



support one team, each losing their second franchise during the 1930s. Other teams found ways to remain and even expand. When Con Smythe tried to build Maple Leaf Gardens in 1930 he garnered some of the building costs by offering shares to the construction trades as partial payment. Tickets sales were but one way a professional hockey franchise made money and when national radio broadcasts began, it opened a number of other revenue streams such as endorsements and advertising that allowed the teams to remain profitable in the Depression.

When Canada slid into economic depression in 1929, and family farms and in some cases whole communities were swept away, Canadians across the country took refuge in what was fast becoming the national pastime—hockey. While comparatively few could afford or even had geographic access to one of the major professional hockey teams, the beginning of national radio broadcasts in 1933 brought the game into the homes of people across Canada and within a year these broadcasts had an audience of over a million. As Richard Gruneau and David Whitson have pointed out, this mass marketing of the game and its incredible popularity in Canada kept hockey a distinctive part of Canadian culture despite the fact that many of the teams were from the United States—albeit with mostly Canadian players. Imbedded within the NHL were two dominant sides of the national culture. The Montreal Canadiens became emblematic of French Canada and later the Toronto Maple Leafs would, to a lesser degree, represent English Canada in ritualized competition on Saturday nights for the whole country to hear. The escapism of *Hockey Night in Canada*, as the national broadcasts were known, allowed Canadians to forget the economic gloom of the 1930s, if only for a couple of hours a week, in the same way that Hollywood musicals did. It did so in a manner that was culturally unifying—the Toronto Maple Leafs, New York Rangers and Detroit Red Wings had fans in Saskatoon, Edmonton, Prince Albert and countless small prairie towns as well as in Toronto, New York and Detroit. In doing this, hockey established itself in the 1930s as an enduring national cultural factor.

## Latin American responses to the Great Depression

The conditions that brought the Great Depression to Latin America had their roots in the economic policies of late-19th century political leaders. The first 50 years after independence had seen the creation of largely self-sufficient agriculturally-based units that mirrored the *latifundias* of Spain; here plantations produced the food needed for the immediate surroundings and handicrafts were produced by local artisans, mirroring the feudal systems that existed in Europe. However, with the onset of industrialization in the United States and Europe, Latin American commodities became more valuable. Industrialized countries focused on production and the concentration of labor in factories meant that many of these countries became dependent upon exports to feed the growing urban citizenry in their states.



This was particularly true in the United Kingdom which had established strong trade relations with Latin American states after the wars of independence. They capitalized on pre-existing relations to increase their importation of food; Argentina in particular profited from this exchange, exporting beef and wheat to the UK. There was also a growing market for the tropical fruits that were being produced on US-owned plantations in Central America. The onset of refrigeration on ships allowed this market to flourish and United Fruit Company profited tremendously as it could ship tropical fruits to its home base in the United States. Lastly, the demand for Latin American minerals and natural resources that had dwindled in the post-revolutionary period once again became important; Chilean copper and nitrates were exported to Europe to support its industrial sector.



Women working in the export sector in Honduras.

While the export market for primary produce and natural resources was thriving, Latin American countries were slow to develop their own industries. Textile factories, construction facilities, food processing and beverage industries did thrive on local initiative, but they remained a very small part of the national economy. For most finished goods Latin Americans had to rely on imports. This set up a dual reliance on the export–import trade: Latin American countries were dependent upon the export of resources for income, but they also relied upon foreign imports for industrial goods.

The powerful élites felt that their own countries lacked the educational and technological skills needed to develop a strong industrial base. Rather than nurture a local sector, they encouraged foreign investment and ownership in such endeavors. This was the case in Mexico where the economic liberals called themselves the *científicos* and promoted incentives for overseas investors in Mexico. US investors flocked to the country, buying land for mining and railway construction. While Mexico did benefit from these companies, the majority of the profits went back to the United States, and the government itself had very little to gain as their own incentive schemes granted tax-free or reduced-tax status for foreign companies.

The United States was not the major trading partner for Latin America. In 1913, two thirds of investment in the region came from the United Kingdom. This was followed by the United States, France and Germany. During the First World War, Latin America on the whole benefitted but the weakness of the system was beginning to show. As the European countries faced economic hardships and slow recovery from the war, the wealth that had previously been generated by the export–import model began to fade and most Latin American exports had reached their peak market value even before the crash.

The supply of Latin American goods began to outstrip demand even before the onset of the Great Depression and provided some early



warning signs for those who tracked global trade. Since their economies were dependent on the prosperity of those with whom they traded and the policy decisions made overseas, Latin America was very susceptible to the fortunes of its trade partners. Argentina received its peak price for wheat in March 1927; for Cuban sugar, it was March 1928; and Brazilian coffee hit the same apex in March 1929. This shows that the basis of most Latin American countries were already on a downward slope. The Great Depression served to exacerbate existing issues—it did not create them.

### The onset of the Depression in Latin America

The initial effects of the Depression were similar to what was seen elsewhere. As the demand for goods declined, there was less inflow of capital. This, in turn, meant internal deflation, the fall in value of Latin American currencies and a rise in unemployment. There was a fall in foreign investment and most countries found themselves in financial trouble as they were significantly indebted to foreign banks. As the banks themselves faced collapse, they also demanded an immediate return of their investments but in most cases this was impossible. Protectionist measures in other countries also made Latin American goods unaffordable. The decline in revenue meant that Latin American countries could not repay their debts or keep governments afloat. There were exceptions: Venezuela's oil and Honduras's bananas kept them solvent, but these were anomalies. Most countries were facing economic collapse.

The immediate effect of the Depression in many countries was political change. Placing blame on the existing governments, there were a number of coups d'états. In the year after the Wall Street Crash the military took power in Argentina, Brazil, Chile, Guatemala, Honduras and Perú. While their treatment of the population and respect for the rights of individuals were dubious at best, they had at their disposal the mechanisms to change economic policies to address the crisis. From the Depression onwards, state intervention in the economy became the norm.

There were several approaches to addressing the crisis. The first was government regulation to stabilize the local economy; governments set prices and established maximum levels of production (sometimes this included the destruction of surplus goods). This was done to bolster the existing economies and help them regain their strength. The second was Import Substitution Industrialization (ISI). The goal here was to encourage the creation of homegrown industries to replace Latin American dependence on foreign manufactured goods. Lastly, governments tried to keep their international markets open by engaging in bilateral trade agreements with industrialized countries.

In many cases, the policies led to a rapid recovery; mining and agriculture were not as hard hit as the industrial sectors, so these products could be used to bring about recovery. Additionally, the economic model that had been adopted prior to the Depression included a close relationship between banks and the government. Financial reforms of the 1920s included the creation of central banks



and regulatory institutions with clearly defined rules. This made government intervention in the financial sector easier than in other countries. Many countries left the gold standard and pegged their currencies to the US dollar, aiding their recovery. Despite difficult financial times, Latin American countries did not default on their loans, and used nonpayment as a temporary measure to bring about recovery and keep faith in their currencies.

Ultimately, these policies brought Latin America out of the Depression but the social inequalities caused by class and racial hierarchies that had plagued the region since independence remained and were in fact heightened by the economic distress. The leaders that came to power as a result of the Depression did not simply have to bring about economic recovery; they also had to address social and labor issues that had languished for over a century. Many leaders adopted a populist stance to co-opt the working and middle classes; the degree of success of these men varied and the results of their rule were contentious.

To make an effective comparison of two countries with striking similarities but also significant differences, the following analysis will focus on two countries: Brazil and Argentina.

### Activity

#### Case study

The two case studies provided, focus on two large countries that were strongly affected by the Depression. But not all countries were hit as hard, nor were all countries so large. To that end, choose a Latin American country—other than Argentina or Brazil—to investigate. Answer the following questions in your case study:

- 1 What type of government did this country have in place?
- 2 Was its economy dependent on one crop or was it diversified?

- 3 Did it have any industry?
- 4 Who were its main trading partners?
- 5 What sort of class structure did it have?
- 6 How hard was it hit by the Depression?
- 7 How did it get out of the Depression?

Based on your answers to these questions formulate a thesis on how it reflects general trends in Latin America, and its difference to other countries in the region.

### Brazil: the coffee economy

Prior to October 1929, the Brazilian economy was dependent on agriculture, particularly coffee. While rubber, cotton and cocoa were also key cash crops, coffee dominated Brazilian exports. In the 1920s, coffee exports were the source of over 70% of the country's revenue. Brazilian producers had to strike a delicate balance to prevent overproduction while having enough to maximize profits; this was not always easy, as the trade was reliant on the vagaries of the international market over which Brazilian producers had no control.

To take more control, in 1925 Brazil created the São Paulo Institute for Permanent Defense of Coffee. To keep coffee prices high, the institute would purchase and withhold its goods from the world market. To pay for the coffee, the institute received the revenue from a transportation tax and took out loans from foreign banks.

#### Political leadership of Brazil, 1922–45

Artur Bernades	1922–26
Washington Luis	1926–30
Júlio Prestes	Did not take office
Getúlio Vargas	1930–45



This policy, known as valorization, was potentially dangerous, as Brazilian coffee producers wanted to expand their markets, and other Latin American countries were increasing their production of coffee, thereby limiting Brazil's dominance of the international market. Manipulation of supply might have short-term success, but in the long run it would fail as Brazil would not remain competitive.

The policy was successful in the 1920s. In 1927, Brazil produced an all-time high of 27 million bags of coffee and as world prices began to fall, the institute bought coffee and prevented a substantial decrease in the price. Then, in 1928, when the coffee crop was small, the stocks they had purchased were placed on the market and not only did prices hold, but there were substantial reserves of coffee to be sold.

There was a small, emerging industrial base in several cities, but it was limited; most manufactured goods came from overseas, meaning that most profits from export were spent overseas, and there was a substantial outflow of capital. While some Brazilians advocated protectionist tariffs and tax credits to stimulate domestic industrialization, they were largely ignored by policy makers.

On the eve of the Depression, Brazil's foreign debt was \$900 million and the government paid out approximately \$175 million per year in repayment of loans, relying on the profits of the export trade to make their annual payments. As long as coffee values remained high, the system worked to Brazil's advantage. But in May 1929 the price of coffee began a very fast decline. In Brazil there had been two years of bumper crops, leading to a huge surplus. Other countries in the region had also achieved a leap in their output, flooding the market. This weakened Brazil's economic standing and foreign lenders began to limit credit to them. Brazilian banks, in turn, began to cut back on their liberal lending to coffee planters. Nonetheless, the institute declared that its policies were sound and no changes would be made, giving Brazilians a false sense of security.

### **Brazil after the Wall Street Crash**

The Wall Street crash of 1929 had a devastating impact on Brazil's export economy, highlighting the problems of the economic system that Brazil had in place. In September 1929, coffee was being sold at 22 cents per pound; by December 1, it had fallen to 15 cents.

This dramatic fall meant that national income declined and government revenue was limited. The government tried to curtail the effects by exporting its gold reserves to London and New York, which had the short-term result of preventing a downward spiral.

The state of São Paulo was in especially dire straits and faced bankruptcy. It appealed to the federal government for assistance but this was denied by President Washington Luis. He had been an opponent of coffee valorization earlier in his political career (as governor of São Paulo) but when elected had said that the economy was dependent upon valorization. Following the Wall Street Crash he reverted to his previous outlook and stated that an unhealthy



economic situation had been created that would be difficult to recover from. Instead, he favored development of the small commercial and industrial sectors.

This national economic decline had profound effects for local businesses. In an informal report to the São Paulo opposition paper *Diario Nacional* shop owners reported a 40% decline in sales in December 1929. Imports were drastically reduced, trade stagnated and the small industrial sector sat idle. Planters, who often lived in the city, returned to their plantations. They were resentful of Washington Luis's policies, seeing the decline in prices as temporary, and his unwillingness to help them changed their political orientation.

At the same time, a new presidential race was looming between Getúlio Vargas and Julio Prestes—the handpicked successor of Washington Luis. In an astute political move, Vargas both stated support for coffee valorization and the financial propositions of the Washington Luis administration. This increased his popularity among most Brazilians; but even so, in the March 1930 elections Prestes won a narrow victory, which gave an assurance to foreign investors of Brazil's political solvency. Almost immediately, credit was extended to the ailing state of São Paulo which was supposed to use the money that was not borrowed to service debts (almost 50%) to buy coffee surplus and stabilize the price. Instead, a record-breaking 29 million bags of coffee were produced and prices—which had stabilized at 14 cents per pound—dropped anew. Coffee prices fell to 10 cents per pound and the economy was dangerously close to collapsing. At the same time, Brazil's debt had increased to \$1,181 million, three quarters of which was owed by the government. Brazil has seriously depleted its gold reserves which stood at \$70 million. Additionally, the overthrow of governments in neighboring states made European and American lenders reluctant to invest further in Brazil.

Approximately one million Brazilians were affected by the economic crisis. Most Brazilian rural workers were landless laborers that planters could no longer afford to pay. They began to subsist on food that they planted between coffee trees and faced hunger. Those who could migrated to the cities in search of work, but just as many remained behind, unemployed and disgruntled. Unemployment was also rife among urban workers, including civil servants. Those who retained their positions were often unpaid for months at a time. While there were few civil disturbances, the country seemed poised for a change.

#### **Getúlio Vargas (1882–1954)**

Getúlio Vargas served as president of Brazil in 1930–45 and 1951–54. Vargas came from a wealthy family in Rio Grande do Sul and after initially attending military school turned to the study of law and a career as a professional politician. He was elected to the state legislature and then served as a federal representative in the Chamber Deputies beginning in 1922. He quickly became a popular figure and in 1926 was named

finance minister by President Washington Luis. He resigned to run for governor of Rio Grande do Sul in 1928 and became a key opposition figure upon his election. Challenging the traditional leadership, Vargas ran for president of Brazil but was narrowly







defeated. But his opposition to the ruling government and emerging reputation as a charismatic leader made him the best choice for the role of interim president after the coup d'état overthrew Washington Luis and Julio Prestes. Although he faced some opposition (and an attempted coup) Vargas governed until 1945, creating a new constitution in 1934 and a new form of governance—the *Estado Novo* (New State)—in 1937. Vargas assumed dictatorial powers in 1938 after an alleged communist plot was discovered and Brazil was declared to be in a state of siege.

In the 1940s, Vargas was known for his policies that improved the lives and working conditions of Brazil's poor. While this increased his popularity in general, it alarmed the upper classes who feared the loss of their own power. His status was further complicated by the Second World War. Initially neutral, Brazil declared war on Germany and Italy in 1942, to the surprise of many who had called him a fascist dictator. His domestic policies included a relaxation of censorship and a curbing of repressive policies which increased middle-class support but also brought his dictatorship to an end. Elections had been postponed until 1945, at which point Vargas was forced to step down when Eurico Gaspar Dutra became president. In 1951, Vargas once again ran for election and won a second term as

president. The postwar policies of Dutra had slowed the growth of the Brazilian economy and the conditions in the country had deteriorated. Vargas once again imposed economic nationalism on Brazil but his import substitution programs were overshadowed by political intrigues and rumors of an impending coup. After the assassination attempt on his political adversary, members of the military leadership tried to force Vargas to resign. In reaction, Vargas committed suicide in 1954 ending his tenure as the populist leader of Brazil.

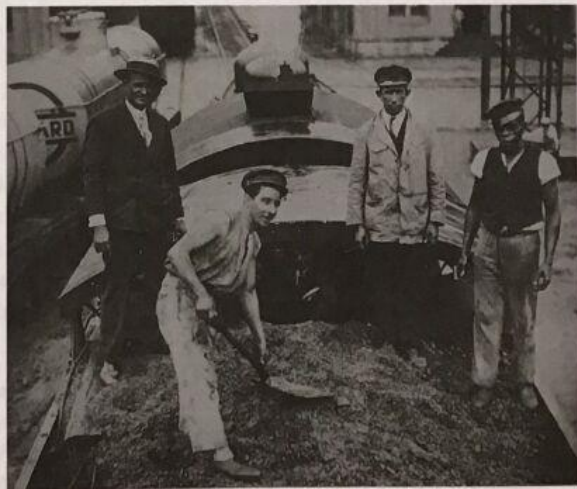
*Each drop of my blood will be an immortal flame in your conscience and will uphold the sacred will to resist. To hatred I reply with pardon, and to those who think they have defeated me, I reply with my victory. I was a slave to the Brazilian people, and today I am freeing myself for eternal life. But this people, whose slave I was, will no longer be slave to anyone. My sacrifice will remain forever in their souls and my blood will be the price for their ransom. I fought against the exploitation of Brazil. I fought against the exploitation of her people. I have fought with my whole heart. Hatred, infamy and slander have not conquered my spirit. I have given you my life. Now I offer you my death. I fear nothing. Serenely I take my first step towards eternity and leave life to enter history.*

Getúlio Vargas, suicide note, August 24, 1954.

### Political repercussions in Brazil

Vargas took advantage of the situation and, in October 1930, he led a number of revolts. The government could not halt the rebel forces and on October 24 a revolutionary junta was formed. On November 4, Vargas was installed as provisional president. While there were deep-seated political problems that led to this coup d'état, the economic crisis created the conditions that made it viable. Those who previously advocated democracy saw in him a strong, charismatic leader who could make decisions to improve Brazil's economy. From 1930 to 1945 (and again until 1954) Vargas ruled Brazil. His political dominance was clear and many argue that it was his charismatic personality that created political stability and allowed for a change in economic policies.

There were, however, several attempts to overthrow his regime, one of which led to the creation of the *Estado Novo*, or New State, in 1937. Although his policies were largely consistent up to this point, the Constitution implemented at that time gave him authoritarian powers. For the economy that would mean varying degrees of government intervention.



Mixing coffee into tar to be used in building new roads and highways.



What was done with the coffee surplus in Brazil in the 1930s?



### The economic policies of Getúlio Vargas

To address the economic crisis Vargas implemented a series of policies that both supported the coffee industry while attempting to wean Brazil off of its dependence on this crop. Honoring his promises during his presidential campaign, he created the National Department of Coffee that was under his control but had considerable flexibility. Effective immediately, a reduction in coffee-tree planting was ordered. In 1920, there had been 1.7 billion trees; that figure had since risen to 3 billion, causing in part the glut in production. By 1939, the slow reduction meant there were 2.5 billion trees, curtailing production. In 1931, the government also introduced a program of coffee burning and it is estimated that 60 million bags were burned by 1939. While these were nominally successful, the industry only recovered with the onset of the Second World War.

More importantly, the government tried to diversify the economy. Agricultural incentives were provided that led to significant increases in livestock and cotton production. In the 1920s, cotton was only 2% percent of exports; in the 1930s, it rose to 18%. While coffee would remain an important part of the economy, history and culture of Brazil, its dominance was fading fast. Even in São Paulo, planters diversified their crops and limited coffee production so that they could farm other crops. On the other side, sugar production was reduced; Brazilian sugar could no longer compete on the international market so the government decided to free up the land for more profitable cash crops.

### Import Substitution Industrialization

The Brazilian government reduced its imports by 75% between 1929 and 1932—from \$416.6 to 108.6 million—and while exports also fell, they did not fall as fast, leaving Brazil with a favorable trade balance despite the economic crisis. Additionally, Brazil's agricultural policies kept a large sector of the society employed. With nowhere else to invest surplus capital, Brazilians (especially the coffee barons) began to invest in the industries which produced goods that had been previously imported. The government assisted through providing tax exemptions and long-term loans with low interest rates. Although most imports were subject to tariffs of up to 40%, exceptions were made for machinery or raw materials that were used to help build new industries.

Vargas strongly supported the growth of industry but it was growing international belligerence and the approaching Second World War that led to the greatest growth spurt of the era. In 1940, the National Steel Commission was established, followed by the National Steel Company which built Brazil's first large steel plant. Similar corporations were founded for the production of iron, aircraft and truck engine production and river valley development. These corporations were funded by a mix of public and private investment. The government reserved the right to intervene directly in the affairs of these corporations if it was considered to be in the national interest.

Another area of economic development was transportation. Recognizing the increasing importance of air transport, due to Brazil's topography, Vargas encouraged commercial aviation and by 1939

*"If you were to ask me what is the program of the Estado Novo, I would tell you that its program is to crisscross the nation with railroads, highways and airlines; to increase production; to provide for the laborer and to encourage agricultural credit; to expand exports; to prepare the armed forces so that they are always ready to face any eventuality; to organize public opinion so that there is, body and soul, one Brazilian thought."*

Getúlio Vargas,  
Speech, July 1938



there were nine Brazilian companies flying routes that covered over 43,000 miles, carrying 71,000 passengers, 223 tons of mail and 490 tons of freight, which accounted for three quarters of all commercial traffic in South America. This nascent industry was encouraged by the military, and in 1941 Vargas created the Air Ministry. Railroad expansion also took place at this time, but there were half as many miles of train track as air routes. Instead, Vargas focused on road construction, leading to the construction of 258,390 miles of roads by 1939.

In addition to a push for industrialization, the government recognized the need to provide more support for and control of labor. The unsuccessful attempt by the communists to overthrow the government in 1935 gave Vargas the opportunity to seize total power through the Congress-approved "state of siege" that was implemented and to recognize the growing threat that labor could play. While still in its early stages of development, urban industrialization was taking place and Vargas felt it best to put in place a new labor code that defined industrial relations. Mirroring other corporatist hybrids, the economy was organized into different industries and worker and employer sectors. A law passed in 1943 permitted unions to organize by plant and industry but not on a statewide or national basis lest their power become too great. A department of labor oversaw union finances and elections, and helped create the labor leadership in the country. Vargas also instituted a minimum wage and a maximum work week for Brazilian labor.

Constitution of 1934: The law will regulate the progressive nationalization of mines, mineral deposits, and waterfalls or other sources of energy, as well as of the industries considered as basic or essential to the economic and military defense of the country." Article 119

### Changes to Brazil's economy

Import Substitution Industrialization (ISI) policies proved to be successful. Between 1924 and 1939, industrial output grew at an average rate of 6% and the 1930s were marked by very strong increases. In 1941, there were 44,100 plants that employed 944,000 workers, meaning that most work was still done in small-scale factories and plants, and that it was often reliant on hand labor rather than machinery. These industries successfully provided substitutes for goods previously imported, and they helped to diversify the economy. Due to the Second World War, Brazilian goods were also being exported, and a push towards heavy industry was in place.

Economic growth was not evenly spread throughout the country. Most of Brazil's population (40 million) was still land-based and dependent upon cash crops for their livelihoods. Unlike their urban brethren, the rural working class was still subjected to harsh living conditions that included low wages and debt peonage, a condition in which rural laborers, indebted to the plantation owners, worked to

*"The Estado Novo does not recognize the rights of the individual against the collective. Individuals do not have rights; they have duties. Rights belong to the collective!"*

Getúlio Vargas



Men and women polishing Chevrolets on the assembly line at the General Motors Plant, São Paulo, Brazil in 1939.



How did foreign investment help Brazil during the Depression?



pay off an ever-increasing debt rather than for wages. Brazil continued to rely on coffee as a major source of revenue, and foreign reserves. Five states employed three quarters of factory workers, and concentrated most of the industrial wealth; São Paulo alone had 41% of all workers. The interior was largely untouched and untapped; Vargas tried to encourage migration to these areas by offering 50-acre land grants to those willing to populate the west and Amazon Valley.

### Activity

#### You be the journalist

Choose an ideology, a country and a year from the following lists:

**Ideological focus:** Socialist, National Socialist, Liberal, Conservative

**Country:** United States, Argentina, Brazil, United Kingdom, Germany

**Year:** 1933, 1940, 1945

Using your choices to establish the position of the journalist, write an article that explains why, in your opinion, Brazil has become a dictatorship and how it has affected Brazil's economy. Are you excited about or worried by the changes in Brazil? How does your nationality, ideology and the year in which you are writing impact on your perspective? If you are feeling particularly ambitious, do a little research and find out the name of specific newspapers that fulfill your criteria.

## Argentina: from democracy to dictatorship

### The political leadership of Argentina, 1916–43

Hipólito Yrigoyen	1916–22; 1928–30
Marcelo Torcuato de Alvear	1922–29
José Félix Uriburu	1930–32
Agustín Justo	1932–38
José María Ortiz	1938–42
Ramón Castillo	1942–43

In 1916, Argentina made a peaceful transition to full democracy with the election of Radical Party leader Hipólito Yrigoyen, ousting the long-term conservative National Autonomous Party (PAN) and people were hopeful that Argentine politics would continue in this manner. They did so until 1930 when a combination of forces, including the Great Depression, led to a military coup that would introduce a period of militarism and dictatorship that lasted until the 1980s.

Between 1860 and 1930, Argentina's annual growth averaged 6.3 percent, making it the strongest economy in South America. Although the main source of income came from the export of beef and wheat, the economy was modernizing and diversifying with the development of local industries and handicrafts. Beginning in the 1880s, Argentina embarked on a period of modernization



Argentine *vaqueros* (cowboys) in the 1930s, working in the plains as they had for over a century.



that brought with it social changes that threatened the traditional landowning creole élites. Recent immigrants with an entrepreneurial spirit set up new businesses, challenging the traditional power base. These were the people who challenged the economic system, based on foreign investment (and the UK investments in particular), urging the government to pursue economic nationalism.

The British had dominated the Argentine economy since the late 18th century and in the 1920s little had changed. Most of Argentina's meat exports went to the UK; at the same time, it imported coal and petroleum from British companies. This meant that Argentina was particularly susceptible to the British economy and policy decisions made in London. British investors built and owned the railways and the public bus systems in Buenos Aires.

Argentina's economy was far more diversified than Brazil's: while exports were key to its reserves, the country was not reliant on one sole crop. Wheat and beef were the primary exports but they were not the only sources of income; linseed and corn were also key export crops. The industries that developed were logical extensions of its agricultural sector: food processing, meat packing, flour milling and leather tanning are examples. Unlike other Latin American countries, Argentina's industry was largely domestic; there was very limited foreign investment until the 1920s. The First World War had stimulated industrial growth, but after the war the country settled into a depression as its foreign markets dried up. At the same time, trade had been interrupted, creating a need for more domestically-produced goods. This led to a renewed interest in the extractive industries. Prior to the First World War there had been little interest in mining, but it was now seen as an area of potential growth.

With economic growth, the number and power of urban workers increased. Yrigoyen and his Radicals co-opted them as a non-revolutionary alternative to the Socialist Party. Argentina's large immigrant population brought with them revolutionary ideas about the organization of labor and the effectiveness of strike action to secure benefits. Many of the immigrant leaders were expelled, but the movement gained momentum in the 20th century. Many workers also wanted to collaborate with the government and avoid violence. Radical support for labor varied but during its period of dominance, it was a positive turning point for the working class. All parties and social groups were aware of the need to address labor's concerns.

In a show of significant foresight, the Yrigoyen administration sought to wean itself off of dependency on foreign fuels. It was the first country to create a state-run oil company to compete against foreign interests: Fiscal Petroleum Fields (YPF) was created in 1922. The company would source, produce, refine and sell petroleum. In the 1920s, Argentina had one of the largest number of automobiles per capita and consumed considerable amounts of gasoline. YPF helped keep foreign gas prices competitive and would later assist emerging industries.



### The impact of the Depression on Argentina

The crash of 1929 had an immediate impact on the demand for Argentine exports. As Europe and America suffered from their crises they implemented protectionist policies to keep their own farmers solvent. For Argentina, this in turn led to an imbalance of trade and a 43% fall in the value of its cash crops that was accompanied by a 40% devaluation of the Argentine peso. At the same time, businesses were forced to lay off workers, creating high unemployment in the cities. Civil servants did not lose their positions but often the government did not have enough money to pay them—customs duties was a main source of revenue for the government and the slowing of export and import made income non-existent.

Most people blamed the Radicals for the dire economic straits. On September 6, 1930, Yrigoyen was overthrown and a military junta under General José Félix Uriburu was established. There was no opposition to the military as they marched to Buenos Aires, and no one supported Yrigoyen, who was placed under temporary house arrest. Uriburu took control of the country and attempted to impose hard-line military rule but a potential rival, General Agustín Justo, was waiting to challenge him. Without consensus among the military, Uriburu was forced to hold election in 1932 and Justo became president, relying on a mix of anti-Yrigoyen Radicals, PAN conservatives and Socialists. This coalition, called the *Concordancia* maintained its power only through electoral fraud and corruption.

While poor economic decision-making appeared to be the catalyst for regime change, the government continued to follow liberal trade policies until the mid-1930s. When the economy hit rock-bottom in 1933 the government responded with policies not meant to change the economy, but to bolster traditional areas of interest and income—livestock and agriculture. The government established a number of agricultural regulatory boards that lobbied for protectionist policies for agriculture that included tariffs. The new government also tried to hold on to the relationship with the UK to boost economic recovery. This resulted in the Roca–Runciman Pact (1933) which put restrictions on Argentina in an attempt to restore positive trade relations with the United Kingdom. According to the terms of this treaty, British markets for Argentine goods would be preserved if Argentina promised to give preference to British manufactured goods and protect British-owned companies from nationalization. This meant the death of a newly-emerged transit sector of private bus companies, based in Buenos Aires, but it was seen as necessary for Argentina to emerge from the Depression.

As in Brazil, Argentine entrepreneurs responded to the lack of imported manufactured goods by trying to replace them. This spontaneous creation of import-substitution industries came out of necessity but quickly found government support. The government



Soldiers in Buenos Aires, Argentina, on September 17, 1930, holding pictures of the new president, General José Félix Uriburu.



provided tax incentives and tariffs to protect new industries. Even while putting protectionist tariffs in place, exceptions were made for those materials and goods needed to assist the creation of domestic industry. Support of ISI would also help create employment opportunities and while factories tended to be small at first, industrialization created jobs.

The state-run oil company YPF continued to expand production in the 1930s with the goal of reducing dependency on oil imports. The oil companies (Shell and Standard Oil) viewed Argentina warily as they had just seen Mexico's nationalization of their oil industry, and in 1934 the private companies dropped their prices substantially to undercut YPF's reforms. After an initial reaction against this, the government reached a favorable agreement with the foreign companies so that half of the Buenos Aires market went to YPF. This allowed for continued expansion that stimulated industrialization.

Unemployment continued to be a problem and the *Concordancia* implemented the solutions that had been put in place in North America: public works. Despite the cost to the government, it was recognized that work-creation schemes would support the domestic market and prevent social strife. Public works projects centered on developing infrastructure and resulted in the construction of 32,000 miles of highways. Prior to 1932, there were only 5,000 miles of roads; this encouraged the expansion of motorized transport and helped Argentina move away from its dependence on British-owned railways.

## Activity

### Theory of Knowledge (TOK)

#### Economic theory and history: Raúl Prebisch, the Argentine Depression and ISI

Raúl Prebisch's theories of Import Substitution Industrialization (ISI) gained popularity in the 1950s after he became director of the Economic Commission for Latin America (ECLA). He based his theories on his observations of Argentina during the Depression. Working as a banker, he witnessed the results of free trade on its economy and argued that while it had historically led to development in Europe and the United States, his country's policies were harming its economy and hindering its development.

Despite the wealth of natural resources that Argentina possessed, Prebisch argued that developing countries would never have enough cash to invest in local industry unless they corrected the imbalance of trade that the cycle created:

Raw materials → developed country → finished goods created → developing country



How did Argentines react to the overthrow of Yrigoyen? Why do you think this was the case?



This cartoon was first published in London's *Evening Standard* on July 13, 1934.



What does this political cartoon say about the effect of the Roca–Runciman Pact on the UK's dominions and Argentina?





The value added by manufacturing always cost more than the primary products used to create those products. Therefore, developing countries would never earn enough to pay for their imports and an imbalance of trade would always exist. To correct the imbalance, he argued that developing countries should adopt ISI as part of their economic model. They would continue to sell their primary commodities on the world market but would not use their foreign exchange reserves to buy manufactured goods from overseas. Government intervention in the economy would be necessary to protect newly-emerging industries.

When he wrote his report, Argentina and Brazil seemed to provide support for this idea; they had introduced ISI during the Depression. Over the years, however, economists challenged the validity of ISI and Prebisch's prescriptions arguing that they could not be sustained long term. More moderate critics argued that ISI worked—but only in the larger Latin American countries with a substantial middle class and a working class with purchasing power.

#### Questions

- 1 What did Prebisch witness that contributed to his observations?
- 2 What other policies did government have to implement to make ISI part of its model?
- 3 What limitations do you see with this idea?
- 4 Why would "a substantial middle class and working class with purchasing power" be important to the success of ISI?

### Argentina's economic recovery

Due to the combination of protecting export industries and ISI Argentina came out of the Depression relatively quickly. The military men that dominated the *Concordancia* saw the opportunities of abandoning liberal free-trade policies in favor of corporatist policies to develop a strong Argentine military. ISI became a dominant economic policy that was developed further during the Second World War, and would remain in place through the 1960s.

The Second World War further accelerated ISI policies and increased dissatisfaction with the government. This set the stage for another coup and in 1943 the United Officers Group (GOU), led by men ranking no higher than colonel, overthrew the government and established another military dictatorship.

For Argentina, the Depression accelerated industry and decreased its dependence on the British market. It also led to the radicalization of the working classes and renewed military intervention in government affairs. Populism and dictatorship would prevail until the 1980s. Lastly, a central bank was created in Argentina that would have sole determination of currency values and the ability to print money. This was seen as necessary so that the government could control the money supply in times of future crisis.



## Political changes in Latin America

As in North America, the Great Depression had profound economic effects but those are often overshadowed by the political changes that were brought about, that would have long-term consequences. While a number of countries recovered relatively quickly from the economic distress, it was under newly-established military dictatorships or populist regimes that the economies were directed and controlled.

Traditional agricultural products continued to dominate Latin-American economies, but the economic power of the landowners was waning as a new, urban élite emerged with the onset of ISI. The corporatist policy adopted in the 1930s by Argentina and Brazil would become a popular model for developing countries to escape from economic dependence on the Western, industrialized economies. While ISI prevailed until the 1960s, its success would be challenged and argued by economists and historians alike.

Latin American political systems also shifted over the same time period towards authoritarianism. There were some exceptions to the rule, but from this point forward, military leadership was predominant in the region.

### Hipólito Yrigoyen (1850–1933)

Hipólito Yrigoyen 1850–1933 was head of the Radical Party and was twice president of Argentina, during its liberal, democratic period. Early in his career he challenged the ruling oligarchy and conservative parties to embrace true democracy and end their political dominance over the country. Like many of his contemporaries in Latin America, he sought free elections, secret ballots and democratic reforms. The Radical Party's power was limited until 1912 electoral reform brought universal male suffrage and widened the proportion of the population that could vote. In 1916, he won a narrow victory as president of the republic in what is considered the first democratic election in Argentina. He implemented limited changes that included a reform of the universities and the creation of a state-owned petroleum industry. While he had some working-class

support, his economic and social reforms were limited; they ignored the social and labor problems that existed at the time.



In 1922 Yrigoyen was succeeded by Marcelo Torcuato de Alvear, whom he would take over from again in 1928, when he was reelected with a significant majority. His second presidency was ended when the Depression brought about the overthrow of his regime. Now seen as elderly—and sometimes accused of senility—he lost his popularity and was replaced by a military junta. After spending time under house arrest he was released and died in Buenos Aires in July 1933.



## Activity

### Values and limitations

#### Source analysis

##### Source A

Conservative responses to the Depression soon branched out in more innovative directions. Led by the Central Bank in 1935, new institutions were established to manage the economy, 'devaluation', 'exchange control' and 'deficit financing' entered the lexicon of economic policy-making, where they have remained ever since. The conservative regime confronted the depression with striking success. Recovery commenced as early as 1934, and by the end of the decade Argentina had regained the prosperity of the 1920s.

**Source:** Bethell, Leslie. 1993. *Argentina Since Independence*. Cambridge University Press. p. 174.

##### Source B

Argentina suffered relatively little from the Great Depression. Its urban unemployment, never much above 5 percent, remained far below that in Europe and the United States. Despite commercial difficulties with the British, substantial economic recovery was underway by 1934, although another recession followed in 1937–38, mainly caused by adverse weather conditions. Immigration resumed; government spending rose by 27 percent between 1932 and 1937; exports increased, led by grain. ...

Imports of manufactured consumer goods, around 40 percent of total imports before 1930, fell to 25 percent by the late 1940s. The 1914 census cataloged some 383,000 industrial workers; by 1935 the number had risen to 544,000, by 1941 to 830,000 and by 1946 to over 1 million. Similarly, the number of industrial firms grew from less than 41,000 in 1935 to more than 57,000 in 1941 and 86,000 by 1946.

**Source:** Rock, David. 1987. *Argentina, 1516–1982: From Spanish Colonization to the Falklands War*. Taurus. p. 231.

#### Questions

Both of these sources are used as textbooks.

- 1 Are these sources consistent? Do they make the same argument?
- 2 What makes these sources useful in studying the Great Depression in Latin America?
- 3 Why would a historian find these sources limited in assessing the Great Depression?
- 4 Is one of these sources more useful than the other? Which one and why?