, thus ending the series of Indian wars that characerized Argentina until this period. Their policies brought about the near annihilation of the Indian population.

In 1981 anthropologist Andrés Serbín published a study of the 15 Argentine Indian societies and cultures that survived the nineteenth-century onslaught. In 1973 some 150,000 native inhabitants lived in rural villages, and an additional 350,000 monolingual or bilingual Indians had migrated to various towns and cities. Serbín acknowledged that there were demographic, geographic, economic, and political dissimilarities among the different Indian groups. As of the early 1980s Indian societies lived mostly in the far northern and southern areas of the country. Some Indian languages were still spoken as first or second languages in certain areas: Quechua was widely spoken in the northwestern provinces; Chiriguan,

Choroti, Mataco, Mocovi, and Toba in the Gran Chaco; Guaraní in Mesopotamia; Araucano-Mapuche and Tehuelche in the pampas and in Patagonia; and Yamana, Ona, and Shelknam in the Isla Grande de Tierra del Fuego. Living conditions were difficult for many of these societies. In addition to their geographical isolation, for example, those who lived in the jungle area of the Gran Chaco were exposed to the annual river floods that destroyed their agricultural fields and to various endemic and tropical diseases, including tuberculosis and Chagas' disease.

Based exclusively on the language criterion, the largest Indian groups included the Colla, who lived on the Andean altiplano (35,100 in number); the Chiriguan in the Gran Chaco (23,700); and the Araucan-Mapuches in Patagonia (21,600). An undetermined number of Indian neighborhoods, usually shantytowns, were reported to exist in various cities. Argentina also hosted a relatively large number of foreign Indians, especially from Chile, Bolivia, and Paraguay, who immigrated to seek better working conditions.

The European Immigrants

Argentina was colonized by the Spanish during the sixteenth, seventeenth, and eighteenth centuries, creating important settlements, most of which were in the Andes mountains (see Discovery and Occupation, ch. 1). Until the late eighteenth century the Argentine territory was administratively and politically dependent on Lima, the capital of the Viceroyalty of Peru. In 1776 Spain subdivided the Viceroyalty of Peru, creating the Viceroyalty of the Río de la Plata and designating Buenos Aires its capital. The Spanish governed from Buenos Aires until Argentina won its independence in 1810. Until the early part of the nineteenth century, therefore, the largest contingent of Europeans living in Argentina were Spaniards who had settled either in the area of the northwestern Andes or in the vicinity of the port of Buenos Aires (see The Viceroyalty of the Río de la Plata, ch. 1).

After independence the ruling elites, inspired by the eighteenth-century Enlightenment, felt the need to modernize the new republic by modifying the composition of the population, occupying the vast tracks of land that separated the Río de la Plata estuary from the northwestern Andean cities, and sponsoring universal and compulsory education programs. Workers were also needed to expand the cattle industry, grain

production, and the industries spawned by agriculture: railroads, food processing, and shipping. Various policies were adopted during these years, among them the eradication of the various Indian ethnic groups from the pampas and the encouragement of immigration from Europe, especially Italy and Spain.

The volume of immigrants that arrived from Europe through the port of Buenos Aires led Italian-born Argentine sociologist Gino Germani to comment that contemporary Argentina could not be understood without a thorough analysis of the role that nineteenth- and early twentieth-century European immigration played in its development (see National Consolidation and Europeanization 1852-80, ch. 1). From 1856, when Argentina had an estimated 1.2 million inhabitants, until 1930 between 6.5 and 10.5 million foreigners, almost half Italian and one-third Spanish, entered the country through the port of Buenos Aires. Many came seasonally for the harvests, returning to Europe afterward; only one-third remained as permanent immigrants. However, the intensity and volume of international migration caused a substantial realignment of the social, cultural, economic, and political characteristics of the Argentine population. Germani estimated that the proportion of immigrants in the national population rose from close to 25 percent during the 1880s to a high of 30 percent in 1914, then decreased to 23.5 percent in 1930, to 30 percent in 1960, and to 7 percent in 1980. Immigration from Europe slowed in the years between the two world wars and resumed briefly from 1947 to 1952, after which the inflow of Europeans was replaced by immigration from neighboring countries.

European immigrants were neither nationally nor socioeconomically homogeneous. Most of the Italians came from the rural areas of southern Italy, while the Spaniards came from Galicia. Substantial numbers also came from France, Poland, Russia, and Germany. The intention of the Argentine elites was to induce the formation of modern rural social classes, especially in the pampas, while expanding grain production. In order to expand grain production, the large *estancias* were fragmented into smaller units to be leased or eventually sold to people who lacked the financial means of the traditional elite. Another difficulty was that new lands available for colonization became concentrated in the hands of a small number of speculators. In the long run, however, immigration and colonization policies resulted in the transformation of vast tracts of arid pampa into cultivated land, a significant

increase in the area planted in grain, and the emergence of a European group of owners or lessees of medium-sized *estancias* that became the basis of a new rural middle class.

During the nineteenth century government-owned agricultural land was bought at low prices by the immigrants. After the almost total eradication of the Indians in northern Patagonia in the 1930s and in the pampas in the 1880s the government offered those public lands for sale, and many immigrants took advantage of the opportunity. Spanish, Italian, German, and British settlers developed grain farms in the pampas and fruit orchards in northern Patagonia. In southern Patagonia Welsh, British, German, and Spanish immigrants purchased government land, established sheep farms, and grew rich as Argentine wool appreciated on the British market. Farther south on the Isla Grande de Tierra del Fuego, Yugoslavs, Britons, French, Dutch, Finns, and Spaniards successfully established sawmills and livestock farms.

From World War II to the early 1950s a new wave of European immigrants, especially Germans, Poles, Soviets, Hungarians, and Spaniards, arrived in Argentina. Some remained in the big cities while others moved to rural areas. Those who pursued agriculture favored the subtropical areas of the Gran Chaco and the province of Misiones, where they formed semiautonomous ethnic agricultural communities. After an initial period of jungle clearing, these immigrants developed successful cotton plantations and livestock farms.

According to the government census of 1980, Argentina had 1.9 million foreign-born citizens or permanent residents (6.8 percent of the national population), 56.5 percent of whom were European born. Italians represented 45 percent of the European immigrant population, followed by Spaniards with 35 percent. The remaining 20 percent consisted of immigrants from more than 15 different nations. Eighty-two percent of this European-born population was 45 years of age and older; 45 percent was age 65 and older. Men and women were equally represented.

The European influence on Argentina in the mid-1980s was felt predominantly through second-, third-, and fourth-generation Argentines of European descent. They had created hundreds of social and humanitarian institutions throughout the country to provide physical assistance or emotional support to their fellow nationals. These included hospitals, schools, mutual aid associations, cemeteries, social clubs, sports clubs, and newspapers in various foreign languages with

names that alluded to the European country or region of their leadership. European surnames were widely distributed throughout the nation. The family origins of most of Argentina's political, military, and church leaders in the mid-twentieth century could be traced to the nineteenth- and early twentieth-century wave of European immigrants.

Internal Migration

Twentieth-century Argentina was characterized by a vast rural-to-urban migratory trend that eventually led large numbers of migrants to Greater Buenos Aires. Economic hardships, related to the lack of work or poorly paying jobs in home communities, the scarcity of agricultural land, and the felt need to change life-style, were among the most important reasons for this internal migration. Argentine political scientist César Caviedes, using research by sociologists Alfredo Lattes and Zulma Recchini de Lattes, distinguished four periods of Argentine internal migration: 1869-1914, 1914-47, 1947-60, and the 1960s.

The years 1869-1914, the peak of European immigration to Argentina—especially to the city of Buenos Aires—were also years of intense internal migration. Various migratory movements occurred simultaneously. The native *porteños* (name given to residents of Buenos Aires) moved out of the nation's capital to colonize the humid and dry pampas in areas of the provinces of Santa Fe, La Pampa, and Córdoba. At the same time the residents of less developed western and northwestern provinces, such as Santiago del Estero, La Rioja, and San Luis, migrated to the more developed provinces in their region, such as Mendoza and Tucumán. The residents of the less developed northeastern province of Corrientes also left their hometowns to colonize the neighboring areas of Misiones, Chaco, and Santa Fe.

From 1914 to 1947 European immigration decreased drastically, and internal migratory trends reversed; Buenos Aires became an important destination for Argentines born in the nation's provinces. After the city of Buenos Aires, the Gran Chaco became the second most attractive destination for migrants from nearby provinces, who moved into its jungles as colonists.

The predominance of Greater Buenos Aires became overwhelming in the period from 1947 to 1960. In the late 1940s, during the first government of President Juan Domingo Perón,

Buenos Aires was experiencing a process of industrialization and economic diversification as the Perón administration strongly supported the working people in exchange for their political support (see Perón's First Presidency, 1946-51, ch. 1). Buenos Aires continued to receive immigrants from all over the country, reversing earlier migratory trends toward the provinces of Chaco, Misiones, and La Pampa. Only two other provinces—Córdoba and Mendoza—continued to grow as a result of their industrial development.

During the 1960s rural-to-urban migration intensified, and the less developed provinces outside the region of the pampas, with the exception of the northern provinces of Jujuy, Salta, Formosa, and Misiones, experienced population losses. Internal migrants diversified their points of destination to include large urban areas located closer to their home provinces. The cities of Buenos Aires, Córdoba, Rosario, La Plata, and Mendoza continued to grow at the expense of rural areas and were rapidly surrounded by squatter settlements that housed the new residents. Absolute or relative population losses were experienced by most of the provinces located outside the pampas region, including Entre Ríos and Corrientes in Mesopotamia, Catamarca in the Northwest, Santiago del Estero in Gran Chaco, and Neuquén in Patagonia. The provinces that experienced demographic growth did so as a result of immigration of agricultural laborers from neighboring countries.

According to Argentina's National Institute of Statistics and Census, internal migration was drastically reduced during the late 1970s, when only 1.5 million Argentines were reported to have moved from one province to another. These were the years of the so-called dirty war, when over 10,000 to 30,000 persons were declared to have "disappeared" (see The Military in Power, ch. 1). During this period the provinces of Buenos Aires, Santa Fe, Córdoba, and La Pampa, in the pampas region, and all the provinces in Patagonia and the National Territory of Tierra del Fuego experienced population growth. The rest of the provinces and the Federal District all reported population losses as a result of out-migration.

Immigrants from Neighboring Countries

Argentina was among the wealthiest nations in South America and had relatively long international borders with poorer rural areas of Bolivia, Brazil, Chile, and Paraguay. These borders were close to Argentine rural areas that were

chronically short of labor owing to the rural-urban internal migration. During the early part of the twentieth century, the immigration of unemployed agricultural workers from neighboring countries, intended to be seasonal, was initiated. These migratory movements were related to the appearance and expansion of agricultural and industrial enterprises in Argentina's northern provinces and agricultural and livestock farms in the southern provinces. During the 1960s and early 1970s many of these immigrants moved into Argentina's largest cities, including Buenos Aires, where they were employed in a variety of sectors, such as the construction industry, clerical work, small shopkeeping, domestic service, or the informal economic sector.

Rural immigrants from neighboring countries who worked in Argentina were usually recruited and organized by big business contractors at the border posts and signed contracts for periods of two to seven months. Argentina was regarded as a better place to live and work by the rural poor from neighboring countries. In 1973 nearly 1.8 million immigrants from neighboring countries lived in Argentina; this number diminished in 1980 to 753,428. According to the 1980 census, immigrants from neighboring countries made up 2.7 percent of the national population of Argentina. Of these, the largest group consisted of immigrants from Paraguay (35 percent of the total), followed by immigrants from Chile (28 percent), Bolivia (16 percent), Uruguay (15 percent), and Brazil (6 percent).

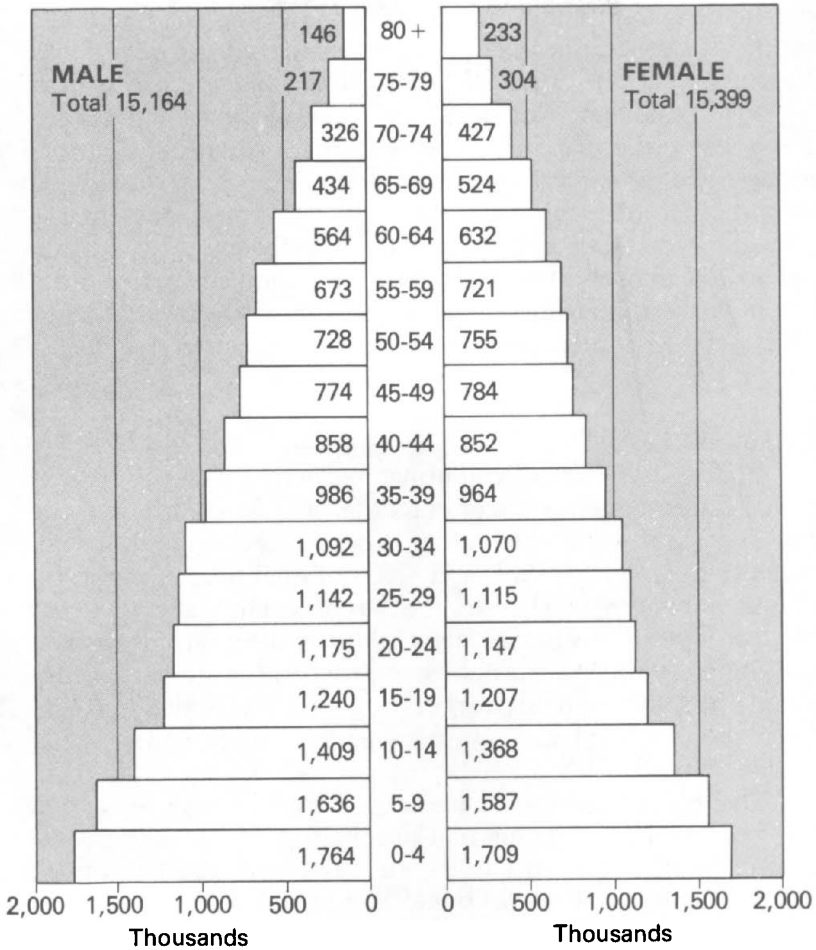
According to Argentine sociologist Juan Manuel Villar, in 1980 the largest concentration of immigrants from neighboring countries was in Greater Buenos Aires, into which an estimated 45 percent of the total had moved, followed by the northeastern regions of the Gran Chaco and Mesopotamia, where 15 percent lived; the pampas, where 12 percent lived; Patagonia, 10 percent; the Northwest, 8 percent; and Cuyo, 5 percent. Bolivians and Paraguayans tended to work in the agricultural fields of northern Argentina, having few difficulties in mixing with the local population, with whom they shared many cultural affinities. Chileans worked in the orchards, sheep ranches, oil fields, and coal mines of Patagonia. Many Brazilians lived as colonists in the forest areas of the province of Misiones. Most Uruguayans, however, were educated individuals having a high degree of cultural identification with Argentina; they migrated primarily to Greater Buenos Aires and the Littoral.

Mid-1980s Demographic Trends

Argentina was among the first Latin American nations, along with Cuba and Uruguay, to experience a decline in mortality and fertility. In 1985 the Washington-based Population Reference Bureau reported that Argentina had a crude birth rate (yearly registered births per 1,000 inhabitants) of 24, a crude death rate (yearly registered deaths per 1,000 inhabitants) of eight, an annual population increase of 1.6 percent, an infant mortality rate (deaths of infants of one year of age or less per 1,000 live births) of 35.3 per 1,000 live births, a life expectancy at birth of 70 years, and a total fertility rate (average number of children that would be born to each woman if each were to live through her childbearing lifetime) of 3.4 (see fig. 6).

In 1985 the unequal distribution of the nation's population—particularly the growth of Greater Buenos Aires and the Littoral region—continued to be a problem that showed no signs of improvement. Social services and various public facilities in the nation's capital continued to be overtaxed. In 1984 Argentine scholar Guillermo Alfredo Terrera, working with his own demographic estimates, commented that 14 million inhabitants (48 percent of the national population) lived in the 2,500 square kilometers of Greater Buenos Aires, while only 15 million lived in the 2.8 million square kilometers of the rest of the country. Moreover, Terrera commented that over 21 million were owners or renters of medium-sized family farms who provided full employment opportunities to all family members and occasionally could afford to hire wage labor or rent agricultural machinery.

Between 1976 and 1981 the Videla administration increased the value of the Argentine currency in relation to hard currencies by subsidizing exchange rates. The middle classes reacted by continuously converting local currencies to United States dollars and by spending their newly acquired wealth on extended international vacations and luxury items. However, by the early 1980s the financial system could no longer support the overvalued Argentine peso, and severe economic measures were undertaken that deprived the middle class of its recently acquired wealth. By early 1984 real wages were 30 percent below their 1975 level. A decrease in the purchasing power of the population occurred suddenly. In order to make ends meet, middle-class members had to cut their expenses, and an undetermined number had to take two or more jobs in a



Source: Based on information from United Nations, Department of International Economic and Social Affairs, *World Population Prospects: Estimates and Projections as Assessed in 1982*, New York, 1985, 111

Figure 6. Population by Age and Sex, 1985

12- to 14-hour daily schedule. Many also sought the economic assistance of their children.

Civil service became an important option for many middle-class workers, especially those living outside the pampas region. Municipal, provincial, and federal government agencies became the major employers during the period of forced reduction of personnel by crisis-ridden domestic industries. In the province of Formosa, for example, the public sector employed up to 10 percent of the economically active population. In La Rioja almost 50 percent of the economically active population worked in either the public sector or the service sector while only 33 percent were engaged in the industrial sector.

The Lower Class

In the mid-1980s Argentina had a relatively large and highly heterogeneous lower class that was located in both urban and rural areas. The urban lower class included a wide range of people with skills and levels of qualification, from the skilled industrial worker to the street vendor and domestic servant. The rural working class included agricultural workers ranging from those who held steady jobs at large agricultural enterprises to seasonal workers who followed the harvests. Their income level was much lower than that of their urban counterparts.

The lower classes were hit hardest by the severe economic crisis of the 1980s. Their real purchasing power dropped by approximately one-third between 1974 and 1980, a period when the middle class was benefiting from the economic policies of the military government, and dropped further—to approximately one-half of 1974 levels—by 1981. Post-1981 government policies continued to reduce the purchasing power of lower-class workers. In 1985 it was reported that only one-third of the national population earned more than the US$265 a month necessary to feed a family of four. As a result, many heads of households held two or more jobs to make ends meet. Layoffs, unemployment, and underemployment were increasingly common among the lower class. Many chose self-employment and worked in the informal economic sector.

Housing became a greater problem in the cities as the influx of workers from rural areas outpaced the construction of new living quarters. Rents tended to be very high in urban areas, sometimes equivalent to 75 percent of the monthly income of a blue-collar worker. Moreover, most rental contracts

were signed for a two-year period and required a two-month advance deposit plus the imposition of bimonthly rent increases. As a result, large communities of squatter settlements, known as *villas miseria* (misery towns), sprang up on the outskirts of the nation's major cities in the vicinity of factories and industrial plants. A large percentage of them lacked minimum social services and facilities such as drinking water and sewage systems.

Education

The Argentine educational system was among the best in the Western Hemisphere until the 1970s. The quality of education was high, research facilities received worldwide acclaim, and various academic presses printed books and journals that were distributed throughout Latin America. Argentina also had one of the highest literacy rates in the Western world, 94.2 percent, in 1980. Beginning in 1976, however, the military government's National Reorganization Process caused the educational system, particularly higher education, to deteriorate severely. The alleged goal of the military government was to depoliticize the system. Censorship of books and persecution of scholars for their ideas became part of everyday academic life. Academic funds were reduced, research was restricted, and the government withheld the publication of official statistics regarding social services and facilities. Only in 1983, a few months prior to the return of democratic rule, did General Reynaldo B. Bignone's administration begin releasing various social indicators together with the official results of the 1980 census.

An indicator of the high academic achievement within the Argentine educational system in the twentieth century was its citizens' receipt of five Nobel prizes, as well as a Miguel de Cervantes Prize in Spanish literature. Two Argentines, Carlos de Saavedra Lamas in 1936 and Adolfo Pérez Esquivel in 1980, were awarded the Nobel Peace Prize; another two, Bernardo A. Houssay in 1947 and César Melstein in 1984, were awarded the Nobel Prize for Medicine, both sharing their prizes with other scientists; and a fifth Argentine, Luis Federico Leloir, was the recipient of the 1970 Nobel Prize for Chemistry. In 1985 the Cervantes Prize, considered the highest award in Spanish literature, was granted to Ernesto Sábato.

At the other end of the spectrum, illiteracy continued to

be a problem during the mid-1980s. Government sources reported that in 1980 Argentina had an illiteracy rate of 5.8 percent of all its inhabitants aged 10 and over. They claimed, however, that the problem was more serious than the statistics showed. In a debatable estimate, some authors speculated that almost 50 percent of the national population was, in fact, either totally or functionally illiterate. Illiteracy was unevenly distributed throughout the country and was found mostly in rural areas, especially in the northern provinces of Chaco, where it officially stood at 16.5 percent; Corrientes, with 14.8 percent; and Formosa, with 12.3 percent. The lowest illiteracy rates were found in the Federal District, which had a 1.4-percent illiteracy rate, and in the National Territory of Tierra del Fuego, which had a 2.3-percent illiteracy rate. Illiteracy was more common among women than among men. In rural areas 14.2 percent of the men and 15.1 percent of the women were illiterate, while in urban areas 3.6 percent of the men and 4.5 percent of the women were illiterate.

In May 1985 the government launched the National Plan of Functional Literacy and Continuing Education by opening a national network of some 3,000 centers where literacy would be taught. The goal, according to the president of the National Literacy Commission, was to teach 1.2 million illiterates and 5.2 million functional illiterates in some 20,000 literacy centers or related adult educational programs by 1989.

During the 1983 academic year Argentina had 7.6 million students, of whom 50.6 percent were female, enrolled in 40,517 academic institutions at all levels under the guidance of 536,499 teachers and professors, of whom 77 percent were women. The Argentine educational system was composed of four distinct levels: preprimary, primary, secondary, and higher (or superior) education. A limited program of special education for mentally or physically handicapped children was also available at the primary and secondary levels. Argentina's educational system was partially decentralized, although the Ministry of Education and Justice was responsible for public education at all levels and for providing guidance to private education. Each of the nation's 22 provinces had its own education ministry that was responsible for the school programs within its jurisdiction. Classes began nationwide in March and concluded in December for all levels except higher education and in a few geographic areas that had their own calendar year.

Lower-level Education

Preprimary education was optional, the first step of the Argentine educational ladder, and was designated for children aged four and five. Initially established in 1884, kindergartens were found in both public and private institutions, being either autonomous or attached to primary and secondary schools. In the 1983 school year Argentina had a total of 7,280 preprimary schools, 71 percent of which were supported by the public sector, serving a total of 602,226 children. Most were administered by provincial governments.

Primary school consisted of a seven-year compulsory program for all children aged six to 14. The first Argentine primary schools date from the 1580s, when the Spanish colonists opened the first school in Santa Fe. Since then primary schools have undergone major changes, especially during the presidency of Domingo Faustino Sarmiento (1868-74), who vigorously developed the system. In the 1983 school year Argentina had a total of 23,250 primary schools, 90 percent of which were public, serving a total of 4.5 million students. In 1978 those under the direct control of the federal government began to be transferred to the provincial governments, which adapted the syllabi to their particular regions.

Although secondary school was optional for those who graduated and obtained a certificate of completion of primary education, there was a movement to make secondary education compulsory. Various programs were available in secondary education. The *bachillerato* (not to be confused with the bachelor degree), which offered either a *bachillerato común* (common level) or the *bachillerato especializado* (specialized level), was the most popular program and consisted of two cycles that totaled between five and seven years. Other secondary-school programs included commercial study, a five-year program also divided into two cycles; technical education, which was divided into short, one- to four-year programs and long programs of over four years; agricultural schooling, which included a three-year short program and a six-year complete program; and artistic courses, which varied according to one's planned profession and included the granting of elementary-school teacher credentials.

In 1983 Argentina had a total of 4,915 secondary schools, 55 percent of which were public. The administration of public secondary schools was equally distributed between the federal government and the provincial governments. Thirty-eight percent of the schools offered *bachillerato* programs; 36 percent,

commercial programs; 20 percent, technical education; and the remaining 6 percent covered the other programs. During that academic year Argentina had 1.5 million secondary students, of whom 51 percent were female. Women accounted for 65 percent of the system's 193,551 teachers.

Higher Education

Higher education in Argentina consisted of various kinds of institutions, public and private, large and small, that provided either university training or nonuniversity higher training. In 1983 university training was provided at 48 universities, 26 of which were publicly run, having a total of 416,571 students and 33,450 professors. Nonuniversity higher education was provided at various higher institutes, most of which were geared to teacher training. In 1983 there were 632 higher institutes, 59 percent of which were publicly administered.

The Latin American university reform movement, which brought about student cooperation in the administration of the universities, competition in the appointment of professors, academic freedom, and an end to compulsory attendance at classes, began at the University of Córdoba in 1918 (see The Radical Administration, 1916-30, ch. 1). The university assembly, which met at least once a year, became the highest governing authority within each university and was composed of an equal number of delegates from the faculty, graduates, and students, each of whom had the same voting rights. The assembly was responsible for naming all senior university authorities, including the rector and the deans, and for approving all major administrative decisions. From Córdoba, the university reform spread rapidly to all Argentine universities, and by the 1930s it had reached most universities throughout Latin America.

Various military governments, including those that ruled Argentina between 1976 and 1983, profoundly altered the Argentine university system, arguing that the universities had become highly politicized. One of the objectives of the Videla administration was to reverse the effects of the university reform and thereby, it thought, depoliticize the nation's universities. These efforts resulted in faculty and student activists being forced into exile and some imprisoned or killed. By the time that democratic rule returned in December 1983, the Argentine universities were shadows of their former selves, owing to the combined effects of censorship, political persecution, and meager funding.

In 1985 the Alfonsín administration was working to return the autonomy and the democratic administrative structure that had characterized the universities since the University Reform. One of the first steps taken toward that goal by the new government became known as the process of "transition to normality," which included the appointment at all universities of "normalizing authorities" at the levels of the rector and the various deans. Throughout the academic years 1984 and 1985, therefore, all Argentine universities were temporarily under the authority of a government-appointed "normalizing" rector and various "normalizing" deans, who were responsible for governing the universities during the period of transition back to democracy. Their activities included handling numerous cases of *impugnación de profesores* (the right of the various academic segments to request the firing of a faculty member), reopening academic programs closed by the military dictatorship, calling for elections within each academic segment (faculty, students, and graduates), and convoking the university assembly.

By late 1985 all university assemblies were required to have met; following the spirit of the University Reform, they were again to become the highest administrative bodies within each university. They were to meet once or twice a year, which in 1985 occurred for the first time in almost two decades. Subordinate to the assembly and in charge of daily operations was the highest single administrative authority, the university rector. The rector was advised by a superior council, which included professors, students, graduates, and some administrative personnel. Each academic program was headed by a dean, who was advised by an academic council composed of the dean, professors, students, and staff.

Another administrative measure geared toward the democratization of the university system was the elimination of the university admission examination. These examinations, created ostensibly to limit the number of university students in accordance with national need, had become stricter under military rule. Under pressure from students, the Alfonsín administration removed these requirements and allowed enrollments to rise. As a result, in March 1985 over 59,000 secondary-school graduates enrolled in the University of Buenos Aires' freshman class.

In 1983 the University of Buenos Aires, the largest in Argentina, was divided into 11 academic programs, eight schools, and two other higher education programs. It com-

prised 107,130 students, or 26 percent of Argentina's total university population, and 3,900 professors—12 percent of the nation's university faculty. The new policy of unrestricted admission, however, is likely to result in a 50-percent rise in enrollment.

Health and Welfare

Health care and general welfare activities were the responsibility of a wide range of public and private institutions, including the hundreds of autonomous and semiautonomous social security organizations known as *obras sociales* (social projects). Argentina was among the countries with the highest health standards in Latin America. During the late 1970s and early 1980s, however, official health policies emphasized the need to transfer all health services to the private sector. As a result, a dramatic deterioration of the health system took place in a period that coincided with an increase in unemployment and a decrease in real salaries. During the mid-1980s few updated and reliable health indicators were available because of the severe censorship that existed until December 1983.

When asked to provide an overview of the Argentine health system, Argentine physician and scholar Aldo Neri, Alfonsín's minister of public health and social action during the mid-1980s, offered a gloomy view. He said that the Argentine medical system was characterized by a "relative abundance of resources, simultaneous overutilization and underutilization of them, anarchy in management, inefficient multiplicity of jurisidictions, irrationality in the prioritization of action, dissatisfaction of consumers and providers, backwardness in assigning claims and benefits, and a tendency towards business-type corruption in the different types of coverage."

In 1985 Buenos Aires and the nation's other large cities were the best served with respect to health care. Standards of health varied tremendously elsewhere. According to a 1980 government study of health services and facilities in 12 cities, there was a correlation between the size of a city and the average annual number of visits to a physician: seven for Greater Buenos Aires, six for Mendoza, and five for Córdoba, Rosario, and Tucumán. Greater Buenos Aires and Córdoba had an average of one physician per 200 inhabitants, while many urban and rural areas either lacked physicians or had only a few available.

Argentina's infant mortality rate decreased markedly from 87 per 1,000 live births in 1940 to 54 in 1965, 44 in 1976, and 35.3 in 1985. Tremendous regional variations in the infant mortality rate persisted, however. Neri reported that during 1976 infant mortality rates ranged from a low of 30 in the Federal District to a high of 83 in the province of Jujuy. It was reported that a high percentage of infant deaths occurred in the poorer northern provinces and in the hundreds of *villas miseria* that surrounded the nation's large cities and were the result of either infections or malnutrition.

In 1982 the Pan American Health Organization (PAHO), working with data provided by the Argentine government, reported that the four leading causes of death for all ages in 1978 were heart disease, which accounted for 28 percent of registered deaths; cancer, 17 percent; accidents, 6 percent; and problems related to childbirth, 4.4 percent. In the specific case of children aged one to four, the five leading causes of death in 1978 were accidents, which accounted for 17.3 percent of registered deaths; enteritis and other diarrheal diseases, 9 percent; influenza and pneumonia, 8.9 percent; heart disease, 7 percent; and avitaminoses and other nutritional deficiencies, 5.8 percent.

The accuracy of the military government data has been challenged by various Argentine specialists, who, since the return of civilian rule, have begun to publish the results of their research. According to Neri's 1983 study, infections and parasites continued to be among the leading causes of disease and death in 1976. Neri found that other major causes of death included diseases related to the respiratory system, meningitis, and acute rheumatic fever. These diseases accounted for 12 percent of all deaths nationwide in 1976, but in the province of Jujuy they caused 34 percent of all deaths. Chagas' disease was also a leading cause of death nationwide, especially in the northern tropical areas. According to an Argentine government study conducted during the 1969-71 period, 13 percent of the national population was infected with the Chagas' disease parasite. Not all those exposed to or infected by the parasite had developed the disease, however, nor were all cases of infection reported. In 1979 PAHO reported 6,740 cases of Chagas' disease in Argentina, the nation most infested by the Chagas' disease parasite.

Neri found that in 1977 Argentina had some 55,000 physicians; an estimated 4,000 new physicians graduated each year, making Argentina one of the world's leading nations with re-

spect to the ratio of physicians to inhabitants—one physician per 430 inhabitants. That same year Argentina had some 16,000 dentists, an estimated ratio of one dentist to 1,400 inhabitants, and an underpopulation of nurses, an estimated ratio of one nurse to 800 inhabitants. In the late 1970s, therefore, Argentina had two physicians for each nurse. PAHO, citing official (probably inflated) figures, said that in 1970 Argentina had 71,253 physicians and in 1977 it had 18,658 nurses and 22,153 nursing auxiliaries. Health professionals, however, were distributed unevenly throughout the nation, most being concentrated in the metropolitan areas of the nation's largest cities.

In 1978 there were an estimated 3,097 hospitals and sanatoriums; 142,975 hospital beds were administered by either the private sector or the public sector. As a whole, public facilities tended to be large and oriented to the needy, while private facilities were smaller and more business oriented. Sixty-seven percent of hospital beds were in publicly run facilities, 28 percent in private institutions, and the remaining 5 percent in facilities administered by one of the various *obras sociales*. During the mid-1980s an important semantic distinction was made between the terms *hospital* and *sanatorium*. Hospitals were medical facilities that offered inexpensive, low-quality services, usually to the poor, while sanatoriums served the wealthy with superior services.

In 1985 the most important health-related institutions were those collectively known as *obras sociales*. These were described by Neri as primitive Argentine adaptations of a social security system within the historical tradition of guilds and union mutual funds that were organized into the health insurance system to satisfy the social needs of particular groups of workers and their families. Each worker provided the general fund with 2 to 3 percent of his monthly salary, which entitled him and his dependents to full benefits. This monthly fee was supplemented by contributions made by employers, which were based on a percentage of the worker's salary and on union agreements. Conceived during the 1940s as a powerful political resource within the union movement to provide the working class with health services similar to those available to the upper classes, the *obras sociales* soon became major financial funds that subcontracted medical services and facilities to private sector institutions. By the early 1980s very few *obras sociales* owned their own medical facilities or provided direct medical services to their members.

During the late 1970s there were some 400 different *obras sociales* serving a total of 22.4 million beneficiaries. This number reflected a dramatic growth from the 8.3 million beneficiaries whom the system had served during the late 1960s. The financial resources and the methods of management of each *obra social* varied, reflecting the nation's social structure and whether its members worked in the public or private sector. During 1985 the federal government was considering restructuring the system.

The private sector played an important role during the mid-1980s, offering various medical services and facilities that ranged from the old immigrant hospitals (such as the Italian, German, and Spanish hospitals) and private practice to various modern and sometimes highly sophisticated health centers and sanatoriums. A new development during the 1970s was the establishment of voluntary private health insurance offered by a specific sanatorium or an insurance firm.

Religion

Argentina is a predominantly Roman Catholic country. According to estimates in the *World Christian Encyclopedia*, Roman Catholics made up 91.6 percent of the population in 1982; Protestants, 2.5 percent; and members of various other Christian churches, including the Armenian, Orthodox, and Ukrainian Catholic churches, 1.5 percent. Two percent of the national population was Jewish, and 1.1 percent was nonreligious. Atheists and non-Christian religions, such as Muslims and Spiritualists, constituted 1.3 percent, and the remaining 1.1 percent did not express a preference.

In 1985 the Roman Catholic Church was formally organized into 13 archdioceses, 44 dioceses, and three other jurisdictions known as *nullius prelatures*. Argentina had three cardinals, one of whom held a senior post in the Vatican as president of the Pontifical Commission for Lay People, and over 90 bishops. In addition, Buenos Aires was the site of the Latin American offices of the Armenian, Orthodox, and Ukrainian Catholic churches.

According to Roman Catholic Church reports, in 1984 the Argentine church had about 4,800 priests (one-half of whom were diocesan), 4,100 brothers, 11,000 nuns, and 1,300 seminarians. More than 2,000 parishes and various church organizations ran some 3,700 educational institutions at all levels as

well as about 850 welfare organizations, including cemeteries, hospitals, and social centers.

The Catholic church had a privileged legal status in Argentina because the authors of the 1853 Constitution were careful to state explicitly that strong relations should exist between the Roman Catholic Church and the Argentine state but in an environment of religious pluralism and freedom. However, churches other than the Roman Catholic Church must register with the government to obtain the legal recognition required to operate freely in Argentina. The pertinent constitutional articles remained in effect during the mid-1980s, although they were not fully enforced.

According to Article 2 of the Constitution, "the Federal Government supports the Roman Catholic, Apostolic Faith." Article 14 guarantees specific human rights to all Argentines, including that of "freely professing their religion." Article 20, devoted to the rights of foreigners in Argentina, explicitly states that they can freely practice their religion. Article 65 prohibits regular members of the clergy from holding public office, either as members of Congress or as provincial governors. The lengthy Article 67, devoted to the various powers of Congress, states that Congress has the power to promote the conversion of Indians to Catholicism as well as to authorize the admittance of other religious orders into the nation. Finally, Article 76 makes the profession of Roman Catholicism a requirement to be Argentina's president or vice president.

In practice, Argentine Catholicism tends to be nominal for the majority and is expressed in conservative social views for those who practice it. The church hierarchy tends to be especially conservative. Some influential Catholic bishops supported the various seizures of power by the military and, during the 1970s, the policies of the National Reorganization Process. During that time some conservative church officials were accused of contributing to the "disappearance" of political dissidents by supplying information on socially active church groups to military officials.

Lay groups with liberal goals, purposes, and political orientation were organizing again in the mid-1980s. These church members were healing the wounds left from the severe repression of its bishops and priests by post-1966 military governments. During the late 1970s military and paramilitary organizations attacked clergy and lay people whom they suspected of sympathizing with or supporting guerrilla groups. Early targets had been the members of the Movement of Priests for

the Third World, founded in 1968 to work with the working class and, while living in the *villas miseria*, to denounce social injustice and promote social change. During the Videla administration all their members were persecuted; some fled into exile while others were murdered or "disappeared." Two bishops were presumed murdered, and a number of priests, nuns, and lay workers were among the tortured and "disappeared." Cardinal Eduardo Pironio, former bishop of Mar del Plata, experienced numerous attempts on his life, and one of his secretaries was murdered. Although he survived, one of his colleagues, Enrique Angelelli, bishop of La Rioja and a strong critic of human rights violations by the military government, died in 1976 in a mysterious and unresolved car accident while driving to the burial of one of his priests.

In 1985 two Catholic lay organizations, holding opposing points of view and purposes, played an important role within the Argentine community. The first of these, the Peace and Justice Service in Latin America, was a human rights organization headed by 1980 Nobel Peace Prize winner Adolfo Pérez Esquivel. It advocated nonviolence as a means of seeking the peace and reconciliation of all Argentines and also provided the needy with various social services and facilities. The second, Families and Friends of Those Murdered by the Subversion, was a right-wing group headed by Hebe S. de Berdina. Its goal was to organize liturgical services and masses in memory of Argentines, especially those belonging to the senior ranks of the armed forces, who lost their lives during the late 1970s in the so-called dirty war against terrorism.

During the past century the Argentine Roman Catholic episcopate has played an active role in the Argentine political system and has been considered a pillar of the established order. Bishops were organized into the Argentine Conference of Bishops, which from 1985 to 1988 was to be headed, for the third time, by Córdoba's Cardinal Raúl Franciso Primatesta. Primatesta, a 65-year-old *bonarense* (resident of the province of Buenos Aires) and son of Italian immigrants, was frequently sought out by economic, political, and labor union leaders of all parties for his support and advice.

During the 1980s the episcopate, either through a spokesman or through written position papers, has played a highly visible political role, exerting pressure first for the return to democracy and later for the consolidation of the democratic system. Some bishops' statements—particularly "Church and National Community" of July 1981, "On the Way to Reconcili-

ation" of August 1982, and "To Consolidate the Nation in Liberty and Justice" of May 1985—received strong support inside and outside the government. After the publication of the "Church and National Community" document, which voiced the people's demand for a return to full democracy and supported a pluralistic educational system during a period of academic censorship, Cardinal Primatesta received the support of the leaders of all political parties, who were organized into the Multipartidaria (Multiparty Commission). Some sources claimed that this August 1981 meeting was one of the most influential and productive meetings between church leaders and various political leaders since 1810.

During the early 1980s the bishops continued their efforts to return the country to a democratic system and to make a plea for a national reconciliation necessary for a peaceful transition. In the process they interviewed hundreds of leaders and individuals holding diverse political points of view, including the military president, in order to obtain the most objective view of the current socioeconomic and political situation. When in August 1982 the bishops issued a statement calling for the forgiveness of those who had committed crimes of repression against the Argentine people, however, it was not widely accepted by all parties. Their determination to play mediating roles in Argentine politics, nevertheless, marked a significant change in the behavior of the church leadership.

"To Consolidate the Nation in Liberty and Justice" was intended to be a contribution to the process of consolidation of the democratic system during a period of severe economic crisis. National reconciliation and social justice were considered necessary to solidify the democratic process. The May 1985 document acknowledged that major positive changes had occurred since the return of democracy in the areas of respect for human life, the end of torture, more active political participation, the right to dissent, and more liberties at all levels. However, the bishops made a plea to solve the current economic crisis, which they defined as the worst in Argentina's history and characterized by recession with sustained and disorderly inflation, declining real wages, unemployment, the persistence of extreme poverty, and a decrease in the national wealth.

Protestantism in Argentina dates back to the nineteenth and early twentieth centuries, when thousands of European immigrants arrived to work in agriculture, the meat industry, or railroad construction. By 1820 James Thompson, a Bible

Society representative who later became one of the first Protestant missionaries in the region, was already at work in Buenos Aires. Methodist missionaries from the United States arrived by 1836 but confined most of their work to European immigrants. The arrival of Europeans from the Lutheran and Reformed churches also dates from that period. In the mid-1980s Protestant churches had a combined membership of over 500,000 adherents.

Jehovah's Witnesses suffered religious persecution during the 1976-83 period of military rule because their church lacked legal recognition and their members refused to perform compulsory military service on religious grounds. In July 1984 the Alfonsín government granted long-pending legal recognition to this church. Although a few were released in 1984, some 300 Jehovah's Witnesses remained in prison in early 1985.

Jews accounted for an estimated 2 percent of the national population; 75 percent of their number resided in Buenos Aires. According to Jewish scholar Seymour B. Liebman, Argentine Jewry is unique for the combination of its size and diversity. Although Buenos Aires had more Jewish organizations per Jewish inhabitant than any other city in the world, these organizations were extremely heterogeneous and shared little in the sense of a common Jewish community. In 1981 it was reported that Argentina had 55 Orthodox synagogues in Buenos Aires served by eight rabbis, five Conservative synagogues served by two rabbis, one Reform temple, at least five Spharic synagogues, and at least three Sephardic rabbis.

Antisemitism was a force that surfaced in Argentina on occasions; during the "dirty war" some 1,500 were said to have been killed because of their being Jewish. The incidence of anti-Semitism decreased substantially during the Alfonsín administration. During a visit to the United States in March 1985, Alfonsín received from the Jewish Theological Seminary in New York the first Centennial Medal for Religious Freedom for his "tremendous contribution to religious pluralism" and for restoring "humanity and a renewed sense of dignity to Jews in Argentina."

* * *

Photos courtesy Inter-American Development Bank

In the mid-1980s Argentina was recovering from almost a decade of severe academic censorship. During the late 1970s and early 1980s Argentine publishers drastically decreased production of their formerly high-quality academic studies. A few studies of Argentine society and culture have been published since 1983, but no single work does justice to Argentina's socioeconomic complexity or reflects the nation's contemporary processes of change. Socioeconomic statistical information has been systematically published by Argentina's Instituto Nacional de Estadísticas y Censos in conjunction with the Argentine-based Centro Latinoamericano de Demografía—CELADEC.

The most influential authors on the study of Argentine social structure and immigration are José Luis de Imaz and Gino Germani. De Imaz' *Los que mandan* and Germani's articles and books on Italian immigration, especially "Mass Immigration and Modernization in Argentina," are considered classics. César Caviedes' 1984 regional study, *The Southern Cone: Realities of the Authoritarian State in South America*, provides valuable insights on Argentine society and culture. Aldo Neri's *Salud y política social* is an excellent analysis of Argentina's health system in a period of rapid social changes and political unrest. (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy

The port of Buenos Aires

ENDOWED WITH ABUNDANT human and natural resources, Argentina had tremendous potential for economic development in the mid-1980s. Its vast plains, known as the pampas, were among the most fertile agricultural regions in the world, rendering the country self-sufficient in virtually every rubric of agricultural production and a major exporter of grains, oilseeds, and beef. Concurrently, large mineral deposits in the remote Andean area and extensive reserves of natural gas remained largely unexploited. Industry was at an advanced stage of development, and technologically sophisticated techniques were often employed in the production of diverse and high-quality goods. The country was nearly self-sufficient in petroleum, was developing significant hydroelectric capacity, and possessed one of the most developed nuclear energy programs in Latin America. The largely urban and literate population constituted a highly skilled labor force that numbered 11.9 million in 1985.

Despite impressive resources, the country had long been buffeted by a vicious cycle of political instability and erratic government policies that had given rise to a general climate of economic and social malaise. Though one of Latin America's wealthiest nations, in this atmosphere of uncertainty Argentina had been impeded from capitalizing on its considerable potential. The election of President Raúl Alfonsín on October 30, 1983, after seven years of military rule, was a clear message that the voters were ready to begin anew and free themselves from the economic chaos that had reigned since the late 1970s.

Initially, the new administration thought that the restoration of public confidence was sufficient to accomplish its corrective economic objectives in short order. Nonetheless, during its first 18 months, the Alfonsín administration presided over an economy in progressive disarray. The panoply of policy prescriptions proved incapable of stemming hyperinflation, stagnation, and a burgeoning foreign debt.

Despite the political opposition's oft repeated refrain "not to pay the foreign banks with the hunger of the people," the government signed a new agreement with the International Monetary Fund on June 11, 1985. The terms of Argentina's accord with the fund called for increasing tax and utility rates, cutting government expenditures, restraining wage increases, reducing monetary expansion, and devaluing the local curren-

cy in order to control inflation. Compliance with the terms of the agreement would ensure access to foreign sources of official and private loans to refinance the country's US$48 billion foreign debt.

On June 14, 1985, Alfonsín put his political future on the line by introducing a bold and pragmatic initiative to prevent the recovery program from being nullified by the momentum of an inflationary surge, which at that time was raging at over 1,000 percent annually. The government implemented a freeze on wages and prices and introduced a new currency, the austral. The new measures extended beyond the guidelines of the International Monetary Fund and marked a departure from the earlier pattern of avoiding a public commitment to traditional austerity measures, followed by their gradual application. The commitment to stabilization was expected to provide the foundation for economic recovery and expansion in the years ahead. Analysts argued that only successful economic recovery measures could unlock the potential that lies within the agricultural, industrial, and energy sectors of Argentina. The first step had been taken, and a successful outcome would depend on continued public support.

Growth and Structure of the Economy

Between 1976 and 1985 the Argentine economy was periodically buffeted by political instability and uneven patterns of growth. During that period, the growth and structure of the economy were directly affected by a number of abrupt changes in government policy that were intended to stabilize the economy. In that decade, the country had four different military regimes and a democratically elected civilian administration; the economy was managed by seven different ministers of economy. Under their stewardship, the real gross domestic product (GDP—see Glossary) increased in 1977, 1979, 1980, 1983, and 1984 but dropped in 1976, 1978, 1981, and 1982.

The problems that the economy encountered in the mid-1980s were directly attributed to the 1981 collapse of the economic adjustment program, which had aimed to lay a foundation for a continued and sustained expansion of output under a free-market model of development. The two essential elements of the model were to open the economy to foreign competition and to control inflation (see Public Industrial Policies, this ch.). In 1978, in order to control actual and expected

inflation, Minister of Economy José Martínez de Hoz introduced a sliding peg system of preannounced daily exchange rate adjustments that were below the rate of inflation and reduced the rate of monetary expansion. Nonetheless, the peso (for value of the peso—see Glossary) continued to appreciate and became highly overvalued. The economy was opened through the reduction of protective barriers, and capital restrictions were eased. Initially, high interest rates and international confidence drew in capital flow. Anticipating that the economy was on the road to recovery, international lenders extended increasing amounts of credit to the government and industry. The government obtained loans to invest in energy, transport, communications, and the improvement of military capabilities. The business community took advantage of the overvalued peso and easier credit terms to import capital goods and modernize its plant and equipment.

In 1979 the inflation rate reached 140 percent, and GDP grew by 7.1 percent. Agriculture expanded by 4.1 percent; mining, 6.4 percent; manufacturing, 10.2 percent; and construction, 2.7 percent. Overall economic growth improved in response to favorable prices in the international market for agricultural exports and the recovery of demand that was caused by the 15-percent rise in real wages.

The fiscal situation deteriorated, however, as public and private debt increased by 52 percent in 1979. Reduced tariff rates caused the value of imports to jump by 73 percent, while exports increased by only 22 percent, causing the current account of the balance of payments to deteriorate. Concurrently, the peso cost of short-term international loans doubled as the currency appreciated against the United States dollar.

By 1980 the growing perception that the exchange rate was increasingly overvalued led to massive capital flight that added to the balance of payments deficit. The value of imports increased by 56 percent, while exports increased by a mere 3 percent owing to the overvalued peso, which made imports inexpensive and exports relatively costly. Consequently, foreign exchange reserves declined by 28 percent, and public and private external debt increased by 43 percent. The pressure of foreign imports on domestic producers caused local prices to fall; the positive result was that the inflation rate dropped to about 88 percent in 1980.

In 1980 GDP increased by 0.7 percent. Agriculture and manufacturing, however, declined by 6.5 and 3.8 percent, respectively. Agriculture was adversely affected by poor weath-

er and low domestic and international prices. Local agricultural commodities could not compete effectively against less costly imports. The flood of cheaper imports caused a number of overextended industrial firms to merge with other companies, shut down their operations, or declare bankruptcy. Positive growth was centered in the mining and construction industries, which expanded by 3.8 and 6.4 percent, respectively.

The economic recession that began in 1980 deepened during 1981 as GDP declined by 6.2 percent. Manufacturing was hit hardest. Overall production fell by 16 percent, and construction contracted by 13.8 percent. The recession also adversely affected growth in the trade, transport, and banking sectors. Agriculture recorded a positive growth rate of 2.8 percent as a result of the currency devaluation and good weather conditions. Domestic demand was sluggish because real wages declined by 14 percent.

Economic policy measures in 1981 were oriented toward reducing the external imbalance. At the beginning of the year, public expectations heightened that the peso would be devalued during the transfer of power to a new administration in March. As a result, capital outflows during the first quarter of 1981 increased dramatically. In February, prior to the change of government, a 10-percent devaluation of the peso was enacted to try to stem the outflow. The exchange rate correction proved unsuccessful as the outflow quickened, the government was forced to resort to emergency borrowing to cover the loss of reserves. The short-lived administration of General Roberto Viola (March to December 1981) attempted to reverse the growing balance of payments crisis by implementing successive devaluations of the peso to raise the price of competing imports, discourage speculation against the peso, and help restore industrial activity.

The new minister of economy, Lorenzo Sigaut, devalued the peso by 30 percent on April 2, 1981. Reserves improved somewhat, but inflation increased, capital flight resumed, and interest rates soared. The resulting loss of reserves led to another 30-percent devaluation on June 2, 1981. The third devaluation of the year failed to restore public confidence or restrain the capital outflow. Consequently, the government introduced a two-tiered exchange rate on June 22, 1981, that was composed of a commercial and a financial rate. The dual exchange rate remained in force until a new administration merged both rates by essentially devaluing the commercial rate to equal the financial rate.

Despite the numerous devaluations that approached an annual rate of 400 percent during 1981, the economic situation was in a critical state by the end of the year. Under the new administration of General Leopoldo Galtieri (December 1981 to June 1982), Minister of Economy Roberto T. Alemann reestablished a single foreign exchange regime and allowed the peso to float. The new economic team proposed a different anti-inflationary policy, which called for the reduction of public expenditures and the stringent control of monetary growth. Expenditures were curtailed by freezing public wages, pensions, and subsidies and by restricting the personal income tax. Foreign reserves increased slightly during the first quarter of 1982.

The outbreak of the South Atlantic War over the Falkland/Malvinas Islands brought the stabilization efforts to an abrupt halt. Controls stabilized the economy during the April-to-June hostilities. Alemann devalued the peso by 17 percent, placed an emergency tax on exports, increased fuel prices, raised taxes on cigarettes and alcohol, implemented exchange controls, and restricted imports. Prior to the war, credit had been freely available in the international financial markets to finance balance of payments deficits and private capital outflows. With the outbreak of hostilities, however, access to international credit sources was curtailed at the same time that capital flight intensified (see The South Atlantic War and Its Aftermath, ch. 1).

After the Argentine surrender in June, the political crisis that ensued led to the resignation of Galtieri in mid-month, and on July 1 retired Army General Reynaldo B. Bignone was appointed president. Another dual exchange rate system was introduced on July 2, 1982, under which the financial rate was allowed to float, while the commercial rate was devalued by about 27 percent. The dual exchange rate remained in force until November 1, 1982. Taxes and rebates on exports were modified to compensate partially for the devaluation. The new minister of economy, José María Dagnino Pastore, assumed office in July 1982 with the mandate to stabilize the economy in order to facilitate the transfer of a stabilized economy to a future democratically elected government. In particular, Pastore attempted to lighten the load of indebtedness on the manufacturing sector by lowering interest rates. To attain this goal, a regulated interest rate was introduced that was set below the rate of inflation, and another rate—a free rate—was allowed to vary according to the supply and demand for credit. The

negative interest rates reduced the debt burden of industry, but it was achieved at the cost of a massive increase in inflation to over 200 percent annually. Concurrently, the government introduced a system of price controls as an anti-inflationary tool. At the same time, the government decreed above-average wage increases that fed the inflationary spiral. Partly as a result of these circumstances, the economic authorities were changed again in August 1982.

The new minister of economy, Jorge Wehbe, attempted to consolidate the economy with the help of an International Monetary Fund (IMF) standby agreement that was finally concluded in January 1983. The economic policy concentrated on reducing inflation and improving the external imbalance. In November the exchange rates were unified. Although a trade surplus was attained through a 43-percent reduction of imports and a 17 percent decline in exports, the external trade imbalance persisted, and the external debt problem worsened.

During 1982 GDP declined by 5.7 percent. Agriculture grew by 5.5 percent, while construction, manufacturing, and mining declined by 20.1, 4.5, and 0.9 percent, respectively. Basic services, such as utilities, transport, storage, and communication, declined by 1.4 percent.

In 1983 the economy recovered slightly. GDP grew by 3.1 percent during the year, and record harvests caused agricultural output to grow by 4.5 percent. The modest upturn was also accompanied by a slight increase in domestic demand and a 10-percent expansion in manufacturing output. Construction did not recover, however, because of reduced government expenditures on public works. The combination of fiscal outlays incurred during the 1982 South Atlantic War, credit assistance programs to the industrial sector, heavy subsidization of public enterprises, and generous wage increases caused the inflation rate to soar to 434 percent during the year. Economic policymakers were inhibited from implementing serious corrective measures because of the transitory nature of the regime. Elections for a new president were scheduled for October 10, 1983.

The newly elected civilian government of Raúl Alfonsín encountered three immense economic problems: record high levels of inflation, costly wage levels that rose with increases in the cost of living, and a US$45 billion foreign debt that could no longer be ignored. The economic crisis, nevertheless, was initially set aside while the president focused on building a political foundation for his government. Early economic poli-

cies, reflecting campaign promises, sought to increase real wages, expand industrial and agricultural production, and combat inflation. Foreign exchange constraints prevented the government from meeting its service payments on the foreign debt, and by the end of the year it was more than 90 days in arrears in interest payments. At the same time public expenditures increased rapidly. The public deficit was financed by the printing of additional peso notes, which fueled the inflationary tendencies in the economy. Regulated credit markets and wage and price controls failed to control inflation, which reached 688 percent over the course of 1983. In the external sector, the balance of payments improved through a positive trade balance and a narrowed current account deficit. Nevertheless, the value of the peso depreciated by more than the rate of inflation.

The economy grew by only 2 percent in 1984, thus slowing the recovery of the previous year. The growth in GDP was led by a 4.3-percent expansion in manufacturing and a 2.6-percent growth in agriculture. Livestock production, however, fell by 1.5 percent as the stagnation that had affected it since 1980 continued.

In September 1984 Minister of Economy Bernardo Grinspun announced that Argentina had reached a memorandum of understanding with the IMF in exchange for a standby loan of US$1.5 billion. At the end of the year the agreement was approved by both parties, and Argentina agreed to stabilize its economy. In February Grinspun resigned and was replaced by the more diplomatically inclined Juan Sourrouille. By March 1985 Argentina had failed to attain the goals set by mutual agreement between the government and the IMF. As production declined and inflation soared to an annual rate of over 1,000 percent, it became evident that the economy was headed into a severe recession. This, together with the continued overvaluation of the currency and the inability to service the evermounting foreign debt, led the government to seek another agreement with the IMF, which was announced in June. A few days later firm austerity measures were imposed by the government, which included the creation of a new currency, the establishment of wage and price controls, and an 18-percent devaluation of the currency.

The terms of the new economic adjustment program with the IMF included targets to reduce inflation to an annual rate of 150 percent by the end of 1986. Public sector expenditures were planned to fall from 34.5 percent of GDP in 1984 to less

than 31 percent in 1985 in comparison with an increase in public revenues from 22 to 25 percent of GDP. The public sector budget deficit was scheduled to be reduced to 2.5 percent of GDP in the second half of 1985 from 11.2 percent at the end of 1984. Concomitantly, public investment would be cut by 10.6 percent, taxes raised by 15 percent, and civil service wages reduced by 11 percent in 1985. In the external sector, the agreement programmed a fall in the overall balance of payments deficit from US$1.7 billion in 1984 to US$1.6 billion in 1985 and the deficit in the current account balance from US$2.5 billion to US$2 billion.

On June 14 the government imposed firm austerity measures that went beyond the IMF guidelines. In order to combat the high rate of inflation the peso was devalued by 18 percent, and import duties were raised. At the same time, the peso was replaced by a new currency, the austral, and wages and prices were frozen.

Labor Force

Owing to the lack of a comprehensive national employment survey in Argentina, the composition of total and sectoral employment levels were approximations based on a number of data sources. At the same time, employment and unemployment data were restricted to the greater metropolitan area of Buenos Aires and a few other urban centers.

The labor force was estimated to have increased from a total of 10.8 million in 1980 to 11.9 million in 1985. Approximately 40.5 percent of the economically active population (total population aged 10 and over) participated in the labor force in 1975, and 37.9 percent participated in 1983. During that period, the participation rate for those persons between the ages of 10 and 24 declined from 38.4 percent to 34.5 percent. The participation rate for those between the ages of 25 and 49 increased from 67.3 percent in 1975 to 69 percent in 1982 and dropped to about 67.9 percent in 1983. Those persons who were 50 years old and over reduced their participation from 34 to 31.5 percent between 1975 and 1983. Over the 1975-82 period the participation rate for women between the ages of 25 and 49 increased from 39.4 percent to 44.5 percent, which more than offset the decline in the participation rate for women in the 10-to-24 age-group. In 1983 the participation of women between 25 and 49 declined to 42 percent, which was

in line with the drop in the overall rate. Throughout the 1974-83 period the participation rate for men between the ages of 25 and 49 averaged about 97 percent.

The latest information available in mid-1985 indicated that the industrial and agricultural sectors employed 13.3 percent of the total labor force in 1982; the construction industry employed 7.6 percent; mining, electricity, water, and gas, 1.4 percent; transportation, 5.3 percent; sales, hotels, and restaurants, 16.2 percent; and public and private services, 29.6 percent. The unemployment rate was 5.7 percent, and about 7.6 percent of the labor force was unaccounted for. Over the 1980-82 period, the sectoral distribution of the labor force was altered significantly by the general decline in economic activity caused by the recession. Although there were no reliable statistics on the level of unemployment by sector, partial data indicated that the number of workers employed in the industrial sector in 1982 was more than 25 percent below the 1970 level. The drop in employment in the construction sector was estimated to have totaled 10 percent between 1980 and 1982. The general improvement in industrial output in 1983 caused employment in that sector to increase by 3.3 percent.

Between 1980 and 1982 the overall unemployment rate in the metropolitan area of Buenos Aires increased from 2.3 to 5.7 percent but then declined in 1983 to 4.9 percent and to an estimated 4.5 percent in 1984. Reduction in employment in the industrial sector was not reflected in significantly higher unemployment rates largely because of the absorption of numerous industrial workers into other sectors of the economy, the movement toward self-employment, and lower participation rates in the labor force.

The underemployment rate, or the number of persons who worked 35 hours or less a week and were seeking full-time employment, declined from 5.9 percent in 1983 to 5.6 percent in 1984. Thus total unemployment and underemployment averaged about 10.4 percent during 1983 and 1984. Both unemployment and underemployment were expected to edge upward in 1985 owing to tighter credit, stagnant demand, and the decline in production in a number of industries.

The 1853 Constitution, in force in the mid-1980s, contained an amended Article 14 that outlined workers' rights. Workers were entitled to a limited-length working day, a minimum wage, days of rest and vacation, equal pay for equal work, and protection against being arbitrarily discharged. In addi-

tion, workers were entitled to form trade unions and were guaranteed the right to bargain collectively and to strike.

The Ministry of Labor and Social Security was responsible for labor relations, such as conciliation and arbitration, wage rates for urban and rural workers, occupational health and safety, and employment services. About 4 million workers, or about one-third of the work force, were organized into trade unions in 1983. Workers were organized on an industrial basis by plant. Plant locals in turn were organized into national unions or federations according to industry (see Labor Groups, ch. 4).

Industry

Public Industrial Policies

The unstable world economic climate that emerged in the post-World War II period turned economic development efforts inward. Industry became the primary engine of growth, and the agricultural sector provided the financial resources to fuel its development. Industrial production was geared toward the domestic market. Industry largely developed behind high protective tariff and quota walls that insulated the sector from international competition. At the same time, the government promoted industrial development through the allocation of generous amounts of subsidized credit, which led to the wasteful use of investment capital. This inward-looking industrialization strategy provided an institutional foundation for a modern industrial sector, which in turn led to the development of a relatively skilled labor force (see Perón's First Presidency, 1946-51, ch. 1).

As a result, the productive structure of the economy was transformed between 1958 and 1963. The production of automobiles, steel, petrochemicals, and capital goods largely replaced agriculture and textiles as the dominant force in the economy. Concurrently, multinational companies from the United States and Britain gained an important foothold in industrial activity.

The period between 1963 and 1974 was characterized by a low rate of inflation, economic stability, modest restrictions on foreign capital, and the progressive shift from the production of nondurable consumer goods to intermediate and capital goods. During the period, industrial output grew 125 percent, equivalent to 8 percent annually. At the same time, both em-

ployment in the industrial sector and labor productivity increased by approximately 3.7 percent annually.

Despite these achievements, however, the 1945-74 period of import substitution industrialization also gave rise to a serious underutilization of the factors of production. The agricultural sector was particularly affected by the inward orientation of the development strategy as the urban bias of government policies resulted in low prices for farm products. Furthermore, indirect taxes on the export of agricultural commodities restrained exports and raised production costs, and exchange rate vagaries raised the cost of vital inputs so that land remained idle and production could not take advantage of such yield-increasing technologies as fertilizers and herbicides. Generous allotments of subsidized credit encouraged capital-intensive production and discriminated against the use of labor. The expansion of employment was restrained by organized labor, which sought to maximize the benefits of those that were already in the labor force.

In the mid-1970s the industrial sector was paralyzed by hyperinflation, recession, and an increased disequilibrium in the external sector that was aggravated by political instability. By 1975 the real exchange rate had fallen 11 percent below its 1970 level, industrial output had fallen 2.5 percent, and exports of manufactured goods had contracted by 40 percent. In March 1976 the Argentine military took control of the government and introduced an economic model that was based on the free market mechanisms of supply and demand. The new model completely overhauled the economic policies that had been in effect since the 1930s. The new economic managers abandoned the industrial strategy of import substitution industrialization that had focused on the domestic production of import-competing goods. The promotion of industrialization was supplanted by the overriding concern to contain inflation.

To promote efficient industrial development, the economy was progressively opened to international competition. Import tariffs were reduced in 1976 and 1977, international capital movements and interest rates were liberalized, and nominal wages were frozen in the midst of an inflationary upsurge. Between 1978 and 1980, however, the Argentine peso became overvalued in relation to the United States dollar, which had the effect of contracting exports and flooding the domestic market with inexpensive imports. Foreign competition thus forced domestic prices to decline in order to compete with those of imported goods.

At first these measures encouraged capital investment and the modernization of plants as a means of expanding efficiency and productivity. The ready access to foreign credit and the discrimination against tradable goods that arose from the overvalued peso caused Argentina's external debt to increase to almost two-thirds of GDP. The rising debt adversely affected the industrial sector, undermined public confidence, and caused the government to fail in its efforts to stabilize and restructure the economy. Many firms adopted conservative policies in anticipation that the military government's economic policies would need to be modified. The series of significant peso devaluations in 1981 discouraged competitive imports and led to a modest expansion of exports, but policies to compensate for the drop in domestic demand failed to be enacted. At the same time, the devaluations greatly increased the peso cost of the industrial sector's foreign currency debts. Consequently, many firms were acquired by investors, merged with local companies, or went bankrupt. The large number of business closures also caused employment in the industrial sector to drop. By 1981 it had become evident that the administration's economic policies had failed. The deterioration of the economic situation contributed to the political crisis that enveloped the military government in 1982. In a desperate attempt to regain public support, the government was driven into the disastrous South Atlantic War in 1982 and was later forced to give up the reins of power.

The contraction of domestic demand caused by the economic recession was exacerbated by a restrictive monetary policy introduced in the first half of 1982. The persistent cutbacks in credit for operating expenses and the deterioration of the balance of payments accounts limited the use of expansive monetary policies to stimulate manufacturing and forced the government to impose import controls. During the second half of the year, a modest improvement in domestic demand occurred. Industry responded by drawing down inventories, while some firms expanded output.

During the second half of 1982 and 1983 the government reversed most of the policies that had plagued the industrial sector since 1976. The major factors accounting for the improvement of industrial output in 1983 were the reimposition of import controls, realistic exchange rate adjustments, and stimulative fiscal policies. The pace of recovery slowed during the last quarter of 1984 owing to the scarcity of foreign exchange to purchase needed foreign industrial inputs, the con-

tinued shortage of credit, and price controls that squeezed profit margins. Moreover, hyperinflation retarded consumer spending despite salary hikes. The downward trend in the industrial recovery that began in 1984 was expected to continue into 1985.

Energy

In the mid-1980s Argentina was endowed with bountiful energy resources. The country became self-sufficient in the production of petroleum in 1981, possessed vast untapped reserves of natural gas, and had substantial deposits of uranium and low-quality coal. In addition, alternative energy sources such as hydroelectricity and nuclear power were actively being developed.

Petroleum reserves fell from a total of 2.46 billion barrels in 1970 to about 2.4 billion barrels in 1984. Reserves remained relatively constant during that period because exploration and development by the public and private sectors were sufficient to permit the replacement of annual consumption with new discoveries. Known reserves were sufficient for a period of only 13 years at 1984 levels of consumption.

On average, about 64 percent of total oil production was conducted by the State Oil Company (Yacimientos Petrolíferos Fiscales—YPF), 34 percent by companies under contract to YPF, and 2 percent by private oil companies. YPF began the exploration and production of hydrocarbons (petroleum and natural gas) in 1907 and was actively involved in every facet of the industry except the marketing of natural gas. Specifically, YPF operated 4,600 kilometers of petroleum and refined-product pipelines, a fleet of oil tankers, and six oil refineries that accounted for 65 percent of productive capacity. Approximately US$700 million, or 87 percent of YPF's total investment in 1983, was allocated to the exploration and development of hydrocarbons. The private sector has been active in exploration and production activities since 1916. In 1983 about 50 Argentine private oil companies and several foreign corporations operated 30 production contracts in existing fields and 15 risk contracts for the exploration of new areas. Contracts were awarded by YPF on the basis of international competitive bids.

Oil production steadily increased from 392,874 barrels per day (bpd) in 1970 to 496,712 bpd in 1981. Despite abundant resources, the country's output of petroleum stagnated in

1982 and 1983 at 490,608 bpd and 480,677 bpd, respectively, then dropped to 480,000 bpd in 1984. Although YPF's output increased during 1982 and 1983, the quantity was insufficient to offset the decline in the production of contractors. Contractors cut back on output in the face of escalating costs and prices that were too low. Owing to repeated devaluations between 1980 and 1983, the United States dollar equivalent value of YPF payments to contractors fell below international petroleum prices and even below production costs for several contractors. At the same time, oil exploration declined; the number of new wells drilled by contractors dropped from 265 in 1980 to 238 in 1981 and to 102 in 1982. In October 1984 the administration of President Alfonsín confirmed the changes that had been proposed by the previous government to double the 1982 average price for the contractor's oil. The new provisions satisfied the contractors and made prices comparable to those that existed in other oil-producing countries.

The government made a fundamental shift in energy policy in early 1985 to increase the production of petroleum to levels that would supply domestic requirements and also allow a resumption of exports. During a speech in Houston, Texas, in March 1985, Alfonsín made an unqualified appeal to foreign investors to play a pivotal role in the development of the country's considerable but largely underexploited petroleum reserves. The announcement marked a watershed in the volatile history of the petroleum industry. Previous nationalistic policies, which discriminated against foreign oil companies, gave way to the pragmatic realization that foreign investment was necessary to develop adequately the energy sector.

In order to reach the goal of maintaining reserves equivalent to 15 years of production, approximately 4.8 billion barrels of new reserves (an annual average of 319 million barrels—more than twice the discovery rate of the past decade) would have to be discovered between 1985 and 2000. If the mid-1980 level of consumption were to increase at a modest annual rate of 3 percent, about 5.4 billion barrels of new reserves would be required by the year 2000, or an annual average of 360 million barrels over the period. Argentine and foreign private oil companies estimated that over US$30 billion would have to be invested between 1985 and 2000 if the country was to be self-sufficient and generate exports by the 1990s, a time when world petroleum prices were expected to recover.

In 1985 only 540,000 square kilometers in western and

southern Argentina out of a potentially productive area of 1.1 million square kilometers were under development (see table 3, Appendix). Moreover, only 44 percent of the area under development had been actively surveyed for potential oil reserves. Thus the government believed that there existed large tracts that were readily accessible and demonstrated a high potential for successful exploitation. Although no discoveries had occurred in the northeast, geological formations there indicated the presence of potentially large deposits of petroleum.

Prior to 1985 foreign oil companies could explore for petroleum on an individual basis or in partnership with YPF, but under the terms of Law No. 21.778, all petroleum output had to be sold to YPF for processing or resale to other refineries. In recognition of the enormous amount of investment capital required to develop Argentina's petroleum sector, the government offered various incentives to prospective local and foreign investors. Beginning in 1985 oil companies could bid on new areas open for exploration under contractual terms that reflected the extent of the risk involved. At the same time, joint-venture operations were encouraged. Under the new forms of association, the government authorized seismic contract options that enabled the companies to review the potential of the areas explored before funds for drilling were committed. The seismic option was restricted to a two-year time limit in advantageous topographical areas on land and offshore and to three years in high-risk areas. In addition, payment was to be in the form of refined products that could be exported.

The high cost of developing the country's petroleum resources concurrently encouraged the government to make a concerted effort to promote alternative energy sources. In 1984 hydroelectric power accounted for more than one-half of total energy resources but supplied only about 9 percent of total demand for domestic energy reserves. Natural gas met less than one-third of total energy demand but had the potential to increase significantly its share. Conversely, the proven reserves of petroleum accounted for only 12 percent of total energy resources, but oil met about 56 percent of domestic demand for energy. Concurrently, nuclear power and coal satisfied 4 and 2 percent, respectively, of total demand. The government estimated that by the year 2000, petroleum would account for only 36 percent of energy consumption, natural gas would increase its share to 30 percent, hydroelectricity would jump to 24 percent, nuclear power would rise to 6

percent, and coal consumption would expand slightly to 4 percent.

In the mid-1980s the government placed a high priority on developing its abundant supplies of natural gas as a partial substitute for its supply of petroleum. Official policy supported the substitution of petroleum-derived fuels with those from natural gas, which in turn would enable a large volume of light, refined products to be exported. Proven reserves of natural gas increased from 641 billion cubic meters in 1980 to more than 690 billion cubic meters in 1984. At 1984 levels of consumption, natural gas reserves were estimated to be sufficient for about 50 years. The addition of probable reserves, however, increased the reserve life for natural gas to 150 years. Despite its abundant supply of natural gas, Argentina has imported large quantities from Bolivia since 1968. In 1983 Argentina imported an average of 1.4 million cubic meters of natural gas per day from Bolivia. Contracts for the purchase of natural gas from Bolivia that extend through 1992 add about 22 billion cubic meters to Argentina's 1984 proven reserves.

Between 1980 and 1984 production of natural gas increased from 13.2 million cubic meters to about 14.5 million cubic meters annually. Natural gas was transported through a network of pipelines that stretched for over 6,640 kilometers. Natural gas was piped to Buenos Aires from the Comodoro Rivadavia and Campo Durán oil fields in the province of Salta. To meet the growing demand for natural gas, the San Sebastián-Cerro Redondo and Center-West pipelines were under construction in the mid-1980s. The Center-West gasline would supply the western and central provinces from natural gas fields in the provinces of Neuquén and Mendoza and would also be linked with the San Luis pipeline. Upon completion of the Center-West pipeline, 10 million cubic meters of natural gas would be transported daily within Argentina. Argentina was also actively exploring the potential for exporting natural gas to neighboring countries. Plans were being developed to build pipelines to the cities of São Paulo in Brazil, Montevideo in Uruguay, and Santiago-Valparaiso in Chile.

In the mid-1980s the large-scale development of hydroelectricity during the next decade was being planned. A major undertaking was the Yacyretá-Apipe hydroelectric plant, which was a joint venture between the governments of Argentina and Paraguay. Construction began in 1983 under the direction of Dumez of France and Impregilo of Italy. With an estimated cost of US$10 billion, the plant was expected to have

a capacity of 2,700 megawatts upon completion in the late 1990s. Argentina was expected to use most of the generated power from the plant during its first several years of operation. Other binational projects included the Argentine-Paraguayan Corpus dam that would be built across the Río Paraná, downstream from the Yacyretá-Apipe plant; upon completion, the Corpus dam was expected to produce 4,020 megawatts of output. The Garabi, Roncador, and San Pedro dams that were planned to be built between 1985 and the mid-1990s by an Argentine-Brazilian joint venture would supply an additional 2,200 megawatts, 3,000 megawatts, and 736 megawatts, respectively. The most massive of the projected works was the Paraná Medio plant, which would include two dams about 300 kilometers apart. Both dams would have an installed capacity of 5,600 megawatts. Upon completion the project would generate about 40,000 gigawatts of electricity annually, which would be equivalent to that produced by the Corpus, Yacyretá-Apipe, and Salto Grande hydroelectric dams combined. The project was designed with the cooperation of the Soviet Union, from which the turbines would be purchased. Because of financial constraints, however, only one of the dams was slated to be completed by the mid-1990s.

Argentina began to develop its nuclear industrial activities in the mid-1960s under the direction of the National Atomic Energy Commission (Comisión Nacional de Energía Atómica—CNEA). In 1974 Atucha I became the first nuclear power plant installed in Latin America. In May 1983 the Embalse nuclear plant, with a capacity of 600 megawatts, was completed. The plant was built by Canadian, Italian, and Argentine contractors in eight years at a cost of some US$1.3 billion. The 1980-85 National Energy Plan envisaged the completion of four new nuclear power plants by the end of the 1990s. Among them will be the Atucha II 682-megawatts nuclear plant, which was under construction in the mid-1980s. Atucha II was being built by Kraftwerk Union, a subsidiary of Siemens of the Federal Republic of Germany (West Germany), at a cost of US$1.5 billion. In 1983 a Swiss-built heavy water plant was being constructed at a cost of US$316 million. In the 1980s Argentina became an exporter of nonsensitive technology to other countries in Latin America that were interested in developing their nuclear industries. Bilateral agreements were signed with Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela (see Nuclear Development and Capabilities, ch. 5).

In 1983 Argentina's reserves of uranium oxide were estimated to total 29,500 tons. Almost 2,000 tons were located in the Sierra Pintada deposits in the province of Mendoza. In 1982 exploratory activities at Los Gigantes in the province of Córdoba unearthed about 5 million tons of low-grade ore reserves that were equivalent to 1,500 tons of uranium oxide. CNEA officials believed that the deposits could hold up to 3,000 tons of uranium oxide. Between 1980 and 1983 the annual production of uranium oxide increased from 284,900 to 504,000 kilograms.

The only large deposits of coal in Argentina were found in the Río Turbio area in the extreme southwestern part of the country. Approximately 99 percent of a total reserve level of 455 million tons of coal were located in that area. Between 1980 and 1983 an annual average of 472,000 tons of coal were produced.

Mining

Mining in Argentina continued to be an industry that was of only marginal importance during the first half of the 1980s. Mining contributed only 0.3 percent of the total GDP and generated 0.5 percent of the country's total foreign exchange earnings. Argentina possessed substantial mineral reserves, but relatively little exploration or large-scale exploitation had occurred because of the high risks, low yields, and long payback periods involved. In addition, many of the deposits were located in the western part of the country, remote from major coastal ports and industrial centers in the east.

The primary metallic minerals that were produced included uranium, iron, zinc, and lead. Important nonmetallic minerals included clays, boron, salt, feldspar, fluorite, vermiculite, and glass sand. Between 1980 and 1983 the total output of metallic, nonmetallic, construction, stone, rock, and limestone minerals averaged almost 61.2 million tons annually. Metallic minerals accounted for about 2 percent of this total, nonmetallic minerals for 8 percent, and the remainder for 90 percent. The total volume of metallic minerals increased from 965,000 tons in 1980 to almost 1.1 million tons in 1981. Production fell by 14 percent in 1982 but increased by 62 percent, to almost 1.5 million tons, in 1983. The production of nonmetallic minerals declined from 5.9 million tons in 1980 to slightly more than 4 million tons in 1983. Nonmetallic minerals used in the construction industry increased from 58.5 million tons in 1980

to 60 million tons in 1981, then declined by 12.4 and 7.2 percent, respectively, in 1982 and 1983.

Excluding steel, ferroalloys, and mineral fuels, the export value of minerals in 1983 totaled US$35.6 million, whereas imports were valued at US$115.7 million. Mineral exports were insignificant in total trade and demonstrated a declining trend over the 1980-83 period. Approximately seven metallic and 17 nonmetallic minerals were exported to 30 countries in 1983. Mineral exports were primarily lead, tin, silver, and borates. Although mineral imports declined by 9.3 percent in 1983 from 1982 levels, Argentina continued to be dependent on foreign sources for minerals, metal products, and manufactured minerals. Metallic imports included aluminum, chromium, iron, manganese, tin, and titanium. Nonmetallic mineral imports consisted of abrasives, asbestos, barite, cement, clays, cryolite, diatomite, graphite, magnesite, mica, phyrite, sulfur, and talc.

In 1983 Argentina's reserves of iron ore were estimated at 1.1 billion tons. The Sierra Grande deposits in the province of Río Negro accounted for 24 percent of total reserves; Santa Barbara and Unchime deposits in the province of Salta, 41 and 24 percent, respectively; Tacuru and San Blas deposits in the province of Misiones, 2 and 0.2 percent, respectively; and the deposit of Puerto Viejo in the province of Jujuy and the Cerro-Labrado deposits in the province of Salta, a total of 8 percent. Production of iron ore increased from 437,000 tons in 1980 to 629,000 tons in 1983 (see table 4, Appendix). Production did not meet domestic needs, however, and substantial quantities were imported from Brazil and small quantities from Chile and Bolivia.

The steel industry consisted of four integrated steel plants and two semi-integrated factories. The dominant steel producer was Somisa, a government-owned company. The output of crude steel peaked in 1979 at 3.2 million tons, declined in 1980, then increased to about 2.9 million tons in 1982 and again in 1983. The annual production capacity of the steel industry expanded to over 5 million tons of crude steel by 1983.

Copper deposits were located along the Andes mountains and were an extension of similar deposits in Chile and Peru. The El Pachón copper deposit in the province of San Juan was estimated to contain about 800 million tons of reserves. The state-owned Bajo la Alumbrera deposits in Catamarca Province were estimated to contain about 350 million tons of copper

reserves. Feasibility studies indicated that the deposits could produce about 60,000 tons of copper, 1 million tons of molybdenum, 192,900 troy ounces of gold, and 385,800 troy ounces of silver. Owing to financial constraints, however, the government was trying to arrange for a development loan from the World Bank (see Glossary) to develop the area. In 1980 the output of copper was 182 tons. In 1981 and 1982 output declined by 56 and 52 percent, respectively, and in 1983 it jumped by 518 percent to 235 tons.

Lead, silver, and zinc were mined at a deposit in the Andes Mountains, from which zinc and lead concentrates were produced. The ore body was estimated to hold reserves of about 6.6 million tons, which contained 6.2 percent lead, 7.6 percent zinc, and 3.7 percent silver per ton. The ore body was owned and operated by a subsidiary of the Fluor Corporation. A mill at the mine had a daily capacity of 2,300 tons of ore. Almost the entire quantity of zinc and primary lead produced in Argentina derived from these deposits and the processing plant. Other producers of lead, zinc, and silver included Geotécnica in the province of Río Negro, Río Cincel in Jujuy, and Cerro Castile in Chubut.

In 1983 several medium-to-large deposits of manganese were discovered in the province of Santiago del Estero. Moreover, some 53 other known deposits of manganese were located in the same area. Annual production of manganese ranged between 2,706 and 6,146 tons during the 1980-83 period.

Manufacturing

In the mid-1980s manufacturing was the largest single component of GDP. Between 1980 and 1984 the share of manufacturing increased from 22.4 to 24.8 percent of GDP. Nevertheless, this 1984 level was the same as that attained in 1970 and was less than the 25.3-percent share achieved in 1975.

Between 1970 and 1980 the fastest-growing industries were machinery and equipment, chemicals, petrochemicals, and basic metals; the slowest-growing industries included food and beverages, textiles, wood products, and paper and printing. In 1984 machinery and equipment formed the largest industrial component in the manufacturing sector, followed by the food and beverage and the chemical industries.

The manufacturing sector was devastated by the economic recession that began in late 1980, intensified during 1981, and

continued into 1982. The military government that took over in 1976 introduced a policy to deliberately open the economy to foreign competition by reducing protective barriers against imported manufactured goods. The principal aim of the economic managers was to dampen inflationary price increases, improve industrial productivity, and promote the competitive potential of Argentine industrial exports. The combined loss of protective barriers and an overvalued exchange rate precipitated a severe contraction in the manufacturing sector. Manufacturing activity only began to recover at the end of 1982 and in 1983 because of the reversal of policies that had been in effect since 1976. Overall manufacturing output declined by 3.8 percent in 1980, 16 percent in 1981, and 4.5 percent in 1982, then increased by 10 percent in 1983 and 4.3 percent in 1984.

The manufacturing sector's efforts to adjust to foreign competition were evident in the declining performance of the industries producing durable consumer goods and capital goods. The steel and automotive industries were hit particularly hard. From a peak of 282,000 vehicles in 1980, the level of production contracted by 39 percent in 1981 to 172,000 units and to 132,000 units in 1982. Citroën-Argentina and Chrysler responded to the increased level of competition from Japanese vehicles by shutting down their operations. Domestic investors acquired majority ownership of Citroën-Argentina and secured the exclusive right to produce Citroën cars. Volkswagen purchased Chrysler's plants and planned to begin fabricating its own models by the mid-1980s. Peugeot withdrew from Sevel, the Fiat-Peugeot joint venture, in early 1982. Local investors obtained a controlling interest in the firm, and Sevel enjoyed a lucrative sales year in 1982, as did Volkswagen. The automotive downturn was also reflected in the poor performance of such engine and vehicle components as metal products, rubber, tires, paint, and steel parts. The devaluations of 1981 and 1982 and the tightening of imports sparked a recovery in the automotive sector in 1983, when the production of vehicles increased by 21 percent to 160,000 units.

After a 54-percent drop in output in 1981 and continued poor sales prospects in 1982, the tractor industry made a remarkable recovery in 1983. In that year the production of tractors increased by 163 percent, and the prospects for 1984 indicated a strong growth in output. In 1984 the domestic tractor company, Zanello, took about 40 percent of the mar-

ket. Massey-Ferguson and Deutz each had a 21-percent share, Fiat had 12 percent, and John Deere had 6 percent.

The steel industry expanded rapidly in the first half of the 1970s in response to the growth of domestic demand. In the late 1970s and early 1980s the steel sector encountered a climate of sagging demand in the local market, an upsurge of competitive imports, exporting difficulties caused by the deterioration in the real exchange rate, and restrictions in access to foreign markets. The depressing effect on the sector was only partially offset by government subsidies for exports. In 1976 there had been over a dozen companies producing or processing steel. As a result of acquisitions, mergers, and bankruptcies, the field had been reduced to six firms in 1983. Those six companies accounted for almost 95 percent of the domestic production of steel and steel products. The 1980-82 downturn resulted in a loss of earnings for the government-owned steel company, Somisa, and for the Acindar Company, which had merged with the Gurmendi and Santa Rosa companies in 1981. The Dalmine Company increased its annual sales in 1981 by 106 percent, largely as a result of a successful export drive to China. The most successful of the largest steel companies was Propulsora, which increased its net returns on sales from 3.3 percent in 1980 to 8.6 percent in 1981.

The output of pig iron declined by 7.5 percent in 1980, 4 percent in 1981, 10 percent in 1982, and 1.4 percent in 1983. The production of crude steel declined by 15.6 percent in 1980 and 6.5 percent in 1981, then increased by 15 and 0.4 percent in 1982 and 1983, respectively. The output of rolled steel products dropped by 11.5 percent in 1980 and 17 percent in 1981, then increased by 21.6 and 5.5 percent in 1982 and 1983. Argentina exported approximately US$207 million and imported over US$350 million worth of steel products in 1983.

During the first two quarters of 1984 the output of steel declined by 12 percent in comparison with the same period in 1983. In 1984 domestic demand contracted largely because of government budgetary reductions for public works projects that were heavy users of steel products. At the same time, the reduction of private sector investment and the continued contraction of the construction industry further reduced the local demand for steel products.

Between 1980 and 1982 the activities that were most seriously affected as a result of the increased exposure to competition from imports were the textile, clothing, and pulp and

paper industries. The textile industry was severely affected by cheaper imports that supplied almost 60 percent of the domestic market, which in turn reduced domestic output to 67 percent of its normal capacity. The reduced demand caused by high domestic interest rates and the recessionary climate forced the closure of a number of the smaller textile firms. The production value of textiles declined by 15 percent in 1980, 20 percent in 1981, and 1 percent in 1982 but expanded by 14 percent in 1983 in response to the reimposition of import controls and the re-establishment of interest rate subsidies. During the first half of 1984 the upturn in local wages supported a positive growth in textile products, but the recovery faltered in the closing months of the year because of higher production costs, the imposition of price controls, and slackened demand caused by smaller wage gains in the public sector. Pulp and paper production also encountered mounting competition from imported goods. The value of paper output dropped by 17.5 percent in 1980 and by 18 percent in 1981. Earnings in the paper industry recovered in 1982 and 1983, when the production of paper and cardboard expanded by 28 percent to 908,300 tons. The production of pulp increased by 41 percent, to 611,200 tons, in 1983. The pulp and paper industry was assisted in its recovery by reinstated import controls and by the use of new production facilities that came online in 1982-83. The Alto Paraná facility significantly increased the capacity for the production of wood and pulp, whereas the Papel del Tucumán plant caused the supply of newsprint paper to expand.

The chemical industry weathered the economic recession relatively well. Output value fell by only 6 percent in 1980, 7 percent in 1981, and 1.3 percent in 1982. In 1983 production recovered for most products, and net earnings jumped by 10 percent. The chemical industry accounted for 4 percent of GDP and was the third largest contributor to the industrial product.

Of the top 50 firms in Argentina, 14 government companies accounted for 50 percent of total sales in the early 1980s. Government firms accounted for 70 percent of total sales in the petroleum sector; 98 percent in electricity, gas, and water; 59 percent in shipbuilding; 34 percent in steel; and 19 percent in meatpacking. During the 1980-82 industrial recession, government firms experienced sharp contractions in profitability. All but four of the 14 top government firms posted losses in 1981. The government-owned electric company, Segba, in-

creased its profits by 88 percent in 1981 after having recorded a loss in 1980. Other state-owned utilities, such as Gas del Estado, Agua y Energía, and the telephone company, Entel, also recorded losses in the 1981-82 period. The state-owned railroad company, Argentine Railways (Ferrocarriles Argentinos—FA), recorded losses in both 1980 and 1981. Earnings improved for most of the state companies in 1983.

Transportation

In the mid-1980s the transportation system was the most extensive in Latin America (see fig. 7). Transportation played a key role in the integration of the interior provinces into the national economy and the development of the export sector. The surface transportation of freight was carried 49 percent by road, 18 percent by river and coastal transport, 22 percent by natural gas and petroleum pipelines, and only 11 percent by the railroads. Export products, on the other hand, were transported 91 percent by oceangoing vessels, about 5 percent through oil and gas ducts, 3 percent by trucks, and barely 1 percent by a combination of rail, air, and other methods of transportation. In 1983 the transportation sector contributed approximately US$7 billion to the gross national product (GNP—see Glossary), and freight revenues were estimated at US$12 billion.

In 1983 Argentina possessed six separate railroad lines that extended over 34,100 kilometers throughout the country. Most lines radiated from the ports in the cities of Buenos Aires, Rosario, Santa Fe, and Bahía Blanca on track that was not of uniform gauge; four lines were of broad gauge, one of standard gauge, and another of narrow gauge track. Consequently, passenger and cargo traffic traveling between regions generally had to be routed through Buenos Aires and transferred to another line with a different gauge of track. About 19 million tons of freight and 300 million passengers were transported annually on the railroad system. Approximately 47 percent of the total railroad network was considered to be in good condition, while the remainder was in fair to poor condition. Moreover, continued operating deficits, featherbedding, poor maintenance, and outdated equipment constrained the efficient operation of the railroad system, which was managed by the state-owned enterprise, FA. FA planned to standardize the rolling stock, speed up the process of maintenance and repairs,

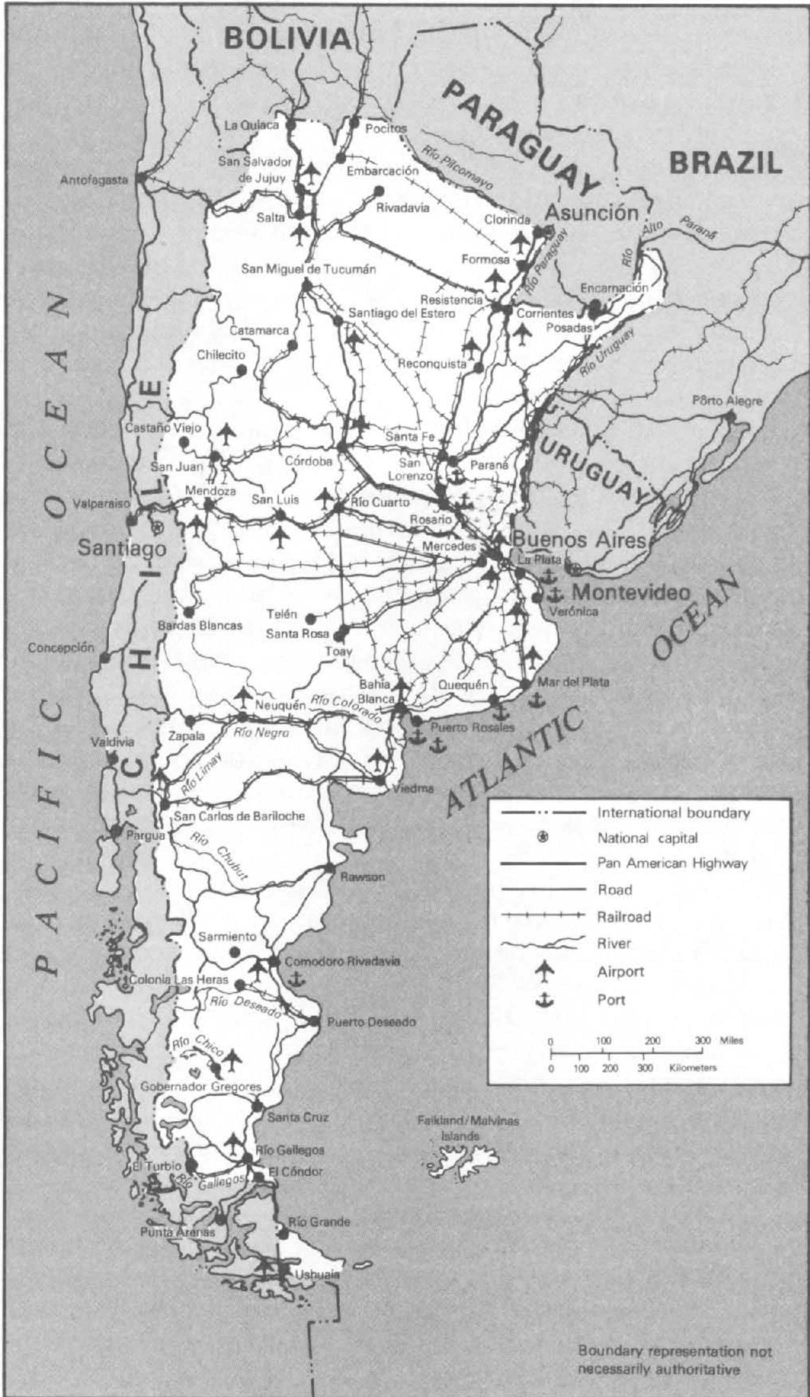


Figure 7. Transportation System, 1983

increase the overall use of the system, and convert part of the system to electrification. Any improvements would necessarily take place over an extended period, however, owing to government budgetary constraints.

The Buenos Aires subway system provided an important means of transportation throughout the metropolitan area. It began operating in 1913 and was the first such system in Latin America. In 1983 it extended over 34 kilometers on a network that consisted of five subway lines. Between 1960 and 1980 the number of passengers declined from 300 million to about 201 million. In 1982 the number of annual riders had dropped to less than 182 million.

The road network extended over 1 million kilometers, of which about 55,000 kilometers consisted of paved roads. In 1982 there were about 5 million vehicles in use. In major urban centers the preferred method of transportation was by private automobile, which accounted for more than 38 percent of total passenger traffic annually. Buses and trains carried 37 and 15 percent, respectively, while other means of transportation carried the remaining passengers. The government planned to rehabilitate part of the existing road network; expand the major interurban corridor that stretched from La Plata to Buenos Aires, Rosario, Santa Fe, and Córdoba; upgrade the unpaved portion of the national road network; and improve access highways between remote provinces and major urban centers.

In early 1983 the merchant fleet consisted of nearly 200 ships with a total capacity estimated at 3.1 million gross tons, of which the state-owned merchant marine fleet accounted for 23 percent of the total. Some 60 tankers accounted for almost one-third of the total tonnage, about 20 grain ships comprised an additional 30 percent, and other kinds of freighters accounted for the remaining tonnage. The state oil company operated 25 tankers. In 1983 about 42 percent of Argentine imports and 13 percent of its exports were carried by Argentine vessels.

Principal ports on the Atlantic coast included Bahía Blanca, Comodoro Rivadavia, and Quequén. Major ports on the Río de la Plata included Buenos Aires and La Plata. The most important ports along the Río Paraná were San Nicolás, Campana, Rosario, San Lorenzo, and Santa Fe. Over three-fourths of the country's international freight tonnage was handled in these 10 ports. The port of Buenos Aires, alone, accounted for about 40 percent of the total. A majority of ports specialized in the

handling of a particular cargo; Buenos Aires handled most kinds of cargo and grains. Bahía Blanca, Quequén, Rosario, and Santa Fe primarily handled grain. Comodoro Rivadavia, San Nicolás, San Lorenzo, and La Plata primarily handled mineral and petroleum products.

River transport operated largely on the 3,000-kilometer navigable inland water network consisting of the Río de la Plata estuary and its tributaries, the Río Paraná, Río Uruguay, Río Paraguay, and Río Alto Paraná. These important trade routes generally excluded large vessels or their loading capacity was restricted because of shallow depths and silting channels.

Owing to vast territorial expanses between urban centers, a large potential existed for expanding the domestic air transportation system. Although domestic air service developed rapidly over the past three decades, only about 6.4 percent of total interurban passenger traffic and 0.02 percent of all freight were carried by airplanes. The most important state-owned airline, Argentine Airlines, maintained an extensive domestic air service network that linked all provincial capitals and many other cities with Buenos Aires. In 1983 about 50 percent of all domestic air routes were operated by Argentine Airlines. Other smaller national, state-owned airlines that provided similar services included Austral Airlines, Air Chaco, and State Airlines. A 1983 law required that all international air freight that was destined for the provinces had to be unloaded in Buenos Aires and thereafter carried on national airlines.

In 1982 approximately 4.7 million passengers were transported by national air carriers, of which about 43 percent traveled on international flights. Argentine Airlines was estimated to have flown almost 5.2 billion passenger-kilometers, of which 54 percent were international.

Argentina had over 200 airports and landing fields in 1982; of these, 25 were used for international flights. The Ezeiza International Airport, located to the south of the city of Buenos Aires was the largest. The busiest airport was the Aeroparque, located in downtown Buenos Aires, which primarily served all domestic air routes and international flights to Uruguay and Paraguay.

Agriculture

Public Agricultural Policies

Argentina was endowed with a vast agricultural potential,

which derived from some of the richest soils in the world and climate conditions that were conducive to the cultivation of most temperate zone crops (see Topography and Climate, ch.2). In the mid-1980s agriculture continued to be the backbone of the nation's economy. The country was self-sufficient in almost every category of agricultural production and was a major exporter of grains, oilseeds, and beef. Agricultural production alone accounted for over 15 percent of GDP. Associated agroindustrial activities in processing, transport, sales, and other services raised the total share of agriculture-based output in GDP to about 30 percent. The agricultural sector contributed food and labor to the industrial urban centers; provided almost three-fourths of total export receipts, which financed vital imports of raw materials and capital goods required for industrialization; and offered the financing to help alleviate the burdensome economic constraints imposed by the country's huge foreign debt.

Despite the overwhelming importance of agriculture to the nation's economic well-being, the sector was unable to develop fully its potential by expanding production and trade. Argentina's historical penchant for political and economic instability and vagaries in government policies stifled production and bred an atmosphere of uncertainty. Since 1976 declining prices, surging inflation, and rising input costs caught producers in a cost-price squeeze that was compounded by late price-support announcements, changing foreign exchange regimes, an overvalued peso, unscheduled peso devaluations, and frequent changes in export taxes and tariffs that made it very difficult to gauge government intentions. In a climate of high risks and few economic incentives, producers were inhibited from making long-term investments and adopted low-risk cultivation and livestock-raising practices.

In 1980 Argentina's agricultural policy underwent several significant modifications that affected both the domestic and the foreign trade sectors. The government failed to devalue the peso in line with increases in the inflation rate; although the rate of inflation was 88 percent, the peso was devalued by only 23 percent. The overvaluation of the peso acted as an indirect form of taxation on agricultural exports. Exports became increasingly costly in world markets, while imports were a bargain. Despite Argentina's self-sufficiency in agriculture, foodstuffs were actually imported to take advantage of their lower cost. Consequently, producers' returns were squeezed even further. The cattle, dairy, fruit, and tobacco industries

were particularly affected because of their heavy dependence on export earnings. Grain and oilseed producers were not affected as severely owing to world production shortfalls that kept prices at favorable levels. At the same time, the indebtedness of producers worsened because credit for operating expenses became prohibitive as domestic interest rates increased to about 6 percent per month, or 105 percent annually. Matters were exacerbated during the year by a series of record-setting weather aberrations that included a severe drought in January followed by extensive flooding in April and May. The production of corn, sorghum, and soybeans was most severely affected. A second drought in June diminished the output of wheat. The livestock sector was also weakened by serious financial problems that stemmed from high inflation, an unfavorable foreign exchange rate policy, and reduced export demand.

To improve the competitiveness of agricultural exports in the world market, the government introduced export rebates of 10 percent for various commodities and eliminated about 22 specific production and export taxes on cattle, grain, oilseeds, and processed farm commodities. A value-added tax (VAT) was introduced to offset the loss of public revenues that had been generated by export taxes. The VAT also substituted for the employers' and farmers' former practice of contributing 20 percent of their annual average wage bill to social security and housing. In effect, the VAT shifted part of the tax burden from the farmer (as producer and employer) to the consumer.

The most important change in agricultural export policy in 1980 was a shift to long-term bilateral trade agreements to ensure markets for domestic grain exporters. This shift was intended to encourage increased production of grain for export and to offset Argentina's decline in trade with the nations of the European Economic Community (EEC). Grain accords were signed with the Soviet Union, China, Iraq, and Mexico. Argentina was the only major grain exporter that did not participate in the United States-led partial grain embargo against the Soviet Union in protest of its 1979 invasion of Afghanistan. The government's decision not to participate in the embargo had the unforeseen result of offsetting the adverse effects precipitated by economic and meteorological constraints. The Soviets purchased significant quantities of corn, sorghum, and wheat at premium prices.

Growth in the agricultural sector was uneven in 1981. The production of cereals, vegetables, and pulses increased, while

oilseeds, fruit, and industrial crops declined. The differences in output occurred in response to weather and market influences and to changes in government policies.

During 1981 the peso underwent a series of massive devaluations that made agricultural exports more competitive and imports less so. The combination of peso devaluations in February, April, and June, the introduction of a two-tiered exchange rate on June 22, and the unification of the dual exchange rates on December 22 caused the value of the peso to fall by about 430 percent. The rate of inflation was about 130 percent, however, so that the decrease in the value of the peso was only about 300 percent in relation to the United States dollar.

Although international prices for cereals declined in 1981, the improvement in relative prices as a result of the devaluations increased the area planted in cereals. The output of other export crops, such as beans, increased, while the market for vegetables expanded because of reduced competition from imports. Adverse weather conditions diminished the output of fruit, which in turn restricted exports. The sharp deterioration of world prices for cotton and sugar prevented those farmers from taking advantage of the devaluations. The beneficial effects of the devaluations took effect after the harvests for tea and tobacco had taken place.

In the face of high inflation and low prices for beef until November, the cattle sector encountered poor economic returns. The export of beef products was stagnant as a result of weak international demand. High domestic interest rates also negatively affected the livestock sector more than the crop sector because the raising of livestock requires that capital be immobilized for longer periods.

In December 1981 a new administration placed a 10-percent export tax on all agricultural products that did not have export rebates at the time. The new policy was implemented in conjunction with the merging of the dual exchange rates in order to offset the resulting devaluation and to provide additional revenues for the government. Although many products enjoyed export rebates, the most important export earners, such as cereals, oilseeds, and unprocessed beef, were not granted rebates and were therefore subject to export taxes. The only cereal and oilseed commodities that did receive rebates were rice and confectionary peanuts.

The peso continued to be devalued in 1982, when its value fell by almost 400 percent. The devaluations caused rela-

tive prices to fall faster than the inflation rate, so the competitive position of exports improved further. The commodity prices also outpaced inflation because of the devaluations. Moreover, government financial policies that resulted in negative real interest rates indirectly assisted farmers in repaying a sizeable portion of their outstanding debt. Although the devaluations benefited the farmers' earnings, they also caused a 500-percent increase in the cost of imported inputs, such as fertilizers and pesticides.

The peso devaluations were accompanied by the introduction of export taxes and the increase of existing export taxes in July to curb windfall profits and to help generate additional government revenues. A 25-percent export tax was placed on unprocessed commodities, and a 20-percent tax covered unprocessed meats. Processed export crops were assigned lower tax rates that varied, depending on the product or the country of destination.

The new government promoted the export of nontraditional and higher-valued commodities by reducing export taxes to 15 percent on meat cuts and oilseed meals, except soybean meals; a tax of about 10 percent was established for oilseed oils, soybean meal, pulses, wheat flour, tanned hides, fresh apples, pears, grapes, citrus, raisins, garlic, onions, frozen vegetables, raw cotton, tea, cigarettes, cigars, honey, milled rice, and confectionary peanuts; and zero on such meat products as cooked and canned beef. Export rebates were granted only if products were destined for new markets.

In 1983 crop output declined by 0.3 percent, and livestock increased by 2.2 percent. The total output of cereals and oilseeds reached a record level of 40 million tons. The output of wheat and sunflowers declined, however, owing to adverse weather conditions and the fall of world prices for wheat. Improved world prices for oilseeds stimulated an expansion in the area planted and in output. As a group, industrial crops declined slightly because of weak prices for cotton at the time of planting. The output of some industrial crops, such as sugarcane, tobacco, and tea, however, increased.

Although export taxes remained similar in 1983 to the levels that existed in 1982, the tax on wheat was reduced from 25 to 18 percent in December to compensate for the lower international prices and to stimulate output. At the same time, support prices for wheat were announced in advance of planting rather than prior to the harvest as previously practiced. To improve crop yields, the government lowered the VAT on

herbicides from 18 to 5 percent. Import tariffs on fertilizers were also lowered in 1983.

Beef prices advanced sharply in the second half of 1983. To counter the inflationary impact of rapidly rising beef prices when domestic beef supplies were low, the Alfonsín administration introduced a beefless week and two beefless days per week at restaurants in March. The new government concurrently urged the public through mass media to consume less beef in order to counteract inflation. The consumption ban in restaurants was extended through 1985. Nevertheless, beef remained the cheapest and most abundant source of protein available. The output of substitute meats did not respond sufficiently because their prices tended to lag behind the price of beef. Toward the end of the year, the government announced its intention to purchase and sell cattle and beef on both the domestic and the export markets in order to restrain wide fluctuations in beef prices. Although the government's stated aim was to promote a larger output of beef, farmers interpreted the action as another in a series of gross government interventions in an area that remained outside its level of competency.

Despite low crop prices, hyperinflation, restrictive export taxes, and an overvalued peso, the prospects for crops were superior to those for livestock. In 1984 the combined output for cereals and oilseeds reached a record of over 43 million tons. During the year the government acknowledged the importance of agriculture in helping to solve the nation's foreign debt crisis. Thus it was announced that the government's priority during 1984 and 1985 would be the removal of some of the disincentives to encourage the expansion of output and of exports. The administration announced the continuation of the wheat support program and the initiation of a similar program for small-scale corn producers. It also increased the availability of financial assistance for the transportation of cereals and oilseeds from farmers in the outlying provinces, introduced a limited credit program for small-scale producers, permitted farmers to barter cereals for fertilizer and petroleum, continued the reduction of the VAT on herbicides and fertilizers, removed tariffs on nitrogen fertilizers, and announced plans for the construction of three new fertilizer plants.

The government has subsidized credit to agricultural producers since the 1940s. The National Development Bank and provincial banks played central roles in the allocation of credit to the farm sector. In the early 1980s the National Develop-

ment Bank provided about one-third of the total amount of agricultural credit. Almost three-quarters of the National Development Bank's loans were used to cover the operating expenses of producers; the remainder financed capital investments and disaster relief. Short-term loans funded planting and harvesting costs.

Land Use

In the mid-1980s the total continental land area of Argentina exceeded 277 million hectares. Annual and permanent crops accounted for 8.3 percent of the total land area; permanent pastures, 5.4 percent; natural grasslands, 52.3 percent; forest and brushlands, 16.1 percent; and unusable land, 17.9 percent. Between 1960 and 1982 the total land area under crops and permanent pastures increased by 21 and 53 percent, respectively, while natural grasslands declined by 6 percent.

A very high proportion of Argentina's agricultural production activities were concentrated in the pampas, or grassland region. The pampas extended over an area that covered 60 million hectares, or about one-fifth of the national territory. The combination of fertile soils, a temperate climate, and regular rainfall attracted approximately two-thirds of the nation's production of cereals, oilseeds, and livestock. Such industrial crops as cotton, tobacco, sugarcane, and yerba maté were primarily cultivated outside the pampas. Fruit, hardier cattle breeds, and sheep were also produced in other areas of the country.

Approximately 72 percent of the land area under cultivation for annual and permanent crops was accounted for by cereal crops. Oilseeds accounted for 21 percent; industrial and fruit crops, 3 percent each; and vegetables, 1 percent. From 1960 to 1982 oilseeds demonstrated an impressive growth of 83 percent in area planted, while cereals and fruit each increased by only 16 percent. The area devoted to such industrial crops as sugarcane, cotton, tea, and yerba maté declined by 32 percent, and the area devoted to vegetables contracted by 38 percent.

Soybeans, sunflower seeds, and flaxseeds accounted for over 87 percent of the area under oilseeds. The area planted with soybeans increased from 2.1 million hectares in 1980 to 2.8 million hectares in 1984. The area devoted to the sunflower crop declined from 2 million to 1.4 million hectares between 1980 and 1981, then increased to 2.1 million hectares

in 1984. Flaxseed area declined from almost 1.1 million hectares in 1980 to 680,000 hectares in 1984.

Wheat, corn, sorghum, and oats increased their share of the total area devoted to cereals from 83 percent in 1980 to almost 90 percent in 1984. The area planted in wheat increased by 44 percent over the period to 7.2 million hectares in 1984. The area in corn stagnated with an average of 3.5 million hectares during this period. The area under sorghum fluctuated from a low of 1.8 million hectares in 1980 to a high of 2.7 million hectares in 1982 before declining again to 2.5 million hectares in 1984.

The area planted with cotton, sugarcane, and tobacco accounted for 89 percent of the total area devoted to industrial crops in 1983. Between 1970 and 1983 the area under cotton cultivation declined by 1.7 percent per annum, while tracts of sugarcane increased by 4.3 percent annually, and those of tobacco declined by 1 percent.

Potatoes, sweet potatoes, dry beans, and tomatoes accounted for more than three-fourths of the area planted with vegetables. From 1970 to the early 1980s, the area cultivated with potatoes declined by 5.3 percent; sweet potato and tomato area declined by 3.8 percent and 1.6 percent, respectively; and the area under dry beans expanded by 13 percent annually.

Between 1970 and 1983 the growth of production in cereals and oilseeds was largely owing to rapid increases in yields, as opposed to the slow expansion of area cultivated. Yields for industrial, fruit, and vegetable crops grew at a much slower pace. Overall, the area planted with cereals, oilseeds, industrial crops, fruit, and vegetables increased by 0.3 percent annually during the period, while yields rose by 3.4 percent.

Yields began to increase in the late 1960s with the introduction of improved seed varieties. Hybrid seeds improved the average yield for corn, but the lack of fertilization led to a stagnation of yields during the late 1970s. In most cases, however, corn seeds were developed for their resistance to drought and diseases. Hybrids that were responsive to fertilizers began to receive greater attention from farmers in the late 1960s owing to the introduction of Mexican wheat varieties. Subsequently, hybrid seeds were particularly effective in increasing the yields of sunflowers and sorghum.

Pesticides and herbicides contributed to a modest increase in yields, but they were only used for a few cereal and oilseed crops. The shrinkage of the rural labor force that was generat-

ed by migration to urban centers in the post-World War II period caused farmers to shift toward the use of herbicides to control weeds. Pesticides largely protected such high-valued crops as fruits, potatoes, vegetables, tobacco, and sugarcane. Restrictive import tariffs on pesticides prevented farmers from taking full advantage of their potential until after 1979. In August 1979 the government completely eliminated import tariffs on pesticides, and their use spread. Nonetheless, the differential in price ratios caused by unstable exchange rates made their wider dissemination uneconomical to the average Argentine farmer.

By the early 1980s Argentina's yields for cereals and oilseeds compared favorably with those of other major producing countries. The improvement in yield was significant because of the relatively modest use of chemical fertilizers. During the 1970s Argentina's use of fertilizers accounted for only 2.3 percent of the world total and 6.7 percent of the total for Latin America. In 1980 the domestic application of fertilizer amounted to an average of three kilograms per hectare of cropland; by 1983 the average had fallen to 2.8 kilograms per hectare.

Fertilizers were primarily used to improve the output of fruit, vegetables, and a few industrial crops, such as sugarcane. The application of fertilizers increased significantly after 1976, particularly on wheat. Only 2 percent of the area planted in wheat was fertilized in 1977, but by 1980 about 13 percent was fertilized. In 1981 fertilizer use declined to 8 percent of the total area in wheat, but it again increased to 13 percent in 1983, when import barriers were reduced.

Labor productivity in the cultivation of crops increased significantly between 1960 and 1980 owing to the mechanization of agriculture. During that time, the tractor largely replaced the horse as the main source of draft power, and the number of tractors increased by approximately 50 percent. Until 1977 subsidized credit served to accelerate the spread of mechanization. After 1977 this credit assistance ended, and both the production and the sale of tractors fell. The decline in demand was evident in the decline in the use of tractors from 155,589 units in 1978 to 131,436 in 1982. Although the use of tractors remained below the standards of equivalent countries, their use was made efficient through the widespread adoption of machinery contracting. Such contractors offered a wide range of services, including the preparation of land, fertilization, and harvesting.

Farm credit, marketing, research, and extension services provided the necessary institutional support to expand output and assist in the introduction of new farm technologies. Technical and farm management services were provided by a number of government and private organizations. The National Institute of Agricultural Technology (Instituto Nacional de Tecnología Agropecuaria—INTA) was the most important public organization providing research and extension service. INTA operated over 40 experimental stations and 13 regional centers throughout the country. New research developments from these stations were provided to farmers through a network of 230 extension agencies. In 1984 about 1,700 staff members were actively involved in the provision of research and extension services. Economic and farm management teams were assigned to regional centers to conduct analyses and disseminate the results to farmers. In addition, the Argentine Association of Regional Experimental Consortia offered farmers individualized advice on agricultural matters for a standard fee. Distributors of farm inputs, marketing agencies, and agricultural cooperatives also provided advice and technical assistance to the agricultural sector.

Crops

Numerous and diverse crops were cultivated for both domestic consumption and export. The two most important crop groups included cereals and oilseeds, which together accounted for almost 90 percent of the country's total agricultural export volume and 70 percent of the export value in 1983. The total production of both commodity groups increased from 34.8 million tons in 1980 to about 43.4 million tons in 1984. The government set an annual production goal of 60 million tons of cereals and oilseeds to be met by the end of the 1980s.

The total production of cereals increased from 29 million tons in 1980 to 33 million in 1982, then dropped to 30 million in 1983, and recovered to 32.4 million tons in 1984. Wheat, corn, sorghum, and oats constituted almost 97 percent of total cereal production during the 1980-84 period, while barley, rye, millet, and milled rice constituted the remaining 3 percent.

Between 1980 and 1984 wheat averaged about 37 percent of total cereal production. The output of wheat declined by 4 percent from 1979 to 1980, to 7.8 million tons, because a severe drought diminished yields as well as the areas harvested

(see table 5, Appendix). Output expanded by 7 percent in 1981 because of improved prices at planting time and the need for cash by financially strapped farmers, and by 81 percent, to 15 million tons, in 1982 as a result of a 46-percent increase in average yields and a 23-percent rise in harvested area. In 1983 output fell by 18 percent as the harvested area declined and wheat yields returned to more than normal levels. Production in 1984 was estimated to have increased by 7 percent, largely as the result of record yields caused by the wider application of fertilizers and almost ideal weather conditions. An average of about 66 percent of the wheat crop was produced in the province of Buenos Aires. Other important provinces that produced wheat included Santa Fe, 15 percent; Córdoba, 10 percent; La Pampa, 6 percent; and Entre Ríos, 2 percent. Less than 1 percent was grown in other provinces. About 5 million tons of wheat a year was consumed domestically in the early 1980s, of which 96 percent was converted into wheat flour at approximately 75 wheat milling plants, and 4 percent was used as feed for livestock.

Between 1980 and 1984 corn averaged about 34 percent of the total volume of cereals that were produced in the country. Corn output from 1979 to 1980 jumped by over 100 percent to 12.9 million tons, reflecting record yields. During the next three years corn production dropped by almost 29 percent as yields declined and producers increasingly shifted to oilseeds because of their higher profitability. In 1984 corn production rose by more than 19 percent to 11 million tons, a gain that stemmed from a wider use of drought-resistant hybrid seeds. Approximately 43 percent of the total corn crop was produced in the province of Buenos Aires. Other leading producers included the provinces of Córdoba, with 27 percent of the total, and Santa Fe, with 13 percent. Output in the province of San Luis made up 7 percent; La Pampa, 3 percent; Entre Ríos, 1 percent; and other provinces, the remaining 6 percent. An average of about 6.6 million tons of corn were consumed domestically each year, of which about 48 percent was used for livestock feed.

The production of rice fluctuated in response to adverse weather conditions and the attractiveness of prices. The production of paddy rice ranged from a low of 277,000 tons to a high of 338,000 tons over the 1980-84 period. Approximately 65 percent of the paddy rice was converted into milled rice. From a level of 186,000 tons in 1980, the production of milled rice increased by 13 percent in 1981, dropped by 14 percent

in 1982, jumped by 71 percent in 1983, and declined by 16 percent in 1984.

About 24 percent of total cereal cultivation was sorghum. Despite record yields in 1980, the production of sorghum reached only 7.1 million tons as a result of a serious drought that adversely affected the crop. In 1981 output reached a record of 8 million tons, as part of the area that had been intended for corn was switched to sorghum. Output declined by 15 percent over the succeeding three years because of a general dissatisfaction with low prices. On average, about 33 percent of the sorghum was produced in the province of Córdoba. Buenos Aires Province was the second leading producer with 19 percent of the total. Santa Fe Province accounted for 15 percent; La Pampa, 9 percent; Entre Ríos, 7 percent; Chaco, 6 percent; Santiago del Estero, 6 percent; and a combination of other provinces, the remaining 5 percent. Sorghum was primarily used as a feed for livestock during the winter. In recent years an average of about 2.6 million tons were used as feed. Hybrid sorghum seeds were developed to be resistant to birds in order to prevent large preharvest losses. Consequently, it could not be used as a feed source for the large poultry flocks.

Oats were less than 2 percent of the total output of cereals during the 1980-84 period. After a record 676,000 tons were attained in 1978, the production of oats declined to only 339,000 tons in 1981. Output jumped by 88 percent in 1982, declined by 7 percent in 1983, and increased slightly in 1984. Output performance tended to mirror the depressed conditions that prevailed in the livestock sector because oats were primarily used as a feed source. In addition, over 70 percent of the area devoted to the cultivation of oats was used as pasture by livestock. In cold weather the oat fields were overgrazed, which in turn reduced output. In warmer weather livestock were pulled off the fields to graze on natural grasslands. An average of about 54 percent of the crop was used as a food source, and the remainder was consumed by humans; none was exported. Barley, rye, and millet declined from their high output levels in the 1970s in conjunction with depressed conditions in the livestock sector.

Between 1980 and 1984 the production of oilseeds increased from a total of 5.8 million tons to 11 million tons. A large part of the reason for the expansion of output was the increased planting of soybeans. About 60 percent of the total output of oilseeds was devoted to the cultivation of soybeans.

Sunflower seeds were the second leading oilseed crop, with a 26-percent share of total output, while flaxseed was the third. Peanuts and cottonseeds constituted the remaining 6 percent.

Despite good yields in 1980, the soybean crop was adversely affected by severe weather conditions. Output consequently declined by 2.8 percent in 1980 over 1979 levels. In 1981 production increased by almost 19 percent to 4.2 million tons in response to favorable weather conditions. In 1982 output fell by 3.5 percent. In 1983 production climbed by 65 percent as a result of record yields and generally favorable weather. Ideal weather prompted an equivalent output level in 1984. Approximately 42 percent of the soybean crop was produced in the province of Santa Fe in 1984. Córdoba Province was the second leading producer, with a 29-percent share, followed by the province of Buenos Aires, which accounted for 23 percent. Marginal producers included the provinces of Tucumán, with 3 percent, and Salta, with 1 percent.

The sunflower seed crop declined by 24 percent in 1980 as a result of adverse weather conditions and low prices. In 1981 favorable weather and a 20-percent increase in yield caused a record-setting 52-percent increase in output. Continued good weather and record yields resulted in a 16-percent increase in production to 2.3 million tons in 1982. Excellent growing conditions in 1983 gave rise to an output level equivalent to that of 1982. In 1984 a 24-percent increase in yields produced a new record of 3.3 million tons, or 50 percent above the 1983 production level. Approximately 66 percent of the sunflower seed crop was produced in the province of Buenos Aires in 1984; Córdoba Province was the next largest producer, with a 14 percent share. The provinces of Santa Fe produced 7 percent; La Pampa, 6 percent; Chaco, 4 percent; and other areas, 3 percent of the total output.

Flaxseed was grown throughout the provinces of Buenos Aires and Santa Fe and in the northeastern section of the province of La Pampa, eastern San Luis Province, and in the southern portion of Córdoba Province. Between 1920 and 1945 average output levels surpassed 1.5 million tons annually. Since then, output has ranged between 500,000 and 900,000 tons. During the 1980-84 period, the production of flaxseed ranged between 500,000 and 765,000 tons. The combined output of peanuts and cottonseeds ranged between 413,000 and 640,000 tons over the same period.

The performance of industrial crops such as cotton, tobacco, and sugarcane was mixed between 1980 and 1984. During

that interim the production of cotton averaged about 410,000 tons annually. Output levels, however, remained below the levels achieved in the late 1970s. Tobacco production averaged about 70,000 tons annually during the period. Sugarcane averaged about 15.1 million tons but declined by more than 3 percent over the period as the world market for sugar dropped to record low levels. Fruit production dropped by almost 6 percent, and that of vegetables increased by more than 8 percent.

Livestock

The raising of livestock for domestic consumption and export has historically been a great source of wealth for Argentina. Between 1980 and 1985, however, the livestock sector was severely affected by an unsettled and highly inflated economic climate that caused profitability to plunge to its lowest level in a decade in the face of stagnant domestic and export demand.

Argentina's livestock breeds meet the highest world standards for quality. Aberdeen Angus compose almost 80 percent of the nation's cattle herd. Dairy cows were largely holstein-friesians; the remainder were Herefords, European breeds such as Charolais, the native zebu breeds, and their crossbred progeny. Sheep, pig, and poultry stocks were also bred for maximum production and yield.

From a record high of 61 million head of cattle in 1977, the total year-end cattle stock declined by 3.2 million over the succeeding four-year period as the cattle cycle entered a liquidation phase owing to an unprecedented decline in consumer purchasing power and stagnant export demand. Between 1982 and 1984 a retention cycle increased the cattle stock by 900,000 head in response to improved pastures, credit availability, and increased foreign demand for Argentine beef because of the peso devaluation in 1981 and 1982. In 1985 the cattle cycle was expected to revert to a slight liquidation cycle because of the economic recession, beef-packer indebtedness, and depressed world market prices.

Fluctuations in herd size were directly affected by market forces and vagaries in the weather. From 1980 to 1984 the type of cattle that were slaughtered for domestic consumption and export comprised an average of 36 percent cows, 9 percent calves, and a 55-percent combination of other types of cattle. In 1980 approximately 13.8 million cattle out of a total beginning stock of 58.9 million were liquidated, for an annual

slaughter rate of 23.4 percent. The combination of drought, floods, and financial difficulties caused by inflation and reduced export possibilities accounted for the high rate. In 1981 the slaughter rate increased to 24.8 percent in response to insufficient rainfall, which reduced the grazing capacity of the pastures, and excessively high interest rates, which cut the amount of credit available to producers for operating expenses.

Improved weather conditions, greater government financial support, and higher cattle prices in 1982 brought about a reduction in the slaughter rate to 21.4 percent. Although the slaughter rate fell to 19.3 percent in 1983, producers reduced their cattle stocks toward the end of the year as prices began to fall and as concern grew over the uncertainty of the incoming administration's beef and tax policies. The principal reason for the jump in the slaughter rate to 21 percent in 1984 was the contraction in earnings experienced by producers. In addition, prohibitively high interest rates kept producers from borrowing to maintain operational capacities, and they turned toward larger sales of cattle to raise funds. Lower beef prices and increased taxes on cattle were further reasons for the reduction in herd size. During the last quarter of 1984 prices for cows lagged behind those for steers, indicating that the cattle cycle was entering a liquidation phase. Consequently, a higher slaughter rate of 22 percent was forecast for 1985.

From 1980 to 1985 the production of beef for the domestic and export markets corresponded to annual oscillations in the slaughter rate. During that period the annual output of beef averaged 2.9 million tons, of which 85 percent was consumed domestically and 15 percent was exported. Domestic consumption as a proportion of total output rose in 1980, 1983, and 1984, while the proportion for export increased in 1981, 1982, and 1985.

In 1981 and 1982 exports increased largely in response to peso devaluations that made Argentine beef prices more competitive internationally. Between 1982 and 1984 exports fell by 53 percent to 248,000 tons, which was the lowest annual volume recorded in the past 30 years. The sharp contraction in exports was caused by the persistent overvaluation of the peso and the presence of subsidized beef from the EEC and other exporters in the world market that depressed international prices.

Between 1980 and 1983 the per capita consumption of beef dropped from 84 to 67 kilograms, the lowest level in a decade. Consumption declined gradually in 1980 and 1981,

then contracted sharply in 1982 to 71 kilograms. The combination of diminished real incomes and reduced slaughter rates cut the supply of beef to the local market, causing retail beef prices to jump and consumer demand to plunge. Consumption in 1983 would have been lower, but consumer incomes improved in the last quarter of the year, and reduced export demand left a larger portion for the domestic market. In 1984 per capita consumption improved to a more normal level of 78 kilograms, largely as a result of the highly depressed international market for beef exports that again left a larger share of output for domestic consumption. Moreover, the consequent drop in real prices and an improvement in real incomes increased the demand and consumption of beef. In 1985 per capita consumption was expected to remain at about the same level as in 1984.

The dairy industry was well developed, and milk and milk products were consumed in large quantities. Between 1980 and 1985 the national cattle herd averaged 58.8 million, of which 3.2 million, or 5.5 percent of the total, were estimated to be dairy cows. Over the same period, the total production of cow's milk averaged 5.4 million tons, of which 31 percent was fluid milk for domestic consumption and 69 percent was used to produce various processed products such as cheese, butter, cream, yoghurt, and condensed and powdered milk. A substantial quantity of processed milk products was exported.

The number of dairy cows declined from 4.2 million in 1980 to an estimated 3 million in 1985 because diminished earnings forced smaller and less efficient farmers to leave the dairy business in favor of the more profitable and less risky production of oilseed crops such as soybeans and sunflowers. Concurrently, production shifted toward larger dairy farms that had a higher level of efficiency and used advanced technology to increase the output of milk per animal. Animal nutrition improved through more effective pasture management and through feed supplements of hay, silage, and grain.

The number of sheep fluctuated in response to the relative market for wool and mutton. From a total stock of 32 million head in 1980, the number of sheep declined by about 2 percent in 1981, jumped by 8 percent in 1982, fell by 1.5 percent in 1983, increased by 10 percent in 1984, and declined by 3 percent in 1985. Between 1980 and 1984 slaughter rates for sheep dropped from 6.9 million to 6.2 million head. Approximately 42 percent of the total sheep slaughtered during the period were ewes, 32 percent were lambs, and 26 percent

were a combination of other types of sheep. Sheep stocks declined as a result of weak prices that caused earnings to plunge, inclement weather in the major sheep-producing region of Patagonia that resulted in a high death rate, and a shift to the production of more profitable crops in the province of Buenos Aires. The per capita consumption of mutton averaged only three kilograms; almost the entire amount was consumed on the farm, and a minor portion was exported to foreign markets. Exports of wool fluctuated in response to domestic exchange rate adjustments. Over the period, exports averaged about 74,000 tons.

The production of poultry meat increased from 231,000 tons in 1980 to 235,000 tons in 1981 in response to the prior upturn in consumer demand. The increase in output came in anticipation of higher beef prices that in turn would have raised poultry prices. Beef prices were not raised until November, however, which resulted in an unprofitable year for producers. Although consumption declined slightly in 1981 owing to recession, it was still relatively high by historical standards because of large poultry supplies and low prices. Production declined to 218,000 and 214,000 tons, respectively, in 1982 and 1983, and consumption dropped at a more rapid pace as a result of a decrease in consumer purchasing power. In 1983 producers cut back on poultry flocks and production because of relatively cheap beef and poultry prices and increased feed costs. Consumption declined in accordance with the lower production level. In 1984 the production of poultry meat increased to 245,000 tons owing to improved real consumer incomes as a result of massive salary raises that improved the prospects for producer earnings. In addition, feed costs were lower because of the decline in grain and oilseed feed prices. In 1985 producers maintained their production level at about 240,000 tons in anticipation of an increase in prices. Output was 2 percent below 1984 levels because of the declining incomes and depressed prices for beef that restrained poultry price increases. During the 1980-85 period, about 89 percent of the average production of poultry meat comprised broilers, fryers, and other chickens that were slaughtered at less than 16 weeks; 9 percent were stewing hens and other kinds of chickens that were over 16 weeks; and 2 percent was turkey meat.

Egg production declined from about 3.4 billion pieces in 1980 to 3.1 billion in 1984 as the number of layers was reduced from 18 million to 16 million. Production declined by 4 percent in 1981 as a result of unprofitable farmer prices during

1980 and 1981 that led to the liquidation of layer flocks. Concurrently, consumption dropped by 6 percent from almost 3.5 billion eggs in 1980. Consumption normally averaged about 90 percent of total production, or about 110 to 120 pieces per person annually. In 1982 output dropped to 3.2 billion pieces as the economic recession worsened, leading to the softening of demand. Per capita egg consumption was estimated to have fallen to 90 to 100 pieces. In anticipation of higher prices, farmers increased their egg output to 3.3 billion pieces in 1983. The 3.2-percent rise of production in that year over 1982 levels resulted in an overproduction of eggs that dampened prices and led to an unprofitable year for the egg industry. In response to poor returns during 1983, producers reduced the number of replacement layers in 1984, which in turn caused the output of eggs to decline to 3.1 billion pieces. Government-imposed price controls that became effective in December 1983 kept producers from expanding output. Output for 1985 was forecast to increase slightly to 3.2 billion pieces based on expectations that the reduced production levels in 1984 would lead to an improvement in prices during 1985.

Fishing

The offshore waters of the coastline offered rich fishing grounds that remained relatively unexploited by domestic fishermen during the mid-1980s. In 1983 and 1984 fishing activity fell off after having recovered in 1982 from a crisis that had negatively affected the industry in 1980 and 1981. The total fish catch reached 459,648 tons in 1982, which represented an 18-percent increase over 1980 and a 31-percent increase over 1981. In 1983 the catch declined by 14 percent over the 1982 level. This trend continued during 1984, as the catch was estimated to have declined by 30 percent over 1983. Owing to the national preference for beef, only about 25 percent of the total annual catch was consumed by the domestic market, and the remainder was exported.

The Atlantic Ocean off the Argentine coast contained 300 species of fish, but very little was known about their geographic distribution, migratory habits, or population density. The main species included hake, squid, shrimp, striped weakfish, white croaker, anchovy, cusk-eel, red mullet, smooth hound, flatfish, sea bass, and Atlantic bonito. The most important commercial species in the catch over the 1980-84 period included

hake, 62 percent; squid, 7 percent; and shrimp, 5 percent. In 1983 the species that experienced increased catches included shrimp, by 147 percent, and cusk-eel and anchovy, by 5 percent each. Among those that recorded lower catches were sea bass, striped weakfish, and squid.

Between 1980 and 1984, foreign trade in fishery products demonstrated wide annual oscillations in both volume and value terms. From a volume of 161,300 tons in 1980, exports declined by 11 percent in 1981, jumped by 61 percent in 1982, and declined by 14.5 percent in 1983. The value of exports, in comparison, fell by 6 percent in 1981 from the US$143 million recorded in 1980. Their value rose by 37 percent in 1982, then declined by 4 percent in 1983. Exports in 1984 were expected to plummet in response to a deep reduction in the annual catch.

The overall fall in fish exports over the period was primarily attributable to combination of internal and external factors. In 1980 the fishing industry was brought to the brink of bankruptcy as a result of an overvalued peso that made fish exports uncompetitive in world markets. In addition, fishing activity contracted in response to a depression in the international market for fish that caused a sluggishness in demand, declining prices, and severely squeezed profits. At the same time, operating costs in the industry mushroomed above world standards in fuel, labor, cold storage, unloading, port rates, and international freight rates.

In 1981 the government declared the fishing industry to be in the "national interest." Consequently, credit lines were extended to refinance accumulated debts, and loans were provided to stimulate production for export. Concurrently, a series of devaluations of the peso relative to the United States dollar increased the price competitiveness of Argentine fish exports. Thus a resurgence of demand by traditional importers provided the necessary working capital to resume activities and saved the industry from inevitable collapse.

The recovery of the fishing industry in 1982 was punctuated by the South Atlantic War in April, the imposition of an embargo on Argentine fish imports by the EEC in support of the British position during the war and, ironically, the indiscriminate fishing by foreign trawlers that operated on the edge of Argentina's 200-nautical-mile territorial waters and inside the Bristish 200-nautical-mile Falkland/Malvinas Islands exclusion zone that was open to foreign fishing fleets but banned to Argentina. Fishing in those waters was conducted by trawlers

from Spain, Japan, the Soviet Union, Poland, the German Democratic Republic (East Germany), and Peru. Argentina claimed that the extensive magnitude of foreign fishing reduced the hake catch by 50 percent in 1982, diminished the squid catch, and limited its fish exports to those countries. To offset the decline in hake, the Argentine government authorized national fishing fleets to increase their catch in the Golfo San Jorge area, where significant quantities of shrimp were located. The higher world market price for shrimp largely compensated the fishing industry for lost earnings from hake. In addition, the EEC lifted the embargo on Argentina in June, and trade resumed. In 1983 and 1984 the fishing industry continued to be burdened by declining profitability stemming from lower annual catches, declining exports, and the financial exigency of repaying approximately US$200 million in loans borrowed during 1980 and 1981.

In 1983 approximately 75 percent of the volume and 83 percent of the value of fishery product exports were destined for Spain, Japan, the United States, France, Italy, and Brazil. The remainder was accounted for by the markets of West Germany, Iran, Iraq, Yugoslavia, Malta, Costa Rica, Trinidad and Tobago, Canada, Gabon, South Africa, Angola, Egypt, Ivory Coast, and Togo. About 94 percent of both the volume and the value of fish exports were produced by the sale of frozen fish. Other fish products sold in the international market included cured fish, fish meal, canned fish, and seaweed.

The predominance of Peru in the production and export of fish meal, as well as relatively high production costs, made it uneconomical for Argentina to compete effectively in world markets. The main importers of Argentine fish meal were Japan and Taiwan. Fresh fish were exported under the terms of the "Plan Barrido," which authorized Argentine trawlers to unload their catches in neighboring countries. To date, however, this arrangement had been implemented only with Brazil. The vessels that participated in the arrangement were required to unload 50 percent of their total annual catch in domestic ports. Individual vessels were restricted from making two consecutive landings in a foreign port. Since the plan became operational in 1981, however, these kinds of exports have declined owing to the growth of other markets for whole fish and the imposition of a 20-percent export tax on fish to discourage the export of unprocessed fish products. Rather than import a greater proportion of processed fish from Argentina, Brazil turned to Uruguay as a new supplier of fresh fish.

Canned products accounted for only a small proportion of total exports because of the high cost of tinplate and production and defective packaging. Exports of dry-salted fish were minor, but their potential for the future was promising. Moreover, abundant resources of krill in the South Atlantic offered considerable potential, but by the mid-1980s Argentina had not yet begun to pursue this option.

Between 1980 and 1983 the fishing fleet increased from 489 to 509 vessels. During the period, coastal boats increased from 243 to 250, semi-deep-sea trawlers declined from 87 to 82, deep-sea trawlers increased from 125 to 140, freezer ships increased from 19 to 20, and factory ships increased from 15 to 17. In addition, there were thought to have been nine oceanographic research vessels in 1983.

Fishing vessels were assigned to the ports at which government authorization had been granted. In 1983 the deep-sea fleet landed 65 percent of the total catch; factory and freezer ships, 17 percent; and coastal boats, 18 percent. Although seven coastal boats had been added to the fishing fleet between 1980 and 1983, their total catch declined by 17 percent over the period. The annual catch of the deep-sea trawlers also declined by 8 percent despite the addition of 15 vessels. In 1983 Mar del Plata, the main fishing port, received about 97 percent of all the catches conducted by deep-sea trawlers and 79 percent of the coastal boat catches. Almost all of the annual catches of the factory and freezer ships were landed at the ports of Bahía Blanca, Puerto Madryn, Quequén, and Puerto Deseado. Overall, Bahía Blanca and Puerto Deseado were the second and third leading ports. In the mid-1980s the government promoted the regional development of the fishing industry by encouraging the placement of processing and cold-storage plants in such southern ports as Puerto Madryn, Puerto Deseado, and Ushuaia.

Financial System

Argentina's financial system was exposed to numerous changes during the 1976-85 period. The uneven performance of the economy and the frequent change of governments gave rise to various conceptual shifts in financial policy. In pursuit of its free market philosophy, the government launched a significant reform that modified the operation and direction of the financial system in 1977. Financial markets were liberal-

ized in order to mobilize the flow and allocation of capital, reduce market imperfections, and foster overall efficiency through an increased exposure to domestic and foreign competition. Accordingly, interest rates were freed, restrictions on international capital movements were eliminated, capital requirements were reduced, and most of the quantitative limits on Central Bank operations were dismantled. At the same time, financial institutions were given complete freedom to expand geographically and open new branches.

Because the 1977 liberalization of the financial system was more concerned with deregulation than with regulation, the high degree of interlocking ownership of industrial firms and financial institutions, coupled with the easy access to cheap credit, led to the overexpansion and concentration of the financial system. The total number of financial institutions increased from 692 main offices in 1976 to a peak of 723 in 1977, declined to 721 in 1978, and dropped to 496 in 1979. The total number of branches, however, grew from 3,171 in 1976 to 4,106 in 1979. Of the total number of financial institutions, the number of banks increased from 111 to 157 over the interim, while the number of nonbanking financial institutions declined from 573 to 278.

Commercial banks were the heart of the financial system. They accounted for more than 90 percent of the capital and assets of the Argentine financial system in the mid-1980s and were authorized to engage in all banking activities in which other financial institutions specialized. They were empowered to accept time and demand deposits, issue debt instruments, grant almost all kinds of loans, manage security portfolios, and engage in leasing and underwriting activities. Commercial banks were either private or state-run and either domestic- or foreign-owned; domestic banks were defined as those that were at least 70-percent owned by local investors. The total number of commercial bank headquarters increased from 111 in 1976 to 211 in 1979, while the number of branches jumped from 2,906 to 3,720. The federal government-owned Bank of the Argentine Nation was founded in 1891; by 1979, the number of its branches had increased to 573. Concurrently, there were 24 provincial-owned banks, whose branches increased to 1,056 by 1979. The number of banks owned by the municipalities increased to five in that year, whereas the branches edged up to 59. Private domestic banks jumped from 64 main offices in 1976 to 161 in 1979, and the number of branches rose from 1,100 to 1,814, largely as a result of the conversion of non-

banks into banks and through their attraction of business from official and foreign commercial banks. More than 65 percent of the number of private domestic banks and over 75 percent of the total banking system's capital were located in the city of Buenos Aires. The Bank of the Argentine Nation's capital base was equivalent to about one-quarter of the total of the entire banking system in Buenos Aires. The Bank of the Province of Buenos Aires and the Bank of the City of Buenos Aires were smaller than the Bank of the Argentine Nation in terms of equity capital, but each of these state-run banks was much larger than any other single privately owned commercial bank in the country. The number of foreign banks increased from 18 in 1976 to 20 in 1979, whereas the number of branches declined from 226 to 218.

The government-owned National Development Bank, created in 1971, was primarily engaged in financing long-term industrial development projects through its 33 branches, which were scattered throughout the country. The National Mortgage Bank and its 52 branches, the mortgage divisions of the commercial banks, and the home savings and loan associations constituted the mortgage banking system. These investment banks were prohibited from offering demand deposits to the public, but they were empowered to accept time deposits, provide loans, and issue shares on the loans.

The Central Bank of the Argentine Republic was formed in 1935 as a mixed operation owned jointly by the government and domestic and foreign private banks. In 1946 it became a wholly owned government bank. The Central Bank discharged the normal functions of a central bank, which included regulating the activities of banks and other financial institutions; controlling the issue and circulation of money; maintaining the exchange rates; setting interest rates and reserve requirements of the commercial banks; holding the nation's gold and foreign exchange reserves; and acting as the fiscal agent of the government.

Finance companies, savings and loan associations, credit cooperatives, and consumer credit associations were the four kinds of nonbanking financial institutions. The number of finance companies increased from 80 main offices in 1976 to 142 in 1979, while the number of their branches jumped from 40 to 205. The number of credit cooperatives declined from 424 to 104 over the period. Savings and loan associations and consumer credit associations also declined over the period.

By 1979 these nonbanks held 12 percent of the country's

bank deposits and provided almost 15 percent of all loans. Private domestic commercial banks held 45 percent of the deposits; state-run banks, 34 percent; private foreign banks, 9 percent; finance companies, 9 percent; savings and loan associations, 2 percent; and credit cooperatives and consumer credit associations, about 1 percent. About the same proportion of loans were provided by the respective institutions.

Inconsistent macroeconomic policies, the lack of effective supervision, easy access to both domestic and foreign credit, negative real interest rates on deposits, the drop of aggregate demand, and public uncertainty as to the solvency of the banking system prevented financial institutions from mobilizing sufficient domestic savings and led to the eventual overextension of the banking system after 1980. Between 1976 and 1981 demand deposits in the commercial banking system dropped from 41 to 12 percent, and savings deposits declined from 19.5 percent to 9 percent. Time deposits, however, increased from 39.5 percent in 1976 to 78.5 percent in 1981. By 1981 financial savings were primarily in the form of short-term time deposits with a maturity of 30 days or less. In order to compensate for the lack of domestic medium- and long-term funds, the private sector increasingly resorted to foreign loans that carried a lower cost as a result of the overvalued peso. By 1980-81 private sector firms had become highly indebted in terms of both the peso and the United States dollar.

Excessive borrowing during the economic expansion in 1979 led to private sector distress borrowing during 1980 and 1981 as the economic recession took root. The cash flow problems of the private sector were reflected in the liquidity difficulties of the financial system, which endangered their solvency. By the end of 1981 potential loan defaults of the private sector totaled over 100 percent of the net worth of the official banks, finance companies, and credit cooperatives and more than 60 percent of that of the private domestic banks. Between the first quarters of 1980 and 1981 the financial system was gripped by a major crisis. Over 60 financial institutions that held approximately 20 percent of total deposits had to be intervened and liquidated by the Central Bank.

In June 1981, shortly after the three devaluations of the peso, the Central Bank introduced a system under which private sector firms could obtain exchange-rate guarantees for loans contracted during a period of 540 days. By the time the system was terminated in December, about US$5 billion in exchange-rate guarantees had been extended. At the end of

the year, the private sector's external indebtedness amounted to almost US$16 billion. In December 1981, in response to the need to shore up the near depletion of the country's foreign exchange reserves, the Central Bank swapped a US$500 million debt consolidation bond with the private sector.

The administration that took over in June 1982 inherited an economy in the throes of a severe financial and foreign exchange crisis, rising inflation precipitated by the growing public sector deficit, and a continued contraction of economic activity during the third year of an economic recession. To address the serious economic crisis, the authorities introduced a financial reform in June that refinanced the peso indebtedness of the private sector on a long-term basis at reduced interest rates, promoted medium- and long-term savings, and attempted to improve the overall efficiency of the banking system. At the same time, the government increased the legal reserve requirement on deposits from 15.5 to 100 percent in order to improve Central Bank control over the money supply and to finance the private sector debt.

In July, after another major devaluation of the peso and the introduction of a dual exchange rate system, the government introduced another exchange-rate guarantee program to induce financial institutions to reschedule private sector debt. Loans that had been provided under the 1981 guarantee system were allowed to be rolled over under the new system. By the time this program was ended in October 1982, over US$10 billion, or about 65 percent of total private sector debt, was included under exchange rate guarantees. In addition, between April 1982 and August 1983, and again after May 1984, the government issued United States dollar-denominated bonds in lieu of foreign exchange.

The economic authorities who introduced the June 1982 financial reform were replaced by a new economic team in August. The basic outlines of the reform were maintained in order to avoid an additional disruption of the financial system. Nevertheless, negative real interest rates on deposits and lending rates caused a rapid and dramatic financial disintermediation. As interest rates continued to stay below actual or expected inflation, the public's preference for financial assets was greatly diminished because their rate of return became negative. The public turned from peso-denominated financial assets to such assets as foreign currency and physical assets, which in turn seriously restricted the amount of domestic credit available for private sector use. Credit to the private sector

consequently declined by about 24 percent as public sector credit needs increased by about 34 percent in 1983 over 1982 levels. The increase in the demand for funds caused by tighter credit conditions and negative real interest rates gave rise to a parallel financial market that primarily handled interfirm transactions. The interfirm money market provided seven-day loans against either the collateral of short-term United States dollar-denominated government bonds or checks that were drawn on private sector borrowers. Although the size of the market could not be measured accurately, estimates ranged from about 25 to 40 percent of all financial operations conducted by financial institutions. The flow of funds into the interfirm market continued in 1984 and 1985 as real interest rates remained negative. To induce financial operations back into the regulated banking system, the authorities introduced bankers' acceptances that were not guaranteed by the Central Bank and increasingly emphasized open market operations by authorizing the public to buy and sell treasury bills.

Between 1980 and 1983 the total number of financial institution headquarters declined from about 468 to fewer than 400, while the number of branches increased from 4,120 to about 4,645. Of the total, the number of banks declined from 214 to about 210. Nonbanking financial institutions dropped from 254 to about 185. Smaller financial institutions were adversely affected by the 1982 financial reform. Most suffered a serious loss of deposits and were forced to make loans at unprofitable regulated rates. The Central Bank was increasingly forced to sell a number of the intervened institutions to more solvent banks. Thus banking operations expanded largely by opening branches through the acquisition of insolvent financial institutions.

The new authorities that took over in December 1983 maintained the system of regulated and indexed interest rates on medium- and long-term loans and deposits. To shore up the small financial institutions and those in less developed regions of the country that risked being insolvent, the government established less rigid lending limits and lowered their reserve requirements. At the same time, the government lowered the legal reserve requirement to 86 percent.

Unrelenting high inflation, price controls, negative interest rates, diminished investment levels, growing public sector deficits, and uncertainty over economic policy continued to constrain economic recovery and increasingly squeezed the liquidity of the country's financial institutions in 1985. In April

1985 the government launched a new offensive against the inefficient but deeply entrenched financial interests in the country. The measures that were introduced as part of the plan that was entitled Reorganization of the Institutionalized Financial System reduced legal reserve requirements on term and savings deposits, increased the reserve requirements on demand deposits, froze financial institutions' deposits that were maintained in the Central Bank, eliminated the subsidies that the Central Bank paid to banks for the portion of their legal reserves on interest-bearing deposits, and clamped down on black market exchange operations. In March 1985 the legal reserve requirement was lowered to between 4.5 and 14 percent on time and savings deposits, depending on the kind of financial institution, and raised on-demand deposits to percentages that ranged from 96.5 to 97.5. To lessen the effect of the expansion of the money supply that resulted from the reduction of legal reserve requirements, the Central Bank required all financial institutions to establish a financial reserve from their increased term and savings deposits that could be used to control the money supply if the need should arise.

Before the reforms had made an impact, the nation's third largest private commercial bank, the Bank of Italy and the River Plate, collapsed. Financial authorities were forced to introduce additional measures to ease the growing liquidity contraction. The Central Bank froze all foreign currency deposits for 120 days, effective May 5, 1985, to halt the run on United States dollar deposits. The government also reduced the legal reserve requirement to a lower level, provided additional rediscount facilities to financially strapped banks, and reduced the interest rates on treasury bills to enable banks to absorb additional funds.

The liquidation of the bank and the ensuing measures were aimed at restoring public confidence in the domestic banking system and preventing a chain reaction from spreading to other beleagured financial institutions. Banking sources estimated that savers may have withdrawn the equivalent of US$300 million in deposits before the situation was contained. The continuation of financial disintermediation and capital flight added to the more than US$20 billion that Argentines held in foreign bank accounts in 1985.

The June 1985 economic reforms and the agreement with the IMF were part of a package aimed at containing hyperinflationary tendencies. They were thus aimed at enabling borrow-

ers to calculate more effectively future requirements for financial resources and profitability.

Public Sector Finance

The fiscal performance of the government was summarized in the consolidated budget of the nonfinancial public sector, comprising the budgets of the central government, the nonfinancial state enterprises and binational organizations, and the provincial and municipal governments. The central government budget, in turn, consisted of the central administration, special accounts, decentralized agencies, and the civilian social security system. The nonfinancial state enterprises and binational organizations included the 17 companies that were engaged primarily in the production of minerals, petroleum, natural gas, refined fuels, and the provision of public utility services. It also included over 40 plants that produced goods under the jurisdication of the Ministry of Defense. The binational organizations consisted primarily of the hydroelectric projects that were jointly funded and operated with the governments of Brazil and Paraguay. Provinces and municipalities were constitutionally autonomous from the central government and produced their own budgets, although they were heavily dependent on the central government for transfers, loan guarantees, and authorizations to borrow from the treasury, the Central Bank, and the special accounts.

Available statistics indicated that government expenditures grew from the equivalent of about 30 percent of GDP in the 1960s and early 1970s to over 40 percent in the second half of the 1970s. Between 1980 and 1984 public expenditures as a proportion of GDP jumped to almost 50 percent. Public revenues were equivalent to 28 percent of GDP in the 1960s, averaged 27 percent during the first half of the 1970s, increased to 33 percent during 1976-79, and rose to 34 percent during the 1980-84 period. The consolidated budget deficits declined from an average of 5 percent of GDP in the early 1960s to less than 2 percent by the end of the decade. During the first part of the 1970s the deficit climbed to more than 9 percent of GDP. From 1976 to 1979 it dropped to 7.6 percent, then almost doubled to over 13 percent during 1980-84. In 1983 the deficit was equivalent to more than 15 percent of GDP.

State enterprises, provincial and municipal governments,

and the decentralized agencies have historically been the primary sources of chronic budget deficits. In the early 1970s the central administration became another major contributor to the consolidated budget deficit. Between 1980 and 1983 the central government accounted for the highest deficit, which averaged approximately 5.3 percent of GDP. State enterprises and binational organizations recorded an average deficit of 4.7 percent, and the provincial and municipal governments registered a deficit that was equivalent to 3.3 percent of GDP. The central administration accounted for the largest deficit—about 4 percent of GDP—among the central government budgets, while the decentralized agencies recorded a deficit of about 2.6 percent. The special accounts were the exception, having recorded a surplus of about 1 percent. The civilian social security budget, in turn, was in balance.

The central administration, with the accounts of the legislative and judicial branches, as well as a major portion of those falling within the executive, formed the core of the central government budget. Its accounts, including transfers to other organizations, were handled by the national treasury. During the 1980-83 period, the central administration collected an average of 34 percent of the total revenue of the central government and spent about 44 percent of total expenditures.

The special accounts budget consisted of more than 100 accounts that were created by special laws or decrees and were placed under the jurisdiction of individual ministries. Most of the funds earmarked to these accounts were used for energy and transportation projects. The taxes on fuel, electricity, and transportation largely determined the level of funds that were allocated to the energy and transport infrastructure account. Other important accounts included the Regional Development Fund, by which funds were allocated on a revenue-sharing basis between the provinces and the central government, and the National Housing Fund. The revenues of the special accounts made up about 20 percent of the total of the central government, and its expenditures were about 9.5 percent of the total.

The budget of the decentralized agencies, like the special accounts budget, primarily relied on transfers of revenue from the national treasury. The decentralized agencies were semiautonomous but were assigned and accountable to a particular ministry. They included various boards, commissions, institutes, centers, and enterprises that were granted regulatory powers over numerous government operations. The most im-

portant decentralized agencies included the National Atomic Energy Commission, the national grain and meat boards, the retirement and pension funds, the General Directorate of Military Manufactures, the National Highway Administration, and 26 national universities. The decentralized agencies accounted for approximately 11 percent of total central government revenues and about 20 percent of total expenditures.

The budget of the civilian social security system accounted for about 11 percent of overall government revenues and an equivalent proportion of expenditures. Prior to October 1980, the civilian social security system relied on joint contributions from employers and employees that were based on a 30.5- and 15-percent share of gross wages, respectively. Since that time, the VAT replaced employee contributions, and the employer's share was reinstated in October 1984 at a lower rate.

On average, about two-thirds of total public revenues were provided by taxes. Taxes accounted for more than 80 percent of the total revenues of the central government. Between 1980 and 1982 the total revenues of the central government dropped from 18 percent to about 15.3 percent of GDP. In 1983 revenues edged up to 16.3 percent of GDP and were estimated to have increased to almost 19 percent in 1984. Tax revenues declined during the 1980-82 period in response to the reduction of economic activity, high rates of inflation, modifications of the tax laws, widespread tax evasion, lax tax enforcement measures, and an inefficient tax collection system. At the same time, numerous and generous exemptions on import tariffs, as well as personal income, net wealth, stamp, and VAT, contributed to a deterioration of the taxable revenue base. The expectation of a postelection tax amnesty, which was implemented by the outgoing government with the approval of the incoming administration of Raúl Alfonsín in December 1983, was an important factor in the reduced inflow of taxes in 1982 and 1983. Under the tax amnesty, delinquent tax liabilities were paid over a period of 18 months, and up to 40 percent of the ensuing tax payments were forgiven. Delinquent tax obligations were totally or partially forgiven on 10 occasions between 1969 and 1985.

Between 1980 and 1984 the main sources of tax revenues were derived from contributions to the social security system; excise taxes on fuels, tobacco, and alcoholic beverages; and export taxes on agricultural commodities. In 1983 these accounted for almost one-half of total public sector tax revenues. Taxes on agricultural exports constituted a disproportionate

burden on farmers, but the government's need for additional revenues outweighed their negative effects on production. Moreover, export taxes were relatively easy to collect, and evasion was difficult (see Public Agricultural Policies, this ch.). Total export taxes increased from about 0.7 percent of GDP in 1982 to 1.3 percent in 1983. Taxes on fuels emerged as major revenue sources during the 1980-84 period, and by 1984 they had become the single most important form of taxation. Taxes on gasoline were used to deflect the burden of taxation away from the less advantaged and toward more wealthy car owners. Diesel fuel was taxed at a lesser rate in order to maintain lower public transportation fares. Although income taxes had been in effect since 1932, their overall importance declined during the first half of the 1980s. Taxes on personal income accounted for about 5 percent of total tax revenues during this period.

The growth of central government expenditures significantly outpaced revenues from 1980 to 1983. The major reason for the widening overall budget deficit was an increase in total interest payments on domestic and foreign debt. During the 1980-82 period, expenditures on interest payments increased from less than 4 percent to 12 percent of GDP. The rapid growth of external borrowing until 1982, high international interest rates, and the series of large devaluations that occurred in 1981 gave rise to an expansion of foreign interest payments from less than 1 percent in 1980 to almost 7 percent of GDP in 1982. Expenditures on domestic interest payments climbed from 2.7 percent of GDP in 1980 to 5.6 percent in 1982 owing to the expansion of domestic indebtedness and inflation, which resulted in additional interest charges. In 1983 and 1984 domestic interest payments dropped to less than 1 percent of GDP in response to the Central Bank's incorporation of all domestic public debt that had been owed by the nonfinancial public sector (see Financial System, this ch.).

The single largest component of current expenditures was wage and salary payments. In 1980 and 1981 wages declined from 13.4 to 12.8 percent of GDP, respectively. In 1982 they declined to less than 10 percent as employment in the state enterprises declined; in 1983 and 1984 government wages as a proportion of GDP increased from 12.5 to 14.3 percent as the government kept its campaign pledge to raise wages.

Between 1983 and 1984 central government expenditures for culture and education were expected to increase from 1.9 percent of GDP in 1983 to 2.3 percent in 1984. Spending on health was slated to rise from 0.5 percent of GDP in 1983 to

0.7 percent in 1984. During the same period, social welfare expenditures increased from 2.6 percent to an estimated 4.2 percent. Spending on economic development was programmed to drop from 12.9 percent to about 9 percent of GDP. National security expenditures declined slightly in 1984 from the 1983 level of 0.8 percent. Defense spending—a separate budget item—as a proportion of GDP diminished slightly from 2.9 to 2.7 percent between 1983 and 1984.

The magnitude of actual defense spending over the 1976-83 period was difficult to quantify owing to the classification of defense-related expenditures under other central government budget accounts or their going unreported altogether. If all defense-related expenditures were included, real defense spending may have been 50 percent higher than the figures in the budget.

The large number and extensive operations of the state enterprises almost defied the ability of the central and provincial governments to oversee effectively their operation. The national government owned 17 nonfinancial enterprises; about 40 plants and mixed-equity enterprises under the General Directorate of Military Manufactures whose interests ranged from weapon production to timber, petrochemical, strategic mineral, and construction activities; and almost 100 smaller enterprises that included radio and television, hotels, and several airlines. In addition, provincial and municipal governments owned about 90 enterprises and jointly owned almost 30 other enterprises with the national government. By mid-1985 the government had been unsuccessful in efforts to sell some of the enterprises to the private sector (see Military Industry and Exports, ch. 5).

State enterprise budget deficits widened during the 1980-83 period. This was largely the result of policies that prevented prices charged for goods and services from being increased in line with the rise of operating expenses. Moreover, enterprise sales slumped because of the severe economic recession. Consequently, the budget deficit of the state enterprises rose to about 6 percent of GDP in 1982, which was the highest deficit since the early 1960s.

Net transfers from the central government to the state enterprises accounted for less than 2 percent of GDP between 1980 and 1982. In 1983 they increased to more than 6 percent of GDP. Following the transfers, the deficits of the state enterprises climbed from about 3 percent in 1980 to over 5 percent in 1983. An equal amount of their total debt was financed by

domestic and foreign financing in 1980. In 1983 state enterprise indebtedness to domestic and external lenders was assumed by the Central Bank.

Capital expenditures of the state enterprises that comprised spending on machinery and equipment, construction, and financial investments accounted for almost 40 percent of the total investment level of the nonfinancial public sector. The largest proportion of gross fixed investments were allocated to the petroleum and electricity sectors. The national petroleum company, YPF, which was one of the world's few large petroleum companies to persistently run a deficit, received about 34 percent of the total investment funds of the state enterprises. Another 40 percent of the investment funds were allocated to national and binational enterprises engaged in hydroelectric projects between Argentina and neighboring countries.

During 1984 increased government spending outpaced revenues. Consequently, the budget deficit of the nonfinancial public sector was estimated to have reached 13 percent in 1984. The government attempted to reduce the deficit by raising revenues and limiting expenditures. These measures were not successful, however, and the government was forced to print money to meet an estimated 25 percent of its budgetary requirements. Spending overruns continued into the second quarter of 1985. In June 1985 the government reached an agreement with the IMF and as part of the overall package agreed to reduce the budget deficit to about 5 percent of GDP by the first quarter of 1986. To accomplish this task the government sought to cut overall government spending by 12 percent during the interim.

Foreign Debt

Between 1976 and 1984 Argentina's total foreign debt increased by more than US$38 billion, from US$9.7 billion to some US$48 billion. As part of the liberalization of the economy during the 1976-81 period, domestic barriers to international capital movements were largely eliminated. Both the public and the private sectors were encouraged to borrow heavily in international financial markets by a combination of factors that made foreign currency-denominated loans extremely attractive. From 1979 to 1981 the deficit of the nonfinancial public sector grew from 7.3 percent of GDP to 14

percent of GDP, largely as a result of increased spending on defense, wages, and interest on the public debt. At the same time, massive capital inflows and the favorable current account situation of the balance of payments in 1978-79 ended during the severe economic recession that Argentina experienced in 1981 and 1982. In addition, the outbreak of the South Atlantic War in April 1982 coincided with the curtailment of foreign lending to the country and a resumption of capital flight. During 1982 and 1983 no systematic progress was achieved in reducing the fiscal deficit, the country's access to foreign credit was seriously circumscribed, and the foreign debt continued to climb.

Between 1978 and 1982 the total foreign debt of the public sector increased from US$8.3 billion to US$28.3 billion, while private sector debt climbed from US$4.1 billion to US$14.9 billion. About one-half of the approximately US$43 billion foreign debt outstanding in 1982 was scheduled to be repaid in 1983. Debt service payments were unsustainable because they were not counterbalanced by balance of payments inflows. In 1982 Argentina accumulated about US$2.5 billion in external payments arrears, of which the public sector accounted for 79 percent. Argentina's net international reserves declined from approximately US$6.6 billion in 1980 to minus US$3.5 billion in 1982. At the end of 1982, overall reserve liabilities, including payments arrears, currency swaps, and United States dollar-denominated government bonds, rose to US$6 billion, and only a small portion of the US$2.5 billion of foreign exchange reserves was available to service the debt.

To prevent a situation of external insolvency, the government was forced to open negotiations with the IMF for a standby financing arrangement in October 1982. Under the terms of the agreement, Argentina was scheduled to receive an IMF credit that amounted to about US$1.6 billion, which was to be disbursed in five equal quarterly tranches through March 1984. Argentina also arranged a drawing of almost US$560 million from the IMF's compensatory financing facility to meet interest payment arrears. At about the same time, the country's foreign bank creditors agreed to provide a bridge loan of US$1.1 billion, scheduled to be disbursed during the early part of 1983, and a medium-term loan of US$1.5 billion. Argentina, in turn, agreed to bring all the interest payments arrears up to date as a precondition for drawing on the US$1.5 billion loan.

After having successfully met the economic performance targets of the IMF in March 1983 and the receipt of two

tranches, the agreement collapsed owing to Argentina's inability to continue meeting its macroeconomic targets. In particular, the government failed to stem the public sector deficit or to eliminate the payments arrears on its foreign debt. As a result, private foreign banks were unwilling to release the remaining US$1 billion of their US$1.5 billion loan until a new agreement was reached with the IMF over economic policy. By the end of 1983 the foreign debt stood at US$45 billion, and the government recorded payments arrears of approximately US$3.2 billion.

On March 31, 1984, the accounting deadline for United States creditor banks, an interim financial aid package was introduced that enabled Argentina to meet its immediate commitments and obtain a brief respite. The agreement was arranged by the United States, Mexico, Columbia, Brazil, and Venezuela, as well as a number of commercial banks. The central banks of the Latin American countries provided US$300 million, and the commercial banks released US$100 million of the US$1.5 billion loan that had been arranged in 1982. The United States disbursed a bridge loan of US$300 million but made it conditional on the signing of another agreement with the IMF.

In June 1984, hours before United States banks would have declared Argentina's loans as nonperforming, a new agreement was reached on the payment of overdue interest. Argentina used US$225 million of its international reserves, and 11 of the major creditor banks advanced US$125 million for a period of 45 days. The four Latin American countries that had extended the short-term loan in March agreed to postpone its repayment until July. After extended discussions with the new Alfonsín administration, a preliminary agreement was reached with the IMF on September 25, 1984. The agreement provided for a 15-month standby loan of US$1.4 billion. In December 1984 Argentina and the IMF signed an agreement of understanding on a new financial aid package. The agreement, however, was subject to the approval of the more than 300 participating foreign banks that offered an additional US$4.2 billion. The US$13.4 billion that had been due between 1982 and 1985 was then rescheduled.

The aid package unraveled during the first quarter of 1985 because Argentina was unable to meet the terms of the economic targets made with the IMF. By June, however, the government had concluded a new agreement with the IMF that was based on strong assurances that the country would

comply with its economic targets. Several days after the new agreement was announced, Argentina introduced several austerity measures designed to halt the deterioration of the economy (see Growth and Structure of the Economy, this ch.). The IMF and Argentina's 320 commercial bank creditors then agreed to release the loans that had been arranged in December 1984. Argentina used the funds to clear up all payment arrears and to service its foreign debt, which was estimated at US$48 billion in 1985.

Trade

Wide fluctuations in the effective exchange rate of Argentina's currency over the 1976-84 period were mirrored in the overall trade balance, which shifted from a surplus of US$883 million in 1976 to a deficit of US$2.5 billion in 1980 and returned to a surplus of US$3.5 billion in 1984. Fluctuating import levels were responsible for the wide swings in the trade balance. Between 1976 and 1980 the value of exports increased at an annual rate of 15.4 percent, while the import value rose by an average of 28.3 percent yearly. In 1979 and 1980 imports increased by 75 and 57 percent, respectively, in response to the lowering of import tariffs and the overvalued exchange rate. Protective barriers were reduced as part of the government's policy to open the economy to foreign competition in order to stimulate productivity and restrain inflation. Argentina's trade surpluses in 1981 and 1982 were attained as a result of sharp contractions in imports during the economic recession. After the first quarter of 1982, numerous import restrictions and difficulties in obtaining import financing reduced the level of imports further. The value of exports increased by 14 percent in 1981, despite weak prices for a number of export items. In 1982 exports fell by almost 20 percent; they improved only marginally in 1983 owing to the steady decline of export prices. In 1984 a trade surplus was achieved largely through a modest expansion of exports.

During the 1976-84 period, agricultural products accounted for an average of 75.5 percent of the country's total export receipts (see table 6, Appendix). The share of agricultural exports increased, however, from 73.5 percent in 1980 to almost 80 percent in 1984. Agricultural exports dropped significantly in 1982 as a result of adverse weather and the disruption of trade flows during and after the South Atlantic War.

In 1983 and 1984 bumper cereal and oilseed crops caused the volume of agricultural exports to reach record levels. These gains were offset, however, by large declines in industrial exports.

Between 1980 and 1984 the proportion of cereals in total agricultural export value increased from 30 to 36 percent. The category of meat, hides, and animal products declined from 23 to 11 percent; oilseed oils and meals increased from 13 to 25 percent; and oilseeds increased from 11 to 15 percent. The total value of cereals, oilseeds, and their by-products climbed from 54 to 76 percent of agricultural exports and from 40 to 60 percent of total export receipts. Other important exports included sugar, which declined from 5 percent to less than 2 percent of total agricultural exports; fruits and fruit products, from 4 to almost 2 percent; wool, from almost 4 percent to 2.5 percent; and cotton, from 2 to 1 percent.

In 1983 cereals accounted for 71 percent of the total volume of agricultural exports; cereal by-products, 3 percent; oilseeds, 5 percent; and oilseed oils and meals, 14 percent. Beef made up 0.08 percent of the total export volume; sugar, 2.8 percent; and fruit and fruit products, 1.4 percent. Of the total of 454,000 tons of fruit and fruit products, fresh apples accounted for 47 percent; other fresh, dry, and canned fruits, 40 percent; fruit juices and pastes, 12 percent; and lemon oil, less than 1 percent.

Argentina's overall share of world agricultural exports declined from 3.1 percent during the 1961-65 period to 2.9 percent during 1966-70, then dropped to 2.4 percent during 1971-75, increased to 2.6 percent during 1976-79, and fell to 2.5 percent during the 1980-82 period. Beef exports declined from 58 percent of the world total during 1924-33 to 29 percent during 1961-65, then dropped to 9 percent during the first half of the 1970s, increased to 10 percent during 1976-79, and fell to 7 percent in the 1980-82 period. Wheat steadily declined from a high of 23 percent during 1934-38 to 3 percent during the first half of the 1970s, then rose to 5 percent during 1976-79 and fell to 4 percent during 1980-82. The share of corn dropped from 65 percent of the world total between 1924 and 1938 to 8 percent between 1976 and 1982. Sorghum increased from 9 percent in the second half of the 1950s to 36 percent during the 1976-79, then fell to 29 percent during 1980-82. From a peak of 94 percent during 1959-63, sunflower seed exports fell to 25 percent of the world total during 1976-79, then recovered to 64 percent during 1980-

82. Although soybeans were only introduced into Argentina in the first half of the 1970s, they achieved a 5-percent share of the world market by the second half of the 1970s. By the 1980-82 period their export share had risen to 8 percent.

During the 1976-84 period, industrial products accounted for an average of about 24.5 percent of the total value of exports. Industrial export receipts increased by 84 percent between 1976 and 1978 in response to the real depreciation of the peso and reduced import barriers that resulted in the wider availability of necessary capital and intermediate inputs. As the peso appreciated from 1979 to 1981, most industrial firms produced for the domestic rather than for the export market. Thus industrial exports stagnated during 1979. During the height of the economic recession in 1981 and 1982, numerous firms were forced to enter the export market. Concurrently, the government attempted to promote exports through devaluations and the introduction of incentives to export to new markets, as well as through temporary tax reimbursement schemes. The world economic recession hindered the effort to expand exports, during 1982 and 1983 and the continued overvaluation of the peso in 1984 caused a further reduction of exports. In 1983 and 1984 industrial exports declined to 21 and 20.2 percent, respectively, of the total value of exports.

Exports of chemical and plastic goods increased by 59 percent in 1980, stagnated in 1981, declined by 5 percent in 1982, and dropped by 3.2 percent in 1983. Between 1980 and 1983 textile exports declined by 39 percent. From 1980 to 1982 metal exports increased by 137 percent, then fell by 38 percent in 1983. Machinery exports declined by 47 percent during 1980-83. Transport equipment declined by 4.4 and 28 percent in 1980 and 1981, increased by 71 percent in 1982, and fell by 57 percent in 1983. Fuel and lubricants climbed by 460 percent in 1980 and by a further 122 percent in 1981. In 1982 and 1983 they dropped by 11 and 37 percent, respectively.

During the 1980-84 period Argentina's export markets shifted away from such traditional trading partners as the EEC and other European countries toward the Soviet Union. As recently as 1979 the EEC took 32 percent of Argentina's total exports. Exports to the EEC dropped from 27 percent in 1980 to only 21 percent in 1983. Exports to other European markets declined from 7 percent to less than 5 percent over the same period. Exports to the Latin American Integration Association (LAIA) countries dropped from almost 22 percent in 1980 to

below 11 percent in 1983. Argentina did not join the United States-led partial trade embargo against the Soviet Union in 1980; instead, it signed a five-year trade agreement with the Soviet Union to export 4.5 million tons of cereals and oilseeds annually. Consequently, exports to the Soviet Union jumped from a low of only 5.3 percent of total exports in 1979 to about 20 percent in 1980. In 1981 trade flows to the Soviet Union peaked at 32 percent. They then declined to 21 percent in 1982 and edged up to about 22 percent in 1983. Exports to the United States expanded from 8.7 percent of total exports in 1980 to a peak of 13.2 percent in 1982, then dropped to 9 percent in 1983. In 1984 Argentina recorded its first trade surplus with the United States since 1959. Other significant export markets included China, Iran, and Japan.

On the import side, the value of intermediate goods increased from 60 percent of the total import value in 1980 to about 77 percent in 1983 (see table 7, Appendix). Capital goods dropped from almost 24 percent to about 18 percent in that period. Consumer goods fell from 18 percent in 1980 to about 5 percent in 1983.

Over the 1976-84 period agricultural products represented an average of about 6.2 percent of the total import bill. From a peak of 9.5 percent in 1980, the total agricultural import value declined to 6 percent in 1984. In 1980 the five leading agricultural imports in value terms were wood, fruit, coffee, vegetables, and meat. By 1983 the five leading import products were coffee, wood, cocoa, fruit, and live animals. The combined values of these categories increased from 60 percent of all agricultural imports in 1980 to more than 63 percent in 1983.

The share of imports from the EEC and other European countries declined between 1980 and 1983 from 26 to less than 24 percent. Imports from the rest of Europe stagnated at about 9.4 percent. Imports from the United States declined from 22.5 percent in 1980 to about 20 percent in 1983. Those from the LAIA countries increased from about 20 percent in 1980 to over 30 percent in 1983. In 1982 Argentina had a trade surplus with the Soviet Union that exceeded US$3 billion. The trade imbalance between the two countries was unlikely to be resolved in the immediate future by a compensating flow of imports from the Soviet Union because of the unsuitability of Soviet capital goods to Argentina's industrial infrastructure. Moreover, the large body of public opinion

within Argentina opposed increased trade with the Soviet Union because of ideological differences.

Balance of Payments

The overall balance of payments was in deficit during each of the years between 1980 and 1983. During 1980 and 1981 the government financed its large current account deficits and capital account outflows by resorting to foreign loans and drawing down the country's foreign reserves. Despite a narrowing of the current account deficits in 1982 and 1983, Argentina's access to foreign loans was curtailed at the same time that capital outflows resumed. The resulting capital account deficits caused a severe contraction of foreign reserve holdings.

In 1980 Argentina recorded a current account deficit of US$4.8 billion. The deficit was primarily caused by the US$2.5 billion trade deficit stemming from a huge inflow of imports. Tourism, like trade, proved to be highly responsive to changes in the exchange rate. Between 1978 and 1980 tourist expenditures abroad increased by 200 percent in response to the overvaluation of the Argentine peso in relation to the United States dollar. In comparison with Argentine tourists' expenditures abroad of US$1.8 billion in 1980, foreign tourists visiting the country spent only US$345 million. Net royalty payments abroad amounted to US$226 million; profit and dividend remittances totaled US$606 million in comparison with inflows of only US$22 million. Interest payments of almost US$2.2 billion on the foreign debt exceeded Argentina's US$1.2 billion in interest earnings on its foreign reserves.

In 1981 the country registered a trade deficit of US$287 million, but it contributed only marginally to the overall current account deficit of more than US$4.7 billion. The overvaluation of the peso again caused a net outflow of tourist expenditures abroad of about US$1.4 billion. Royalty payments to foreign firms remained at about the 1980 level. Interest payments on the foreign debt increased by 77 percent to US$3.8 billion, while interest receipts on foreign reserve holdings declined by 28 percent to US$886 million in response to the liquidation of foreign reserves to cover the overall deficit.

In 1982 the current account deficit was halved to US$2.3 billion from the 1981 level. The continuation of the economic recession, the consequent decline of economic activity, diffi-

culties in obtaining trade financing, and import controls reduced the huge 1981 flow of imports. Consequently, the trade balance moved into a surplus of US$2.2 billion. The introduction of foreign exchange controls in April 1982 caused tourist expenditures abroad to drop by 62 percent to US$565 million, and foreign tourists in Argentina spent a total of US$609 million, so that the country gained about US$44 million from tourism. In 1982 royalty payments increased by more than 47 percent to US$363 million, owing largely to payments to foreign firms that were constructing the Center-West natural gas pipeline (see Energy, this ch.). Net profit and dividend remittances declined by 57 percent largely as a result of currency devaluations. Net interest payments fell by 48 percent, recording a deficit of US$4.4 billion as a result of a 28-percent increase of interest payments on the foreign debt, and a 41 percent drop of interest earnings on foreign reserves.

In 1983 the current account deficit inched up to about US$2.4 billion. The trade balance surplus grew by 45 percent to US$3.3 billion in response to an almost 3-percent climb in export levels and a 15-percent fall of imports. Tourism outflows remained depressed during the year as foreign exchange controls prevented Argentines who planned to travel abroad from purchasing foreign currencies at the preferred official rate of exchange, forcing them instead to buy currency at the more expensive parallel exchange rate. Net royalty payments to foreign firms for the natural gas pipeline were largely responsible for an increase in currency outflow to US$521 million. Trends toward lower interest receipts on foreign reserve holdings and increased interest payments on the foreign debt continued in 1983. Interest earnings fell by 16 percent to US$440 million, while interest payments increased by 10 percent to US$5.4 billion. Between 1980 and 1983 interest payments on the foreign debt more than doubled as a result of the higher interest rates that prevailed in world financial markets.

Large private and public sector capital inflows during 1978 and 1979 caused the overall capital accounts to record surpluses of US$1.2 billion and almost US$4.8 billion, respectively. In 1980 private sector capital outflows amounted to more than US$1.4 billion. Despite a 160-percent increase in public sector borrowing to US$2.9 billion, the capital account surplus declined by 54 percent to US$2.2 billion, an amount insufficient to offset the large current account deficit. Consequently, the overall balance of payments was in deficit by

US$2.5 billion, compared with the 1979 surplus of US$4.4 billion.

Long-term capital inflows increased from almost US$4.7 billion in 1980 to almost US$9.7 billion in 1981. In 1981 about 96 percent of the long-term capital comprised private and public sector borrowing, with the remainder including a US$927 million inflow of direct foreign investments. The large short-term capital outflow of US$8.8 billion, however, caused the capital account to register a surplus of only US$1 billion. Overall net public sector borrowing of about US$4.4 billion and direct foreign investments of US$927 million offset the net outflows of some US$3.4 billion in trade financing and US$890 million in private sector funds. The combination of a US$4.7 billion current account deficit and a small capital account surplus of US$1.1 billion produced a total balance of payments deficit of US$3.6 billion in 1981.

As a result of the South Atlantic War, public sector organizations found it difficult to obtain foreign loans in 1982, while private sector capital outflows increased. Net trade financing outflows of almost US$2.4 billion, private sector capital outflows of US$1.1 billion, and public sector debits of US$500 million combined with an inflow of US$257 million in direct investments to create a capital account deficit of about US$3.8 billion in 1982. The deficit in the capital account combined with a smaller current account deficit to produce an overall balance of payments deficit of US$6.3 billion—60 percent greater than that recorded in 1981.

In 1983 the capital account deficit was reduced by 97 percent to US$112 million as capital flight was almost brought to a halt. Net direct investment inflows totaled US$183 million, and trade credit outflows declined by 85 percent over 1982 levels. Private sector inflows increased for the first time since 1979, to US$97 million, but public sector liabilities increased by US$46 million. The near eradication of the capital account deficit, together with a US$2.4 billion current account deficit, brought the 1983 balance of payments deficit down by 59 percent to US$2.8 billion.

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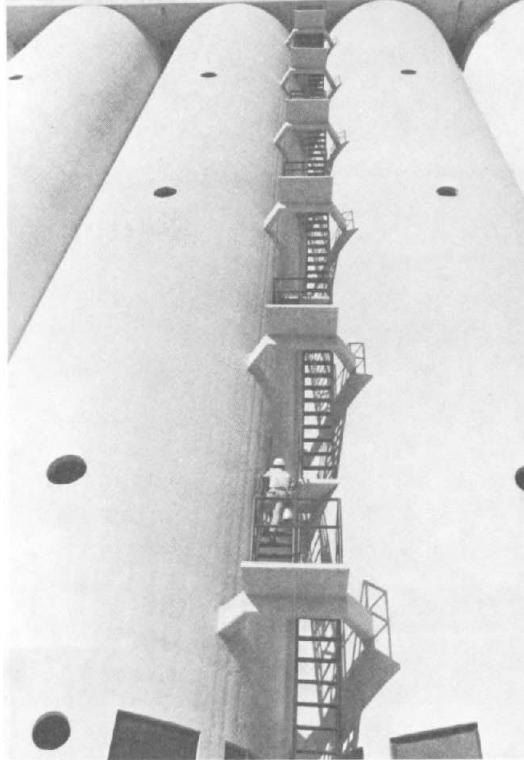
The Argentina desk in the Brazil/River Plate Division of the United States Department of Commerce in Washington, D.C., is a most valuable source for information on the economy of Argentina. The Department of Commerce maintains comprehensive files and reference sources on the sectoral performance of the economy. *The New Argentina: Planning for Profits in the 1980s*, published by Business International, is an excellent review of the economy from the early 1970s through 1982. The Foreign Agricultural Service and the Economic Research Service of the United States Department of Agriculture are valuable sources for obtaining information on trends for agricultural commodities. *The Mineral Industry of Argentina*, published by the Bureau of Mines division of the United States Department of the Interior, provides a detailed description of trends in the production of minerals as well as that of petroleum and natural gas. *Argentina since Martínez de Hoz* by Rudiger Dornbusch provides a timely description of the complex and numerous economic policies that were pursued by the government over the 1981-83 period. Good Argentine publications on the economy include *Ámbito Financiera*, *Business Trends*, *Review of the River Plate*, and *Anuario de la Economía Argentina/Annual Report of the Argentine Economy*. Other solid general reviews are found in *Business Latin America*, published by the United Nations Economic Commission for Latin America and the Caribbean, and the *Quarterly Economic Review of Argentina*. (For further information and complete citations, see Bibliography.)

Fish-packing plant, La Paloma
Courtesy WORLD BANK PHOTOS/ James Pickerell

Cattle ranching in Córdoba Province
Courtesy Inter-American Development Bank



Grain silos in province of Entre Ríos

Wheat harvest in Buenos Aires Province
Photos courtesy Inter-American Development Bank

Argentina across Río Uruguay

Salto Grande hydroelectric dam
Photos courtesy Inter-American Development Bank

Gas pipeline being laid across Strait of Magellan

Liquefied gas storage plant in province of Córdoba
Photos courtesy Inter-American Development Bank