

SECTORAL CLASHES AND POLITICAL CHANGE: THE ARGENTINE EXPERIENCE

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SINCE 1929 ARGENTINA HAS UNDERGONE A REMARKABLE SERIES OF POLITICAL and economic changes. During the twenties it was a showcase of economic growth based on export expansion, as well as a model of bourgeois democracy in its parliamentary form. Yet that Argentina now lies in the distant past, and nowadays the name Argentina is likely to conjure up military coups and economic stagnation. This transformation deserves more attention than it has yet received. The question, "What went wrong in Argentina?" is as important for students of underdevelopment as is the question, "What went wrong in Germany?" for students of advanced industrialization.

The theory of sectoral clashes developed by Markos Mamalakis is extremely valuable in the analysis of Argentine social change.¹ In this paper I shall present an interpretation of recent Argentine history based on that theory, covering the Perón and post-Perón years. In particular I will focus upon the economic and the political aspects of transactions between sectors and among income groups within sectors. The purpose of this investigation is in part to assess the relevance of the Argentine experience for understanding outcomes in other developing nations. If the Argentine impasse is the result of certain patterns of sectoral transaction rather than a unique product of national character and charismatic leadership, we may expect other Argentinas as the result of similar sectoral processes.

THE RISE OF PERON

The shift in Argentine economic growth away from export agriculture towards import-substitution manufacture is commonly associated with Perón. This viewpoint is now under scholarly attack, however, and it is becoming evident that the fundamental shift in the relationships between sectors began in Argentina with the Great Depression. The dominance of the agricultural sector was shaken by the three main features of the depression (stoppage of capital movement, falling commodity prices, and a shrinkage in the volume of international trade). As part of its defence of the Argentine economy, the Conservative government of the thirties undertook policies which thrust the agricultural sector into a coalition with the small industrial sector.

Most of these measures were not undertaken for the *specific* purpose of aiding the industrial sector, but rather were intended to safeguard the export

markets, aid agricultural production, and maintain Argentina's ability to meet her international obligations. Nevertheless, when the government policies of the thirties are summarized, they sound like a check-list of import-substitution techniques: expansionary fiscal policy, investment in the infrastructure, tariff increases, currency devaluations, negative terms of trade movement for rural goods, exchange discrimination against imports, and artificially imposed bilateral trade patterns.

The logic of this shift from neglecting the industrial sector to stimulating it is simple. Before 1930 the agricultural sector stood to benefit from discouraging domestic demand in view of the unsatisfied external demand for its products. After 1930 the reverse was true. Foreign demand was oversatisfied, and the agricultural sector stood to benefit from increased internal demand. The growth of local industry was good business for local agriculture, and one might say that a natural coalition of interest existed.

The response of the industrial sector could not have been more impressive. By 1935 industrial investment had increased 68% from the 1932 low.² Between 1935 and the fall of the last Conservative government in 1943 the number of manufacturing establishments increased from 38,000 to 61,000 (up 60%), the value added by industry increased from 1,274 to 2,676 billions of current pesos (up 110%) and the number of industrial workers and employees increased from 467,000 to 854,000 (up 83%).³

In short, the policies of the Conservative governments of the thirties accomplished what the Radical governments of the twenties had been unable to do: alter the existing social and economic order in Argentina. Between 1914 and 1935 the industrial labor force had grown at a rate not much different from that of the general population (about 2% per annum). Following 1935, however, the number of employees and workers in industry grew at six times that rate (12% yearly). By 1946, the year Perón became president, there were more than one million persons working in industry, concentrated largely in the Buenos Aires area, and the industrial labor force made up 17% of the economically active population. These data are shown in Table 1.

Perón's rise was therefore more the result than the cause of the expansion of the Argentine industrial sector. Like the other colonels behind the coup of 1943, Perón was pro-industry, pro-Axis, and anti-English, and anti-agriculture. Unlike his rivals, however, Perón was the only officer astute enough to woo all the income groups within the industrial sector. By helping labor to organize, he strengthened not only the military government but also himself. In the showdown of October 17, 1945, he was able to defeat his opposition and thereby complete the takeover of the government by the industrial sector.

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TABLE 1a

Growth of the Industrial Labor Force, 1935–1946

Group	1935	1943	1946	% Inc. 35–46	Annual % Inc.
Employees	49,295	87,778	135,484	176%	16%
Workers	418,020	756,222	938,397	124%	11%
Total Industrial Labor Force	467,315	844,000	1,073,871	130%	12%
Total Argentine Population	12,939,573	14,755,720	15,260,013	18%	1½%

Sources: Labor force, *Censo industrial de 1946* (Buenos Aires: Dirección General del Servicio Estadístico Nacional), p. 16. Earlier industrial census figures were revised in this work to make the categories fit those used in 1946. Argentine population figure taken from *Informe demográfico de la República Argentina 1944–1954* (Buenos Aires: Dirección Nacional de Estadística y Censos, 1956), p. 12.

THE PERON GOVERNMENT

Argentine politics were never to be the same. The politicization of the urban proletariat which took place between 1943 and 1946 meant that the balance of electoral power had taken a permanent shift downward. The workers as well as the industrialists felt that the government was friendly to their interests, and they knew that they had played a major role in bringing that government to power. The broad social base of Perón's industrial support is

TABLE 1b

Relative Size of the Industrial Labor Force, 1895–1946

Years	Indust. Labor Force	Econ. Active Pop.*	I.L.F. as % of E.A.P.
1895	118,835	1,601,826	7%
1914	389,716	3,119,148	12%
1946	1,073,871	6,267,313	17%

*EAP refers to the persons censused who reported themselves as having an occupation. The EAP for 1946 is actually from the 1947 census, but even if this figure is reduced by 3% (annual growth rate of EAP after 1914) this does not affect ILF as % of EAP.

Sources: *Censo industrial de 1946*, p. 16; *IV Censo general de la nación*, Vol. I, p. xci; *III Censo nacional* (1914), Vol. 4, pp. 383–397; *II Censo nacional* (1895), Vol. 2, pp. cxc–cxci. The ILF figure for 1946 is not strictly comparable with those for 1895 and 1914, but the differences are probably not too great according to some checks on comparability.

TABLE 2

Occupational Level of Peronista and Radical Congressmen in 1946, Showing Affiliation of the Peronistas*

Level	Radicals	Peronistas	
		Laboristas Ex-Socialist	Ex-Radicals Ex-Conservative
1. Upper Class	20% (9)	2% (1)	10% (7)
2. Upper Middle Class	73% (32)	25% (15)	64% (45)
3. Middle Class	4% (2)	25% (15)	16% (11)
4. Lower Middle Class	— (0)	8% (5)	— (0)
5. Working Class	— (0)	23% (14)	3% (2)
No Data	2% (1)	18% (11)*	7% (5)
Totals	99% (44)	101% (61)	100% (70)

*Darío Cantón, *El parlamento argentino en épocas de cambio: 1890, 1916, y 1946* (Buenos Aires: Editorial del Instituto, 1966), p. 57. Cantón states that the unknown Peronistas, especially those from the Laborista Party, are almost certainly of working class occupation, since their names were not found after extensive checking of membership lists of business and professional organizations (footnote, pp. 38–39).

reflected in the composition of the Peronista congressional delegation in 1946, particularly as compared with that of the Radicals. This is shown in Table 2. Argentine politics were no longer an upper-class and middle-class arena.

However, the very tone of the Perón government that enthused the working class undoubtedly contributed towards an increasing hostility of the middle and upper classes to Perón. They were as upset by the vulgarity and authoritarianism of the Perón administration as by the nature of its policies. In later years this hostility became so great that Perón began to have difficulty finding qualified persons to fill government posts.

The Perón government had as its chief policy goal the economic development of Argentina through industrialization. Perón himself blamed all previous governments for failing to set such goals: "Those who sat in the President's seat exercised political government but exercised neither economic nor social government." On October 21, 1946, he presented to Congress a Five Year Plan designed to bring this about. In his introduction, he said: "We must develop our resources. . . . The solution to Argentina's problem is the industrialization and commercialization of the products which we now produce."

"The plan stated four reasons why new industries are needed: (1) to increase the economic independence of the country, (2) to avoid postwar unemployment, (3) to increase the nation's income, and (4) to increase the

financial stability of the country.”⁴ The implementation of the plan was left rather vague, but as a statement of the goals of Perón’s government, it is clear.

Perón and his economic advisors set about implementing their program of economic nationalism even before he was formally in office. They acted along several fronts: (1) holdings of foreign currency were used to retire the foreign debt or purchase foreign holdings (instead of for new investment), (2) foreign investments in the economic infrastructure (especially in transportation and power) were nationalized through purchase, (3) state-owned corporations were established to replace foreign companies or to stimulate new operations, (4) control of credit, foreign trade, and exchange was greatly expanded, and (5) such economic tools were used to actively foster import substitution by the industrial sector.

Except for the emphasis upon debt retirement and the purchase of foreign holdings, this was basically the policy followed by the Conservative governments of the thirties during the market collapse of the Great Depression. State-owned corporations had been introduced by the Radical governments, and state control over trade, exchange, and credit had already been innovated by the Conservatives.

During 1946 and 1947 Perón’s government purchased foreign utilities and railroads one after another, nationalized financial institutions, and took control of export marketing. In July, 1947, Perón made his dramatic “Declaration of Economic Independence” from the spot on which Argentina’s Declaration of Independence had been made in 1816. In August, a system of preference for “essential” commodities in the granting of exchange permits was established (with the definition of “essential” being highly favorable to industry).

The size of loans outstanding to industry expanded three times as rapidly as the amount to agriculture, tripling between 1946 and 1948, while the wholesale price index rose by only 40%. By 1947, the proportion of industrial credit was greater than for any other Latin American country. Further assistance was provided to the industrial sector through a policy of extreme protection. Tariffs were high, but the primary mechanism of protection was the complex system of exchange permits and import quotas. Worsening overvaluation of the peso also acted to favor industry and hurt agriculture: overvaluation acted as a disguised subsidy to manufacturers by making their import needs cheaper in pesos.⁵ It had the additional effect of discouraging the incipient export of Argentine manufacturers which had begun during the Second World War (primarily in leather goods).

These measures constitute one of the most impressive examples of sec-

toral suppression in recent Latin American history. The industrial sector was dominant through its control of the government, and that government acted in almost every way possible to penalize the agricultural sector during its first years in office. The cumulative effect of such actions shows up dramatically in the movement of the internal terms of trade (the domestic price of rural goods versus the price of non-rural goods). During the war years, the price of non-rural goods was high as would be expected due to the lack of imports. After the war years ended, however, rural-goods prices did not stage the expected recovery (relative to the price of non-rural goods). This happened despite

TABLE 3

*Internal and External Terms of Trade and the Index of Discrimination
Between Rural and Nonrural Goods (1935–1939 = 100)*

Period	Internal Terms of Trade (A)	External Terms of Trade (B)	Index of Discrimination (C) = 100(A/B)
1925–29	132	111	119
1930–34	87	79	110
1935–39	100	100	100
1940–44	62	89	70
1945–46	74	120	62
1947–49	80	169	47
1950–52	68	124	55
1953–55	68	114	60
1956–58	78	93	84
1959–61	85	91	93
1962–64	93	89	104

Sources and comments: As the Index of Discrimination rises over 100, rural goods are in a more favored position (than in 1935–1939) and as it drops below 100, nonrural goods are favored. Thus, in 1947–49 domestic rural goods earned 47% of what they would have earned had domestic prices kept the same relationship to international prices as existed in 1935–39. The data are derived from Carlos Díaz-Alejandro, *Essays on the Argentine Economy* (New Haven: Economic Growth Center, 1967), chapter II, tables 16 (column 3), 17 (column 1) and 18 (column B). As presented here, Column B is based on export price indices contained in CEPAL, *El desarrollo económico de la Argentina, op cit.*, Vol. I, p. 110 (1925–1949); and Ruth Kelly, "Foreign Trade of Argentina and Australia, 1930–1960," *Economic Bulletin for Latin America*, Vol. X, No. 1, p. 50 (1950–54); and Re. Argentina, Dirección Nacional de Estadística y Censos, *Boletín de Estadística*, several issues. Import price indices are based on the U.S. Wholesale Price Index excluding food and farm products, U.S. Dept. of Commerce, *Statistical Abstract of the United States*, 1965, p. 356. Column A is based on data from the *Anuario Geográfico Argentino*, 1941, p. 369, BCRA, *Boletín Estadístico* (Sept., 1962), pp. 51–62; and DNEC, *Boletín Mensual de Estadística*, several issues.

such a recovery on the world market. The extent of discrimination in favor of industry was thus even greater than the internal terms of trade might suggest.

This discrimination against the agricultural sector is shown by the Index of Discrimination pictured in Table 3. Because Argentine exports are rural goods and Argentine imports are non-rural goods, it is possible to compare their relative prices (the external terms of trade) with the internal terms of trade. Without government intervention, the internal terms of trade should reflect the international price movements shown in the external terms of trade. Any deviation between the movements of the internal and external terms of trade thus serves to indicate the extent of the government's discrimination in favor of one or the other type of goods, i.e., in favor of the agricultural or industrial sector.

Perón's policies suppressed the agricultural sector so effectively that investment in agriculture slumped even below the levels of the thirties.⁶ As a result, there was only a modest growth in agricultural production. Agricultural exports dropped because of increased domestic consumption.

These policies of the Perón government made short-term political sense by rewarding the industrial working class. As he lowered the relative price of rural goods on the domestic market, Perón improved the living standards of the urban workers. Rent controls were an additional benefit to workers. The higher price of manufactured goods caused by protection was primarily felt by the upper and middle classes, who had the greatest marginal propensity to import. Thus domestic consumption of rural goods jumped as a result of gains in real wages made by urban workers. Middle class income dropped as white collar workers fell behind in the inflationary spiral, but this did not worry the Perón government particularly since it did not have the political support of the middle class anyway.

This process can be clearly seen in the figures for hourly real wages of urban workers and in the per capita consumption of beef (a staple of the workingman's diet in Argentina), shown in Table 4.⁷ By 1949 real hourly wages in manufacturing had gained by 81% from their 1943 level, and per capita consumption of beef was up 40%.

The extent of government favoritism to workers can be more accurately seen by comparing industrial wage rates (corrected for inflation) with changes in the Gross National Product. Given the extensive government control over wage rates during and after the Perón period, any gain in the real size of industrial wage rates relative to the nation's product should reflect in considerable measure government favoritism to industrial workers. Table 5 shows that industrial wages grew far more rapidly than the GNP under Perón and then lost considerable ground after he fell. Industrial wages have lost even

TABLE 4

Hourly Wages of Manufacturing Workers and Per Capita Beef Consumption (1943 = 100)

Year	Real Hourly Wages (A)	Real Hourly Wages (B)	Per Capita Beef Consumption
1939	100	.....	121
1940	97	.....	118
1941	97	.....	117
1942	9	.....	105
1943	100	(100)	100
1944	111	.....	103
1945	106	.....	108
1946	112	.....	121
1947	140	.....	132
1948	173	.....	140
1949	181	.....	140
1950	173	173	144
1951	161	145	141
1952	143	.....	128
1953	154	135	128
1954	165	153	129
1955	163	140	139
1956	164	164	138
1957	176	134	144
1958	184	148	143
1959	146	119	106
1960	151	120	109
1961	166	130	126
1962	163	127	130
1963	164	125	118
1964	175	131	.....
1965	184	.....	.....

Sources and methods: There are basically two ways of estimating real wage rates for Argentina: 1) using total wages paid out, or 2) using collective bargaining agreements (*convenios*). Column A is taken from Díaz Alejandro, *op cit.*, ch. 7, Table 3, and is taken from DNEC figures (wages paid out divided by man-hours worked). The DNEC figures are based on the 1943 industrial structure and are less accurate for recent years than those used to calculate Column B. This is taken from Zuvekas, *op. cit.*, p. 28, and is based on *convenios* of the Ministry of Labor using a contemporary index of occupations. Column B is an average for the indexes of skilled and unskilled labor and is linked to Column A in 1950. Beef index calculated from data in *Panorama de la Economía Argentina*, 25, p. 157 (figures from Junta Nacional de Carnes). A and B are both deflated with the DNEC cost-of-living index.

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TABLE 5

Real Wages of Manufacturing Workers, Real Gross National Product Per Capita, and the Index of Favoritism to Labor (1943 = 100)

<i>Year</i>	<i>Real Wages (A)</i>	<i>GNP Per Capita (B)</i>	<i>Index of Favoritism to Labor (C) = 100(A/B)</i>
1939	100	98	102
1940	97	92	105
1941	97	94	103
1942	97	99	98
1943	100	100	100
1944	111	108	103
1945	106	101	105
1946	112	112	100
1947	140	131	107
1948	173	130	133
1949	181	116	156
1950	173	113	153
1951	145	114	127
1952	135	103	131
1953	135	109	124
1954	153	111	138
1955	140	116	121
1956	164	114	144
1957	134	117	115
1958	148	124	119
1959	119	115	103
1960	120	123	98
1961	130	129	101
1962	127	123	103
1963	125	118	106
1964	131	127	103
1965	.....	135	.....

Sources and methods: Column A is based on Table IV, Columns A (1939–1950) and B (1950–1964). Column B is taken from Díaz-Alejandro, *op cit.*, Table 18, Ch. 7, and is based on BCRA figures (1966 series). As the Index of Favoritism in Column C rises above 100, the wages of industrial workers improve relative to the Gross National Product per capita.

more ground with respect to industrial output, which has grown more rapidly than the GNP.

The economic logic of Peronist policies seemed convincing at the time they were introduced. By raising wages, the government would stimulate demand to be met by Argentina's expanding industrial sector. This industrial sector, protected by the closing of the economy, would also replace imported

goods on the Argentine market, thereby freeing Argentina from dependence on the world market. The first stage of industrialization was to be import substitution of consumer goods, the second, heavy industry. The national income would expand as a result of this "growth inward," and Argentina would finally achieve all of the goals of her industrialization: full employment, financial stability, economic independence, and income growth.

This approach seemed to bear fruit for the first three years of hectic government activity, as Argentina boomed and Perón's popularity grew. National income jumped 37% between 1945 and 1948. Then the difficulties began. Unfortunately for Perón and for Argentina, the economic logic of Personist policy was less well founded than its political logic. In 1949 the economy took a slump. It recovered only slightly in 1950 and 1951, then slumped again in 1952.

Suddenly, Perón, who during the euphoric years of 1946–1958 reportedly told a fellow head of state that "the economy is the most flexible thing in the world," found himself in a situation where nothing seemed to be favorable. The external terms of trade took a sharp turn for the worse in 1949, at the same time that Argentina ran out of her wartime currency balances. The agricultural sector was hit by a bad drought that began in 1949 and lasted almost unbroken through 1952. Argentina faced severe foreign exchange difficulties, rising inflation, and slowed industrial growth.

IMPORT SUBSTITUTION: THE DIFFICULT PHASE

In retrospect it is clear that Perón succeeded in achieving only one of his stated objectives: full employment. Ironically, the Argentine economy after 1950 has come to be characterized by precisely the *absence* of the three other objectives which were presented to Congress along with the first Five Year Plan: financial stability, economic independence, and income growth.

Perón's suppression of the agricultural sector painted Argentina into a corner. During early phases of import substitution, foreign currency was saved. But import substitution is itself an import-intensive activity. Given the stagnation of Argentine exports, and given the fact that each new factory required an additional share of foreign exchange to buy imports necessary for operation (fuels, materials, and parts), the amount of foreign exchange earned was increasingly insufficient. It eventually became inadequate to import capital goods needed for industrial expansion and at the same time meet the ongoing needs of existing industries. As this limit neared, hastened by the terms of trade decline, Argentine industrial growth came to a sudden halt.

Once in this situation, Perón's government, and those which followed,

faced a number of unattractive alternatives. Every course of action was both dangerous and difficult. These policy alternatives are worth mentioning, for much of the political struggling of the last two decades has been centered around attempts to apply or thwart one or another of these policies.

One course was to reduce foreign inputs in the key area of fuels by inviting foreign oil companies into Argentina. This violated, however, a major plank of economic nationalism in both the Peronist and Radical platforms.

Another approach was to decrease consumption of exportable goods by lowering workers' wages. However, this course of action not only alienated workers, but risked reducing demand enough to cause a recession which would alienate industrialists as well. Alternatively, the populace might be persuaded to eat non-exportable foods, but beef remained the national food despite efforts to promote chicken or fish consumption.

Argentina's small size and strong competitors give her little influence over world prices, so that efforts to improve export earnings through price increases have not had much effect. Selling manufactures abroad proved unsuccessful due to the high cost of Argentina's protected industry. Efforts to reduce this protection as a means of forcing greater efficiency would have caused a major upheaval in the industrial sector, which Perón was understandably reluctant to face.

Likewise, an increase in agricultural production seemed impossible without improving the position of the agricultural sector at the expense of the industrial sector. For Perón this would have meant rewarding his enemies for poor production at the risk of losing his allies in the industrial sector. Furthermore, the poor growth rate of the agricultural sector between 1929 and 1943 suggested that favoring agriculture would not have much effect even if tried.

With all of these problems, the remaining course of action was to attract foreign loans and investment, thus easing the balance-of-payments problem and increasing the capital stock. But here the problem runs full circle. Argentine governments had undertaken import substitution and development policies for the express purpose of reducing foreign influence over economic affairs. Perón once pledged to cut off his hand before signing a foreign loan. Though the reliability of such a promise might be questioned, its political efficacy was high.

The Perón government was therefore captive to the sectoral coalition which brought it to power. Even so, it was finally forced to experiment with all these policy alternatives. The 1949 slump was met by increasing import restrictions. In 1951 Perón engineered a sharp drop in the real wages paid to labor. The slogan of austerity emerged along with efforts to encourage chicken and fish consumption. In 1950 trade difficulties were smoothed out through negotiation of a \$150 million loan from the U.S.

Despite these efforts, the second foreign exchange crisis of Perón's presidency hit Argentina in 1952. Things were dismal: agricultural production dropped 14% (Argentina even had to import some wheat) and industrial production was off 2%. Foreign exchange reserves fell in the third quarter of 1952 to a new low. The peso was devalued. Agricultural prices were raised and agricultural assistance was widened. The Second Five Year Plan, then under preparation, was altered to emphasize austerity and agricultural exports.

Perón survived, perhaps because the nation's attention was focused on the slow death of Evita Perón. She made a dramatic deathbed appeal to support her husband. Her passing led to unparalleled popular grief.

In 1953 and 1954 the economy began to make a strong recovery, despite a disappointing performance from agriculture. But as the level of economic activity gained speed, the economic cycle repeated itself. Increased industrial production led inexorably to a greater need for imports. As the economy hit a new peak in early 1955, the balance-of-payments crisis started again. Reserves of foreign exchange began to fall rapidly, and another recession was clearly developing.

The renewal of economic difficulties found Perón in a greatly weakened position. Major elements of the army were already in secret opposition. The labor movement, which provided Perón with much of his strength at the polls (and with mob support) was growing disaffected. In a stagnant economy Perón could no longer improve the worker's level of living. The government's economic measures brought real wages down in 1955 to their lowest point since the late forties. As austerity took effect, labor unrest increased. In 1954 the number of workdays lost in strikes more than doubled the combined total of the preceding three years.⁹

The disaffection of labor was openly demonstrated on May Day, 1955, when only 50,000 workers turned out in the Plaza de Mayo to hear Perón, leaving it half empty. Perón was no longer in danger of losing the labor movement to other political forces, but growing apathy in labor began to encourage Perón's enemies in the armed forces. A major obstacle to army intervention had been the fear that this would lead to civil war with the workers. Labor apathy reduced this fear.

Perón attempted to solve his problems by combining a swing to the right in economic matters with a swing to the left in religious matters. There were dangers in both steps, but Perón apparently felt that the labor unions had no where else to go and that the loss of church support would be felt most in those groups which did not support him anyway (the upper and middle classes). Accordingly, relations with the United States began to improve and relations with the Vatican began to deteriorate.

Perón's attack on the church escalated beyond anyone's expectation, culminating with his excommunication in June 1955. Elements in the Navy seized upon this as an excuse to launch their rebellion. Navy planes strafed the square before the Casa Rosada, killing several hundred civilians, the first evidence that civilian bloodshed would not stand in the way of the anti-Peronist forces. Nevertheless, Perón's army stood firm, and the attempt was quelled.

Three months later, a better organized rebellion broke out, involving elements of all the services. But still the key, Buenos Aires held out, and it seemed that this rebellion would fail also. But the rebels held out for two days against superior forces, and then the small garrisons in San Juan and Mendoza joined them. The fleet neared Buenos Aires, and suddenly Perón took refuge on a Paraguayan boat, abandoning his office.

In an interview with Perón last summer, I asked him why he had made this decision, since most of the army and the labor movement were still backing him. He replied that he had seen the destruction wrought by the Spanish Civil War, as a military attaché to the Franco forces, and wished to avoid an Argentine civil war. He said he thought that the opposition was directed against him personally, and that his exit would allow his government to continue. I then asked him if he would still make the same decision. Perón looked at me and smiled ruefully. "Ah, Dr. Merckx, how many times have I thought about that! No, I would not make the same decision again."

SECTORAL CLASHES IN THE POST-PERON PERIOD

Perón's fall led immediately to a shift in the relationships between Argentine economic sectors. Suppression of the agricultural sector was further reduced, and a more balanced price structure was introduced. The Index of Discrimination between rural and nonrural goods shifted towards agriculture until in the early sixties it had returned to the 1935–39 level. The most important change was perhaps that government was no longer dominated by the industrial sector as a whole, in opposition to other sectors. The new rulers attempted to put together an income-group coalition across sectors, uniting the upper and middle income groups against the blue-collar working class.

Nevertheless, it would be a mistake to overestimate the impact that Perón's fall had upon the economy. Both external conditions and internal conditions remained largely unchanged. No natural coalitions between major sectors existed such as those which developed in the thirties. The foreign-exchange and capital-goods bottlenecks were still present. The hard economic dilemmas posed by an advanced import-substitution economy still had to be

faced, and the policy options were still those which Perón had to use. In sum, the basic clashes of sectoral interest which had led to Perón's rise in the first place were still part of the Argentine scene. Thus the principal impact of the Revolution of 1955 was to increase income-group conflict without resolving sectoral conflict. The post-Perón period in Argentina has in fact resembled something of a civil war, fought on the economic and political fronts instead of the military front.

The chief characteristic of Argentine social structure since 1955 has been its lack of change. In this respect the post-Perón years are remarkably different from the two decades preceding Perón's fall, which saw the creation of an industrial labor force and an industrial bourgeoisie. A significant indicator of the recent slowdown in economic change is the fact that since 1950 the relative contributions of different sectors of the economy to gross product have remained very much the same.¹⁰ This lack of change in Argentine economic structure is an important factor explaining the relative constancy of Argentine political conflict in the post-Perón period. During prior periods of modern Argentine history, the development of Argentine society led to alterations in the distribution of power and the emergence of new political coalitions, two features which have been missing in the last decade of Argentine politics.

The most important features of the unchanging Argentine social structure of recent years are documented in a recent ECLA study carried out by Fracchia and Altimir on income distribution in Argentina.¹¹ This study updates the pioneering work of Germani and associates in the early 1950's, giving a similar picture of Argentine social structure.¹² The ECLA study combines data from tax returns, social security registers, economic censuses, consumer budget surveys, demographic materials, and national accounts to present income figures for family units, grouped in different economic sectors according to each family's primary source of income. Industrial employment is extremely important in Argentina, as becomes apparent when family units are classified by economic sectors and form of income (wage earners, entrepreneurs, rentiers, and retired). One of three (36%) wage earners is employed in the industrial sector (this includes a small percentage of workers from utilities and mining). These industrial wage earners make up 23% of all family units. The next largest category is government and other services, which employ breadwinners from 14% of all family units. In contrast, the agricultural wage earners and agricultural entrepreneurs each constitute only 8% of all families. These figures are shown in Table 6. In terms of occupational structure (though not in terms of exports) Argentina is an industrial nation.

These data can also be used to construct an estimate of social class struc-

TABLE 6
 Argentina—Percentages of Family Units in Different Economic Sectors, 1961

Income Types	Agriculture ^a	Industry ^b	Construction	Commerce & Finance	Transport ^c	Domestic Services	Professional Services	Government & Services	Sub-Total
Wage-earners	8% (444,900)	d23% (1,285,200)	6% (336,300)	5% (285,400)	8% (417,700)	1% (53,200)	.....	14% (790,400)	.....
Entrepreneurs	8% (475,300)	4% (244,800)	d	6% (337,900)	1% (72,500)		7% (387,500)	2% (100,600)	64% (3,613,100)
Pensioners									29% (1,618,600)
Rentiers ^e									7% (395,100)
									..... (25,400)
									100% (5,652,000)
								TOTAL	

Notes: a) Includes fisheries; b) includes utilities and mining; c) includes warehousing and communications; d) included in the figure for industrial entrepreneurs; e) income derived from property ownership.

Sources and Comments: Percentages do not equal all subtotals due to rounding. Compiled from data in Fracchia and Altimir, *op. cit.*, Tables I, II, III, IV, pp. 122-131.

TABLE 7
Argentine Social Classes in 1961

Social Class	Family Income 00s of m\$n*	% of all Family Units	% of all Personal Income	Cumulative % of all Pers. Inc.
I. UPPER CLASS (Industrialists, major landowners, financiers . . .)	\$ 8,000– \$100,000 and over	1.66%	18.22%	81.78–100%
II. PROFESSIONAL AND BUSINESS CLASS (Entrepreneurs, independent professionals, landlords, executives . . .)	\$ 1,300– \$ 8,000	33.24%	47.42%	34.36–81.78%
III. SKILLED AND WHITE COLLAR WORKING CLASS (Government employees, factory workers, clerks, salespeople . . .)	\$ 650– \$ 1,300	51.76%	30.18%	4.18–34.36%
IV. UNSKILLED WORKING CLASS (Domestics, agricultural laborers . . .)	\$ 455– \$ 650	10.22%	3.49%	.69– 4.18%
V. MARGINAL UNDERCLASS (Retired persons, unemployables, tenant farmers . . . etc.)	Under \$ 455	3.19%	.69%	0– .69%

Sources and Comments: Compiled from data presented by Fracchia and Altimir, *op. cit.*, statistical appendix. The frequency distribution was obtained by matching family incomes of wage-earners and entrepreneurs in different economic sectors with the distribution of families by income levels.

*The numbers shown are for hundreds of pesos. During 1961 the official exchange rate was 82 pesos per U.S. dollar, but the Argentine cost of living was less than that of the U.S. Thus these figures, which represent 100s of pesos, can be increased by one-fourth to one-third for a rough U.S. \$ equivalent.

ture based upon income and occupation, since detailed breakdowns of numbers of families at different income levels within sectors are presented. The results are summarized in Table 7. They indicate that the Argentine middle class constitutes about one-third of the population, while the skilled and white collar working class makes up just over half of the total population. In contrast the lowest two socio-economic groups make up a small minority of the population (13% combined), though not as small as the economically influential upper class (1.66%). These figures agree closely with estimates made by Germani at about the same time, which calculated the middle and upper class as making up 36% of the population (compared with 35% in our figures).¹⁴

The importance of these figures for Argentine politics is two-fold. First

of all, they indicate the presence of two large blocks of voters, the upper middle class and the skilled and white collar working class. Both these groups are sufficiently urbanized and educated for them to be involved in politics; it is not surprising therefore that the two largest political blocks are the middle-class Radicals and the working-class Peronists. The two classes together form about 80% of the population, and the two party groupings consistently poll about 75% of the national vote.

These classes are not linked in the same way to the structure of the Argentine economy. The working class is divided between skilled and white-collar workers. Although the white-collar workers are distributed across economic sectors, the skilled workers are concentrated in the industrial sector and in the construction and transportation sectors closely linked to it. These three sectors employ 57% of all wage and salary earners. Therefore an industrial recession will strongly affect wage earners in general and skilled workers in particular.

The picture higher up the income ladder is different. The spread of the upper-middle class and upper class across economic sectors is such that not all members of these groups are affected in a similar fashion by developments in any given economic sector. Thus agricultural entrepreneurs and exporters might benefit in the short run situations which would hurt industrialists and importers. Over the short term, therefore, one can expect considerable variation in the reaction of different sectors of the Argentine upper-middle and upper classes to developments in economic life.

The conclusion to be drawn from this distribution of occupation and income in Argentina is that skilled workers should respond in a relatively unified manner to factors affecting the industrial sector, whereas the response of white collar workers, the upper-middle class, and the upper class will be split. These groups are spread across different economic sectors and will be differentially affected by economic factors. This conclusion is reinforced by the rapid and widespread access of each income group to the latest economic information. Even the labor movement maintains its own economic experts, who contrast their own statistics with those of the government and those of business journals such as *Panorama de la Economía Argentina*.¹⁵

THE DYNAMICS OF STOP-GO ECONOMIC CYCLES

The political implications of this income and sectoral distribution are linked to the short-run dynamics of the Argentine economy. Economic growth during the last two decades has been repeatedly halted by a series of vicious recessions, accompanied by an inflation which raised the Argentine cost of liv-

ing in the 1960–1964 period to 37 *times* the 1945–1949 level. Most of this increase took place after Perón's fall. These two features of Argentine economic life—stop-start growth and high inflation—are central to the understanding of post-Perón Argentine politics.¹⁶

The extent to which the Argentine economy has exhibited a stop-go pattern in recent years can be seen in the statistics of real Gross Domestic Product during 1946–1966.¹⁷ During 9 of these 21 years, the Gross Domestic Product grew by more than 5%. In contrast, during 6 of the years it actually shrank, and during another 3 years it grew by less than 2%. These good and bad years form a pattern of repeated growth spurts followed by recessions, which has been aptly labeled “stop-go cycles.”¹⁸

The “bad years” of negative economic growth have occurred every third or fourth year since 1949. They are separated by two or three “good” years in each case, which constitute the “go” part of the stop-go cycle. Since the percentage gains of the good years have exceeded the losses of the bad years, the 1946–1966 period has seen an overall growth of the Argentine economy that averages out to about 3% annually, although in per capita terms this is only about 1½% annually. If Argentina's birth rate had not been the lowest in Latin America, there would have been little or no growth in per capita product.

The relationship between inflation and recession in Argentina can be seen in Table 8, which presents rates of growth and inflation. Each year of negative growth was also a peak year for inflation. The average rate in inflation for the bad years is 38.4%, or over twice the mean for all other years (19.1%).¹⁹ Other characteristics of bad years include a fall in real wage rates, severe exchange rate devaluations, slower rates of credit expansion, and a drop in the value of cash balances.²⁰

The heart of the Argentine dilemma is illustrated by Díaz Alejandro's finding that the income elasticity of demand for imports is nearly three.²¹ Increases in Argentine national income are three times as likely to be spent upon imports as is average income.

Regressions clearly show the tendency of upsurges in domestic economic activity to spill massively into imports, while at the same time giving little hope that either changes in relative prices or quantitative restrictions can in the short run reduce substantially the level of imports.²²

Such an increase in the demand for imports puts heavy pressure upon the supply of foreign exchange. However, it must be remembered that this foreign exchange is earned by the agricultural sector, which has remained stagnant since the 1930's. The efforts of Perón's successors to increase agricultural production

SECTORAL CLASHES AND POLITICAL CHANGE: ARGENTINE EXPERIENCE

TABLE 8

Argentina: Rates of Growth and Inflation, 1946–1966
(Annual Percentage Changes)

Year	Gross Domestic Product	Cost of Living*
1946	8.3%	17.7%
1947	13.8%	13.5%
1948	1.2%	13.1%
1949	— 4.6%	31.1%
1950	1.6%	25.5%
1951	4.0%	36.7%
1952	— 6.3%	38.7%
1953	7.0%	4.0%
1954	3.8%	3.8%
1955	6.9%	12.3%
1956	1.7%	13.4%
1957	5.5%	24.7%
1958	7.2%	31.6%
1959	— 5.8%	113.7%
1960	8.0%	27.3%
1961	7.0%	13.5%
1962	— 1.8%	28.1%
1963	— 3.6%	24.1%
1964	8.1%	22.1%
1965	7.8%	28.6%
1966	— 1.0%	32.3%

* In the Capital Federal. Sources: Banco Central de la República Argentina, *Origen del producto y composición del gasto nacional* (Buenos Aires: June, 1966); Dirección Nacional de Estadística y Censos, *Costo del nivel de vida en la capital federal* (Buenos Aires: February, 1963) and *Boletín de Estadística*.

by raising agricultural prices have met with little success. A recent analysis of the response of agricultural production to price trends found that cereals showed little response, and beef actually showed a *negative* response (due to the tendency of landowners to hold cattle off the market for breeding when prices rise).

The situation is further worsened by the fact that Argentine exports remain wage goods, the very foods and fibers which constitute 80% of the family budgets of wage-earning Argentines.²⁴ An increase in industrial prosperity which benefits industrial workers will increase their consumption of wage goods and hence reduce agricultural exports. Some of the consumer goods produced by the industrial sector are purchased by the working class but it appears

that the primary buyers of these consumer goods are the upper middle and upper classes. An unpublished study carried out in 1963 showed that 80% of all automobiles were purchased by families in the upper 28% of the income scale.²⁵ In short, it is the entrepreneurial segment of Argentine society that has the greatest propensity to consume imported goods (by buying Argentine manufactures, which use imported materials), whereas the wage-earning segment consumes exportable goods. An increase in the general level of Argentine prosperity thus puts strain on the balance of payments from two directions. The rich buy importables, and the poor consume exportables.

When the holdings of Argentine foreign exchange have become exhausted by such a situation, the government has little choice but to devalue the currency vis-à-vis foreign currencies. This in turn leads to inflation. A multiple regression analysis shows that changes in the price index are not linked in time with the size of the money supply or the supply of goods, but instead are correlated with devaluations and changes in the urban wage rate.²⁶

These devaluations are also linked with recessions, in spite of the often-heard argument that devaluations should result in higher real output by stimulating production of exportable and import-substitution goods. In actuality, the sectors which were hurt by devaluation contracted more rapidly than the helped sectors could expand.²⁷ Such recessions lead to a fall in the consumption of exportable and importable goods (real meat consumption, for example, fell by more than 22% from 1958 to 1949).²⁸ As a result, pressure on the balance of payments eases, and holdings of foreign exchange grow again, setting the stage for the next round of expansion during the "go" period of the cycle.

STOP-GO CYCLES AND SECTORAL CLASHES

The result of high inflation and periodic economic contraction, given the Argentine income and sectoral structure, has been the maintenance of a high level of social and political conflict in Argentina. Any income group that does not fight vigorously for its share of the economy will be left behind in the inflationary race. To stand still in terms of peso earnings is to fall rapidly behind in terms of real earnings.

The conflict is not merely a struggle between wage-earners and entrepreneurs. It is also a fight between people in industry and those in agriculture, between those producing exportables and those producing home goods. This contest for income resembles a game of leap-frog; first one income group is ahead, then another. Agriculture entrepreneurs were losers under Perón, but since his fall they have gained. Industrial workers gained under Perón and lost

ground afterwards. The heaviest losers have been owners of price-controlled apartments and services. The public sector, which grew to considerable size under Perón, lost heavily, since it was the most susceptible to political pressure. Charges for all government services have failed to keep pace with inflation, causing large deficits in the federal budget.

It is possible to imagine such a struggle being carried out primarily on an economic front. In the Argentine case, however, it cannot avoid being political as well. In any economy regulated by the government, economic conflict inevitably becomes political conflict. The success of any income group in maintaining its share of national income will depend upon its ability to influence government policy. Coalitions between income groups emerge over one or another policy issue, and then disintegrate over a different issue. Each government must face pressure from all sectors, insecure in the knowledge that if it dissatisfies too many groups at the same time it will fall.

In Argentina, unlike in most Latin American nations, major income groups are politically organized. The labor movement is represented by Peronism, the urban middle class by the Radical parties, the landowners by the Conservative parties, and the industrial entrepreneurs (formerly in the Peronist coalition) by their allies in Radicalism and in the armed forces. To some extent the splits within each of the broad political movements reflect different economic constituencies of a sectoral nature: thus the voting strength of the *Radicales del Pueblo* appears greatest in the small town middle class, that of the *Radicales Intransigentes* in the Buenos Aires middle class. The Peronist movement has faced repeated schisms between the more conservative transportation unions and the industrial unions. The army endures splits between a protectionist pro-industrial faction and a free-trade pro-agricultural group. It would be an exaggeration to say that the lines of political conflict are drawn only along lines of economic interest, but as a minimum, it can be said that disagreement over economic policy options has played a major part in preventing broad-based governing coalitions.

Military governments have been no more free of policy struggles than have civilian governments. Time and time again, well-meaning generals have taken power, confident that a firm hand is all that is needed to restore business confidence and economic growth. Each of these presidents has had to learn about the limits of import substitution. As prosperity is followed by recession, each general must face criticism from his companions in the barracks, who ask the same questions of him that he asked of the deposed civilian president. Economic failures discredit military regimes as fully as they do civilian governments.

The roots of Argentina's economic stagnation and stop-go cycles do not lie in the style of leadership, but rather in the structure of the Argentine economy, and this cannot be altered by short-term policy expedients. Major policy re-orientations are needed, but these require exactly what is now missing in Argentina: a *modus vivendi* between the various income groups which are now struggling in the political arena.

Each of these groups has a veto power over government. Either the landowners, the industrialists, the labor movement, or the generals can destroy a development policy if they choose. Since the early days of Perón, no government has been able to command the simultaneous allegiance of enough of these interest groups to be effective. Bad faith between groups, often justified, has prevented cooperation in the making and execution of policy. The absence of trust, a pervasive *desconfianza* between social groups, has led to an intensification of the economic struggle. Each group is determined not to be exploited by the others, and jealously fights any alteration of the unhealthy economic *status quo*.

The onset of recessions as a result of the stop-go cycles brings this volatile situation to the boiling point. In an economy of shrinking real output, either all groups suffer equally or else some groups suffer more than others. Each income group in each economic sector does all it can to minimize its own losses. The result is likely to be the eruption of open political conflict.

The first revolt against Perón took place in 1951, following the onset of post-war Argentina's first stop-go cycle. Perón's strength was such that he could survive, but he was unable to withstand the impact of the 1952–1955 stop-go cycle, which shattered the coalition of labor, industry, and army that he had painstakingly put together.

The military government which replaced Perón did not succeed in avoiding another stop-go cycle during 1955–1958, which added fuel to the demand for a return to civilian rule. Arturo Frondizi, elected in 1958 with Peronist votes on a developmentalist platform, found himself presiding over the 1958–1962 stop-go cycle. He had gambled his political future by sacrificing Peronist support for what he hoped would be a successful economic policy, and during the "go" phase of the cycle it appeared that he might succeed. When Argentina entered a serious recession in 1962, however, Frondizi was ousted by the military.

The continued deterioration of the economy during 1963, accompanied by constant bickering within the military, finally resulted in widespread pressure for a "return to normalcy," which resulted in elections and victory for Illia's UCRP. As Illia took office, Argentina moved out of the 1962–1963 recession into a burst of prosperity that eventually brought the expected result:

a new recession. This time Illia was ousted, not by a conservative military faction, but by the very group which had helped him take office.

The Peronist electoral gains which immediately preceded the coups against Frondizi and Illia can also be seen as in part the product of economic recession. Both presidents were careful to test public sentiment in trial elections before allowing the Peronists to stand for office in major elections. These trial elections resulted in Peronist defeats and victories for the government parties. Unfortunately for Frondizi and Illia, however, the trial elections took place at the tail end of the "go" part of the economic cycle. By the time that general elections came about, inflation and recessions were in full swing, with the result that workers rallied to the Peronist banner once again. The political climate in Argentina is such that no civilian government in recent years can withstand both economic failure and political defeat, as Frondizi and Illia learned to their regret.

At the time of this writing, General Onganía sits in the President's chair. Argentina is still in the "go" part of the stop-go cycle. Should the basic elements of the Argentine economic situation continue unchanged, and there is reason to believe that this is the case, the economy is likely to enter a balance of payments crisis and recession during 1970. If this happens, and it probably will, I predict General Onganía's fall.

Argentine governments are placed in an unenviable position. They inherit an economic structure in which the causes of recession are built into every period of prosperity. The room for economic maneuvering is not great, but the price of economic failure *is* great. That price is renewed clashes within and between sectors, the intensification of social and political conflict, and military intervention.

CONCLUSIONS

The history of Argentine sectoral clashes and coalitions is not very encouraging for other developing nations. The usual pattern for a poor country is to begin its economic growth by expanding the export of some type of primary product. During the first phase of export expansion the manufacturing sector is likely to be ignored or even penalized.

But after export expansion has reached a certain level, a local middle class develops around it, providing a market for consumer goods. Particularly if it happens that the export product faces extreme price fluctuations, the government is likely to encourage manufacturing of such consumer goods locally, in effect giving its blessing to a coalition between the export sector and the manufacturing sector.

But this turns out to be something of a Pandora's box. When the manufacturing sector becomes sufficiently large, it usually makes a power grab. This is made easier because the new industry is likely to be concentrated in the capital, usually a primate city. The workers and industrialists are far more visible than their competitors in the primary goods sector off in the mountains or the countryside. The manufacturing sector stands to benefit considerably in the short run if it controls the government, since it can protect itself and close the economy to outside competition.

Politically, this takeover of government by the manufacturing sector usually involves the replacement of a European or U.S.-oriented liberal elite by a populist leader drawn from the armed forces, which tend to be enthusiastic about industrialization. The populist leader is hailed as the liberator and democratizer of his nation, and he in turn embarks upon programs of social improvement and modernization.

But it usually is not very long before the goose that laid the golden egg is dead. The export, or quasi-capital goods, sector that started the development process ceases to grow because of discrimination that inhibits investment. If this sector is unlucky enough to be foreign-owned it may disintegrate rapidly due to the threat of or as a result of nationalization. In any event, a foreign exchange or capital-goods bottleneck develops,²⁹ economic expansion grinds to a halt, social investment stops, and the populist leader is in serious trouble.

The worst has yet to come, however. The populist leader is ousted by another military man, often with foreign assistance. This new leader is probably conservative and militarist, and receives strong support from the previously suffering sector. The industrial workers are excluded from the new coalition, and greatly increased class polarization takes place. Nevertheless, the basic economic dilemmas remain, and sectoral clashes intensify from time to time as stop-go cycles become endemic. The military ruler is replaced by another military ruler, perhaps after a civilian interlude.

Argentina is the most prominent example of this pattern in Latin America, perhaps because it is the most developed nation in the region. Perón was the first such populist leader, but he was followed in short order by Nasser, by Sukarno, by Nkrumah, by Ben Bella. Nasser is the only such leader to survive the onset of stop-go cycles, but this is probably due more to Israel than to anything else. All the rest have been followed by military men, in a pattern that is depressingly familiar.

It might therefore be that the example of Argentina is crucial, in the sense that its mistakes must be avoided by other developing countries if they wish to continue their growth. The complications which result from the Argentine sequence of sectoral relationships have a self-defeating logic of their own.

The theory of sectoral clashes may very well make its greatest contribution by focusing attention on the political and economic traps which result from development via import substitution.

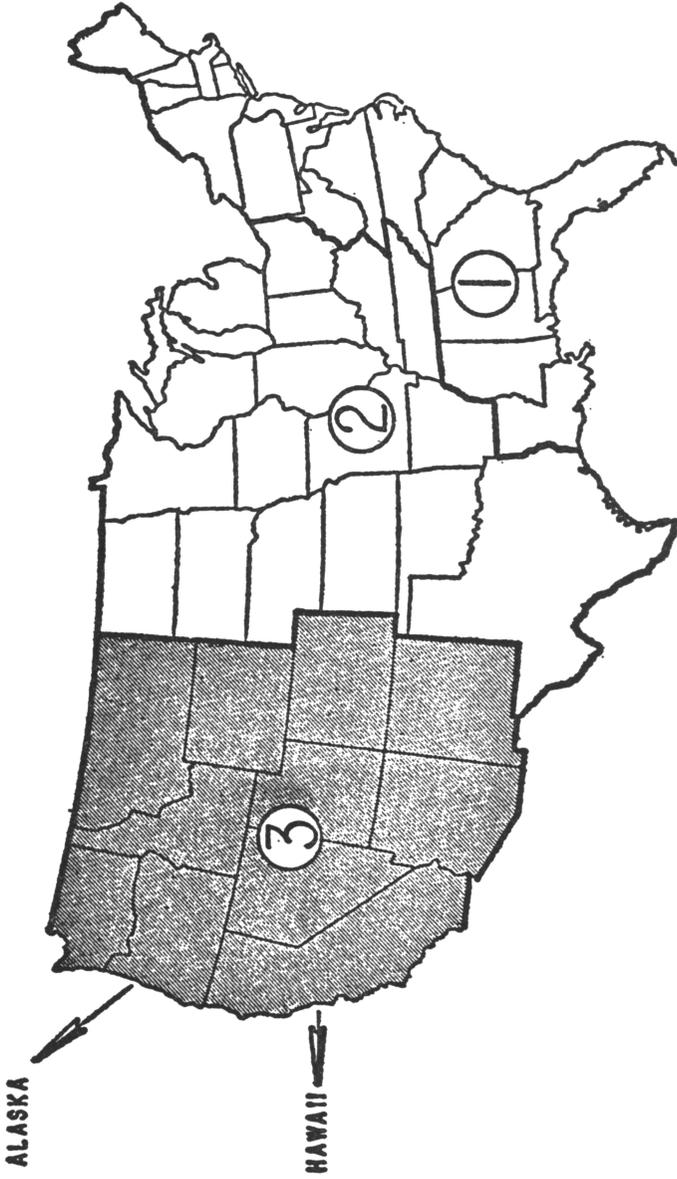
NOTES

1. Markos Mamalakis, "La teoría de los choques entre sectores," *El Trimestre Económico*, Vol. 33 (Abril–Junio de 1966), Núm. 130, pp. 187–222, and "The Theory of Sectoral Clashes," Latin American Center, The University of Wisconsin-Milwaukee, Center Discussion Paper No. 19, April, 1969. In addition to my debt to Professor Mamalakis for his conceptual contributions, I would like to acknowledge my dependence upon the insights and empirical achievements of Carlos F. Díaz-Alejandro, Javier Villaneuva, Hugh Schwartz, Eldon Kenworthy, and Gino Germani.
2. CEPAL, *El desarrollo económico de la Argentina* (México: Naciones Unidas, 1959), Anexo Estadístico, pp. 4 and 81.
3. República Argentina, *Censo industrial de 1946* (Buenos Aires: Dirección General del Servicio Estadístico Nacional), p. 16.
4. Carl C. Taylor, *Rural Life in Argentina* (Baton Rouge, La.: Louisiana State University, 1948), p. 446.
5. Data presented by Díaz-Alejandro shows that the exchange value of the Argentine peso to the dollar was approximately 200% higher (when deflated by the wholesale price indices of the U.S. and Argentina) in 1953–1955 than in 1935–1939. Carlos F. Díaz-Alejandro, "An Interpretation of Argentine Economic Growth since 1930," *Journal of Development Studies*, Vol. 3, No. 1 (Oct., 1966), pp. 14–41. Data cited from Table 7, p. 28.
6. Peso amounts were similar, but agriculture's share of all new investment in percentage terms had dropped considerably. CEPAL, *El desarrollo económico de la Argentina, op. cit.*, Anexo Estadístico, p. 81.
7. The question of real wages in Argentina since 1943 is highly complicated by inflation, distortions of price mechanisms, hidden subsidies, and taxes. An extensive discussion of this is found in Javier Villanueva, *The Inflationary Process in Argentina, 1943–1960* (Buenos Aires: Instituto Torcuato Di Tella, mimeograph, 1964), pp. 4–112. A recent treatment of several real wage indexes is found in Clarence Zuvekas, Jr., "Economic Growth and Income Distribution in Postwar Argentina," *Inter-American Economic Affairs*, Vol. 20, No. 3 (Winter, 1966), p. 19–38). The picture presented by the various indicators is similar: rapid growth of real wages until 1949 and uneven decline since then, with the sharpest drops coming during 1950–1952 and 1958–1959. The index which Zuvekas believes to be most accurate (based on Ministry of Labor data about collective bargaining agreements) shows more than a 50% drop in real wages of skilled workers between 1950 and 1960.
8. Peronist economic reasoning is convincingly set forth by the then Finance Minister Alfredo Morales, in *Política económica Peronista* (Buenos Aires: Escuela Superior Peronista, 1951).
9. República Argentina, *Síntesis estadística mensual de la República Argentina* (Buenos Aires), Junio–Julio 1955, p. 164.
10. *Origen del producto y composición del gasto nacional* (Buenos Aires: Banco Central de la República Argentina, Junio de 1966), p. 19. Between 1950 and 1965 the only changes of note in the shares contributed by different economic sectors to the Gross National Product were a decline of agriculture's share from 19% to 17% and an increase of manufacturing's share from 30% to 35%. This was a continuation of the pre-1950 trend, but in greatly reduced form.

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11. A preliminary report of this study is presented by Alberto Fracchia and Oscar Altimir, "Income Distribution in Argentina," *Economic Bulletin for Latin America*, Vol. XI, No. 1, pp. 106–131.
12. Gino Germani, *Estructura social en la Argentina* (Buenos Aires: Raigal, 1955).
13. Economic Commission for Latin America, *The Economic Development of Latin America in the Post-War Period* (New York: United Nations, 1964), p. 52, Table 52. The Mexican figure to which the Commission refers is taken from Ifigenia M. de Navarrate, *La distribución del ingreso y el desarrollo económica de México* (México, D.F.: Instituto de Investigaciones Económicas, Escuela Nacional de Economía, 1960).
14. Gino Germani, "Estrategia para estimular la movilidad social," (México: UNESCO, 1960), cited in Torcuato S. Di Tella, *El sistema político argentino y la clase obrera* (Buenos Aires: Eubeda, 1964), p. 78.
15. The Argentina military also keeps close watch over economic developments. Onganía's first statement after taking power justified the coup for economic reasons: "In this disorganized situation, further vitiated by electioneering, a sane economy cannot exist as a rational process." *Mensaje de la Junta Revolucionaria al Pueblo Argentino* (Buenos Aires: Presidencia de la Nación, 28 Julio, 1966).
16. Much of the following discussion draws upon the published and unpublished work of Carlos F. Díaz-Alejandro, Hugh H. Schwartz, Javier Villanueva, and Markos Mamalakis. The author thanks them for the contribution and suggestions.
17. Banco Central de la República Argentina, *Origen del producto*.
18. Carlos F. Díaz-Alejandro, *Essays on the Argentine Economy* (New Haven, Conn.: Economic Growth Center, 1967), Chapter 7, p. 1.
19. This observation was taken from Díaz-Alejandro, *Essays*, Chapter 7, p. 7.
20. Díaz-Alejandro, p. 5.
21. Díaz-Alejandro, p. 11.
22. Díaz-Alejandro, p. 17.
23. Carlos F. Díaz-Alejandro, *Exchange Rate Devaluation in a Semi-Industrialized Country* (Cambridge, Mass.: M.I.T. Press, 1965), pp. 76–87.
24. *Costa del nivel de vida en la capital federal, Nueva encuesta sobre condiciones de vida de familias obreras*, Año 1960, Dirección Nacional de Estadística y Censos, Buenos Aires, February 1963. Cited in Javier Villanueva, *The Inflationary Process in Argentina, 1943–1960* (Buenos Aires: Instituto Torcuato Di Tella, 1966), p. 35.
25. Cited by Díaz-Alejandro, *Exchange Rate Devaluation*, p. 61. The study was carried out under the joint auspices of the Organization of American States, the Inter-American Development Bank, and the Consejo Nacional de Desarrollo.
26. Díaz-Alejandro, *Essays*, Chapter 7, p. 17–42.
27. Díaz-Alejandro, *Exchange Rate Devaluation*, p. 168.
28. Díaz-Alejandro, *Exchange Rate Devaluation*, pp. 168–169.
29. For an extensive discussion of this issue within the framework of Mamalakis' Theory of Sectoral Clashes, see Markos Mamalakis, "Public Policy and Sectoral Development. A Case Study of Chile, 1940–1958," pp. 44–54, 71–82, and 149–168, *Essays on the Chilean Economy* (Homewood, Ill.: Richard D. Irwin, 1965), ed. Markos Mamalakis and Clark W. Reynolds. The conceptions that "the export sector functions as a quasi-capital sector" and of "the capital-goods bottleneck" are developed by Mamalakis in *ibid*. See also Mamalakis, "El sector exportador, etapas de desarrollo económico, y el proceso ahorro-inversión en América Latina," *El Trimestre Económico*, Vol. XXXIV(2), México, Abril–Junio 1967, pp. 319–341.

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