

## HISTORICAL REFLECTIONS ON THE SPLENDOR AND DECLINE OF ARGENTINA

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The Argentine crisis has its origins neither in the economic reforms undertaken by President Carlos Menem in 1989 nor in the globalization process of the previous decades. Rather, Argentina's decline has been a slow process that began in the early 20th century. President Menem, in fact, based his economic reforms on sound economic logic: the privatization of state-owned enterprises, a monetary conversion ratio of one peso to the U.S. dollar, and a commercial opening to the world. In 1991, inflation—which had reached hair-raising figures—was curbed, and substantial GDP per capita growth was achieved in the following years. Despite these short-lived achievements, the economic situation deteriorated, and in November 2001 the government presided over by Fernando de la Rúa decreed the partial freezing of bank deposits both in Argentine pesos and U.S. dollars. On December 19, supermarkets were plundered throughout the country, and the following day President de la Rúa signed his resignation. Thereafter, the country had a succession of five presidents and declared the default of its foreign debt in an atmosphere of extreme economic, social, and political unrest.

Representatives of all political parties in Congress—in both the House of Representatives and the Senate—daily articles in newspapers, and the hoards of demonstrators who take to the streets of Buenos Aires, all attribute the present crisis to the liberal economic reforms carried out by President Menem, as well as globalization and the IMF intervention. In February 2002, in the streets of Dublin we saw posters displaying the map of Argentina with the following caption: “See what savage capitalism together with the IMF can do to a nation.”

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In this article, I argue that Argentina's crisis is the result of colonial political practices manifest in modern Argentine economics. I show that Argentina's amazing development after the 1853–60 National Constitution was due to the introduction of a series of institutions and cultural values that modified those stemming from Spanish colonial times. However, at the beginning of the 20th century—a period when, paradoxically, the country had become one of the richest in the world—there was a revival of certain cultural features of the colonial era that caused a process of economic decline. This decline was intensified after World War II. The reforms that started in 1989, rather than being the cause of our present situation, were unable to reverse the return to certain habits and features dating from colonial times. First, I explore the features that characterized Spanish colonial times. Then I refer to the modernization carried out after 1853, the subsequent regressions of the 20th century, and the reasons why the 1989 reforms were unable to stop the decline. I end with a reflection on the causes of those regressions and consider the prospects for the future.

## Colonial Features

During the three-century colonial period, what is now Argentine territory was one of the poorest areas of the Spanish empire, largely due to its geographic placement, far from the centers of economic and political activity. In 1810, at independence, Argentina's population was smaller than that of Chile, Bolivia, Paraguay, and Peru, and its economy was underdeveloped relative to the rest of the Hispanic American territory. Though remote, the recently created Viceroyalty of the River Plate shared sociocultural traits typical of the continent dominated by Spain: political absolutism, mercantilism, disregard for the law, religious uniformity, xenophobia, and social stratification. Administration based on these cultural principles could only contribute to Argentina's underdevelopment, leading to bad government and abusive economic practices. Below I examine each sociocultural trait in turn.

### *Absolutism*

One of the most striking features of Hispanic American society was absolutism. In 1492, when Christopher Columbus discovered America the Spanish monarchs were trying to consolidate their power over feudal nobility. America provided the ideal opportunity for the Spanish monarchy to impose its unlimited, absolute power. On this continent they could exercise their political prerogatives without

check from the courts, feudalism, or local privileges. Nor was the existence of a native population any hindrance to absolute power. The Castilian monarchs were the “owners of America” in a political and economic sense. Clarence Haring (1972: 17) points out that the King exercised not only sovereignty over these lands, but property rights as well. He was an absolute power; every economic, political, or religious position depended on his will.

Furthermore, the weakness of local representative institutions helped to consolidate absolutism. The Hispanic American colonies had no opportunity to develop self-government or local democratic assemblies. The *cabildos*—early town councils established in Spain—had been democratic in the old Spanish kingdoms, but by the time America was discovered this institution had come under the complete control of the Crown, which appointed the members of the local assemblies. Indeed, in America the *cabildos* became aristocratic institutions, as members appointed their own successors. In addition, the Crown sold political positions. All these factors contributed to discredit these representative institutions (Zorraquín Becú 1981: 16, 310, 362; Bayle 1952: 622–23). Nonetheless, the large and corrupt bureaucracy set up in America actually imposed an important limitation to Spanish absolutism. Bureaucratic legal officials took advantage of the distance from Spain and the social environment of the land, solidifying their own power bases in the colony. In response to this threat, the Spanish Bourbon monarchy established in the 18th century a system of administrative reforms designed to reconcentrate power in Madrid and curb abuse by colonial officials (Halperin Donghi 1970: 53–56).

### *Mercantilism*

Another characteristic of the colonial system in Hispanic America—closely linked to absolutism—was economic statism, or mercantilism. Mercantilism is understood as the permanent intervention of the state into the private lives and activities of its citizens. While absolutism was used as a means to consolidate Spanish unity, mercantilism was the instrument by which Spain tried to profit from the natural and economic resources of Latin America. From the start, no one was allowed to conquer or colonize territory in the Indies without explicit and previous permission of the Crown. Christopher Columbus was able to make his first voyage only after an eight-year struggle to get the monarch’s sponsorship and financial support. Finally, in April 1492 the famous *Capitulations* with the Crown were signed. This agreement made Columbus only a Crown representative,

with the conditional titles of admiral, viceroy, and governor of the territories he would eventually discover.

Mercantilism as a guiding principle was most remarkable as far as the distribution of land was concerned. Hence, the grant of *encomiendas* was always made by the Crown and was the main expression of the state's propensity to distribute privileges. The *encomienda* was an institution through which the Crown granted a group of native Americans to a Spanish conquistador, who was to proffer religious education. In exchange, the conquistador could make the natives work for his own benefit. Cheap labor provided by the natives was the most important wealth-generating factor in America. As these people were distributed by the King and his officials, it was very important to be on good terms with the latter, in order to take advantage of available cheap labor through clientelistic links. Essentially, economic success depended on access to the patronage system established by the imperial state. Every Spaniard in America wanted to have native Americans under his power. A letter written to the King by the Viceroy of Peru in 1597 flatly states that "Spanish men did not come to America to work, but to take advantage of Indian labor and lands" (Terán 1982: 134).

The Crown ordered that no *encomienda* should consist of more than 300 natives. In this way, successive monarchs tried to ensure an even distribution of native labor, and also that indigenous peoples be evangelized and protected. But this rule was not observed, and the conquistadors followed a general policy of concentrating wealth in the hands of a few. They often asked their relatives or friends living in the Iberian Peninsula to register *encomiendas* in their names.

Like labor, real estate was among the most important sources of wealth and prestige. The Castilian monarchs were the owners of American lands that had been granted to them by the Pope and conquered by their representatives. As a consequence of these rights, the Crown monopolized land distribution, and no individual had access to land without a Royal grant. Later, in practice the territories occupied by individuals without a title or a grant could be purchased by paying a sum of money or *composition* to the Crown.

In the first years of the American empire land grants were free, but in the 16th century Philip II started to sell them in order to finance his holy wars. Both systems coexisted until the end of the colonial period. The salient point is that whether the Crown distributed lands freely or sold them to obtain money, individuals always needed the consent of the monarchs—or their representatives—to buy lands (Mariluz Urquijo 1978: 16, 33–36, 50).

Mines were another factor of economic importance. In Spain, they

had always been monopolized by the state. The 1387 Royal Orders of Barbiesca determined that an individual could prospect metals at private or public sites, but two-thirds of the profit obtained were to be given to the Crown. According to this law, all mines belonged to the Crown, regardless of whoever owned the land surface. This practice continued throughout the colonial period, though in 1563 Philip II established new revenue percentages that ranged from one-half to one-eighth of mineral produce. This system of contributions and obligations is a clear instance of state intervention in the economic area, although private interests often provided financial support. The famous *Ordenanzas de Toledo* (Toledo Ordinances) authorized by the Viceroy of Toledo in 1574 for Peru, reaffirmed the absolute rights of monarchs over property, specifically over metals found in their colonies (Martiré 1979: 15, 66, 69).

The state monopolized trade between Spain and its Latin American colonies. The *Casa de Contratación*, an institution established in Seville in 1503 in order to control and regulate commerce, was in state hands too. The Crown further monopolized other activities such as the manufacture and trade of mercury, salt, pepper, tobacco, gunpowder, and playing cards. Sometimes concessions of these activities were made to private individuals. Private interests were not welcomed freely, however, as concessions were most often bought rather than granted. Even the *cabildos* fed their public treasuries by granting rights to trade in these products to private interests.

Internal trade was also state regulated. Bar owners, for instance, could not transfer wine from one cask to another without proper authorization (Haring 1972: 321; García 1986: 136). Spanish colonialism was thus premised on the overwhelming presence of the state in every area of economic, social, and political life. In colonial times, not only did the state intervene in the economic area, but also in the most personal affairs of its servants and subjects. Even an official's alleged adultery or a citizen's broken marriage generated a lot of red tape (Terán 1982: 125; Bayle 1952: 582).

### *Nonobservance of the Law*

Another characteristic of Hispanic American colonial society was the permanent divorce between the legal order and social practice. In this case, the situation was different in the Spanish peninsula because the local law enshrined customs practiced by the population for centuries. This was not the case in America. There the Crown itself disregarded the *Capitulations* signed with Columbus—an anticipation of the coming disregard of the law in the new continent (Haring

1972: 24; de Madariaga 1973: 262). The Royal Orders that established good treatment and freedom for natives aptly illustrate the divorce between law and reality in the Spanish empire. While the Crown passed laws protecting the native population, and declaring them free, in actuality they were slaves in everything but name.

Another example of this dichotomy between law and practice was the creation of the *Requerimiento* (Requirement). It was a text that Spanish captains had to read to natives before waging war on them, written by the Spanish jurist Juan López de Palacios Rubios to justify the rights of Spaniards over the native people. The document asserted the Crown's authority on American territory and exhorted the natives to pay obedience. Of course, the natives could not understand either the spirit or the letter of this document as it was read in Spanish—a language they hardly understood—and articulated in terms of ideas alien to their culture (Ots Capdequí 1943: 254). Fulfilling this formality may have appeased the officials' consciences, but the sense and spirit of the law were never honored.

In fact, the Crown actively supported the disregard for colonial law among its officials, rather than suppressing it. By granting Viceroys the ability to suspend the law when they considered its observance dangerous, inconvenient, or troublesome, the Crown directly aided the further erosion of the rule of law in her own colonies. The Viceroy noted all derogations or suspensions of a law in a memorandum accounting for his decision, and sent the law back to Spain for re-consideration.

In Hispanic America, the old adage that local authorities “respected the law, but did not observe it” (*se acata la autoridad, pero no se cumple la ley*) was particularly applicable (Haring 1972: 130). The so-called *dissimulation* was another Spanish practice that undermined the Argentine legal system in its embryonic stage. This law stated that *encomiendas* should be granted for a maximum of two lifetimes—that is, for the original owner and his heirs. As a matter of fact, subsequent heirs continued with their ancestors' *encomiendas* past the two-generation rule, and Viceroys overlooked the fault. Curiously enough, under certain circumstances the Crown itself authorized Viceroys to *dissimulate* the extension of the grant for a third, and later a fourth or a fifth lifetime (Ots Capdequí 1943: 254; Haring, 1972: 269).

The widespread collusion of Spanish officials in smuggling provides a final example of the corruption that resulted from the imposition of inappropriate laws. This activity flourished during the three-century colonial regime as a consequence of the Crown's reluctance to admit free trade. The rules of commercial monopoly required that merchandise coming from Spain to America—shipped by Spanish

merchants in Spanish boats—was sent to their agents through predetermined routes at high freight charges. Hence, smuggled goods were significantly cheaper in the River Plate, and disregard of the law a constant practice. In this case, the attempt to restrict commerce to a handful of posts created strong incentives to break the law and practice free trade.

### *Militarism*

The Spanish conquest in America was a military deed, and this stamped a seal on the colonial period. Colonial society was hierarchical, stratified, and established a separate military jurisdiction. Under military jurisdiction, military men who committed common crimes were judged by their peers, not by civilian judges. They shared this privilege of special jurisdiction with the Church (Zorraquín Becú 1978: 91). The consolidation of militarism was aided by the fact that from early Spanish history, war and religion had always been closely related. This phenomenon originates from the Muslim occupation of Spain, and is a modern remnant of Muslim philosophy in the medieval Western world. War and religion are intimately connected in the Muslim creed. The Koran says that when Mohammed realized that he was inspired by Allah and that he had a prophetic mission, he asked his neighbors to follow him. Nobody did, except his cousin Ali, who said, “Oh, Prophet, I’ll follow you. I’ll pull out the eyes of your enemies, smash their teeth and crush their chests” (Miguens 1986: 74). Arab military forces entered Spain in the eighth century, swiftly conquering the greater part of the peninsula. As Christian Spaniards began to recover their territories from North to South, they, like their opponents, counted on God’s help during their eight-century fight against the Moors.

This fusion of military and religious enthusiasm spilled over into the New World. Accordingly, wars in the colonial context carried a religious undertone. The conquest of America had an undeniably missionary spirit. Before fighting against the native peoples, the Spaniards cried out, “Santiago, go get them,” appealing to the apostle, and something of this spirit remained even in the final years of the empire—as when General Manuel Belgrano appointed the Virgin Mary “General of the Army” after defeating the Spaniards in the Battle of Tucumán.

### *Modernization*

Following the formation of the first national government in 1810, the rising Argentine nation started a process of change in its

institutions, practices, and customs. After the Wars of Independence and a prolonged period of civil conflicts, including the dictatorship of Juan Manuel de Rosas (1829–52), the turmoil of Independence culminated with the promulgation of the 1853 Constitution, which sought to modify the cultural values inherited from the Spanish colonial period. Political absolutism was exchanged for division of powers; a unique state religion for freedom of creeds; mercantilism for support of private property and free trade; xenophobia for the encouragement of immigration; disregard of the law for judicial principles; and social class differences for equality before the law. This Constitution was partially amended in 1860. This represented, among other important reforms, the reincorporation of the Province of Buenos Aires—that had not agreed to take part of the Confederation that signed the 1853 Constitution—and the application of this Constitution in all the territory of the Nation.<sup>1</sup>

These values—highlighted in Law 1420 of 1884, which established lay, free, and obligatory education—caused spectacular political and economic development. As is only natural, growth experienced ups and downs, but amid fluctuation the ruling classes agreed upon basic values, such as the necessity to create an infrastructure of services for the promotion of productive activities (the post, telegraph, railway, education, ports), facilitate immigration, encourage foreign investment, and mount concern for national credit.

In 1876, President Nicolás Avellaneda, hard put to avoid default on the external debt, declared to the Legislative Assembly that Argentine bondholders need not worry. “The republic may be divided in political parties, but it has but one honor and credit, as it has only a name and a flag, before foreign peoples. The two million Argentine inhabitants will economize on their hunger and thirst to honor, in an emergency situation, the commitments of our public faith in foreign markets” (Páez de la Torre 2001: 222–23).

By 1910, at the centennial of the first National Government, Argentina was one of the foremost countries in the world. It was one of the most important grain and meat exporters. Its GDP represented 50 percent of the GDP of all Hispanic America, ranked 10th in the world economy, and its trade amounted to 7 percent of the world’s total. The wheat-cultivated area, which in 1872 covered 72,000 hectares, reached 6,918,000 hectares by 1912. Cereal exports, which in 1885 amounted to 389,000 tons, had risen to 5,294,000 in 1914.

<sup>1</sup>This amendment also changed the name of the Constitution from “Constitution of the Argentine Confederation” to “Constitution of the Argentine Nation,” and it is known as the 1853–60 Constitution.

Also, in contrast to the preceding colonial period, literacy had risen markedly in a nation celebrated for its cosmopolitanism rather than xenophobia (Torquinst quoted in Escudé 1984: 102). In 1913, the annual GDP per capita stood at \$US 470, surpassing the productivity of many European rivals: it amounted to \$US 400 in France, \$US 225 in Italy, and \$US 90 in Japan (Maizels 1963: 17). Further, comparison between hourly wages in 1911 and 1914 for Buenos Aires, Paris, and Marseilles in seven different job categories shows that wages in Buenos Aires were 80 percent higher than those of Marseilles in all categories, and 25 percent higher than in Paris in most categories. Until World War I, although per capita income in the United States was much higher than in Argentina, the average wage of an immigrant to Buenos Aires was similar to that of an immigrant to New York. A 1921 report from the British Department of Overseas Commerce confirmed that wages in Argentina were higher than in Europe (Díaz Alejandro 1970: 43–44).

## 20th Century Regressions

Precisely at this moment of amazing progress at the political and economic level, after two generations of almost continuous constitutional normalcy, the old colonial features began to reappear in Argentine administration in the decades of the early 20th century. Despite the impressive economic achievements since Independence, the reemergence of colonial practices would ultimately condemn Argentina to a trajectory of underdevelopment that could not be reversed by the democratic administrations of the 1990s.

### *1907–1946: Colonial Reemergence*

The 1907–1946 period saw the gradual reemergence of the very traits of colonial administration that had hampered Argentina's growth before Independence. Those most in evidence included a return to militarism and absolutist practices by political leaders, as well as renewed mercantilist state interventions that undermined free-market development.

First, Argentina rediscovered its Spanish militaristic roots in the early decades of the 20th century, as militarism became actively promoted by education policy. Beginning in 1908, in order to assimilate the children of immigrants, the government launched a campaign for "patriotic education." This campaign presented those who had fought for Independence and established the national Constitution as supernatural beings, almost sacred, capable of performing feats more

typical of gods or mythological heroes than human beings. Fueled by public state-owned schools and obligatory military service, this crusade exalted the nation without restraint, causing an exaggerated feeling of grandeur and making citizens believe that wealth derived directly from natural resources, without the need of human labor and proper institutions. The return to dogmatic teaching—which replaced religion with patriotism and underrated children’s intelligence—also inculcated a strong sense of nationalism that preached the need to recover the *Islas Malvinas* (Falkland Islands) (Escudé 1990: 20).

Governments in the 1930s expanded “patriotic education,” extending it to secondary schools and universities (Escudé 1990: 91–93). At this stage the authorities added religious zeal to militaristic nationalism, launching a political campaign to identify the origin and the essence of Argentine nationality in Catholicism and militarism. To that end, several nationalist authors rewrote national history in a way that would demonstrate that Independence heroes had been staunch Catholics, and not the Masons or freethinkers they had been presented as in textbooks written by liberal authors of the second half of the 19th century (Zanatta 1997: 20, 35, 90). This tactic was later employed by the military regime in 1943, which reestablished religious education in schools, violating what Law nr. 1420 had stipulated, and returning to state-sponsored religion. Thus, the Argentine cosmopolitanism that had contributed to the late 19th century development was eroded by government interventionism in Argentine classrooms.

Political absolutism and disregard for the rule of law—natural companions of militarism—were clearly exercised in governments of this period. Elected in 1916, President Yrigoyen significantly increased bureaucracy and generalized the practice of appointing administrative employees for imprecise or nonexistent jobs as payment for political favors. In 1930, Yrigoyen himself fell victim to absolutist tactics, when he was ousted by a coup d’état that was confirmed by the Supreme Court of Justice. The new de facto government further institutionalized absolutism and violence by closing the National Congress and some newspapers, and creating a political police squad to persecute and imprison political opponents. It was at this moment that torture by means of the *picana eléctrica* was first put into practice in Argentina. The relationship of these political events to the old political absolutism and colonial intolerance—and its consequence for economic growth—is obvious.

Economic practices were also affected by this seeming return to colonial rule. Throughout this period governments became more and more accustomed to intervening in the economy when it became

convenient, despite the obvious legal and economic disadvantages in the long term. Perhaps beginning in 1907—when oil fields were discovered in Comodoro Rivadavia—government began to take a mercantilist approach to economic administration. At that time, a decree introduced significant change to economic policy, the Mining Code, and the spirit of the National Constitution, which preferred an economy with little state intervention. President José Figueroa Alcorta promulgated a decree by which he reserved for the state the hydrocarbons in the subsoil, effectively dispossessing the proprietors of the land in question. Later governments showed the same marked preference for interventionist tactics. During Hipólito Yrigoyen's first presidency a law was passed that froze real estate rent. Regarding the affected people's claims, the Supreme Court of Justice—with the sole dissent of Judge Antonio Bermejo—confirmed the law and affirmed that it did not violate the Constitution (Fallos CS 4/28/1922). Thus, abetted by the Supreme Court and in contravention of the rule of law, Yrigoyen's government ignored both the right to private property and the autonomy of individual will. Less controversially but in the same mercantilist tradition, President Agustín P. Justo—elected in 1932—created market boards to regulate the production of meat, cereals, and several other products, consolidating active state intervention in an even wider array of economic areas.

#### *1946–1955: Perón*

In 1946, General Juan Domingo Perón became president. Perón's rule was littered with the same political practices of clientelism, absolutism, and disregard for the rule of law. He submitted all the members of the Supreme Court of Justice to political trial and replaced them with “friendly” judges. He abolished freedom of the press and stifled opponents, jailing opposition leaders like Ricardo Balbín. He also used the achievements of the previous administrations of the 20th century to his advantage, manipulating militarist nationalism to consolidate his own populist rule. He used primary schools to give political instruction to children, and through them to their parents. The book *La Razón de mi Vida*—signed but not written by the president's wife, Eva Perón—became an obligatory text.<sup>2</sup> A propaganda campaign was launched to liken President Perón to the country's so-called liberator, José de San Martín—one of the

<sup>2</sup>*La razón de mi vida* was an apologetic autobiography published in 1951. In this book, Eva Perón tells the story of her life and establishes the principles of the Peronist movement.

principal generals who participated in the war against Spain after 1810. A law declared the year 1950 as the year of “The Liberator General San Martín,” and it obliged schoolchildren, as well as all newspapers and notaries, to write that phrase after the date every day. Dozens of newspapers were closed for having omitted to write the phrase (Gambini 1999: 196–304).

Perón’s government continued and expanded mercantilist practices, and it was during his rule that the economic costs of colonial-style economics began to manifest themselves in government accounts. Perón’s government widened the scope of government activity in the economy by nationalizing electricity, gas, and telephone services, the railway, urban bus transport, and radios. This enormous state expansion—with corollary advantages to Perón’s political clients, and subsidies to labor groups and businessmen—inevitably began to increase the public deficit. The balance of payments surplus accumulated during World War II, as Argentina remained neutral and sold products to both sides, was not enough to finance Perón’s populist practices. He resorted to inflationary tax, central bank reserves, and export and capital taxes, and especially to the well-developed rural sector. In order to transfer resources from this sector to the government, and with the antecedent of Yrigoyen’s freezing of real estate rent, Perón mounted a regulatory framework aimed at distorting the set of property rights that had been established by the Constitution and the Civil Code guaranteeing the freedom to contract. Through successive decrees and negotiations with Congress, his government introduced contract controls—like price-fixings, eviction suspensions, and extensions of rent contracts—that benefited his constituency (renters) in rural areas in the short run, but eroded the property rights of Pampean owners, contributing greatly to economic stagnation in subsequent decades.

Another prominent mechanism for prompting a financial transfer from the rural sector to the government was the *Instituto Argentino para la Producción y el Intercambio* (Argentine Institute for Production and Exchange). The IAPI removed private exporting companies and fixed domestic prices for crops below international prices. The agency then sold these products abroad and retained the difference, which was channeled to populist activities (Gallo 2002: 170–97). Furthermore, from 1950 the state began to finance deficits by printing money, causing inflation to grow. Thus, despite a period of impressive economic and democratic growth in the late 19th century, by 1955 a return to colonial practices engendered by the regimes of the early 20th century had substantially eroded Argentina’s political economy.

*1955–1982: Successive Dictatorships*

The period between Perón and Argentina's return to democracy in 1983 was most notable for its vicious return to the blend of militarism and absolutism that characterizes military dictatorships. Many coups brought successive dictatorships to power during this period—all characterized by violence, disregard for the rule of law, and religious and political intolerance. Perón was overthrown in 1955 by a military coup, and the new regime took measures to persecute his followers. Newspapers were not allowed to mention the name of the deposed tyrant. In 1962, a military uprising drove President Arturo Frondizi from power, and in 1966 ousted President Arturo Illia. That year, General Juan Carlos Onganía became the de facto president. Cultural censorship was imposed and certain films, plays, and books were banned. Such was the case of *Bomarzo*, an opera composed by Ginastera and based on a novel written by Manuel Mujica Láinez.<sup>3</sup> Onganía prohibited its performance at the Colón Theater. As further evidence to absolutism, Onganía blatantly promoted the notion of a state-sponsored religion, as he consecrated the nation to the Immaculate Conception of the Virgin Mary during a massive and solemn pilgrimage to the sanctuary of Luján. In 1976, following the brief and catastrophic restoration of Perón, a military junta came to power and reintroduced militarism and judicial stratification into Argentine society. Numerous clandestine jails were set up in which people were tortured. Newborn babies delivered by female prisoners were often stolen and had their identity altered. During this period, 9,000 people disappeared, and the foreign debt increased from \$US 7,800 million to \$US 45,000 million. In 1978, the military regime came within a whisker of war with Chile over the Beagle Channel and its islands, and in 1982 it occupied the *Islas Malvinas* (Falkland Islands), bringing about war with Britain.

A guerrilla group called Montoneros was organized by groups of extreme-right Catholics, who believed they were fighting a crusade for a better society. Likewise, the military regime in 1976 declared that they respected the occidental Christian values, signifying a return to the union of war and religion of colonial times.

Though economic policy does not feature in most discussions of

<sup>3</sup>Manuel Mujica Láinez's novel *Bomarzo* was published in 1962. This novel was based on the real-life Prince Pier Francesco Orsini, Duke of Bomarzo, who lived in 16th century Italy. The opera premiered at the Lisner Auditorium of George Washington University in Washington, D.C., in 1967; in the same year, it was prohibited from being staged at the Teatro Colón in Buenos Aires (see <http://libweb.princeton.edu/libraries/firestone/rbsc/aids/lainez.html>).

this bleak period in Argentine history, the consequences of prolonged military rule and widespread collective fear are self-evident. Argentina's economic position was further weakened. Though hopes of improvement were widely shared among Argentines with the return to democracy and constitutional government under President Raúl Alfonsín in 1983, these hopes proved misguided. Military personnel who had violated human rights were ordered to stand trial, which meant a return to legality. But the laws called *Punto Final* (End Point) and *Obediencia Debida* (Due Obedience) enabled fraudulent amnesties that favored the very military men who had committed crimes. This legal fraud marked both the continuation of a hierarchical society with corporative privileges for the armed forces, and a clear violation of equality before the law. Though militarism had suffered a reversal with civilian rule, the stratification of society, the respect for the rule of law, and political absolutist practice continued unabated.

*Reforms of the 1990s: Too little, Too Late?*

By the late 1980s, a sense of economic crisis was undeniable. In response, President Carlos Menem instituted economic reforms aimed at reversing the mercantilist practices of the 20th century. These reforms—with the help of convertibility—gave the impression that economic recovery was forthcoming. Nevertheless, measures to reform political practices such as absolutism and disregard for the rule of law were not addressed. As the culmination of the crisis in December 2001 demonstrated, economic reforms without accompanying changes to the vicious Argentine political culture were not enough to reverse the economic decline that had its origins in the early 20th century return to colonial practice.

By all accounts, Menem's economic reforms were well-informed and potentially fruitful. In 1989, President Menem broke with Argentina's interventionist past and launched a deregulation policy to privatize state-owned enterprises and encourage a free-market economy. The privatization process was comprehensive and had a modernizing aim: it targeted the railway, telephones, electricity, ports, maritime transportation, radio, television, fuel, road maintenance, and military factories. But in his book *Raíces de la Pobreza* (*The Roots of Poverty*), Guillermo Yeatts points out that privatization was carried out by concessions in which markets were reserved for insiders. In effect, tariffs were guaranteed in such a way that the privatization process amounted to a "transfer of monopolies" from the state to private groups—which in turn became privileged sectors with enormous bargaining power. These measures meant a relapse into

colonial mercantile structures, in which gains did not take the form of profit from selling the best product at the lowest price in a free market, but rather a rent from an artificial monopoly or government restriction to competition (Yeatts 2000: 207–41).

Other reforms implemented by Menem were similarly deceptive. For example, although the opening of the economy was positive, it proved insufficient, for it was limited to Mercosur countries (Paraguay, Uruguay, Argentina, and Brazil). The result was that national isolationism was traded for a restricted “regional isolationism” in an area narrower than even the colonial mercantile monopoly—a move that could not significantly contribute to competitiveness or deliver the benefits of world trade.

Half-hearted economic reform was accompanied by a total lack of political will to reverse the corrupt clientelist system. Though the privatization process was undertaken in part to generate short-term government revenues, the state did not reduce expenditure in a significant way as a result. Instead, the government effectively swapped expenses in public service provision for so-called social expenses of absolutist government—that is, subsidies and comfortable jobs for political allies. Meanwhile, the state kept up—and even increased—its participation in the economy. The Menem administration’s tendency to clientelism was also evidenced by its expansion of the Supreme Court to include its own political clients and allies. Menem further pardoned the commanders-in chief who had been convicted for human rights violations, and encouraged a constitutional amendment in agreement with former President Alfonsín through the so-called *Pacto de Olivos*. This amendment enabled the previously illegal reelection of the president in office. Each measure smacked of a further relapse into the old colonial practices of political absolutism.

In sum, deceptive economic reforms and the convertibility system—through which throughout the 1990s the peso was pegged to the U.S. dollar—masked the detrimental effects of political vice. Convertibility circumvented the need to print money that would produce inflation. But though avoiding the tendency toward inflation, the government also avoided diminishing or reordering public expenditure. As convertibility appeared to allow the government to continue spending, it was merely an artifice for exchanging deficit financing for foreign debt. By this sleight of hand, and in spite of the money received from the sale of public enterprises, the Menem administration (1989–99) managed to raise public debt from US\$ 65,300 million to US\$ 146,210 million. As Eiras and Schaefer (2001) explain, “Lack of economic growth, combined with an expansion in government expenditures, generated a fiscal deficit that grew from 0.15 percent of

GDP in 1994 to 2.4 percent in 2000,” and “total Argentine public debt increased from 34 percent of GDP in 1991 to about 52 percent in 1999.” Thus, the advantages of a fixed exchange rate—stability and reliability—were thwarted by an overwhelming state debt that also increased the cost of private investment. This situation finally led to the breach of internal and external government commitments in December 2001, which in turn caused a run on the banks in early 2002.

The reforms of the 1990s were simply not sufficient to counteract the negative political practices that were beginning to reappear in the early 20th century and continued almost until the 21st: a hegemonic and personality-based executive power, able to assign economic resources and change rules whimsically by decree; the lack of an independent judiciary to control the other branches of government and defend citizens’ interests; a large, supposedly benefactor, state, symbolized by officials with powers to fix tariffs and alter private contracts, who added privilege pensions to their own salaries and bestowed unjustified subsidies to the unemployed.

The restrictions on private bank deposits imposed by Fernando de la Rúa’s administration in its dying days, and the default announced by President Adolfo Rodríguez Saa at the close of 2001—applauded by legislators of all parties—are the culmination of a century of mismanagement and misappropriation of public money and disregard of property rights and juridical order. Only an ingrained cultural tradition of rejection of foreigners allows the blame to be laid elsewhere, and prevents Argentines from acknowledging their shortcomings.

## Causes of the Regressions and a Prospective Outlook

Though the economic collapse is the obvious result of such a cultural tradition, it is not as easy to explain the causes of the regressions of the 20th century. A simplistic explanation might be that the 1853–60 reforms were incorporated by an enlightened minority, and that when in 1912 the law of secret, universal, and obligatory vote was passed and a popular government came to power in 1916, modernization was rejected by the great majority. The Argentine public favored instead a populist regime based on concessions granted by the government, even though they violated private property. In this sense, we could think that the principles and rules established by legal and political institutions during the last decades of the 19th century and the first decades of the 20th century were never totally internalized as permanent social and political practices by the public.

However, history shows that even “liberal” elites exhibited colonialist practice.

The decree that reserved the hydrocarbon subsoil for the state was passed by President Figueroa Alcorta, who was a distinct representative of the liberal regime. Likewise, the “patriotic education” campaign instituted in 1908 was designed by a “liberal” president par excellence and encouraged by a “liberal,” intellectual education minister. As by that time the law of universal and obligatory vote had not been enforced, we cannot attribute these measures to the public will. To further reinforce that conclusion, we may note that the uncontrolled money printing of the 20th century was undertaken by both democratically elected governments—Juan Domingo Perón-Isabel Perón 1974–76; Raúl Alfonsín 1983–89; and Carlos Menem, especially in his second term, 1995–99—and military dictatorships, 1976–83. It may be better to surmise that the modernization process that took place around 1853 was an abrupt institutional rupture with the colonial regime. It was not accompanied by profound changes in Argentine political culture, so some regressions to colonial practice were bound to appear, even among liberal regimes.

We might also speculate that the large immigration flows from established hierarchical Catholic countries into Argentina in the late 19th century hindered the cultural renewal sought by the 1853–60 Constitution. Juan Bautista Alberdi—the man who inspired the Argentine Constitution with his 1852 *Bases para la Organización Nacional* (*Bases for National Organization*)—believed that Anglo-Saxon immigration to Argentina could help develop “industrious habits” and “work culture” among Argentines themselves, and reinforce the values of Constitutional organization (Alberdi 1964: chap. 15: 39–40). However, Anglo-Saxon immigration to Argentina was dwarfed by the influx of peoples from Catholic hierarchical countries such as Spain and Italy. Between 1857 and 1930, Argentina welcomed 3,385,000 immigrants, not counting temporary workers that returned to their countries; in 1914, 30 percent of the Argentine population was of foreign birth. Of these immigrants, 47.4 percent were Italian and 32.3 percent Spanish, so these two nationalities together made up 80 percent of the immigrant population (Germani 1962: 226). Could this demographic make-up have hindered the acculturation of the Argentine population to the ideological reforms of the Constitution? This immigration stimulated a period of great economic development in Argentina, but possibly the tradition of political absolutism and—generally speaking—the authoritarianism typical of Catholic countries may have hindered the incorporation of new political habits (García Hamilton 1998).

It is not easy to explain why at the end of World War II Argentina took up a policy of economic isolationism and mercantilism in complete ignorance of the free-market policies that had given her such good results in the late 19th century. We might affirm that this was a reflection of broader global trends in the 1930s: Keynesianism in the United States, Fascism and National Socialism in Italy and Germany, and Bolshevism in Russia. At the end of World War II, even Britain and France began to nationalize some industries, while only small powers, such as Australia, rejected this tendency. Argentina persisted with a policy of nationalization in certain industries until Menem's reforms in 1989.

We ought not to disregard, either, the influences of the "patriotic education," which as Carlos Escudé has pointed out, had an extremely nationalist orientation from its beginning in 1908. Alberdi had advised in his 1852 *Las Bases* that the period of the War of Independence should be left behind to fully enter a period of work and production: "Let industry achieve what before was achieved by war" (Alberdi 1964: 14: 38). But hero worship in the early 20th century reached amazing heights, culminating with Perón's laws establishing the Year of General José de San Martín. Before this, General San Martín's remains had been brought to the Buenos Aires Cathedral —although in his lifetime he had been anticlerical as well as a Mason. He was referred to as "*Padre de la Patria*" (Father of the Nation). Author Ricardo Rojas had written his biography entitled *El Santo de la Espada* (*The Saint of the Sword*), and poet Belisario Roldán had dedicated to him a poem-prayer that started "Our Father who art in bronze."

School textbooks throughout the 20th century declare that the two greatest military heroes in the War of Independence against Spain, generals San Martín and Belgrano, died in poverty, as if this were praiseworthy (Escudé 1990).<sup>4</sup> And nationalistic authors of the 1930s claimed that to strengthen the national identity it was necessary to fight against foreign powers, mainly Britain (Quattrochi Woison 1995: 116–17).

The prolonged policy of nationalist indoctrination in schools helped continue a culture of xenophobia, absolutism, and mercantilist state intervention among subsequent generations. This policy, which brought Argentina to war against Britain over the *Islas Malvinas*

<sup>4</sup>In my book *Don José* I have pointed out that San Martín owned two houses in Paris as well as other considerable property (some inherited from his wife); in General Belgrano's biography, Ovidio Gimenez states that Belgrano left some property in his will, although he probably became poorer than he had been at birth.

(Falkland Islands), may have also helped it become an international beggar with the highest per capita debt in the world.

What is clear, however, is that—whatever the cause of historical regression—if Argentines continue to engage in colonial-style political practices, this country will not enjoy economic recovery in the near future. It is Spanish values that gave birth to the expression “father a merchant, son a gentleman, and grandson a beggar.” The grandchildren of Spanish colonialists seem to have lived up to this adage in 20th century Argentina. This does not mean that in the future Argentina will have to resign itself to stagnation or permanent crisis. The extraordinary growth Argentina experienced from 1853 to 1946 demonstrates that cultural change and progress are possible. If Argentines take a moment for an introspective look at the past, they may find the values that could initiate a new period of wealth and representative republicanism in the 1853–60 constitutional reforms of independence.

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