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A CASE STUDY IN COMPARATIVE PUBLIC POLICY:
THE ECONOMIC DIMENSIONS OF POPULISM
IN ARGENTINA AND BRAZIL

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Latin America is one of the few Third World areas with a long history of political independence. It thus furnishes ample material for the study of national policy-making by developing countries over an extended time span. Although one may question the degree of "real" independence, since 1945 it has certainly been great enough to warrant close examination of carefully chosen case studies.

Comparability is enhanced by the numerous common features of the larger countries. All passed through centuries of colonization and settlement by the Iberian monarchies, thereby acquiring parallel cultural, religious, and legal-political traditions. Their adventures into political independence in the early nineteenth century brought them under the pervasive economic influence of Great Britain and then the United States in the twentieth century. Similarities in resource endowments and economic options are also notable. In short, modern Latin America seems especially promising for comparative public policy analysis.

This paper will take the two largest nations of South America --Argentina and Brazil--and analyze the similarities and differences in their experiences in economic policy-making, especially with economic stabilization programs during the first two presidential terms of Juan Perón (1946-55) and the last presidency of Getúlio Vargas (1951-54).¹ Despite the fact that Argentina was a more developed country than Brazil by such indicators as literacy, mortality, and population growth rates (see Tables 1-3), it offers a valuable contrast to Brazil. Not least important is the fact that both Argentines and Brazilians have long thought themselves to be comparable.² The military of both countries have traditionally regarded each other as the principal competitor in Latin America, and take great care to monitor the potential enemy's economic development for its implications for military capacity. Furthermore, in both countries domestic political enemies have accused each other of intending to follow the "Brazilian" or the "Argentine" model. Perón studied with interest the labor policies that Vargas had carried out during his Estado Novo, and Vargas was later accused of conspiring to create a "Peronist" system in Brazil. Indeed, it may have been Perón's dramatic return to power in early October 1945 (after his brief seclusion imposed by the military junta) that greatly worried the Brazilian

TABLE 1

POPULATION AND POPULATION GROWTH: ARGENTINA & BRAZIL

	Total Population (in 000's)			Average Annual Population Growth Rate (%)		
	1940	1950	1960	1930-40	1940-50	1950-60
Argentina	14,169	17,085	20,850	1.7	1.9	2.0
Brazil	41,233	52,326	70,327	2.3	2.6	2.9

SOURCE: Nicolás Sánchez-Albornoz, *The Population of Latin America: A History* (Berkeley, 1974), 184-5.

TABLE 2

MORTALITY RATES: ARGENTINA & BRAZIL

	Mortality Rates per 1,000	
	1940-44	1950-54
Argentina	10.5	8.8
	1940-50	1950-60
Brazil	19.7	15.0

SOURCE: Sánchez-Albornoz, *Population*, 189; Instituto Brasileiro de Geografia e Estatística, *O Brasil em Números* (Rio, 1966), 26.

TABLE 3

LITERACY RATES: ARGENTINA & BRAZIL

	Literacy as % of Population of over 15 Years	
	1947	1969
Argentina	86.4	91.5
Brazil	49.3	71.0

SOURCE: Lorenzo Juan Sigaut, *Argentina-Brasil: prejuicios y realidad* (Buenos Aires, 1972), 32.

military about Vargas' intentions and stimulated them to depose him later that month. No two countries are ever precisely comparable, and this paper will also bring out important differences, which in turn can make us more aware of the unique features of Argentine and Brazilian historical experience.

For the period being analyzed here, both Perón and Vargas reached the presidency via direct national popular election. The political style of both was therefore geared to winning votes in an open electoral system. As the Perón regime continued, however, the Peronists succeeded in partially closing the system, as we shall see below.

The Political Context: Argentina in 1946

By the time of the presidential election of February 1946, Juan Perón had already built a powerful political base.³ As the Secretary of Labor and later Minister of War and Vice President during the military regime that took power in 1943, he had been able to develop a large political clientel among urban labor. This resulted in part from Perón's ability to facilitate access to government and to its social security benefits for labor representatives. It was also a result of his deliberate effort to create a loyal following among them. He was creating the base from which he was to attain the presidency.⁴ Perón was also putting into practice one of the principal ideas of the GOU, a secret military officer group of which he was a leader. That idea was to pre-empt left-wing (especially Communist) efforts to win over the working class. Only by decisive government intervention, they believed, was it possible to undercut the revolutionary left and insure that Argentina's working class would be successfully integrated into national society. The military had to act, they believed, because the businessmen and the civilian politicians were too short-sighted and selfish to see that only by making "reformist" concessions now could they avoid a social convulsion in the future. Perón was to repeat that message many times while in power.

In 1946 Perón won an absolute majority in a presidential election that even his opponents thought was eminently honest, at least until the results became known. His most visible base of support was urban labor, whose mobilization was dramatized in the much-publicized street demonstrations. Scholars still dispute the exact nature of Perón's political following--especially its class composition.⁵ It is enough for our purposes to know the general lines of his electoral commitments. Perón made no secret of his promises. The first was social justice for the urban worker. He was to win for them higher wages and better social services--rewards they had long since deserved, he argued, but which the selfish oligarchy had thus far denied them. Second, Perón promised a more nationalist policy toward foreign economic

interests. Argentina was to regain its self-respect after decades of alleged subordination to exploitative foreign powers, especially Britain and the U.S. In sum, Perón offered a nationalist populism, to be carried out under his leadership with the support of a mobilized urban mass movement. Shortly before the election, the U.S. government attempted to influence Argentine voters by issuing a "blue book" detailing Perón's war-time collaboration with the Axis powers. Perón seized on the incident as proof of U.S. meddling and capitalized on it to dramatize his nationalism.

Perón's election victory in 1946 gave him more room for political maneuver than any Argentine leader had enjoyed for many years. The traditional parties proved weak and ineffectual in the campaign, despite their having combined forces in a coalition. The Conservatives had lost most of their dwindling legitimacy when they came to power on the backs of the military in 1930. They seemed hopeless at adapting to the needs of modern electoral politics. The Radicals, who had never learned how to broaden their middle-class base by attracting working-class votes, were a ready target for Peronist scorn. In retrospect the huge political vacuum of postwar Argentina seems obvious. At the time it was Perón who saw it and moved in.

The weakness of the traditional parties gave the new President a strong position in the national legislature. His supporters enjoyed a two-thirds majority in both houses. His most serious limitation lay in the Constitution, which ruled out reelection of an incumbent President. That meant that his power would inevitably decline as the end of his term neared. But that problem lay in the future. In 1946 the new President surveyed the national scene and saw that the way was clear to pursue his two principal goals: social justice and economic nationalism.

During his first presidential term, Perón moved to purge the courts and reduce access to the media for his opposition. Both goals were achieved and his opponents in the Congress had dwindled to a mere handful by 1952. Although they continued to speak out, especially the Radicals, they were subject to continuous harassment and intimidation.

The Political Context: Brazil in 1951

The U.S. had also tried to get rid of Vargas in 1945, as they had done with Perón.⁶ Although it backfired in Argentina, it was much more successful in Brazil. There the U.S. opposition to the incumbent President was communicated by Ambassador Berle. Soon thereafter Vargas was deposed in a military coup, which was supported, however, by a civilian coalition that had its own heterogeneous goals and was far from simply following the Yankee cue. Since 1943, Vargas had been moving left. There were, for example, signs of a much more restrictive policy toward foreign capital,

such as the "anti-monopoly" law of May 1945. Thus the chief beneficiaries of Vargas' overthrow in October 1945 were the traditional politicians, who supported a very open stance toward foreign investment. The succeeding government of General Dutra (1946-51) saw a rapid rate of industrialization, but also a rapid exhaustion of Brazil's foreign exchange reserves. By the time Vargas returned to the presidency in 1951, the economic scene was far less favorable than that faced by Perón in 1946.

Vargas' election in 1950 represented an impressive comeback from his authoritarian past.⁷ None of his previous fifteen years as President had been earned in a direct popular election. Now, from the vantage of opposition, he won back the highest post. It was a curious coalition that elected him. Most important was the urban working class, organized in part in the PTB (Partido Trabalhista Brasileiro), founded by Vargas in 1945, and in part in the personalistic party of São Paulo Governor Adhemar de Barros. The other principal support came from political bosses in such states as Minas Gerais, with whom Getúlio still had effective contacts from earlier days. They knew him to be a shrewd leader who had never threatened the traditional agrarian social structure. They therefore worried little about his campaign promises to urban workers.

The latter were, however, important in Vargas' own mind. In his campaign he returned often to the commitment he felt for the improvement of the worker's lot. But he also stressed the need for basic economic development, which would require huge amounts of investment and new technology.

Vargas had less political room for maneuver in 1951 than Perón had in 1946. First, Getúlio had no reliable party majority in the national Congress. The party with which he was most identified--the PTB--was a distant third in the size of its Congressional delegation, after the PSD and the UDN. Vargas faced the need to negotiate ad hoc deals on crucial issues. The Brazilian constitution also forbade reelection of the incumbent President, thus presenting Vargas with the same problem as Perón. Vis-à-vis two other significant groups--the military and urban labor--Vargas was also weaker than Perón. Getúlio did not have the network of personal links and loyalties among labor leaders that his Argentine counterpart had built up during the war and reinforced soon thereafter. And the Brazilian military, which had once deposed Vargas in 1945, included many who were suspicious of his return in 1951.

Economic Policy-Making: Assumptions and Strategies

What policy options were open to Latin American political leaders in the postwar years? The choices fell on a spectrum stretching from neo-liberal on the right, to radical nationalist

on the left, with developmentalist somewhere in the middle.⁸ The neo-liberal strategy was based on the assumption that the economy should depend as much as possible on the workings of the free market, reducing government intervention to an absolute minimum. For Latin American economies, even the larger ones such as Argentina and Brazil, that would mean continuing to rely on a few agricultural exports to earn foreign exchange. It would also mean encouraging and welcoming foreign investment as an indispensable source of capital and technology. The theoretical orientation of the neo-liberals was Manchester-style liberalism and its best known spokesmen in the Western Hemisphere were businessmen and politicians (especially of the Republican Party) in the U.S. Its advocates had traditionally been very strong in Argentina, somewhat less so in Brazil.

At the other end of the spectrum were the radical nationalists. They argued that significant economic development required a sharp break with foreign economic interests, especially private foreign investment. They argued that Latin America's long-time integration into the world economy had relegated it to a role of permanent exploitation as a producer of primary goods for the industrial powers. Both the terms of international trade and the remission of profits by foreign firms were cited as proof of this exploitation. Many radical nationalists subscribed at least partially to Marxist theory, although that in no way necessarily implied membership in the Communist Party in either Argentina or Brazil. Basically they urged greater autonomy for the national economies while often being short of formulae for basic development. In general, they sought a much enlarged role for the state, arguing that it was often the only defense against foreign penetration. Advocates of this position played upon the nationalist resentments typical of developing countries. These sentiments were probably stronger in Argentina than Brazil.

The third economic strategy, developmentalist, lay in the middle of the spectrum. Its advocates were by nature eclectic, disdaining the rigidity of ideological commitment typical of the two extremes. Developmentalists saw a positive role for the free market and for foreign investment, although both needed to be set within carefully defined limits, since the "natural" operation of economic forces could not be expected to yield a satisfactory pattern of economic growth. Advocates of this view stressed a pluralist economic strategy--balancing public and private sources of funding in both the domestic and the foreign realm. They necessarily assumed that the ultimate direction of this economic development had to be in the hands of the national government. Developmentalists therefore hoped to capitalize on some of the ideas and preferences of the extremists without falling into a doctrinaire position that would deprive their nation of desirable flexibility.

These three strategies are easier to describe in retrospect than would have been possible in 1945. Indeed, the differentiation of the positions on the spectrum did not become very clear until the early 1950's. Nonetheless, this typology can be especially useful in analyzing two populist presidents such as Perón and Vargas.

The two most important issues that defined the strategic options were the role of the state and the role of foreign capital. On the first, the neo-liberals maintained a steady warfare against almost all forces of governmental intervention, especially in the area of social welfare. On the second, extreme nationalists maintained a drumfire of criticism of any policies that encouraged foreign investment. Thus the political leadership could be readily defined by noting the extent to which they were statist, populist and nationalist. Perón and Vargas both changed their position significantly, as measured by these issues.

The Argentine case.--In 1945 Argentina was one of the most advanced national economies in what has since come to be called "the developing world." It already had the basic infrastructure in vital areas such as transportation (especially railroads) and docks. This structure was inherited from the notable boom that Argentina enjoyed between 1880 and 1914, when it was a prime example of growth via the agro-export model. Although Argentina had been hard hit by the world depression of the 1930's, it was not fanciful to think in 1945 that the country might recapture the pre-1929 prosperity, especially given Europe's obvious need for vital foodstuffs in the wake of World War II.

Perón, however, had no intention of returning to a past model. On the contrary, he came to power preaching the need for basic changes in Argentina's economic policies. His first goal was strongly nationalist. He wanted his country to attain the "economic independence" which had never accompanied the political dependence of the early nineteenth century. How? First, he would repay all outstanding foreign debt. Second, he would nationalize, with compensation, virtually all foreign properties in vital economic sectors such as transportation. Furthermore, Argentina was to avoid involvement in any multi-lateral agencies such as had been envisaged at the Bretton Woods conference of 1944. Instead, Argentina would rely on bilateral relationships where, according to Peronist logic, it could maximize its national interest. Left up in the air was the question of technology, inevitably a crucial factor in basic economic development.

The second major Peronist goal was social justice. This was no less emotionally presented than the goal of nationalism. Perón demanded rewards for what he described as the forgotten figures--the urban workers. This was to mean sharply increased real wages and greatly expanded fringe benefits (pensions, medical care, housing, etc.). This increase in individual workers' material lot,

combined with the full employment that Perón also promised, would thereby increase the share of the national income going to labor. It was a promise that stands out as one of the most undiluted populist appeals in the last three decades of Latin American political history.⁹ The likely winners and losers seemed clearly defined. And the highly emotional terms in which Perón, and his charismatic wife Eva, couched their message promised dramatic political confrontations for Argentine society. The neglected ones were to have their historical injustice righted. Obviously their historical exploiters could hardly be expected to welcome this economic transformation.

Given this populist stance, to what extent did Perón and his leadership think out its long-term political effects? The first point is obvious: they clearly saw how giving immediate economic gains to urban workers could generate mass political support, which in turn would legitimize Peronist rule and make possible further government measures. Pursuing a nationalist policy toward foreign economic interests could also be expected to appeal to urban voters (middle-class as well as working-class) and thereby strengthen the government's hand. In short, these were popular measures. And Perón, surprisingly enough, was the first Argentine President to see how such measures could capture the loyalty of the large urban electorate that had never been offered such a choice. The Conservatives would, of course, oppose any such measures. The Radicals had also developed a strong fear of the working class and thereby lost the opportunity to broaden their electoral base. Meanwhile the Socialists had never moved into the vacuum that Perón perceived so clearly, and the Communist Party was too small and too burdened by its ideological contortions to have beaten Perón to the punch. In terms of the typology of economic strategies discussed earlier, Perón sounded like a radical nationalist, but in fact his policies much more nearly conformed to the developmentalist model, especially in his second term.

There was another dimension to the Peronist leadership's perception of the political scene. It stemmed from what its opponents called the "fascist" character of the regime. Perón had been a leading member of the secret Army officers' group known as the GOU.¹⁰ One of their tenets was the need to head off the Communists by making preemptive concessions to the working class. The assumption was that by quickly granting significant material gains the government could undercut more radical movements on the left. It was further argued by proponents of this position that increased benefits for the working class were inevitable and it was simply a question of who would hand them out, and how the basic socio-economic system might be affected in the process. Perón himself never tired of lecturing businessmen and landowners on the wisdom of his politics, which he told them was the only alternative to the revolutionaries on the left.

In 1946 Juan Perón presented a nationalist populist program to the Argentine electorate. He could count on the support of the urban working class and a segment of the middle class. He was not disappointed. The vote fully justified his expectations.

The Brazilian case.--When Getúlio Vargas returned to the presidency in 1951 Brazil was a less developed country than the Argentina of 1946. It lacked much of the infrastructure, such as transportation and energy. Brazil needed, therefore, to make large investments in the public sector. The Brazilian case fits quite well into the diagnosis of the Economic Commission for Latin America (ECLA), which preached that only through vigorous industrialization efforts could Latin American nations break out of their long-time thralldom to the industrial powers which benefited from the long-term trend in the terms of international trade.

When Vargas came to power in 1951 his electoral commitments were more ambiguous than those of Perón. In his successful presidential election campaign he had called for basic economic development, arguing that his efforts during his previous presidency (1930-45) had been inadequately followed up during the term of President Dutra (1946-51). He also called for greater Brazilian autonomy, thereby tapping the nationalist sentiment that he had channeled in earlier years. Specifically, he argued in the campaign that Brazil should take a tougher stand toward private foreign investment. He clearly believed that only through a vigorous state effort could Brazil begin to achieve its goal of emergence as a potential world power.

Vargas also talked of social justice for the workers. In 1945 he had presided over the creation of a new political party that bore the title of the "Brazilian Labor Party" (Partido Trabalhista Brasileiro, or PTB). Yet Getúlio had never broken his ties with the established economic powers--his election campaign had rested upon a shrewd strategy of tapping the new urban mass vote while also reassuring the rural landowners of his benevolent intentions. Vargas reassumed power in 1951 with a less emotional commitment to the worker than Perón. Nor had he relied upon the kind of direct mobilization of the working class vote produced by Perón in 1945-46. Vargas had mixed in a significant measure of concern over basic economic development, which would depend upon significant state action but which was not nearly as unambiguously nationalist as Perón's promises.¹¹ In short, Vargas' initial policies classified him as developmentalist, by our earlier typology.

The Problem of Inflation

Inflation has seldom been seen by Latin American political leaders as an urgent problem in itself. Many groups gain handsomely with rising prices, especially if they can incur debt in fixed

(nominal) terms while enjoying income at rising levels. There are many ways of adjusting to rising prices, and Latin Americans have become experts at them in the decades since the end of the Second World War. The inherent painfulness of virtually all anti-inflation remedies is a further factor that leads governments to avoid attacking inflation as long as possible. This is all the clearer when we remember that invariably a chief source of inflationary pressure is the large deficit of the public sector, usually financed simply by printing money. Thus an attack on inflation necessarily involves a cut-back in government services, or increases in rates charged by public services, or both. In sum, it is difficult to find any social or economic sector that calls for stabilization. A possible exception might be those on fixed incomes, but the solution in their eyes is usually more frequent adjustments in their payments, rather than a macroeconomic assault on inflation.

If inflation per se has failed to move governments, then why the frequent attempts at stabilization? The answer is to be found in the relationship to the world economy. In developing countries such as Argentina and Brazil, a constant problem is the fundamental tendency toward disequilibrium in foreign trade transactions. Import needs are so great, especially if industrialization is underway (as it was in both our cases), and the limits on export earnings so low, that deficits in the trade balance are almost inevitable. They can be covered in part by capital inflow or foreign loans, but the servicing of those represent eventual foreign exchange burdens themselves. Inflation exacerbates the trade problem because in such situations governments usually cling to an overvalued rate for their currency. This makes their exports more and more expensive in the world market, and encourages profit remissions and capital repatriation by foreign investors, as well as subsidizing imports. The inevitable result is a balance of payments crisis. The shock comes when foreign suppliers simply refuse to ship unless they are given guarantees of prompt payment. In such a crisis, the political leaders are told that they must act or vital imports, e.g., oil or spare parts, will be cut off.

When the politicians turn to the economic doctors, what do they hear?¹² First, that they must attack the fundamental disequilibrium in the foreign trade sector. The first step is devaluation. Obviously that will be unpopular, because it will make imports more expensive. It is also costly in psychological terms because it is so often seen as a loss of political prestige.

But the doctors warn that a one-time devaluation will not do the entire job. The latter requires getting at the true source of the disequilibrium. Here is where economists have differed strongly. To oversimplify, the orthodox monetarists argued that public sector deficits and subsidies were the chief culprits, along with an unrealistic exchange rate policy. Their deflationary solution would be painful, they acknowledge, but unavoidable

medicine. Structuralists, on the other hand, saw an inherent long-term deficiency in the country's import capacity, which could only be overcome by direct government intervention, including the use of differential exchange rates, physical import controls, and a concerted attack on the structural bottlenecks that lay at the root of the problem. Thus the politicians could get widely differing "scientific" advice as the decade of the 1950's wore on.

Both Perón and Vargas faced the kind of balance of payments described (see Tables 4 and 5). Both had also faced inflation, although it did not reach double figures in Brazil between 1947 and 1950 (see Table 6). Both presidents were forced to adopt stabilization plans which included devaluation, monetary restraint and a tough wage policy. The immediate aim for both was to protect their creditworthiness abroad by demonstrating a will to attack inflation at home. But the plans could be expected to have three very unpopular results: a reduction of real wage rates, a cut in credit to the private sector, and a price rise for goods and services with a significant import component. There was also the danger of stagnation, as the deflationary medicine took hold.

TABLE 4

ARGENTINA: BALANCE OF PAYMENTS, 1946-1960
(In Millions of U.S. Dollars)

	<u>Trade Balance</u>	<u>Capital Acct.</u>	<u>Errors and Omissions</u>
1946	425.0	-399.1	- 25.9
1947	- 29.2	142.3	-113.1
1948	- 81.2	-105.4	186.3
1949	-138.0	73.4	64.6
1950	113.6	- 39.8	- 73.8
1951	-211.2	346.7	-135.5
1952	-392.1	165.3	226.8
1953	356.0	355.3	0.7
1954	86.2	12.3	- 98.5
1955	-238.8	204.8	34.0
1956	-129.1	199.5	- 70.4
1957	-300.5	197.8	102.7
1958	-256.1	254.1	2.0
1959	13.7	- 30.9	17.2
1960	-197.9	374.4	-176.5

SOURCE: IMF, Balance of Payments Yearbook.

TABLE 5

BRAZIL: BALANCE OF PAYMENTS, 1946-1960
(In Millions of U.S. Dollars)

	<u>Trade Balance</u>	<u>Capital Acct.</u>	<u>Errors and Omissions</u>
1946	N.A.		
1947	-145.1	203.3	- 58.2
1948	- 37.3	23.5	13.8
1949	-117.8	7.4	110.4
1950	107.7	- 91.6	- 16.1
1951	-467.5	345.4	122.1
1952	-708.0	757.3	- 49.3
1953	30.0	45.0	- 75.0
1954	-230.0	212.0	18.0
1955	- 27.0	- 6.0	33.0
1956	- 20.0	34.0	- 54.0
1957	-285.0	425.0	-140.0
1958	-264.0	475.0	-211.0
1959	-340.0	335.0	5.0
1960	-521.0	511.0	10.0

SOURCE: IMF, Balance of Payments Yearbook.

TABLE 6

RATES OF INFLATION
(Annual Percentage Change in the Cost of Living)

	<u>Argentina</u>	<u>Brazil</u>
1945	20.7	N.A.
1946	17.1	27.3
1947	12.2	5.8
1948	13.0	3.5
1949	32.7	6.0
1950	24.6	11.4
1951	37.2	10.8
1952	38.1	20.4
1953	4.3	17.6
1954	3.5	25.6
1955	12.5	18.9
1956	13.1	21.8
1957	25.0	13.4
1958	31.4	17.3
1959	113.9	51.9
1960	27.3	23.8

SOURCE: Argentina--cost of living, Buenos Aires: Boletín de Estadísticas Sociales, No. 1 (April 1966); No. 16 (March, 1973). Brazil--Conjuntura Econômica, vol. 28 (No. 5, Maio 1974).

Perón's stabilization efforts, 1949-55.--The first three years of Perón's presidency saw him moving significantly toward the fulfillment of his nationalist and populist promises of 1946.¹³ Through active intervention by the government, urban workers got sharply increased real wages (see Table 7). They went on a spending spree, which in turn stimulated domestic industrial production. "Justicialismo" seemed to make economic as well as political sense. Argentina's extensive foreign exchange reserves at the end of the war also made possible the fulfillment of Perón's pledge to nationalize the foreign firms in the docks and public utilities. The chief owners had been the British, with the French and North Americans in a lesser role.

TABLE 7

ARGENTINA: REAL WAGES

	<u>Annual % Change in Real Hourly Wage Rates</u>
1946	5.6
1947	25.3
1948	23.5
1949	4.9
1950	- 4.4
1951	- 7.0
1952	-11.3
1953	7.8
1954	6.9
1955	- 1.1
1956	0.5
1957	7.2
1958	4.7
1959	-20.5
1960	3.2

SOURCE: Table 123 in Statistical appendix to Carlos F. Díaz Alejandro, Essays on the Economic History of the Argentine Republic (New Haven, 1970).

By 1949, however, Perón faced the economic problem which allows no escape: the exhaustion of foreign exchange reserves and the reticence of foreign suppliers to continue shipping.¹⁴ His response was to fire his economic czar, Miguel Miranda, putting in his place Alfredo Gómez Morales, an outspoken monetarist. Between 1949 and 1955, the Peronist government struggled against inflation, exhibiting the "stop and go" pattern that has become so familiar a result of stabilization policies around the world.

Real wage rates fell (see Table 7), the level of activity in the economy suffered (see Table 8), and Perón was frustrated by having to watch some of populist gains taken away from the urban worker.¹⁵

TABLE 8

ARGENTINA: ANNUAL CHANGES IN REAL OUTPUT (PERCENT)
FROM PREVIOUS YEAR (1960 = 100)

	<u>Agriculture</u>	<u>Manufacturing</u>	<u>GDP</u>	<u>GDP + Merchandise Imports</u>
1940	+ 5.3	- 3.4	+ 1.2	
1941	+11.9	+ 5.1	+ 5.7	
1942	- 2.6	+ 3.7	+ 0.7	
1943	-13.2	+ 4.5	- 2.0	
1944	+23.5	+11.1	+12.1	
1945	-20.0	- 1.7	- 4.8	- 3.0
1946	+ 3.7	+10.2	+ 8.7	+12.1
1947	+ 8.7	+13.2	+12.7	+17.2
1948	+ 0.1	+ 4.9	+ 5.1	+ 5.0
1949	- 8.1	+ 0.7	- 1.5	- 4.5
1950	- 6.7	+ 2.8	+ 0.3	- 0.1
1951	+ 6.7	+ 0.9	+ 3.9	+ 5.4
1952	-14.9	- 2.6	- 5.9	- 7.7
1953	+30.0	0.0**	+ 6.1	+ 3.6
1954	- 0.3	+ 9.1	+ 5.0	+ 5.6
1955	+ 3.7	+12.1	+ 7.2	+ 8.0
1956	- 4.8	+ 5.6	+ 2.2	+ 1.7
1957	- 0.2	+ 7.7	+ 5.1	+ 6.2
1958	+ 4.3	+ 7.4	+ 0.5	+ 4.7
1959	- 0.8	- 7.5	- 0.5	- 5.2
1960	- 0.2	+ 6.4	+ 0.6	+ 7.6

SOURCE: First three columns--calculated from Consejo Nacional de Desarrollo, Distribución del Ingreso y Cuentas Nacionales en la Argentina, Vol. III (Buenos Aires, 1965), pp. 64-65; GDP is the figure at market prices. Last column--taken from Carlos Díaz-Alejandro, Exchange Rate Devluation in a Semi-Industrialized Country, Table S.3, p. 128.

**There is presumably an error in the original data which gives the same figure for the value of industrial production in 1952 and 1953.

In his other principal goal there was also backsliding. Perón had sounded like a naive autarkist in his earlier years. His famous "Declaration of Economic Independence" in 1948 was the zenith of what can only be called a kind of latter-day mercantilism. By the early 1950's, however, the Peronist economic advisers were

seeking increased contacts with foreign investors, both public and private. Perón was swinging back from a strongly nationalist posture toward a more "developmentalist" one.

Vargas battles inflation, 1953-54.--During the presidency of General Dutra (1946-51) the government professed faith in the market and talked of the need to minimize state intervention in the economy. As in the case of Argentina, the postwar foreign exchange reserves were soon exhausted, and the inadequate import capacity furnished effective protection for Brazilian industry. The latter grew rapidly, almost in spite of the government's disavowal of any industrialization goal. When Vargas took office in 1951, the government was relying on a complex licensing scheme to allocate imports. By 1952 it had become clear that a fundamental reform of exchange rate policy was necessary. It was delayed until Vargas appointed a new Finance Minister, Oswaldo Aranha, to replace the São Paulo businessman, Horácio Lafer, who had served for the first two years of the Vargas regime.¹⁶ Aranha unveiled a stabilization plan in 1953, which included devaluation and the introduction of a multiple exchange rate system. His efforts on that front quickly proved successful. The deficit in the balance of payments was replaced by a surplus, which in good part resulted from a sharp run-up in coffee prices.

On the domestic front, however, the task proved far more difficult. Aranha tried to constrict credit, but found the specter of a recession inhibiting any drastic action. In fact Brazil did suffer a decline in per capita GDP in 1953 (see Table 9).

TABLE 9

BRAZIL: REAL GDP, 1948-60 (In 1949 Prices)

	<u>Total GDP</u>		<u>Industry</u>	<u>Agriculture</u>	<u>Per Capita</u>
	<u>Millions of</u> <u>Cruzeiros</u>	<u>% Annual</u> <u>Variation</u>	<u>% Annual</u> <u>Variation</u>	<u>% Annual</u> <u>Variation</u>	<u>GDP</u> <u>% Annual</u> <u>Variation</u>
1948	215.6	7.4	11.3	6.9	4.7
1949	229.9	6.6	10.3	4.5	4.3
1950	244.8	6.5	11.3	1.5	4.0
1951	259.3	6.0	6.4	6.9	2.8
1952	281.9	8.7	5.0	9.1	5.6
1953	289.0	2.5	8.7	0.2	-0.5
1954	318.2	10.1	8.7	7.9	7.0
1955	340.0	6.9	10.6	7.7	3.7
1956	350.8	3.2	6.9	-0.2	0.2
1957	379.1	8.1	5.7	9.3	4.9
1958	408.3	7.7	16.2	2.0	4.6
1959	431.1	5.6	11.9	5.3	2.4
1960	472.9	9.7	9.6	4.9	6.6

SOURCE: Calculated from data in Conjuntura Econômica (May 1974)

He complained of his inability to control the burgeoning spending of the federal government, whose deficits were run up by virtually autonomous agencies and institutions that enjoyed their own constituencies in the legislature. On the wage front the fight was more clear-cut. Inflation had run well ahead of adjustments in the minimum salary (see Table 10). By 1953 the gap was provoking growing protest from unions and their spokesmen. The issue was further complicated by Vargas' populist promises to look after the workers. In pursuit of that pledge he had given the Labor Ministry portfolio in 1953 to João Goulart, a young PTB protegée from Vargas' home locality in Rio Grande do Sul. Goulart had the reputation of being very populist, and could be expected to press for a large minimum wage adjustment. Throughout the latter half of 1953 and into early 1954 Goulart and Aranha battled for the President's support. The Labor Ministry issued memos detailing the losses in real income suffered by the workers, while the Finance Minister presented his own analyses, refuting facts and figures from Goulart's office.

TABLE 10

BRAZIL: REAL WAGES

	<u>% Change in Minimum Real Wage Rates Between Official Adjustments (Guanabara)</u>
1947	-11.0
1948	6.7
1949	8.4
1950	- 3.9
1951	- 2.0
1952	- 7.2
1953	-12.2
1954	48.1
1955	-10.3
1956	17.1
1957	2.4
1958	- 7.9
1960 (Oct.)	- 6.5 (2-year period)

SOURCE: For 1947-58--Raouf Kahil, Inflation and Economic Development in Brazil (Oxford, 1973), Table II, 13. For 1958-60--Calculated from data in Kenneth Mericle, Conflict Regulation in the Brazilian Industrial Relations System (Ph.D. diss., Univ. of Wisconsin, 1974).

In early 1954 Goulart fell victim to an intense propaganda campaign from a civilian-military cabal designed to paint him as the "Brazilian Perón." Vargas found it expedient to dismiss Goulart. But he had not given up on his commitment for a generous wage increase for the workers. As tension built in expectation of an announcement, Aranha hoped that his arguments might win out, since he saw moderation in wage policy as absolutely essential if stabilization was to have any chance. On May 1, the day made famous by European socialists, Vargas announced a minimum wage increase of 100%--larger even than the highest option offered by Goulart's Labor Ministry experts. Vargas was clearly swinging toward more overt populism.

This swing became all the more notable in light of the enveloping political crisis. The campaign against Goulart was only one stage in an effort to bring down the President himself. Vargas was hardly helped by economic developments. The apparent improvement in the balance of payments at the end of 1953 proved short-lived. Soaring coffee prices stimulated a consumer boycott in the United States, Brazil's most important customer. The U.S. Congress had opened an investigation into charges that Brazil was deliberately manipulating information about its coffee stocks to extract record-high prices from the North American consumer. Coffee sales plummeted, and the Vargas government suddenly found itself facing another foreign trade crisis. Added to the opposition among employers generated by the huge wage increase, these economic woes created a perilous political situation.

The dénouement--Argentina.--By clinging to a very orthodox stabilization program, Perón was able to reduce Argentina's inflation rate to what in retrospect seems a remarkably low level. The cost, however, was relative stagnation for the economy. Most important, investment had been badly neglected during the Perón decade--both in industry and agriculture. As a result, productivity lagged and Argentina found itself in a poor position both as an exporter and as an aspirant for further industrialization. Perón had been forced to backtrack in the areas of his highest priority--benefits for the urban worker and national sovereignty throughout the economy.¹⁸

Perón's fall was precipitated by clashes that seemed tangential to the real issues raised by his years in power. It was the military that finally brought him down, just as they had made possible his first ascent to power. One of the dramatic precipitating factors was the President's feud with the Church, which led some overzealous Peronistas to put the torch to landmark church buildings in Buenos Aires. This was a typical excess of demagogic enthusiasm, but it served to catalyze into action many military officers who had grown uneasy over the cult of personality promoted by their fellow officer. Not unimportant in their calculations, however, was the dissatisfaction over the failure of the economy

to perform better. That, in turn, could be traced in part to the anti-inflation orthodoxy of Finance Minister Gómez Morales, whom Perón had backed to the hilt.¹⁸

The dénouement--Brazil.--Aranha's stabilization effort, although of much shorter duration than that of his Argentine counterpart, had also generated widespread opposition. Perón had enforced a tough wage policy at the end of the 1940's and the beginning of the 1950's, capitalizing on his loyal labor following to maintain discipline while the bitter medicine of stabilization was administered. Vargas, however, reacted in a far more populist manner when faced with an analogous choice. His wage decision of May 1, 1954 had effectively undermined Aranha's entire rationale. In part that can be explained by the fact that Vargas was still in the early stages of developing a mass following, while Perón had already achieved that goal when the need for stabilization came. Vargas thus lacked that political asset in the midst of his own economic crisis.

On the nationalist front Vargas was also moving in a direction contrary to that of Perón. Having begun his presidency with the expectation that Brazil could expect significant help from the U.S. public sector, Vargas had the bad luck to be in power when the Republican Party regained the presidency after twenty years in the wilderness. The new Eisenhower government took a dim view of its predecessor's deep involvement in the planning and financing of Brazil's expanded infrastructure. This occurred at the same time that Vargas and his advisors had grown worried over the rate of profit remissions sent home by foreign firms. On top of that came the long drawn-out struggle over the creation of the state oil monopoly, Petrobrás, against which the international oil companies, many of U.S. ownership, inveighed mightily.¹⁹

The final factors precipitating Vargas' suicide and the end of his last presidency were, as in Perón's case, tangential to the most important issues faced by his government. Vargas was the target of a spreading military-civilian conspiracy. Their motives were several, but they needed a sensational event to demoralize their enemy and they got it when Vargas' bodyguard arranged an attempt to assassinate one of the President's most effective tormentors, the journalist Carlos Lacerda. Instead of Lacerda, the assassin killed an Air Force officer who was acting as an unofficial bodyguard for Lacerda. Vargas had fallen into a trap prepared by the conspirators, even if they could never have envisaged the specific scenario. Their charges of corruption were now accompanied by outrage over murder. Even more interesting for the purposes of our comparison, a principal charge against Vargas was that he fancied himself the "Brazilian Perón" and would attempt to perpetuate himself in power, as he had succeeded in doing from 1937 to 1945, and as Perón had made possible for himself by writing a new Argentine constitution.

Vargas had his revenge, however. By committing suicide in August 1954 he transformed the political climate and provoked a wave of sympathy, even among many who had called for his ouster. His penultimate act was to leave a suicide letter that offered his blood in place of his country's blood and attacked his Brazilian and foreign enemies who had carried out a "subterranean campaign" against his efforts to help the workers and limit excess profits of foreign firms. It was the most nationalistic manifesto he had ever issued. The final crisis had driven him ever farther across the spectrum toward the nationalist pole. In contrast to Perón, who moderated his nationalist emphasis as his presidency continued, Vargas left his middle position as he faced the tragic dénouement of his own presidency.²⁰

Factors for a Comparative Analysis

Having examined briefly the Argentine and Brazilian cases, we can now look more deeply at some of the fundamental factors at work in each country. By comparing the role of those factors we can hope to see more clearly the similarities and differences in the Perón and Vargas presidencies.

1. Nature of the chief exports, export policy and the international markets.--Argentina's key exports were beef and wheat, which accounted for most of the foreign exchange earnings. Beef, the more important of the two, has a storage life of only about 40 days, if chilled, the preferred form for export. It is therefore not an agricultural product that can be warehoused in expectation of possible future sale. Wheat, on the other hand, has much greater storage potential. Both products were headed for Europe and England, especially the latter. That put an important constraint on Argentina's flexibility because the British pound proved very weak after the war and could not be exchanged readily for dollars, the currency needed to buy finished goods and technology when war-ravaged Europe had yet to recover.²¹ Finally, beef was a prime wage good as well as the principal export. The Argentine worker had traditionally been a heavy meat eater. In 1945, for example, the per capita consumption of meat was 94.5 kilos (see Table 11). That meant nothing short of a great production increase could avoid a painful trade-off between domestic consumption and foreign exchange earnings.

Perón came to power with a commitment to help the urban worker; by implication, that meant the traditional agro-export sector, especially the cattlegrowers, were likely to end up the losers. This seemed all the more likely given Perón's emotional attacks upon the "oligarchs" who had so long run Argentina. What other target could he have meant than the Sociedad Rural, whose members had predominated in virtually every government since 1910.²² Perón's chief instrument to channel export profits toward industrial development was to be a state export monopoly, IAPI (Instituto

Argentino de Promoción del Intercambio), which was given the power to set purchase prices for beef and wheat, thereby enabling the government to maintain low prices for the urban consumer while at the same time capturing part of the foreign exchange earnings to use for imports on which it placed priority.²³

TABLE 11

ARGENTINA: BEEF PRODUCTION, CONSUMPTION AND EXPORT

Year	Total Production (Metric Tons, 1000s)		Change from Previous Year (Percentage)		Amount Exported (Percentage)		Per Capita Consumption (Kgs. per person)	
	Meat	Beef	Meat	Beef	Meat	Beef	Meat	Beef
1940	2,010.7	1,690.1	--	--	35.2	34.3	93.3	77.2
1941	2,246.8	1,854.0	+11.7	+ 9.7	40.6	39.1	95.0	76.5
1942	2,233.8	1,724.9	- 5.8	- 7.0	41.9	41.4	89.4	68.5
1943	2,247.6	1,602.6	+ 6.2	- 7.1	39.4	40.9	89.2	65.3
1944	2,370.6	1,619.4	+ 5.5	+ 1.1	37.0	40.1	93.8	67.5
1945	2,113.2	1,455.7	-10.8	-10.1	25.7	31.2	94.5	70.3
1946	2,207.1	1,682.2	+ 4.4	+15.6	26.3	30.7	97.7	79.2
1947	2,458.8	2,023.8	+11.4	+20.3	31.8	34.4	101.2	86.6
1948	2,345.4	1,958.1	- 4.6	- 3.2	24.1	25.9	106.6	91.1
1949	2,386.9	2,003.2	+ 1.8	+ 2.3	23.3	24.4	107.7	91.7
1950	2,372.5	2,043.9	- 0.6	+ 2.0	21.0	21.3	108.7	93.9
1951	2,170.7	1,879.4	- 8.5	- 8.0	13.6	14.0	105.9	92.0
1952	2,117.1	1,788.2	- 2.5	- 4.9	15.4	17.0	97.4	83.8
1953	2,112.5	1,765.5	- 0.2	- 1.3	13.0	15.1	97.5	83.4
1954	2,176.5	1,814.9	+ 3.0	+ 2.8	12.8	15.1	98.5	84.4
1955	2,501.3	2,146.8	+14.9	+18.3	19.3	20.3	104.3	90.6
1956	2,856.1	2,475.6	+14.2	+15.3	24.3	24.6	110.5	96.1
1957	2,826.8	2,459.5	- 1.0	- 1.3	23.8	23.8	108.3	94.2
1958	2,893.4	2,540.9	+ 2.4	+ 8.1	25.5	24.5	107.8	93.5
1959	2,270.9	1,944.4	-21.5	-23.5	26.6	25.2	82.4	69.2
1960	2,241.8	1,833.3	- 1.3	- 8.4	20.4	19.9	85.7	71.5

SOURCE; Calculated from Junta Nacional de Carnes, Estadísticas Básicas: 1964.

By maintaining relatively low purchase prices, especially in view of domestic inflation, IAPI produced an increasingly large disincentive for producers of the agricultural products it controlled. In the short run the cattle growers had little choice but to take their lumps. Gradually, however, it became clear that farmers were moving into crops not controlled by IAPI. By the time of the balance of payments crisis in 1949, Perón's economists could see that improved productivity in agriculture was essential if Argentina was to earn the foreign exchange necessary to pay

for industrialization. Despite efforts in the early 1950's (the critics would say too little and too late), the Peronist regime never managed to correct the heavy damage done to agriculture by its initial policies.²⁴ In part Perón was the prisoner of his own populist image. If his government increased the incentives to the agricultural sector and did not disturb the existing pattern of landownership (which it did not), then his government would be rewarding the very oligarchs whom he had accused so often and so eloquently of exploitation. The political embarrassment was compounded by the constant problem of the trade-off in beef marketing between domestic consumption and export, although it should be noted that despite the balance of payments crisis, the government continued to keep beef cheap and thereby maintain home consumption (see Table 11). Thus Perón faced an economic structure in which stabilization and export promotion were bound to take back some of the gains he had won for the urban workers. It made the domestic political costs dramatically clear. On the other hand, Perón had two great political assets Vargas lacked. First, he had already won worker loyalty through the initial wage policies and therefore had political capital with the social sector whose real wages were bound to fall (and did) during stabilization. Second, his highly publicized nationalizations of foreign investment and his refusal to join multilateral agencies such as the IMF had earned for him the right to claim that his calls to sacrifice (because of stabilization and the need to export) were eminently nationalist--they would help Argentina remain sovereign because they would prevent the country's falling into compromising financial commitments. As it turned out, Perón needed both assets.

Brazil's chief export was different from beef in a crucial way: it could be stored indefinitely. That property had made possible, beginning in the early twentieth century, stockpiling schemes designed to hold back surpluses and thereby maintain high coffee prices on foreign commodity exchanges.²⁵ The surpluses could then be marketed in lean years, or perhaps even be destroyed, as was done in the 1930's. Furthermore, Brazil's chief market for coffee was the U.S., and thus she was not faced with the inconvertibility problem that plagued Argentina when the latter earned sterling. In addition, Brazil was so well endowed for coffee growing that the government could create a state export agency, the Instituto Brasileiro de Café, to channel foreign exchange profits to government-designated import priorities and at the same time maintain an incentive for the coffee growers until 1954.²⁶ Finally, Brazil produced enough coffee so that there was no possibility that exports would deprive the domestic consumer, despite the Brazilians' legendary capacity to drink coffee.

Some comparative comments on management of the export sector are now in order. First, both Argentine and Brazilian policymakers showed themselves relatively unimaginative. In both cases they seemed to assume that they had little choice but to rely on

a few traditional agricultural products. Export diversification was hardly even considered. In short, they exhibited the "export pessimism" that was so typical of Latin American economic policy-makers in the postwar era. In their defense it might be argued that only half a decade after the end of the war no realistic observer could have expected either country to show optimism about the potential for a more aggressive export policy. After all, it was a period when even the traditional exports were subject to wide price fluctuations and when the industrial countries were telling developing countries like Argentina and Brazil, either directly or through international agencies such as the IMF and the World Bank, to concentrate on what they had always done best. Nonetheless, in retrospect we can see that there were potentialities for diversification that were never even considered because the prevailing climate of opinion among economists pointed in only one direction: the need to industrialize in order to substitute for the finished goods whose purchase could never be adequately financed through reliance on traditional exports. In practice, this verged on an implicit assumption of virtual autarky as the only solution to Latin American development dilemmas.

2. Attitudes toward state intervention in the economy.--Both Perón and Vargas endorsed reliance on government action as essential to the pursuit of economic development. Yet the contexts in which they argued were strikingly different. Perón's interventionism stimulated bitter controversy in Argentina. In part this resulted from a deep underlying dichotomy in elite opinion. Neo-liberalism was still very strong in Argentina. One reason was the historical experience, during which Argentina had benefitted handsomely from its role as an agro-exporter. One could reasonably point to Argentina as a case of an economy which has prospered mightily from an international division of labor in which Buenos Aires traded its premium agricultural products for the finished goods of the North Atlantic industrial economy. When Peron came on the scene with IAPI, which was directly aimed at the pocketbooks of the rural oligarchy, the neo-liberals cried that Argentina was committing economic suicide. There could be no doubt that IAPI-type intervention would hurt the traditional cornerstone of the economy. It therefore lacked legitimacy (to state the matter mildly) with an important current of elite opinion; notwithstanding the fact that in the 1930's the stockmen had resorted to government intervention in the meat trade in order to pursue their interests. After Perón's fall his most doctrinaire successors were to discredit virtually all economic interventionism as part and parcel of Peronist demagoguery.²⁷

Significant state intervention in the economy had a much longer history in Brazil.²⁸ Back in 1906 the three principal coffee growing states (Minas Gerais, Rio de Janeiro and São Paulo) had set up a surplus coffee purchase and marketing program, designed to prevent sharp downswings in purchase prices abroad.²⁹

In the 1930's coffee overproduction again became a problem. For the first time the surplus purchase program was put under an exclusively federal agency, the Departamento Nacional do Cafe. As the world depression dragged on, the Brazilian agency resorted to destruction of coffee stocks to demonstrate the seriousness of its commitment to withholding excess supply from foreign commodity exchanges. With the end of the war, Brazil had coffee stocks it was able to sell to meet increasing demand on the world market. By the early 1950's, however, overproduction again loomed. In 1953 Vargas set up a new federal agency, the Instituto Brasileiro do Cafe, charged with exclusive authority to purchase coffee and market it abroad. Such an action already had legitimacy in elite opinion. Indeed, in so far as it furnished a guaranteed buyer for the coffee growers, it directly furthered the interests of the traditional agro-export sector. This brand of state intervention had long been attacked by Brazilian neo-liberals, but their voices rang hollow by the 1930's, and they were far weaker than their counterparts in Argentina. As a result, in Brazil economic intervention by the state, especially in the export sector, had gained consensus support, thereby largely freeing Brazilian governments of the bitter doctrinal controversies that clouded Argentine economic policy-making (although of course Brazilians argued fiercely over specific policies).

3. Attitude toward foreign capital.--Any discussion of the role of foreign capital in post-1945 Latin America must begin by acknowledging that such capital came predominantly from the U.S. and therefore inevitably involved the U.S. government. The onset of the Cold War reinforced a long-standing preoccupation of U.S. policy-makers with the threat that radical political changes might endanger U.S. economic interests, especially U.S. private investment. Washington consistently feared that radical nationalism might lead to Communism, and thus to a breach in the hemispheric system the U.S. so thoroughly dominated. Seeing that the Latin American military were everywhere a highly influential force in politics, Washington worked to create close ties--through subsidized arms sales, training programs, officer exchanges, etc.--with as many military establishments as possible. The accuracy of their foresight can be gauged from the fact that Perón and Vargas were both driven from office by military conspiracies (although U.S. contact with the Brazilian military had been far more extensive than with the Argentine).

Perón started on a far more nationalist note than Vargas. His successful campaign to nationalize all foreign investments in infrastructural sectors reduced foreign ownership in the Argentine economy to an insignificant level. Interestingly enough, most of the nationalized properties had been British and west European, rather than American. Nonetheless, U.S. policy-makers fretted over Perón's statist model and his nationalist rhetoric. As Perón's first term continued, it became obvious that essential imports for

industrialization could be obtained only from the U.S.³⁰ In 1950 the Argentines accepted a U.S. loan of \$125 million to help pay off outstanding commercial balances owed U.S. suppliers. In early 1955 the Export-Import Bank advanced a \$60 million line of credit for Argentine purchase of equipment to build a steel mill. In the final years of his second term Peron was even moving toward granting oil prospecting concessions to Standard Oil of California. He had therefore significantly diluted the extreme nationalism of the first term. He was beginning to see why his implicitly autarkic policies could never produce the rapid economic development he wanted for Argentina.

Vargas began his new government in 1951 on a much more moderately nationalist note than Perón. Indeed, his entire plan for promoting Brazilian economic growth rested on close cooperation and assistance from the U.S. In part this was a continuation of the close wartime alliance between the U.S. and Brazil, when Vargas had negotiated basic economic aid in return for Atlantic bases on Brazil's northeastern coast. The new U.S.-Brazil link stemmed from the famous "Point Four" initiative in President Truman's inaugural address of January 1949. Following that conception of technical assistance for developing countries, the U.S. and Brazil created a Joint Commission. It then drew up detailed plans for investment projects in the priority areas of transportation and energy. On the basis of such staff work the Brazilians were expecting to gain relatively guaranteed access to the World Bank and the Export-Import Bank for financing of these investment projects. In this area Vargas was following a developmentalist economic strategy, promoting public sector investment to be aided by assistance from the foreign public sector, i.e., the U.S. government and the multilateral agencies.

As for the foreign private sector, Vargas was far more suspicious. Brazil's highly overvalued exchange rate offered an increasing incentive for foreigners to remit profits and repatriate capital, a condition that was not corrected until the exchange reforms of February and October 1953. In the meantime Vargas had unleashed stinging attacks on foreign investors as exploiters of Brazil. He had run into fresh opposition from foreign investors over his proposal to create Petrobrás, which was naturally a prime target for neo-liberal critics within Brazil. As if these troubles were not enough, Vargas had also to face the change in official U.S. government opinion when Eisenhower replaced Truman in the White House. The coffee boycott was a further irritant, dramatizing Brazil's extreme dependence on its powerful northern neighbor. The nationalist blast in Vargas' suicide note was aimed primarily at the U.S. It capped a steady swing away from the moderate developmentalist stance of 1951 toward the radical nationalist perspective. It also helped to polarize opinion among Brazilians about the viable economic strategies available to their country.

4. Relationship to labor and labor unions.--It could well be argued that the most important single factor in explaining the contrasting stabilization experiences of Argentina and Brazil was labor. At the time of our Argentine case study--the 1946-55 Perón presidencies--labor was more effectively controlled by government than at any other time since 1945. Only after Perón's fall did militant resistance of organized labor repeatedly defeat Argentine economic policy-makers. Perón's control over the urban labor movement was his greatest political asset. It was achieved by a personalistic cultivation of leaders who were quickly penalized for any lapses in loyalty to the President. That meant that in many cases the "leaders" were little more than dutiful hacks, especially after 1950. Still, Perón had delivered so sensationally on his wage promises in the 1946-49 era that his designees faced relatively little internal opposition. Once the stabilization program of 1949 had been launched, Perón was able to draw on that worker following to generate political support for policies that were bound to hit workers with a cut in real wage rates. There were two great exceptions to his success--the railway workers and the sugar workers. Both staged successful strikes, but the Peronist leadership was able to contain those cases and the rest of labor stood firm with the leader whose charismatic presence was a further important asset. Thus Perón was able to carry through a highly orthodox stabilization policy with minimum resistance from the social sector that has proved too strong for virtually every democratically elected government attempting such a policy in Latin America.³¹

Brazil offers an interesting contrast. There the labor movement had already been bent to the government's will during Vargas' earlier presidency, especially the Estado Nôvo (1937-45). Furthermore, it had never been as organized nor as militant as its Argentine counterpart. When Vargas returned in 1951 he found a labor movement that had been further disciplined in 1947 when the Dutra government had purged it of all elements branded "Communist" and "subversive." It was ironical, therefore, that Getúlio should find himself hamstrung politically by the lack of any dynamic labor-oriented movement on the left. Although labor votes had clearly been important in his election victory, those voters were far less articulate in the day-to-day communications between government and society.³² The result was that when Vargas most needed labor support, in 1953-54, his Finance Minister was pursuing a stabilization policy that would verily likely put down real wage rates. How could Getúlio hope to encourage a political counter-weight to his enemies on the right if his government was forcing austerity on the common man? He couldn't, and that helped explain the contradictory presidential measures of 1954. In order to increase his labor support--something Perón already enjoyed some years before the need for stabilization hit--Vargas thought he had to grant a large increase in real wages. That, in turn, was bound to undermine the fight against inflation. If Vargas had served out his full presidential term, he might have

been able to resolve this contradiction, perhaps even emulate Perón's feat of generating such loyalty that labor would trust his intentions in asking for acceptance of temporary losses in the interest of future economic growth. Yet that seems unlikely, because Vargas had simply not had the unique opportunity to redistribute the shares of a large pie, as Perón had had in 1946-49.

5. Ideological coloration.--Perón and Vargas were similar in their basic populism. Both saw their mission to be the bettering of the lot of the urban worker. Both sought to do so by a liberal wage policy (here considering Perón in the 1946-49 period). In both cases the economies were structured so that such a policy could be quickly applied--through the vehicle of the minimum wage in Brazil and in Argentina through direct pressure on employers.

Both sought to steer between the extremes of capitalism and communism by claiming that they were creating a "third way," a unique path that would make possible an authentically "Argentine" or "Brazilian" solution. Both formulae were in fact strongly anti-communist. Perón had come out of an Army officer milieu where corporatist ideas abounded. These military hoped that a pre-emptive policy of concessions could undercut organizational efforts by revolutionaries on the left. Perón himself spoke frequently to businessmen and landowners about the need to support his government as the only alternative to far more dangerous politicians waiting in the wings. He was also aggressive about preaching his "Third Way" in the inter-American and international arenas. It was his manner of projecting nationalist populism onto a broader stage, thereby offering a variant on the "neutralist" stance advocated by other developing countries, especially India, as the Cold War set in.

Vargas also sought to carve out a middle way between the ideological extremes dramatized by worsening relations between the U.S.A. and the Soviet Union. His stance during the Estado Nôvo had been similar in its anti-communist and semi-corporatist character to what Perón created after 1943. Indeed, it has been suggested that Perón may well have drawn some of his ideas and techniques from Vargas' 1937-45 presidency. After 1945 Vargas argued that Brazil needed an equivalent of the British Labor Party--a movement genuinely committed to promoting worker welfare but at the same time authentically democratic. His stance became more ambiguous as his 1951-54 presidency continued. He eased up on government barriers to Communist penetration of the labor unions and he strongly resisted U.S. pressure to send troops to Korea. Like Perón, he had traditionally lectured the established economic sectors that he was their best friend in heading off the revolutionary left, but by the time of his final crisis in 1953-54, the growing phalanx of enemies on the right had driven him to sounding more revolutionary himself. His suicide letter showed he had moved, at least in his rhetoric, very far from the moderate middle way he had staked out in the 1950 election campaign.

Both Vargas and Perón were economic nationalists and to varying degrees used nationalist arguments to mobilize domestic political support. Perón had the advantage of coming from a military, semi-corporatist background which made him less vulnerable to attack from the right. It was also important in reducing the receptivity of military officers toward civilian conspiracies aimed at overthrowing Perón. As we have seen, Perón modified his economic nationalism seriously as he continued in office. It was as if he and his advisers had failed to think through the limits to their nationalist economic strategy. Without a much more profound social upheaval--which would have been needed to increase significantly the domestic savings rate and thereby obviate the need for foreign capital--they were bound to have to give up their autarkic policies. Yet to the end Perón relied upon table-thumping nationalist rhetoric as a device to stimulate his followers.

Vargas proved more vulnerable because his enemies could accuse him of veering toward the left, in political terms. As we have seen, he needed a counter-weight to the increasingly bold neo-liberals and their allies and it was inevitable that such a counterforce was most readily to be found among radical nationalist agitators and organizers. That proved a tailor-made issue for the strongly anti-communist military officers, who were thus able to accuse Vargas of moving toward an ideological position that was no longer a "middle way," but a pact with the "subversives." In the end, therefore, economic nationalism proved to be a force that Vargas himself could not control. His suicide letter only deepened the divisions over that issue.

A fourth trait Vargas and Perón had in common was a predilection for state intervention in the economy. Both were activist Presidents and both saw the national government as the indispensable instrument for stimulating and channeling economic development. Both were thus constant targets for the neo-liberals, who denounced the growing role of the state as the cause of many of the economic problems, not the least being inflation. For both Perón and Vargas the state was the crucial institution for carrying out policies that were both nationalist and populist. The state could promote the former goals by asserting its control in the area of social capital--transportation, energy, communication, mineral exploitation, etc.--and thereby counter the relentless penetration by foreign economic interests. As for populist goals, both Presidents needed a strong state apparatus to counter the influence of the traditional domestic economic interests, which were often a barrier to industrialization and to social welfarist policies for the urban worker.

6. Their political legacy.--Both Vargas and Perón remained very personalistic leaders. To varying degrees--Perón more than Vargas--they generated a loyal following of admiring voters who believed in their special powers--their charismatic capacity to

solve problems. In Perón's case this fanatical belief was strong enough after 1955 to render impossible government by any democratically elected civilian regime. Whenever free elections were held, i.e., elections in which Peronists could run, Peronist victories frightened the military into closing down the political system.

Even more remarkably, the Peronist loyalties remained strong enough to bring the aging caudillo back in 1973, eighteen years after his ouster. During those intervening years the Peronists had maintained such organizational vitality--despite numerous internal splits--and such passionate commitment that even the conservative military finally accepted the fact that Perón had to be given another chance to govern Argentina. In short, Perón had been shown to possess an intensity of charisma equalled by few twentieth-century Latin American political leaders.³³

Vargas' suicide precluded any return to power on a wave of loyalty from his followers. Furthermore, his commitment to the urban workers was less dramatic and less tested over time. Despite his final embrace of radical nationalism, Vargas remained a politician who tempered his mass appeal with an extraordinary ability to work with traditional economic interests, whether rural or urban. His populist nationalism was inherited by PTB politicians, above all, João Goulart. In one way the Brazilian epilogue paralleled the Argentine. The anti-Getulista military, like the anti-Peronista military, found themselves forced to suppress the electoral system after 1964 because it persisted in producing governments too much like Vargas in their populist nationalism. The anti-Peronista military were driven to the same step in 1962, 1966, and again in 1976. By the late 1970's neither military had been able to find any civilian formula for a government minimally acceptable to them. Both had to resort to direct rule after military coups.

The persistence of these two leaders' political influence is all the more remarkable when we remember that neither created a real party. Perón, in fact, insisted on liquidating the Partido Laborista, which had seemed in his first term a promising vehicle for the promotion of Peronist political goals. Although he had created the PTB, Vargas never promoted it wholeheartedly, in good part because his precarious political position required him to rely on a coalition of disparate supporters.

Finally, neither leader was able to forge a class alliance sufficiently strong to sustain their pursuit of populist and nationalist aims. The alliance would have to have been between the urban working class and the urban middle class. In both Argentina and Brazil the middle class proved elusive. They were too easily frightened into believing that working class gains would come at their expense. They were thus mobilizeable by the military and the traditional economic interests and were recruited into supporting coups that overthrew Perón and Vargas. It is a mark of these two leaders' political talent that neither country has yet been able to come to terms with their legacies.

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