

The fast-diminishing gap between the GDP per capita of Argentina versus Brazil's: a 1946-2002 analysis

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Abstract

The ratio of Argentina's GDP per capita over Brazil's same indicator has diminished by approximately 3.3 times throughout the period from 1946 to 2002. This impressive comparative drop is substantially higher when compared to the same ratios of relatively similar pairs of countries, such as United States-Canada, Mexico-Guatemala, and Australia-New Zealand, for the same period of analysis. This article attempts to bring some possible explanations for this relevant drop, attributed to some historical facts, mainly political ones, and related to the economic policies of both countries in the period. In the political realm, Argentina was more troubled than Brazil. The heavy influence of Juan Domingo Perón, alive during roughly half of the period of analysis but still indirectly influential in the second half, may explain it to a relevant extent. In the economic sphere, Argentina showed inconsistent and failing economic policies, and peronismo also played a role in the process.

Key Words: Brazilian politics, Brazilian economy, Argentine politics, Argentine economy, Comparative politics, Comparative economics.

Introduction

Brazil and Argentina represent the largest territories in Latin America. The former is the most populated country in the region, whereas the latter is fourth in population but still has the leading GDP per capita among the most populated countries of the area. Brazil and Argentina share a large border and a historically peaceful relation between them, even though they don't share the same language and are rivals in their popular passions for football.

This paper will analyse the evolution of GDP per capita of both nations, from 1946 to 2002. 1946 is an important year that marked Juan Peron's ascension to power in Argentina, along with a new government in Brazil after Getúlio Vargas's 15-year rule, his initial one, ended. Brazil and Argentina are generally deemed to be two South American forces that have somewhat similar developments. This paper will show that right after the end of World War II, Argentina was almost four times richer than Brazil, on a GDP per capita level. That ratio eroded nearly 3.3 times until our early millennia. The yearly GDP per capita data comes from the Our World in Data source, an initiative by the non-profit organisation Global Change Data Lab and researchers at the University of Oxford.

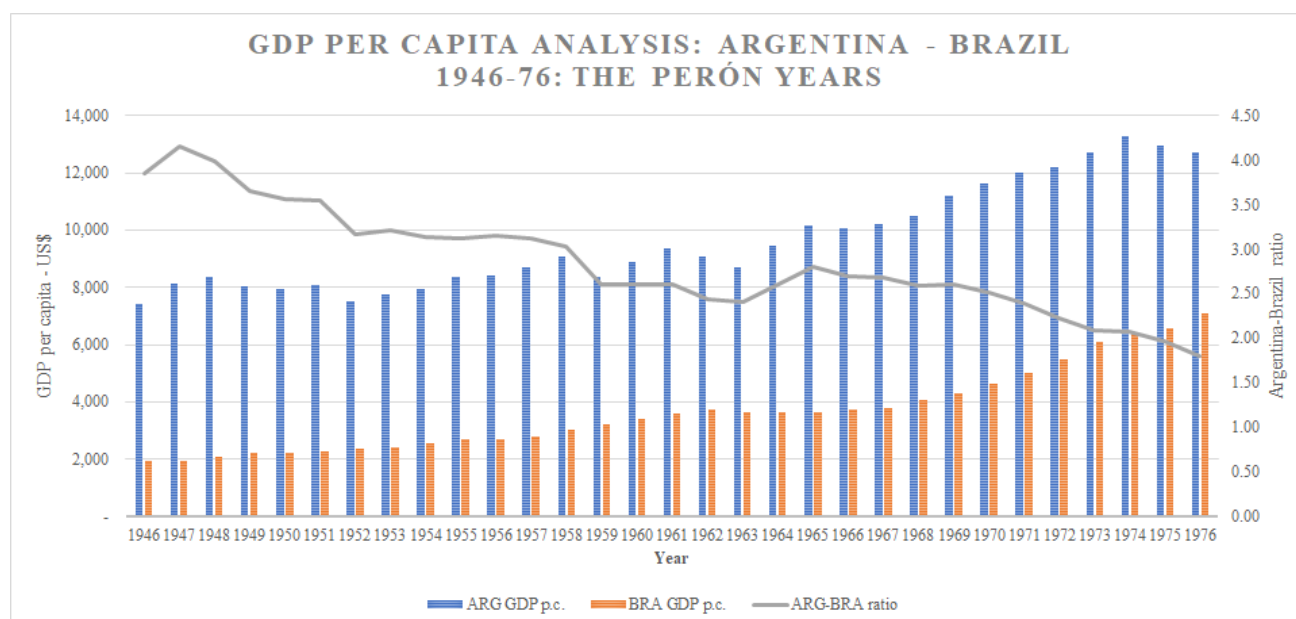


Figure 1. Comparative evolution of Argentina's and Brazil's GDP per capita, 1946-76.

Source: Author's elaboration based on data from Our World in Data database. Retrieved in February 2023 from: <https://ourworldindata.org/grapher/gdp-per-capita-maddison-2020?time=1945..2002&country=BRA~ARG>

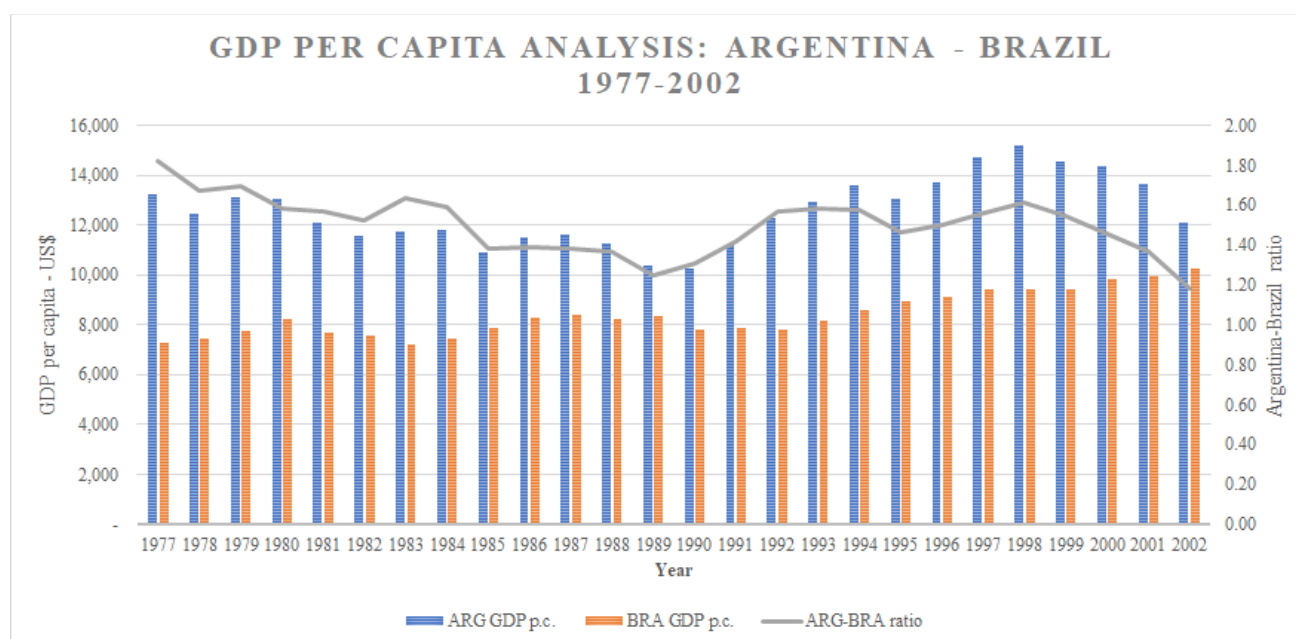


Figure 2. Comparative evolution of Argentina's and Brazil's GDP per capita, 1977-2002.

Source: Author's elaboration based on data from Our World in Data database. Retrieved in February 2023 from: <https://ourworldindata.org/grapher/gdp-per-capita-maddison-2020?time=1945..2002&country=BRA~ARG>

The substantial drop in this ratio seems relevant not only because of the apparent developmental similarities between these two countries per se. But also, because other pairs of countries with similar economic developments, territorial contiguity or strategic proximity, and population ratios between them did not present such accelerated detachments. For instance, the duos United States-Canada, Mexico-Guatemala, and Australia-New Zealand GDP per capita ratios have been considerably more stable from 1946 to 2002.

GDP per capita (US\$)	1945	Ratio	2002	Ratio
Argentina	6,943	3.87	12,095	1.18
Brazil	1,792		10,245	
United States	16,478	1.45	46,266	1.21
Canada	11,370		38,124	
Mexico	3,009	1.09	12,646	2.11
Guatemala	2,761		5,980	
Australia	11,026	1.00	38,567	1.37
New Zealand	11,043		28,066	

Table 1. Comparative evolution of GDP per capita of selected duos of countries, 1945-2002.

Source: Author's elaboration based on data from Our World in Data database. Retrieved in February 2023 from: <https://ourworldindata.org/grapher/gdp-per-capita-maddison-2020?time=1945..2002&country=BRA~ARG~USA~CAN~MEX~AUS~GTM~NZL>

This paper will comprise of a very brief historical background of both countries before 1946, nine sections that present analyses of specific time intervals from 1946 to 2002, and it will end with a recap and an attempted conclusion. It will draw substantially from two thorough historical works for the countries, "Historia de la Argentina" by Norberto Galasso and "Brasil: Uma Biografia" by Heloisa Starling and Lilia Schwarcz.

Brief historical background

Argentina and Brazil achieved their independence in 1816 and 1822, respectively. But they followed different paths, in terms of political regime, for most of the nineteenth century. Argentina, as it was the case with other countries independent from Spain in the region, formed a republic, whereas Brazil formed an empire after breaking up with Portugal. During the nineteenth century, according to data available for specific years for both countries, the

Argentine GDP per capita was, on average, 3.57 times higher than Brazil's¹. So, not very distant from our starting point of 3.87, which nears the mid-point of the twentieth century.

Argentina has historically gotten ahead of Brazil to develop earlier a more national, urban, and capitalism-oriented country. Economist Celso Furtado, on a comparative assessment of Latin American countries' historical signs of progress, highlights Argentina as a country that stood at its own class in the regional context, mainly due to (i) achievement of a high degree of urbanisation in the early stages of its export-led development, and (ii) a constructive program of European immigration that allowed for a relatively high level of average wages in agriculture (Furtado, 1976:172). According to historians Heloisa Starling and Lilia Schwarcz, the Brazilian immigration process, although also large, presented some episodes of cheating on some Europeans, as they were promised parcels of lands and work opportunities that were not always fulfilled by the natives (Schwarcz and Starling, 2015: 323-25).

Juan Manuel de Rosas, Buenos Aires Governor and de facto leader of Argentina for almost all the years from 1829 to 1852, thrived for autonomous development of the Argentine economy and imposed the national unity. Under his leadership, the old separatist attempts disappeared, the provinces of Río de La Plata were unified, drowning the isolationist attempts from the caudillos². This sense of nationalism and economic development took place ahead in time in Argentina than in Brazil.

Throughout the last decades of the nineteenth century, Argentina increased its middle-class from 10.6 per cent in 1869 to 25.2 per cent in 1895 (Galasso 2011b: 89). A few years earlier, in 1886, the Argentine Constitution was strictly respected as President Roca was prohibited and consented not to run for reelection (Galasso 2011b: 7). In turn, Brazil was still a very agrarian country³. A young nation that was finally breaking up from slavery and monarchy in the 1888-89 period⁴. Brazil's relatively late encounter with republicanism presented its first Constitution, which instituted the bases for presidentialism, federalism, and bicameralism, only in 1891 (Schwarcz and Starling 2018: 319). According to Starling and Schwarcz, coastal Brazil still had to encounter with the "real Brazilian man", someone isolated, abandoned, sick, nomadic, backward, and resistant to change⁵. Both encounters mentioned above would mature during the twentieth century.

Ultimately, Argentina is a country that can be proud of being a well-educated society. Not only it has a remarkable literate percentage of 98.1 per cent of its population⁶. It is also a country that has been in the top tier of the Americas in the number of new book-titles published per one million inhabitants. For instance, it surpassed the United States in all the years from 1940 to 1963 and in the years of 1994 to 1996⁷.

1) 1946-1952: the post-War configuration, and Perón years. Argentina-Brazil GDP per capita ratio drops by 18 per cent

1946 marks two important political events in both countries. In Argentina, Juan Perón wins the 1946 elections, and his legacy, peronismo, would become a fundamental key in the country's long-term political landscape (Galasso, 2011b: 490). In Brazil, Eurico Dutra is elected president, ending the 8-year authoritarian Estado Novo (New State) established by Getúlio Vargas, who had been at the top of Brazilian politics since 1930. Perón's main political idea was one of liberation against the dependence from international imperialism, mainly the English one; Perón nationalised the Argentine mixed Central Bank, the country's main railroads, ports, reinsurance, telephone, water, and energy companies (Galasso, 2011b: 306). Perón also took some other interventionist anti-liberal measures such as the freezing of rural leases and urban rents (Galasso, 2011b: 314). In 1947, Argentina reached the position of zero external debt (Galasso, 2011b: 325). In contrast, in Brazil, President Dutra employed an external policy of close alliance with the United States, led by President Dwight Eisenhower. In 1946, a new Brazilian Constitution was established. According to Starling and Schwarcz, this Constitution marked an unprecedented democratic phase in Brazil, where the social protection brought by Vargas could finally be combined with amplification of political rights that were practically nonexistent in the previous dictatorship (Schwarcz and Starling 2018: 501). Nevertheless, in 1947, amidst the starting warming of the Cold War countries' positionings, the Communist Party

¹ According to Our World in Data GDP per capita data for 31 yearly observations available from 1800 to 1900. Available at <https://ourworldindata.org/grapher/average-real-gdp-per-capita-across-countries-and-regions>.

² Galasso (2011a, p. 96), presenting and later criticizing what he calls *exultante rosismo* (exultant rosismo) from Argentine historians Manuel Gálvez, José María Rosa and Jorge Abelardo Ramos.

³ See Schwarcz and Starling, 2015, p. 326. Brazil's labour force in 1920 was still 70 per cent agrarian according to the 1920 National Census.

⁴ *Lei Áurea*, ending slavery in Brazil, was signed by Princess Isabel on May 13, 1888. On November 15, 1889, the republic is proclaimed in Brazil.

⁵ Schwarcz and Starling definition of the Brazilian *incorporação dos sertões* (incorporation of the remote countryside), 2018, p. 350.

⁶ Per The 2019 World Almanac and Book of Facts, p. 748.

⁷ Per Our World in Data initiative. Available at <https://ourworldindata.org/grapher/new-books-per-million>.

was nullified in Brazil. And according to Kraenski and Petrilák, the Brazilian foreign relations with the Soviet Union were suspended in the same year (Kraenski and Petrilák, 2017:45).

The early 1950s still showed Brazil gaining ground against Argentina in terms of a comparative GDP per capita, as Argentina lost a critical portion of its exports of meat and grains that were sold to Europe. Historian Galasso claims that post-War Europe developed the “Green Europe” project, that aimed at reconstructing its agriculture locally, to the detriment of importing higher quantities of food. Galasso also claims that Western Europe was helped by the United States’ Marshall Plan, as the latter placed food products into the market at lower prices (Galasso, 2011b: 333). Perón’s initial tenure of almost two full-presidential mandates (he resigned in 1955), occasionally presented very positive economic results, at least in terms of GDP growth, in the periods of 1946-47 and 1954-55. Galasso points out that the first years of Perón launched a process of capitalist development based on the internal market which had never been seen before in Argentina (Galasso, 2011b: 305). Nevertheless, an analysis in retrospect of the 1946-55 Perón period in Argentina, made by economist Raúl Prebisch of the Comisión Económica para América Latina y el Caribe (CEPAL), and commissioned by President Eduardo Lonardi (who ruled for less than two months), concluded that in 1955, Argentina was on the verge of a necessity to overcome the worst economic crisis of its history (Galasso, 2011b: 355).

For the sake of comparison, Argentina’s GDP per capita in 1946 was not blatantly different from the ones of Canada and New Zealand: US\$ 7,436 versus US\$ 11,048 and US\$ 11,415, respectively; on the other hand, Brazil’s GDP per capita was standing at US\$ 1,934⁸. This is one reason why the word underdevelopment is more usually found in the Brazilian historical literature than in the Argentine one⁹.

The discussions in the 1950s and 60s around the economic development or underdevelopment concepts revolved around the foreign capital participation in the peripheral economies. There was a dichotomy if external inflows would dynamise the economy, or on the contrary, constitute an obstacle for the local capitalism’s growth (Machado, 1999:199). The Peronist view was one that defended the second possibility, at least on the surface. To contradict this commonly accepted assumption, Celia Szusterman, who reviewed Peronist literature, claimed that while Perón remained decidedly anti-Yankee when addressing supporters, in private exchanges during the late 1940s with the U.S. ambassador, he repeated his support and admiration for the country the latter represented (Szusterman, 2001: 892).

The disparity that existed between the two countries’ GDPs per capita in 1946 is, per se, a reason to accept that Brazil’s substantially inferior indicator could be bettered by firmer integration between city-countryside and country-world market, what was more advanced in Argentina. It could perhaps also be asserted that the Peronist ambivalence might have also helped to act as a divisive catalyst for the erratic Argentine economic performance.

2) 1953-1958: the decaying import substitution model years. Argentina-Brazil GDP per capita ratio remains stable

As from 1951, Brazil’s presidency returned to Getúlio Vargas, and as from 1952, the country lost focus and support from the United States, its strong partner ever since the end of World War II, as President Eisenhower prioritised other matters and regions such as Korea, Egypt, and Lebanon (Schwarcz and Starling 2018: 404). Worker movements, mostly leaning to the Left, gained force in Brazil, as the significant event of the Greve dos 300 Mil (Strike of the 300 thousand) took place in 1953. Vargas’ more conservative and oppositionist party UDN (União Democrática Nacional) claimed that Brazil ran the risk of becoming a union-oriented republic (Schwarcz and Starling 2018: 405). In the following year, a Manifest of the Colonels ensued in Brazil, and President Vargas was supposedly involved in the death of the bodyguard, a military, of Getúlio’s primary political opponent Carlos Lacerda from the UDN. Vargas committed suicide in August 1954, leaving a political vacuum in the country. From that point in time until early 1956, when President Juscelino Kubitschek was elected, three individuals led Brazil (Café Filho, Carlos Luz e Nereu Ramos) as temporary sequential presidents. If agitated Brazil somehow flirted with a military solution for its politics, Argentina started a military tenure in 1955. Most of the interventionist, “anti-imperialist”, and nationalist measures taken by Perón in the previous years were reversed. Argentina began to increase its external debt, and its economic policies got tied closer to the International Monetary Fund (IMF) benchmarks.

Both countries experienced similar and timid economic growths in the period, and an explanation for that might be related to the fact that industrialisation based on the import substitution model began to show its limitations (Furtado, 1976: 2 and 107-16).

3) 1959-1963: the Brazilian 50 years in five years project. Argentina-Brazil GDP per capita ratio drops by 26 per cent

⁸ Per Our World in Data initiative.

⁹ See Furtado, 1976; Schwarcz and Starling, 2015; Galassi, 2011b.

1957 marked the first full year of President Juscelino Kubitschek's mandate in Brazil. JK, as his initials entail, assembled an ambitious plan of economic development for the country, proposing the slogan of "fifty years in five". He attributed to the state the task of making feasible an accelerated economic growth plan, by deepening the industrialisation process and prioritizing the consumer durable goods sector, what amazed numerous incredulous Brazilians that had the chance to have access to modern home appliances, remote control televisions, among others (Schwarcz and Starling 2018: 415). Kubitschek also focused on an aggressive expansion of the Brazilian highway network combined with the production of the first car that would leave the plant with 50 per cent of national parts, and he was able to seduce the country with a charismatic smile that became famous (Schwarcz and Starling 2018: 415). Kubitschek was also the statesman that idealised and built Brasília, the new Brazilian capital that was located in a central but very unexplored region of Brazil. All these measures enhanced Brazil to show very positive economic growths. In the international front, JK was able to resume strong and positive relations with the United States, after a period of distancing that occurred during the late Vargas' years. Per Luiz Felipe Lampreia - Brazilian ambassador, ex-Secretary General of the Itamaraty Palace, and Ministry of Foreign Relations – personal testimony, Eisenhower visited Rio de Janeiro in 1960 and was received in a "consecrated" way in the streets of the city¹⁰. Additionally, in a demonstration of a peaceful climate in politics, although perhaps contrasting to the previous fact, economist Mario Henrique Simonsen recounts that 1960 marked an unusual unison between Brazilian Right and Left, when both blocked American Can corporation to produce cans in Brazil during the JK years; the first by making noise and the second by producing them (Simonsen, 1987). In contrast, Argentina was facing a first adjustment imposed by the IMF, to reverse the so-called terrible economic crisis announced by Prebisch just a few years earlier. The IMF imposed a package that demanded an austere policy of freezing prices and salaries for two years, as well as the stoppage of some public works and reduction of jobs in the Argentine state workforce (Galasso, 2011b: 388). Even though the political landscape of Brazil, after a period of relative stability in the JK years, started to show signs of instability as the Cuban revolution's success influenced Latin America, I would like to point out some possible causations of Argentine unrest in this period of analysis. Firstly, there was the distant (in exile) and legally forbidden influence that Perón effected in Argentine politics. Justifying the Resistencia stance that was created and proposed by him ever since he voluntarily resigned and left office in 1955, Perón suggested the *voto en blanco* (vote blank) strategy as a means of protest against the state of politics in the country¹¹. Secondly, the extensive number of elections held in Argentina from 1960 to 1963 calls the attention: deputies' elections in 1960, senate elections in 1961, provincial elections in 1962, and federal elections in 1963. The mobilisation required for all concerned parties to run in elections every year can be understood as a quasi-constant (and probably exhausting) exercise of campaigning that drains energy and resources that could be applied for public initiatives or political decisions. The "vote blank" strategy of Perón paid off with the following results: Blank votes won the Constituency elections of 1957, the deputies' election of 1960, and came second in the 1963 federal elections (Galasso, 2011b: 389 and 406). The austerity measures that included a strong restriction of credit availability and reduction in the state expenses, which marked an extreme shift from the previous Perón years, resulted in a recession in 1962 and the local currency devalued by almost 50 per cent (Galasso, 2011b: 393).

4) 1964-69: the initial dictatorship years. Argentina-Brazil GDP per capita ratio increases by 9 per cent

This period marked the rise of an explicit military dictatorship government in both countries. In Brazil, in 1964, a military coup took over the country politics, allowing General Castello Branco to become president. Castello Branco replaced President João Goulart, who according to Kraenski and Petrilák, had predicted that Brazil would face both a political and an economic crisis, given a conundrum that the Brazilian Parliament needed to help the country to solve, in a dialectic between nationalisation and tighter control on the remittance of profits to overseas versus the strengthening of the external financing with the United States (Kraenski and Petrilák, 2017: 175-76). The Brazilian political turmoil ended up halting the economy, also because the debt incurred in the expanding JK years was charging its toll. The Brazilian dictatorship transitioned from initially milder restrictions to very substantive ones in 1968, when the National Congress was closed indefinitely, individual rights like the habeas corpus and the freedom of speech and reunion were suspended, and all political crimes needed to be trialed at military courts¹². In turn, Argentina had three short civil governments under Arturo Frondizi (backed by exiled Perón), José María Guido, and Arturo Umberto Illia, until the military dictatorship took over under General Juan Carlos Onganía in 1966. Argentina's GDP per capita temporarily rose in comparison to the Brazilian one. According to Galasso, the respective increases of 10 per cent and 9 per cent in the national domestic products of Argentina in 1964 and 1965

¹⁰ Lampreia (2010, p. 37). The author was present in the Eisenhower's passage through the streets of Rio de Janeiro.

¹¹ Perón exiled in Chile, Panamá, Venezuela, Paraguay and Spain during most of the Argentine dictatorship years. Perón's party and person were prohibited to officially run in elections as from 1956. According to March 1956's law-decree 4161, it was forbidden in the whole Argentine territory the utilisation, with any goals of Peronist ideological affirmation or propaganda, of images, symbols, signs, meaningful expressions, doctrines, articles and artistic pieces that intended to promote *peronismo*.

¹² Main features of the AI-5, *Ato Institucional N°5*, established on December 13, 1968.

were in part due to excellent harvests. Galasso presents the anecdote that a newspaper reporter asked Félix Elizalde, the Argentine Central Bank president if the sharp increase in exports during those years were the result of economic policy, and the reply was simply: “good harvest” (Galasso, 2011b: 417). On the other hand, Galasso shows that the investment in capital goods in Argentina in the period has been practically null (Galasso, 2011b: 418). The disinvestment in certain industrial sectors like those mentioned above, combined with an over-reliance in the traditional Argentine food commodities proved to harm the economy in the coming years. In contrast, a massive industrial investment would set the tone for Brazil in the following years.

5) 1970-76: the Brazilian Miracle years. Argentina-Brazil GDP per capita ratio drops by 36 per cent

This period marked one of the worst relative declines of the Argentine economy versus the Brazilian one, as measured by their GDP per capita evolutions. The period marked what was called the “Brazilian Miracle”, a strong and continued economic growth that had its peak in the first half of the 1970s. According to Starling and Schwarcz, early in that period, the automobile industry tripled its production, and the country almost ran out of cement due to the increase in the demands of civil construction. The Brazilian Stock Exchange located in Rio de Janeiro seemed to produce easy money, one month of transactions in 1970 was equivalent to ten times what was dealt in the entire year of 1968 (Schwarcz and Starling, 2015: 453). Per historian Patricia Galeana, Brazil grew its production output by 63 per cent in the 1969-1973 period (Galeana, 2018: 485). The number of foreign companies in Brazil rose substantially, and the vast flow of external investment enhanced an economy that was still shy of real growth in its past.

Conversely, in Argentina, the massive investment from multinational companies had occurred a little before. According to Galasso, in 1969, from the leading 100 companies in Argentina, 83 were foreign-owned or foreign-controlled. As a byproduct, more than 11 thousand nationally owned companies closed their doors between 1966 and 1973 (Galasso, 2011b: 427).

The Organisation of Petroleum Exporting Countries (OPEC) oil crisis of 1973 and 1975 hit both countries hard, as they didn’t have alternative but to continue buying costlier petrol to subsidise their infrastructure and economic growths. This was one of the reasons for substantial expansion in external debt that fueled high inflation and other macroeconomic troubles that struck both countries in the following decade.

Significant political and economic policy turnarounds marked Argentina’s 1973-76 period. In 1973, Perón returns to Argentina from exile, and given his presence and insistent demands, official political prohibitions on him and on his party were revoked, and clean elections were promised and scheduled for that year. In September 1973, twelve days after his Chilean friend Salvador Allende was displaced from power and died, Perón and his second wife Isabel are elected president/vice-president as 62 per cent of the votes were given to their Frente Justicialista (Justicialist Front) party. A new turnaround in economic policy ensued, although some preceding interventionist measures were rehearsed in 1973 during Hector José Cámpora 49-day presidency, known as “La Primavera Camporista” (The Camporista Spring). Some measures taken during this interlude were the establishment of discounts and maximum allowed market prices for meat, in addition to the freezing of medicines and certain food items’ prices; 10 per cent to 20 per cent wage increases for workers, among other measures that nationalised some Argentine institutions (Galasso, 2011b: 471). Perón’s term that started in 1973, strengthened what Galasso called the “traditional Peronist economic policy methodology”: nationalisation of some banks that had been taken by foreign capital, nationalisation of bank deposits, external commerce control through La Junta de Carnes y de Cereales (a Meat and Cereal National state-controlled Board), the establishment of maximum prices for first necessity articles, among other measures (Galasso, 2011b: 480).

Perón’s health deteriorated quickly in 1974, and he died in July of that year, leading the way, after some indecision from his part, for his wife and Vice-president Isabela to take over¹³. Galasso observes that Isabela, or Isabelita (which takes the diminutive form in Spanish for names), was someone without a political background and unaware of what Argentina was in terms of how its political world functioned (Galasso, 2011b: 491). Isabelita’s short tenure (she resigned in 1976) was marked by erratic macroeconomic measures guided by equally inconsistent political actions that moved away from Left to Right. As a result, Argentina experienced another currency super-devaluation, called “El Rodrigazo”, referring to her appointed Economics ministry, Celestino Rodrigo.

These 1973-76 Peronist years are qualified by Raúl García Heras as an “international financial debacle”, where the economic policy view was one that condemned a perceived IMF intrusion into Argentine internal affairs (Heras, 2018: 800-01). Marcelo Rougier and Martín Fiszbein consider the same period as one that embodied a frustrating economic project. Rougier and Fiszbein ascertain that the period was both a political and economic failure in the history of Argentina. They claim that the Peronist sense of democracy and social justice were overshadowed by political and economic forces that successfully resisted what they call “the last intent of constructing a national and

¹³ See Galasso 2011b, p. 481, he explains that Perón was undecided until the day he died whether to keep Vice-President Isabel Perón as his successor or arrange another political solution.

integrating political model” in the country in the twentieth century (Rougier and Fiszbein, 2006: 9-10).

The authors posit that the failure of the institutionalisation of this process resulted in the dismantling of the welfare state of Argentina, and as a consequence, demobilisation, repression, and social exclusion ensued. The same source stresses that the last Peronist years marked a so-called swan song of the industrialisation by the import substitution economic model in Argentina. Buenos Aires-centered economics, which relied on the import of various types of goods, got strengthened once again. The Argentine economy suffered, whilst a more stable and regionally expanding Brazil was able to catch up on the GDP per capita comparative evolution.

6) 1977-1984: the rising external debt years - Argentina-Brazil GDP per capita ratio drops by 11 per cent

This period was very problematic for both countries. In Brazil, the dictatorship was entering his fifth appointed leader (General Figueiredo in 1979) with blurred and sluggish signs for a popularly awaited re-democratisation on the horizon. A prolonged and controlled political opening of the country started in 1975. The previous leader, Ernesto Geisel (1974-79), postponed to 1982 the previously projected indirect elections for Brazilian governors, which frustrated hopes for a quicker return to democracy in the country. Per Schwarcz and Starling, Geisel was considered to be “certainly imperial due to so much authoritarianism” (Schwarcz and Starling, 2015: 469). In terms of the economy, the Brazilian miracle lost its steam. Sterling and Schwarcz summarised what they call the loss of the economy triumph: at the end of Geisel’s government, Brazil possessed one of the largest and well-integrated industrial complexes between the peripheral countries, but suffered the shock from the rise in oil prices and its long line of consequences: slow growth in exports, acceleration in the international interest rates, and increase in external debt; inflation remained on the rise, reaching more than 200 per cent per year for 1983 and 1984, and at the end of Figueiredo’s government, a macroeconomic storm arose with deteriorated public accounts, recession, and unemployment (Schwarcz and Starling, 2015: 470-71). In the 1980s, Jô Soares, a famous Brazilian TV comedian on a popular show, drew on a board that the only way Brazil could fix its external debt would be by extracting the letter “x” from it. As the last general to govern Brazil, Figueiredo’s departure in early 1985 was a melancholic one. He refused to give away his presidential sash to his successor and to walk down the ramp of the Presidential Palace like the protocol dictated and chose to leave it from the back door. A little before that event, when asked on a television interview to provide a general recap of his government, he told reporters and the Brazilian audience to just “forget about him” (Schwarcz and Starling, 2015: 467). If this time in history would be better forgotten for Brazil, something different cannot be said about Argentina.

After a brief four-president (including two Peróns) civil stint that lasted less than three years, the military was back to power in 1976. Raúl Heras pinpoints a quick and strong reversal in economic policy that instructed for an alliance with the IMF and other multilateral neo-liberal oriented institutions in the 1976-78 period. These initiatives were mainly led by minister Martínez de Hoz. Per Heras, the specific time period was marked by rising unemployment (Heras, 2018: 807). Galasso illustrates it quantitatively, reporting that 1977 saw a significant annual rise in the unemployment rate from 6 per cent to 9 per cent, one of the results of the neo-liberal financial model implemented inspired by the “Chicago Boys”¹⁴. 1978 marked Argentina losing an arbitrated conflict with Chile that cost them the Beagle Canal and three islands in the region. 1980 marked a change in leadership, as General Jorge Videla, who was considered too strict, was replaced by General Roberto Viola, who had the mission to implement some type of democratic opening process. The year marked another turnaround in economic policy through interventionist measures, such as the withholding of 30 per cent from every farming export in the country (Galasso, 2011b: 523). In the following year, another turnaround in economic policy took place as General Leopoldo Gualtieri set up a “Chicago Boys” team once again. 1982 marked the Falkland Islands War, a conflict that Argentina lost very quickly to Great Britain, which affected the national morale. According to Galeana, Britain took offense in early May of 1982, after Argentina filled the islands with troops. By June, confrontations led to 700 deceased, more than 1,300 wounded, and 11,000 Argentine prisoners. Galeana adds that President Gualtieri resigned and was substituted by General Reynaldo Bignone as early as July 1 (Galeana, 2018:543). Galasso comments that this important geopolitical event symbolised an erratic, perhaps naive diplomatic assessment by Argentina, which expected that the United States could back them up in the conflict given their economic policy affinities (Galasso, 2011b: 525).

The drop of 11 per cent in Argentina-Brazil’s comparative GDP per capita ratio can be explained by more political turmoil in the former compared to the latter country, although both suffered in many ways in the period.

7) 1985-1989: the Alfonsín-Sarney years. Argentina-Brazil GDP per capita ratio drops by 23 per cent

This period coincided with the mandates of “statist-democrats” President José Sarney in Brazil and President Raúl Alfonsín in Argentina (Sklair, 2000: 308).

¹⁴ Galasso, 2011b, p. 513. Galasso also stresses the person of Martínez de Hoz, Economics ministry in 1977 and considered as the “Rockefeller man in Latin America”, as a symbol of the neoliberalism of The University of Chicago that was very prevalent at the time.

The former established in 1986 the Plano Cruzado (Cruzado Plan), an economic plan that brought a new currency to Brazil, the cruzado, that basically was the result of the cruzeiro, the former currency, cut short of three zeros. The Plan included the establishment of some triggers that would index the increase in salaries, given the accumulated inflation rise to 20 per cent. Interventionist measures such as price freezing were undertaken. Given the hyperinflationary environment that occurred in Brazil in the previous years, the Plan was initially well-succeeded and well-accepted by the population, that could finally plan their financial lives with some predictability¹⁵. But those measures were only effective in the short-term, and inflation would return strongly in the later period of Sarney's mandate. Still, the Brazilian economy was generally able to grow during his tenure. The toll of hyperinflation and economic disarray would cause an important loss of 3.2 per cent in Brazilian's GDP per capita in 1990¹⁶. But that misfortune would be linked to the next president.

In Argentina, the period was marked by erratic, contradicting decisions and positions in economic policy, as determined by its central government. In the early period of Alfonsín (1984-89), which officially started in December of 1983, economic policy was marked by an anti-neoliberalist and conflictive stance against the IMF. Argentina declared a "temporary moratorium" of six months to assess the financial condition of the country (Galasso, 2011b: 540). A few months later, Alfonsín shifted position when he replaced his Economy Ministry from Bernardo Grinspun to Juan Vital Sourrouille, which established what was called the "war economy", where state expenses were heavily reduced, and taxes were increased. Like the Brazilian case, Argentina changed its currency from the peso to the austral, and macroeconomic adjustments were taken in what was called Plan Austral (Austral Plan). But in comparison, the Argentine economic plan seemed to be less effective than the Brazilian one. Per Galasso's citing of Argentine economist Claudio Lozano, the Argentine state was broke in 1988¹⁷. Hyperinflation ensued in Argentina, and the austral suffered a massive devaluation in 1989, going from 17 per dollar in February to 580 in July (Galasso, 2011b: 547-48). Violent civil unrest and looting incidents took place in important provinces of the country, including Buenos Aires. As a consequence, Alfonsín had to hand over power to his elected successor earlier than formally scheduled.

8) 1990-1993: the neopopulist years. Argentina-Brazil GDP per capita ratio increases by 25 per cent

This period initially marked the ascension of two "neopopulists", per Kurt Weyland's definition, to power - Carlos Menem in Argentina and Fernando Collor in Brazil (Weyland, 2003). Both presidents had in common neoliberal orientations, which included a robust commercial opening of their countries, in addition to a particular new type of populist approach that attempted to discourse to the masses the advantages of the neoliberal agenda as a way to revert an ongoing economic crisis. Collor presidential life was cut short by an impeachment process in 1992 when he was accused of corruption practices. Collor lost by overwhelmingly high margins both at Congress (441 in favour of the impeachment, 38 against, one abstention, and 23 absences) and Senate (76 in favour, and three against), which proved to indicate a sign of his very fast decaying political capital. These years in Brazil were marked by the return of high inflation, a problem that would only be solved as from the development of Plano Real (Real Plan) in 1994. Collor inherited the results of the ineffectual second phase of Sarney's Cruzado Plan, and the economy suffered as the currency experienced massive hyperinflation once again.

In turn, Argentina also created, or recreated, its new currency - the peso - in 1992 under Menem. Menem initial years were marked by the establishment of the currency convertibility to the dollar, as led by his minister Domingo Felipe Cavallo, an economist with a Ph.D. from Harvard University. The convertibility law fixed the peso-dollar parity and allowed for free exchange between them (Achard and Flores, 1997: 61). Menem reformed the Argentine state, mainly through privatisations, and the process of the symbolic national airlines Aerolíneas Argentinas deserved special attention. Menem capitalised Argentine's external debt and geopolitics-wise, in close alliance with the Western powers, sent troops against Saddam Hussein in the 1991 Gulf War, even though he was of Syrian origin and was seen in the Argentina popular imagination as an Arab Muslim (Brieger and Herszkowich, 2002: 162). The second half of his first term saw some pro-banking sector measures accordingly to his Plan Brady (Brady Plan) and more privatisations of key (and some profitable) entities such as Gas del Estado and YPF, and also of the company that administered the Argentine contributory pensions (Galasso, 2011b: 563).

The Argentine unemployment rate was controlled at 6.9 per cent in 1993, and the general feeling was one of macroeconomic stability and predictability, which benefited the Argentine business climate to make the economy grow (Galasso, 2011b: 564).

¹⁵ See Schwarcz and Starling, 2015, pp. 490-91. They comment on the greater reliability of forecast that the Cruzado Plan would allow into the Brazilians' calculation machines. However, the Plan's initial measures of price freezing, defined as Cruzado Plan I, had to be reversed, in what was called Cruzado Plan II.

¹⁶ Per Our World in Data initiative.

¹⁷ See Galasso, 2011b, p. 547. Economist Lozano supports his claim of a broke Argentine state with several reasons.

Taking advantage of his positive start, Menem maneuvered a Constitution change that would allow him to run for reelection¹⁸. A similar precedent was deployed by future Brazilian President Fernando Henrique Cardoso a few years later. Menem got reelected and would start his second term in 1995. In an interview given to PNUD-Programa de las Naciones Unidas para el Desarrollo (UNDP-United Nations Development Programme) researchers Diego Achard and Manuel Flores in 1996, Menem commented that Argentine justicialismo was on a positive way towards needed economic orthodoxy. Menem claimed that he was just following the teachings of general Perón, who claimed in 1973 that some privatisation of non-lucrative state entities needed to take place by the hands of the business community¹⁹.

Although the initial term of Menem seemed to be positive for Argentina, difficulties would mount in his second presidential term, as his apparent solutions proved to be insufficient, perhaps due to, per Dani Rodrik's assessment, an inherited "eternal economic mess" who wandered in the country throughout the seventies and the eighties (Rodrik, 2011: 417-20).

This was a rare period when Brazil's GDP per capita grew less than Argentina's. In addition to the political instability associated with Collor's early impeachment, what contrasted to Argentina's apparent calmness, a possible reason behind Brazilian economic troubles could be related to an inherited unilateral moratorium declared by the country in 1987. One of the symbols of Brazilian economic liberalism, Roberto Campos stated in an interview in 1999 that the declaration was unfortunate in the sense that it could have been done in a cleverer political way²⁰. Campos said that the moratorium, which was histrionically called "sovereign moratorium", could have been named differently, like debt "restructuring" or "rescheduling", and payment should never be suspended, but rather reduced to symbolic portions. Campos observed that the 1987 heated moratorium declaration was harmful to the country as international investments dimmed for years to come (Campos, 2017: 234). Brazil instituted its long-awaited new Constitution in the following year of 1988, which marked a positive signal of Brazil's re-democratisation process, by abolishing censorship, punishing torture, and assuring that all state governors needed to be elected through direct vote. However, this important civic achievement concealed to a certain extent the Brazilian real economic situation, so reality struck especially in the early 1990s. It would be fair to assert that the Brazilian moratorium histrionics compared mildly to the episodes of Perón's emotional rants against imperialism and the subsequent moratoriums of 1983 and 2001. This assertion helps to support a case that Brazilian economic policies had been more serenely managed than Argentine ones over the last decades.

9) 1994-2002: the Fernando Henrique Cardoso years. Argentina-Brazil GDP per capita ratio drops by 27 per cent

This period marked President Fernando Henrique Cardoso years in Brazil. As a minister of President Itamar Franco in 1994, Cardoso was a key collaborator in the development of Plano Real (Real Plan), that stabilised the Brazilian economy through the creation of a new currency, the real, that was initially pegged to the U.S. dollar, as it was the case of the 1992 Argentine new peso. Brazilian economy thrived in the 1995-1998 years amid long-awaited macroeconomic stability. As it was the case of Menem, Cardoso engineered a Constitutional change that would allow him to run for reelection, which he accomplished at the end of 1998. On the other side of the border, the 1995-98 Argentine years were extremely challenging. According to Galasso, the unemployment rate which was under control in Menem's first term skyrocketed to 18.4 per cent in 1995, and foreign capital ruled the economy, as they represented more than 50 per cent of total revenues, a sharp increase from 33.6 per cent in 1990 (Galasso, 2011b: 564-67). The second Menem term was also marked by general strikes against the labour flexibilisation measures taken. The IMF loaned an amount of around US\$ 3 billion to Argentina and imposed the reiteration of some austerity and cash-generating measures such as structural reforms, more privatisations, fiscal adjustments, benefits for external investors, and banks' capital inflows through tax exemptions, among others (Galasso, 2011b: 569). Brazil's economic agenda also included significant privatisations in sectors such as communications and energy, that mostly occurred in the 1997-98 period.

The second half of this period of analysis marked challenging times for both countries, especially related to their currency devaluations. Right after reelection, President Cardoso had to face a "maxi-devaluation" of the real against the dollar, that shifted from around 1.10 in late 1998 to almost 2.00 in early 1999.

President Cardoso, as taken from appointments of his published presidential diaries, wrote on January 22, 1999, that he feared something was "loose in the market" when the real hit 1.80 per dollar, but as he understood the crisis, he acknowledged that Brazil actually was not closer to England but rather to Indonesia, as he had stated a couple of

¹⁸ See Galasso, 2011b, p. 565, Menem engineered the insertion of a reelection clause in the Argentine Constitution, amid what was considered the *Pacto de Olivos*, the political pact of the Olivos.

¹⁹ See Carlos Menem's "*Por mandato de Perón*", or "By mandate of Perón" 1996 interview in Achard and Flores, 1997, pp. 59-66.

²⁰ Roberto Campos (1917-2001) was a Brazilian economist, professor, writer, diplomat, and politician.

days before²¹. In turn, Argentina was facing economic challenges to keep its peso-dollar fixed parity of 1:1 sustainable. In 1999, given the persistently high unemployment combined with corruption accusations, which became known as the coimas (bribes) to legislators to pass the labour reforms, Menem's justicialista candidate Duhalde lost to the oficialista opponent Fernando de la Rúa in the 1999 federal elections²². The new president recalled Cavallo as Ministry of the Economy, and the IMF loaned another US\$ 40 billion to Argentina, in combination with a 13 per cent salary or pension reduction to public service employees and retirees. In 2001, a deep political crisis ensued as Duhalde's political front suffered a massive decrease in votes in the Legislative elections of that year, thus losing political support and governability²³. Given capital drainages related to an imminent currency devaluation, the government established the corralito, limiting individual money withdrawals to 250 pesos per week. 2001 marked, according to Saskia Sassen, one of the "most dramatic" defaults by a "highly indebted poor country" when Argentina declared its inability to honor \$140 billion of debt in December 2001 – "the largest ever sovereign default" (Sassen, 2002: 382). Amid intense, widespread disenchantment, De la Rúa resigned on November 20, 2001, using rescue by a helicopter from Casa Rosada for fears of more severe rebellions. What ensued, as presented by Galasso, was an unprecedented 5-President sequence in only ten days²⁴. Given the turmoil, the new Argentine President was appointed by the Legislative Assembly: Eduardo Duhalde, who had lost the federal elections of 1999. Duhalde's time in office was also a relatively short one, lasting from January 2002 to May 2003. The year 2002 marked the materialisation of an imminently substantial peso devaluation. The initial depreciation was of 40 per cent, as the parity 1.40-1.00 held on momentarily. But as the year went by, a massive capital escape from the country occurred, and the peso exchange rate patted the 4.00-1.00 level. The GDP per capita of Argentina precipitously shrank from US\$ 13,652 in 2001 to US\$ 12,095 in 2002, per data from Our World in Data. Coincidentally, Brazil's real exchange rate also flirted with the 4.00-1.00 level in 2002, but the scenario was different from Argentina's. Ever since 1999, the exchange rate has been loose by economic policy measure, so the real has been devaluating as time passed by. The 4.00-1.00 level was mainly explained by a capital market fear related to Cardoso's probable successor, Luis Inácio Lula da Silva, which had a past of intolerance for neoliberalism and adverse relationship with the financial market forces. The Brazilian currency would rebound in the following years, reaching and stabilizing at the 2.00-1.00 plateau for some years. The same cannot be said about the Argentine peso, that continued its high devaluation against the dollar in the coming years.

A recap and some tentative conclusions

In a political recap, Argentina had a total of 23 presidents in the 1946-2002 period, five more than Brazil's 18. In a simple calculation, Brazil averaged a president every 3.1 years, whereas Argentina's average was 2.4. This statistic can be considered as a suggestive sign of political instability, especially for Argentina.

In another comparison that overarches several periods of my proposed analyses, per Sarah Babb, from 1986 through 2000, Argentina had a "spectacular" seven IMF and 19 World Bank policy-based loans, against a Brazilian "milder" three IMF and five World Bank policy-based loans in the same period (Babb, 2012: 327).

Argentina's leadership sins may be summarised in two. Firstly, until the Menem years, erratic and discretionary behavior prevailed. Drawing from Dani Rodrik, this author provides an adequate observation that "for too long, Argentina's governments had changed the rules of the game whenever it suited them; too much governmental discretion had resulted in a complete loss of confidence in Argentine policymakers" (Rodrik, 2011: 417). Secondly, and as a response to the first set of mistakes, the Menem years provided Argentina with too much economic orthodoxy, in the form of bits of populist appeal. Strong austerity measures shocked the Argentine system, which was unable to accept it. The Convertibility Law that later so heavily stressed the Argentine economy was, per Dani Rodrik, in the long-term a disastrous maneuver that took the Washington Consensus guidelines to an extreme (Rodrik, 2011: 418).

What about Brazil's role in the shortening of the GDP per capita gap? A straightforward explanation could relate to the fact that Brazil was so poor after World War II that it had to catch up eventually. Other explanations might be related to better politics.

In this sense, Joseph L. Love, which reviewed a few books related to Brazil's political economy, asserts that Brazil was able to present generally good economic performance, due to (i) well-executed developmentalism, especially during the JK years, but with positive ramifications that endured during a good portion of the military dictatorship, and (ii) a superior social inclusion policy when compared to its Latin American peers, especially in the period from

²¹ See Cardoso, Diários da Presidência (1999-2000), Volume 3, 2017, p. 60.

²² The "oficialista" front was composed by the Alliance UCR (Unión Cívica Radical)-FREPASO, which claimed itself as the Alliance for Labour, Justice and Education.

²³ Galasso, 2011b, called this process the "voto bronca" or "scolding vote" that reduced the votes for the UCR-FREPASO from 8.7 million in 1999 to just 3.3 million in 2001. See p. 583.

²⁴ See Galasso, 2011b, pp. 587-90. Galasso emphasised the "Que se vayan todos" movement, that meant the popular expression and desire that "everyone should go".

1990 to 2006 (Love, 2018: 863-68).

The arguments above related to Brazil's economic enhancement are possible explanations for the reduction of the GDP per capita gap, but looking back at the precipitous fall in the ratio along the period of analysis, and considering that such a drastic drop did not happen with other relatively similar pairs of countries, it can be inferred that Argentina was much more to blame.

The Perón factor, a subject that still polarises Argentina political discussions nowadays, proved to be perhaps a "half culprit" in the country's economic woes. Until the end of Isabela's presidential term in 1976, Argentina had decreased its GDP per capita ratio against Brazil's by half. From 1977 until 2002, Argentina had lost almost another half. Interestingly, although out of the scope of this article, the ratio has become roughly stable from 2003 to 2018.

With or without Perón, a concluding list of elements of Argentine troubled politics and economics (as compared to Brazilian ones) could be as follows. Firstly, Argentina had a president just over every two years in the 1946-2002 period. Secondly, and to a certain extent linked to the first explanation, abrupt shifts in economic policy have been more constant in Argentina than in Brazil. This can be measured not only by the constant exchange of Finance and Economy ministers but more distinctly, by the larger number of moratoriums and IMF agreements declared and contracted by Argentina. Thirdly, what helps to explain Argentina's woes from this second explanation derives in part from decisions to maintain its currency, knowingly overvalued, artificially inflated. Finally, it needs to be acknowledged that Brazil's economic condition, at the end of World War II, as measured by GDP per capita, depicted a quite poorer one when compared to Argentina's. But the unusually sharp fall in the GDP per capita ratio of the two countries throughout the chosen period of analysis reveals a phenomenon which explanation might have to do more with failures from the more economically developed incumbent of the duo (Argentina), rather than to the newcomer's (Brazil) ascending success.

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