

# Argentina: Testing Dependency Theory

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Global Politics and Communication/Global Political Economy

Master's Thesis

May 2022



## Abstract

**Faculty:** Faculty of Social Sciences

**Degree programme:** Global Politics and Communication

**Study track:** Global Political Economy

**Author:** Octavio Augusto Bellomo

**Title:** Argentina: Testing Dependency Theory

**Level:** Master's Thesis

**Month and year:** May 2022

**Number of pages:** 80 (+2 appendix)

**Keywords:** Dependency theory, Argentina, development, industrialization

**Where deposited:** University of Helsinki Library

### **Additional information:**

#### **Abstract:**

This thesis is an investigation of the explanatory capacity of dependency theory in the context of the Argentine Republic from the start of the 20<sup>th</sup> Century to the COVID-19 pandemic. Explicitly, the research question is: to what extent, if any, can dependency theory explain the evolution of Argentine economic history? The core of the thesis is based on discussion concerning dependency theory as put forth by various scholars, especially dos Santos, Prebisch, and Tansey and Hyman. Argentina is a case study wherein dependency theory can be evaluated, as the country has had struggles developing and industrializing, and has utilized policy prescriptions encouraged by dependency theorists, such as import-substitution industrialization.

Dependency theory is explained and analyzed using four tenets central to the theory as outlined by Tansey and Hyman. The theory's explanatory capacity is tested/evaluated first quantitatively through empirical research, regressions, and a search for statistically significant correlations, then qualitatively through an analysis of Argentine economic history in the 20<sup>th</sup> and 21<sup>st</sup> Centuries. Empirical data were also utilized to supplement the qualitative analysis.

Empirical findings demonstrated little evidence to support some dependency theory claims, such as negative impacts from conspicuous consumption, and showing meager negative correlations

between dependency and economic development. The qualitative analysis suggested that dependency theory has some explanatory power for the reality and struggles of the Argentine economy in the earlier half of the 20<sup>th</sup> Century, but struggles to explain Argentina's reality in a more modern context. Overall, the Argentine experience does not reflect what dependency theory would expect.

The growing importance of international capital, capital markets, and financialization has left dependency theory seemingly outdated. A narrow focus on the core-periphery dichotomy seems to hold the theory back from providing a functional explanation of the Argentine economy today. This thesis has also allowed for insight into the historical and contemporary flaws of the Argentine economy and its weak industrialization, including economic mismanagement, political strife, and a damaging pursuance of import-substitution industrialization.

## **Acknowledgements**

This Master's Thesis could not have been made without the invaluable aid and support of my uncle, Marcelo Rimoldi, whose expertise in Argentine history made the foundations of this paper possible.

Likewise, the incredible assistance from the National Institute of Statistics and Census of Argentina (*Instituto Nacional de Estadística y Censos*; INDEC) helped form, in large part, the empirical basis of this paper.

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## **Chapter 1:**

### **Introduction**

The study of why some economies flounder while others flourish has been ongoing since before the first understanding of what is considered modern economics. A wide variety of different theories and ideologies have sprung to attempt to explain the differences in levels of success of different regional, national, and local economies. Central to these debates is a realization that, to whatever extent it may be, nation-states have some level of autonomy in the determination of their economic destinies through a variety of differing policies. Coupled with the discussions of which policies or economic systems result in optimal outcomes is a more general discussion of how much autonomy states really do have in terms of their own economic development. With an ever-increasingly interconnected world economy, numerous events from the Great Depression to the multiple oil crises to the Great Recession and the current COVID-19 Pandemic have demonstrated how vulnerable even the mightiest of economies are to global shocks. The general definition of the First World or the developed world has changed little since the beginning of the Cold War, sparking debates regarding how smaller economies can catch up to wealthier countries.

Why do Japan and Taiwan succeed, as island nations relatively lacking in natural resources, while more 'naturally gifted' countries struggle? Why is it that the developing and underdeveloped worlds that are often so bountiful in resources and people that can perform labor are as relatively impoverished as they are? Who or what should be celebrated for economic successes; who or what should be blamed for failures and blunders? These questions persist in contemporary society, with a variety of answers blaming colonialism, capitalism, socialism,

governments, politicians, the world economy, corruption, culture, globalization, Keynesianism, neoliberalism, and a never-ending list of actors and situations.

Many theories and ideologies attempt to explain development and national growth, from traditional capitalist thinking to Marxism to Keynesianism and Neo-Keynesianism to neoliberalism and to a wide range of developmental theories, such as modernization theory and dependency theory, the latter being the focus of this paper. Briefly, dependency theory claims that there is a world system wherein exist two spheres, the core (or center) and the periphery—the concept of semi-periphery is seldom expressed in the dependency theory literature, being more so attributed to world-systems theory. Theoretically, resources flow to the core from the periphery, at the expense of the latter to the benefit of the former. In other words, wealth is extracted from poor countries to enrich wealthier ones. Thus, dependency theorists have argued for different ways of countering the faults of this world system for developing countries, typically advocating for some form of government intervention to protect and develop the local or national economy.

Dependency theory, a concept developed particularly in the context of Latin American underdevelopment, appeared around the 1950s and 1960s but has since the 1970s gone out of fashion. Many have either come to reject the theory outright or have been more allured by its more modern successor, world-systems theory. I consider dependency theory not just a theory about development, but also one of inequality, international relations, and perhaps even justice. I believe that, around sixty years after its conception, it might be worthwhile to reanalyze this theory. The successes of Singapore, South Korea, Taiwan, and more recently the People's Republic of China happening at the same time as mediocre growth in countries like Algeria, Colombia, Pakistan, and most of the rest of the developing world is a phenomenon that is still



questioned and discussed today. Dependency theory might provide part of an argument to explain the relative lack of growth within some countries and regions.

As a native-born Argentinian, this paper's intention is to test dependency theory in the context of around a century of Argentine economic history. By examining the 20<sup>th</sup> and beginning of the 21<sup>st</sup> Centuries of Argentina through the lens of dependency theory, it might be possible to gain insight as to the theory's overall validity, especially in a study containing a much more modern context than that from which it was first developed. Furthermore, dependency theory might lend insight to explain the Argentine economic struggle, regardless of the theory's possible faults. And so, the research question this thesis attempts to answer is: to what extent, if any, can dependency theory explain the evolution of Argentine economic history?

Argentina is an interesting example for any economic study because of its almost unique trajectory. As Escudé puts it, "In 1942, a famous economist, Colin Clark, formulated what then seemed like a reasonable prediction: in 1960—he said—Argentina would have the fourth highest gross product **per capita** in the world. The year 1960, however, found Argentina firmly on the path to becoming a member of the Third World."<sup>1</sup> After a series of coups and military dictatorships coupled with civil and political strife with and among Peronist groups, as well as a war with the United Kingdom, Argentina devolved into a mediocre economy plagued with hyperinflation and debt, climaxing in a default in 2001. Something went horribly wrong. By following the economic course of Argentina from the start of the 20<sup>th</sup> Century until 2020, I hoped to both provide dependency theory explanations and analyze the validity of the theory's claims.

It is important to note again that this longitudinal analysis takes place in the context of Argentina from the 1900s onward. Because of this, any results from this study may not necessarily be generalizable, although similar patterns may be found around the world, primarily

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<sup>1</sup> Carlos Escudé, "1940–1950: Boicot Norteamericano Contra La Argentina," *Todo es Historia*, February 1982, p. 8.

in Latin America. No singular study can ‘prove’ or ‘disprove’ any given theory, although we can achieve interesting insights from this. I should also note that this thesis does not carry a normative focus to it. My original intention was not to argue for or against dependency theory; rather, to provide a balanced and sincere analysis and provide a conclusion as to the theory’s contemporary worth. Of course, while avoiding any bias is near-impossible, it is not my intention to take a side. In a situation like this, I recognize that absolute objectivity is not possible and that there is subjectivity even in which data or data markers I utilize. I will soon return to this point.

## **Theory**

While there are several strains of dependency theory, its origin can be found in the work of the Executive Director of the United Nations Commission for Latin America and Argentinian economist, Raúl Prebisch. Particularly, dependency theory grew from the Prebisch-Singer hypothesis, which states that “specialization in primary commodities, combined with a relatively slow rate of technical progress in the primary sector and an adverse trend in the commodity terms of trade”<sup>2</sup> leads developing economies to struggle as the price of manufactured goods increases relative to that of primary goods. Simply stated, developing nations export primary commodities, which are then sold back by the developed world as manufactured products with higher value, leading to poor terms of trade. Prebisch believed the solution for underdeveloped states to be import-substitution industrialization (ISI) to protect their vulnerable economies<sup>3</sup>.

Ferraro outlines three issues that made ISI a difficult policy to follow: internal markets of developing economies were not large enough for economies of scale; the political will to move

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<sup>2</sup> John T. Cuddington, Rodney Ludema, and Shamila A. Jayasuriya, “Prebisch-Singer Redux” (Washington, D.C.: U.S. International Trade Commission, 2002), p. 1.

<sup>3</sup> Vincent Ferraro, “Dependency Theory: An Introduction,” in *The Development Economics Reader*, ed. Giorgio Secondi (London, United Kingdom: Routledge, 2008), pp. 58–64.

away from primary commodities was poor; and these countries often actually had little control over their exports<sup>4</sup>. From here arose a discussion about the relations between wealthier and poorer economies. It is in this quest to argue and understand the reasons for Latin America's apparent lack of development relative to the developed world, considering that this region had generally long broken off from colonial governments (compared to Africa and much of Asia) and contains a natural abundance of resource wealth, where dependency theory begins to be formulated in different ways.

The two main branches of dependency theory are generally understood to be the liberal reformist side, including Raúl Prebisch, and the Marxist side, including work by those like Paul Alexander Baran and Andre Gunder Frank. Unlike the Marxist stream, liberal reformist dependency theorists believed there to be space for development among underdeveloped nations even in a capitalist setting, believing the issue to be a result of different levels of industrialization. The opposing view was that dependency and underdevelopment is caused by the hierarchical capitalist system that enforces a rigid division of labor globally. In this sense, political and economic power are both concentrated and held by developed nations which dictate the international allocation of resources<sup>5</sup>. In other words, dependency theory can also be understood as a theory of imperialism, based on work from Vladimir Lenin and Rosa Luxembourgh. Due to Latin American tendencies to embrace ISI rather than outright socialist means of production, this thesis takes the reformist branch as the more mainstream and pragmatic one.

Despite the differences between these streams of thought, there are some key aspects of dependency theory that are shared. Firstly, dependency theorists organize the global system as

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

one made up of two types of economies, a dominating center or core and a dependent periphery. Further, they all highlight the large significance of external forces in dependent economies. Finally, dependency is believed to be a continuous process in which the relationship between the dependent and dominant countries is not only buttressed, but intensified in its inequality<sup>6</sup>. Most dependency theorists seem to warily view multinational corporations as foreign agents that, in the nature of what they do, reinforce dependency. Multinational corporations in periphery economies, while perhaps helpful in broadening investments and expanding the tax base, can also be harmful by flooding the markets with goods targeting higher-income consumers and by taking up the space and competition wherein local industries could develop<sup>7</sup>.

But what does dependency itself mean? Dos Santos succinctly explains:

By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.<sup>8</sup>

Dos Santos differentiates colonial dependence from more modern financial-industrial dependence, in which capital is dominated by the hegemonic centers of the global economy. Indeed, non-colonial dependency is something difficult to ‘see’ physically, which leads to the challenge of operationalizing the concept, which I will later address and explain.

Tansey and Hyman provide a comprehensive table on the differences between dependency theory and tenets of classical economics (table 1)<sup>9</sup>. The authors were primarily

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<sup>6</sup> Ibid.

<sup>7</sup> Richard Tansey and Michael R. Hyman, “Dependency Theory and the Effects of Advertising by Foreign-Based Multinational Corporations in Latin America,” *Journal of Advertising* 23, no. 1 (1994): p. 29, <https://doi.org/10.1080/00913367.1994.10673429>.

<sup>8</sup> Theotônio dos Santos, “The Structure of Dependence,” *American Economic Association* 60, no. 2 (May 1970): pp. 231–236.

<sup>9</sup> Ibid, 30–31.

investigating the effects of advertising by foreign companies in Latin America through the lens of dependency theory. And so, they utilize claims and tenets stipulated by various Latin American dependency theorists who came to be known as *dependentistas*<sup>10</sup>.

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Table 1  
Theoretical Differences Between Dependency Theory and Classical Economic Theory

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Area of Concern	Dependency Theory	Classical Economic Theory
Government Controls	Proactive <i>periphery</i> governments must correct the social excesses created by capitalistic markets	Government regulations must sustain consumer sovereignty (i.e., Adam Smith's <i>invisible hand</i> )
Method of Resource Allocation	National government's macroeconomic policy	Free markets; consumer discretion
Universal Efficacy of Free Markets	Success in exporting inhibited by marketing barriers such as negative country-of-origin effects, non-global preferences in product design, and information and skill deficiencies in production	Efficacy invariant across time and level of economic development
Distribution of Wealth	Economic development leads to a growing gap between the rich and the poor; need to redistribute wealth a major social problem in the <i>periphery</i>	Creation of a middle class society leads to widespread and relatively even distribution of wealth; need to stress market efficiency rather than social justice in the <i>periphery</i>
Benefits of Industrialization	Most new jobs for educated middle class and skilled blue-collar workers, rather than for mass of unskilled workers; 28 percent of Latin Americans were jobless or underemployed in 1980	Industrialization eventually solves the unemployment and under-employment problems in the <i>periphery</i> , as well as increasing the international competitiveness of local factories (industrial goods, rather than raw goods, become the main export)

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<sup>10</sup> Ibid, 27–40.

Creation of Local Infrastructure to Support Increased Economic Activity	Encourage foreign direct investment; use government regulations to force FMC to invest in local infrastructure	No government regulations; draw investments in local infrastructure from local private initiatives
Spread of Technological Innovations	Economic growth and spread of technological innovations is limited to a few economic sectors in the <i>periphery</i> (a phenomenon that sociologists call <i>social disarticulation</i> )	Economic growth leads to the wide spread diffusion of technological innovations in the <i>periphery</i>
Trade Policy	Import-substituting industrialization, under which <i>periphery</i> countries begin to produce the costly consumer and industrial goods previously imported from <i>center</i> countries; policy hinges on high import tariffs to protect fledgling industries from competition with <i>center</i> producers	Export-oriented investment, under which <i>periphery</i> countries move to eliminate trade barriers (i.e., <i>trade liberalization</i> ), privatize production capabilities, and increase exports of manufactured goods
Terms of Trade	Permanent disequilibrium in relative prices favors the <i>center</i>	Trend in relative prices favors the <i>periphery</i>
Running Short-term Deficits	Recommended because expanded tax base resulting <i>from new jobs</i> will <i>more</i> than fund the deficit	Discouraged because interest payments on debt sap economic vitality
Cause of Trade Deficits	Borrowed foreign monies to build infrastructure and factories	Rapid increase in imports of consumer goods, yet slow increase in exports
Ratio of Foreign to Internal Savings	Internal saving primary source of capital	Foreign savings primary source of capital (e.g., U.S. foreign direct investment)
Current Proponents	Latin American intellectuals, U.S. social scientists, and developmental economists (e.g., Cambridge Economic Policy Group, Choi, Furtado, Lall, Mattelart)	UNCTAD, Bush-Reagan administrations, finance ministers and presidents of some Latin American countries (e.g., Argentina, Ecuador, Mexico)

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In fact, for this paper, I utilize Tansey and Hyman's "Basic Tenets of Latin American Dependency Theory":

1. A *center-periphery* relationship exists between advanced, developed countries and less developed countries because economic and political power is distributed asymmetrically between the *center* and the *periphery*.
2. Many of the tenets of classical economics, especially the Theory of Comparative Advantage, do not apply to the economic development of the *periphery*.
3. The *center* realizes disproportionate gains from trade that favor it.
4. Conspicuous consumption by the affluent minority impedes economic development in the *periphery* by diverting critically needed investment capital.<sup>11</sup>

*Dependentistas* show as evidence to the first point Latin America becoming a large market for multinational corporations and the unequal income growth rates between the core and periphery. To the second point, they argue that it is this unequal exchange that causes hindered development instead of local deficiencies. This exchange, therefore, must be corrected by the governments of periphery economies. To the third point, dependency theory argues that the terms of trade benefit the core due to the competitive advantages foreign multinational corporations have over less-capitalized competitors and due to the undervaluing of labor-intensive goods from the periphery. Finally, to the fourth point of conspicuous consumption, dependency theory claims that "conspicuous consumption of the capital-intensive goods that [foreign-based multinational corporations] produce for affluent Latin American households not only siphons off much of the limited surplus wealth that would otherwise be available for local investment, but it also concentrates economic and social resources 'in one area of the country, causing the economic stagnation of the hinterland'."<sup>12</sup> I explain in the following section how I utilize and account for these tenets within my analysis. In short, these are the points to test and evaluate.

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<sup>11</sup> Ibid, 28.

<sup>12</sup> Ibid, 28–32.

Finally, I want to mention that, while no longer a popular heterodox theory, there has been and continues to be plentiful scholarly work with dependency theory as the basis. Of course, the bulk of it is now several decades old, which is important to keep in mind. Theôtonio dos Santos' original work on dependency theory<sup>13</sup> and that of former president of Brazil, Fernando Henrique Cardoso, and Enzo Faletto<sup>14</sup> have acted as a great backbone of the dependency literature since the 1970s. Velasco, in 2002, provided a summary of dependency theory, explaining the two 'flavors': radical and mild<sup>15</sup>. Here, he questions Raúl Prebisch's studies on the prices of primary goods versus manufactured ones and further mentions the failures of ISI and some of the consequent failures of attempted integration into the world economy by Latin American countries<sup>16</sup>. Further understanding of dependency theory can be reached through Valenzuela and Valenzuela's 1978 comparison piece on modernization theory and dependency theory and through Cueva, Villamil, and Fortín's 1976 "A Summary of 'Problems and Perspectives of Dependency Theory'". The former explains dependency theory's rejection of modernization theory's tradition-modern typology and focus on the national society as the unit of analysis<sup>17</sup>. Interestingly for discussion about Argentina, they point out:

The import substituting industrialization attained greatest growth in Argentina, Brazil, and Mexico. It soon, however, reached its limits, given the parameters under which it was realized. Since capital goods for the establishment of industrial parks were acquired in the central nations, the success of the policy ultimately depended on adequate foreign exchange supplies. After reaching maximum growth through the accumulation of foreign exchange during the Second World War, the industrialization programs could only continue—given the

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<sup>13</sup> dos Santos, "The Structure of Dependence," 231–236.

<sup>14</sup> Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America*, trans. Marjory Mattingly Urquidí (Berkeley, CA: University of California Press, 1979).

<sup>15</sup> Andrés Velasco, "Dependency Theory," *Foreign Policy*, no. 133 (2002): pp. 44–45, <https://doi.org/10.2307/3183555>.

<sup>16</sup> *Ibid.*, 45.

<sup>17</sup> J. Samuel Valenzuela and Arturo Valenzuela, "Modernization and Dependency: Alternative Perspectives in the Study of Latin American Underdevelopment," *Comparative Politics* 10, no. 4 (July 1978): pp. 535–557, <https://doi.org/10.2307/421571>.



available political options—on the basis of an increased external debt and further reliance on foreign investments. This accumulation of foreign reserves permitted the success of the national-populist alliances in Argentina and Brazil which gave the workers greater welfare while maintaining investments. The downfall of Perón and the suicide of Vargas symbolized the end of this easy period of import substitution.<sup>18</sup>

They concluded that the final blow to ISI in Latin America was the development and growth of multinational corporations in the core. Meanwhile, Cueva, Villamil, and Fortín's piece views dependency theory from a Marxian perspective, mentioning that dos Santos sees dependency as an extension of Vladimir Lenin's work on imperialism<sup>19</sup>, as well as criticizing the dependency view "that the nature of our social formations is dependent on how they are integrated with the world capitalist system"<sup>20</sup> by instead claiming the opposite: that the nature of societies determines the connection to the capitalist world. Blaney furthers our understanding of the theory by conceptualizing it as a theory of autonomy and taking a look at the tensions regarding global and national sovereignty<sup>21</sup>. As has been noted, most of these articles that set the stage for comprehending dependency theory come from a much earlier point in history, in a world significantly different from ours today; this stresses the particular challenge of interpreting a relatively old and possibly outdated theory through today's lens.

There are several pieces that discuss and critique dependency theory from different perspectives. Smith criticized, in 1981, the theory in that "it exaggerates the explanatory power of economic imperialism as a concept to make sense of historical change in the south. Too much emphasis is placed on the dynamic, molding power of capitalist imperialism and the socioeconomic forces in league with it locally; too little attention is paid to political motives

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<sup>18</sup> Ibid, 548–549.

<sup>19</sup> Agustín Cueva, José Villamil, and Carlos Fortín, "A Summary of 'Problems and Perspectives of Dependency Theory,'" *Latin American Perspectives* 3, no. 4 (1976): p. 13, <https://doi.org/10.1177/0094582x7600300402>.

<sup>20</sup> Ibid, 15.

<sup>21</sup> David L. Blaney, "Reconceptualizing Autonomy: The Difference Dependency Theory Makes," *Review of International Political Economy* 3, no. 3 (1996): pp. 459–497, <https://doi.org/10.1080/09692299608434365>.

behind imperialism or to the autonomous power of local political circumstances in influencing the course of change in Africa, Asia, and Latin America.”<sup>22</sup> This critique is actually quite similar to that of Cueva, Villamil, and Fortín as aforementioned, and yet the former comes at it from an anti-dependency perspective, while the latter carries a Marxian point of view. Another interesting outlook comes from Johnson (also in 1981), criticizing dependency theory for being excessively economic and deterministic, while downplaying the relevance and complexity of social struggles and leaving the theory sociologically barren<sup>23</sup>. Johnson claims that “it has been its rather heavy concentration on economics and lack of emphasis on sociology,” and that “the main thrust is too often a nondialectical theory of the mechanics of imperialist domination” that is the “most serious deficiency.”<sup>24</sup>

Lastly, dependency theory has been used to analyze a variety of different contexts. These include Barrett and Whyte’s analysis of Taiwan as a deviant case<sup>25</sup>, Tansey and Hyman’s analysis of the dependency effects of advertising by foreign-based multinational corporations, Balcilar, Kutan, and Yaya’s test of dependency theory on Cyprus as a small island economy dependent on Greece and Turkey<sup>26</sup>, Shie and Meer’s investigation of the knowledge aspect of dependence in India and Taiwan<sup>27</sup>, and Quiñones’s dissertation on the economic dependency of Argentina in a

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<sup>22</sup> Tony Smith, “The Logic of Dependency Theory Revisited,” *International Organization* 35, no. 4 (1981): p. 757, <https://doi.org/10.1017/s0020818300034329>.

<sup>23</sup> Dale L. Johnson, “Economism and Determinism in Dependency Theory,” *Latin American Perspectives* 8, no. 3/4 (1981): pp. 108–117, <https://doi.org/10.1177/0094582x8100800306>.

<sup>24</sup> *Ibid.*, 112.

<sup>25</sup> Richard E. Barrett and Martin King Whyte, “Dependency Theory and Taiwan: Analysis of a Deviant Case,” *American Journal of Sociology* 87, no. 5 (March 1982): pp. 1064–1089, <https://doi.org/10.1086/227555>.

<sup>26</sup> Mehmet Balcilar, Ali M. Kutan, and Mehmet E. Yaya, “Testing the Dependency Theory on Small Island Economies: The Case of Cyprus,” *Economic Modelling* 61 (February 2017): pp. 1–11, <https://doi.org/10.1016/j.econmod.2016.11.011>.

<sup>27</sup> Vincent H. Shie and Craig D. Meer, “The Rise of Knowledge in Dependency Theory: The Experience of India and Taiwan,” *Review of Radical Political Economics* 42, no. 1 (February 5, 2010): pp. 81–99, <https://doi.org/10.1177/0486613409357182>.

post-neoliberal era<sup>28</sup>, among many more. Interestingly from this list, Barrett and Whyte's piece on why Taiwan can be considered a deviant case to dependency theory by being a small island nation that, against all odds, has seen incredible economic growth contrasts against Shie and Meer's view that dependency still takes place, but in the form of knowledge dependency, which makes both Taiwan and India struggle to grow as knowledge-based economies. Other research seems to suggest, however, that Taiwan has actually innovated and transitioned into a knowledge-based economy, developing and exporting advanced technological products<sup>29</sup>. A more recent article on dependency is that of Mason, who states that "China might provide its main oil suppliers such as Angola, Sudan (which is already dependent on South Sudan for oil), Republic of Congo, Equatorial Guinea and Nigeria with resource-backed development loans and allow them greater flexibility regarding alliance choices, but this is a false choice." He continues, "the theory's main weakness has been to ignore globalisation theory and developments in trade, foreign direct investment and finance which have challenged the status quo," and that it "should therefore be updated to take account of changes in the international environment and the entrance of non-traditional actors in Africa."<sup>30</sup>

## Methodology

The biggest inspiration for this thesis is a preliminary test of dependency theory in Latin America as a whole by Kaufman, Chernotsky, and Geller. They tested dependency theory on a

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<sup>28</sup> Rivera Miguel Quiñones, "Economic Dependency and the Political Economy of Post-Neoliberalism in Argentina: The Paradox between Commodities and Progressiveness: The Case of the Soy Complex" (dissertation, University of Sussex, 2014), pp. 1–196.

<sup>29</sup> Tain-Jy Chen and Joseph S. Lee, eds., *The New Knowledge Economy of Taiwan* (Cheltenham, United Kingdom: Edward Elgar Publishing, 2004).

<sup>30</sup> Robert Mason, "China's Impact on the Landscape of African International Relations: Implications for Dependency Theory," *Third World Quarterly* 38, no. 1 (January 1, 2017): pp. 92–93, <https://doi.org/10.1080/01436597.2015.1135731>.

much wider array of concepts than I intend, including social stratification (land tenure inequality; income inequality), economic performance (growth; balance of trade; growth patterns), political infrastructure (unionization; voter turnout), and political system characteristics (constitutional stability; militarism)<sup>31</sup>. My idea was to operationalize the last two of the four dependency claims outlined by Tansey and Hyman and regress these claims against some of Kaufman, Chernotsky, and Geller's hypotheses. I would then utilize the results from these tested hypotheses to make arguments regarding the first two points by the aforementioned authors. In other words, first I would determine the levels of economic dependence and its economic impact, thereafter determining the implications of this.

For the third point regarding disproportionate gains from trade, I intended to utilize the authors' hypothesis: "Countries with high levels of economic dependency are likely to have an unfavorable balance of trade."<sup>32</sup> For the fourth point, I also used their following hypotheses: "Countries with high levels of dependency are likely to have highly unequal distributions of income" and "Countries with high levels of economic dependency are likely to have low rates of economic growth."<sup>33</sup> I believe these two hypotheses to be relevant to the question of conspicuous consumption, as the idea of this concept suggests that affluent households conspicuously consume capital-intensive goods produced for higher income groups, further distorting national income away from the disadvantaged portions of society, and that this consumption of goods from foreign-based multinational corporations strays capital away from where it ought to be invested<sup>34</sup>. Consequently, based on the results from such operationalized hypotheses, I would be able to qualitatively argue for Tansey and Hyman's first two points, determining whether there

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<sup>31</sup> Kaufman, Chernotsky, and Geller, "Theory of Dependency," 307–309.

<sup>32</sup> Ibid, 308.

<sup>33</sup> Ibid, 307–308.

<sup>34</sup> Tansey and Hyman, "Advertising by Foreign-Based Multinational Corporations," 32.

indeed exists an asymmetric power balance between the core and the periphery, and whether (neo)classical economics can apply in the economic development of the periphery. I will address criticism of these hypotheses in the following section.

I want to quickly note some of the difficulties that Kaufman, Chernotsky, and Geller encountered in their preliminary test. Primarily, the scholars found that more attention needs to be paid to the cultural, social, and political factors that may influence the relation between dependency and its outcomes<sup>35</sup>. Unlike me and as mentioned previously, the authors looked into a much wider array of subjects ranging from economic growth to militarism. My thesis greatly benefits, in a way, by having a more limited scope, where more exogenously-influenced factors are a considerably smaller concern. Furthermore, by being limited to a single country and providing more space to its analysis, I can attempt to both fill in gaps and qualitatively explain the results I attain. As they put it, “Carefully conceived case studies and in-depth comparisons, longitudinal analyses, surveys, or simulations will all probably be useful in overcoming the constraints encountered in this article.”<sup>36</sup> By being able to provide time and analysis to the political, geopolitical, and social contexts of Argentina at different moments in history, I can try to qualitatively explain issues that are less visible through quantitative means, such as the politics in trade relations between Argentina with the United States and the United Kingdom.

Kaufman, Chernotsky, and Geller utilize eight measures of economic dependency. Their first four measures are of trade dependency, while their latter four are of capital dependency. First, they have the “value of trade to largest trading partner, as a percent of GNP” from the year 1967; then they use the “value of trade to largest trading partner, as a percent of total trade” from both 1967 and 1929; further, they have the “value of two leading exports, as a percent of total

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<sup>35</sup> Kaufman, Chernotsky, and Geller, “Theory of Dependency,” 329–330.

<sup>36</sup> *Ibid*, 330.

exports” from 1965 to 1968. As for capital dependency, they use the “current foreign public and private investment, per capita” of 1967; the “current foreign public and private investment, as a percent of GNP” of 1967; and finally, they use the “book value of accumulated U.S. private investment, per capita” of 1959 and 1929<sup>37</sup>.

While for the most part following their dependency measures, I do have some differences to highlight. Firstly, simply due to the data I have attained, I utilize GDP (Gross Domestic Product) instead of GNP (Gross National Product). Secondly, I use six measures rather than eight, as I do not have duplicates for separate years as they do. Instead, I have correlations from the entirety of Argentine economic history from the 20<sup>th</sup> and 21<sup>st</sup> Centuries, while also having regressions from certain sets of years.

There is also an important difference in how we have measured inequality. While Kaufman, Chernotsky, and Geller use gini indices, I have instead measured inequality based on the income share of the top one percent of the country. The reasons for this decision were twofold: by measuring income share rather than calculating gini, I avoided discrepancies and possible errors based on price differences throughout Argentine history; further, seeing the distinct income share of the richest Argentinians relates better to the concept of conspicuous consumption. Of course, choosing to utilize the top one percent share rather than the top 15, top 10, top 0.1, or top 0.01 percent is a subjective choice. This, again, was based on two factors. One was that, for the sake of getting an understanding on conspicuous consumption, it was important to get a measure of the highest incomes, but not just the unbelievably ultra-wealthy; hence why a top one percent share measure made more sense than smaller groups. Secondly, the data on the

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<sup>37</sup> Ibid, 311.

top one percent are frankly more readily available. The World Inequality Database, for instance, has nothing on the Argentine top 10 percent share of income prior to 1980<sup>38</sup>.

I will summarize the concrete execution of my methodology. I first compiled necessary data in Microsoft Excel, producing a separate sheet for each dependency measure. The data were compiled from a variety of sources, such as the World Bank, the American Bureau of Economic Analysis, etc.; a bulk of my information also directly originated from photocopies of official Argentine government annuaries of commerce, exports, and imports (all helpfully provided by the National Institute of Statistics and Census of Argentina); these sources are included in Appendix A. Some of the raw data had to be reconfigured and calculated to account for inflation. Since Argentina has had a variety of legal currencies in the past century, many figures had to be converted to American dollars of the same time period and then recalculated for inflation to dollars in 2021. I then recompiled all measures into one Excel sheet and exported it to RStudio. Here, I executed many regressions, checking for intercorrelations between measures and for correlations with trade balance, top 1% share of income, and economic growth rate. I then gathered my results into tables, with statistically significant values colored by level of significance in orange (0.05), cyan (0.01), or violet (0.001) for ease of interpretation. I then proceeded to analyze my results and create new tables for further understanding as I went along, as will be shown in the next chapter.

For my qualitative analysis, I focused on providing economic, political, and geopolitical context for Argentina's history from 1900 until today. My empirical data were also used as a supplement to analyze dependency theory in the case of Argentina. Finally, for each era group, I provided conclusions on the explanatory power of dependency for the economic phenomena

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<sup>38</sup> "Argentina Pre-Tax National Income" (Paris, 2021). See Appendix A.

witnessed in Argentina at any given time. At the end, a conclusion brought my results and analyses together for a final verdict on the topic of this thesis.

## Relevant Criticism

So far in this introduction, my description of dependency theory has been rather descriptive in the way dependency theorists interpret their theory. The reason for this is due to this thesis being an attempt to reanalyze dependency theory within the context of Argentina and from the perspective of someone living in the 2020s; therefore, I believed it to be important to explain, essentially in the words of *dependentistas* themselves, what dependency theory is. And yet my intention is not to justify or explain away dependency theory. On the contrary, by analyzing it through over a century's worth of data and history, I wanted to show the theory in different temporal contexts, beyond just the decades from when it was developed, in order to give it a fair opportunity to both succeed or fail in explaining Argentina's economic development. I knew that dependency would struggle in its explanatory capacity largely from the 1980s onward, but my hope was that this thesis might also show, just in the context of Argentina, how and why this might be so. Again, the purpose of this thesis is not to provide a new understanding of Argentina's history, but to evaluate dependency theory, which is why I do not 'correct' possible mistakes or assumptions that the theory makes. All this being said, it would be improper to carry on without having provided the very difficult criticism that dependency theory struggles to deal with.

Criticism of dependency theory can begin before even referring to the theory itself. The Prebisch-Singer hypothesis, despite the interesting insights it may provide in terms of reliance on primary goods exportation, has some serious implication flaws for dependency theory. The



example of East Asia shows us multiple countries, such as Japan, South Korea, and Taiwan, that had little resource wealth and yet developed to become strong export powers of manufactured goods. While there might be reasons for East Asia's success relative to Latin America's failures (such as the resource curse of having an easily exploitable resource), historical experience has shown that relative lack of manufacturing capacity in the beginning does not impede long-term development possibilities. Furthermore, throughout the commodities super cycle of the 2000s, the terms of trade actually worsened greatly for manufacture-heavy economies, while improving for exporters of raw materials<sup>39</sup>. This seems to directly contradict the hypothesis.

Even though dependency theory was mainly focused and 'marketed' on the situation of Latin America, the experiences of East Asia and some of South-East Asia overwhelmingly hinder the theory's legitimacy. Partly to blame, perhaps, is dependency theorists' promotion of ISI as a useful tool for development. Despite some minor beginning successes of the policy in larger economies like Argentina and Brazil, ISI resulted in inflation and economic deficiencies in general; Latin American economies that implemented it floundered. Meanwhile, Asian economies that followed the Japanese model of export-oriented growth found impressive success, many such countries today being manufacturing powerhouses. Dependency theory fails to suggest that there is something which particularly has made Latin America and even Africa disadvantaged in ways that are difficult to surmount, but that these same qualities do not exist in East Asia. As I demonstrate later in my qualitative analysis, Argentina began the 20<sup>th</sup> Century with an economy easily comparable to that of many European nations; yet the country's current situation seems to be the complete opposite. At the same time, when European powers first encountered Japan, the country was still under a feudal system, yet it has become the third largest

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<sup>39</sup> "Trade and Development Report 2008" (New York and Geneva: United Nations Conference on Trade and Development, 2008), p. 28.

economy (nominally) while having hardly a fraction of the resource wealth of Argentina and many other developing nations.

The hypotheses I have extracted from Kaufman, Chernotsky, and Geller are also problematic, at least in hindsight. A lot of it seems to contradict modern reality. For example, the United States is the greatest net debtor in terms of trade, yet has the greatest nominal GDP. And when referring to economic dependency, few are as excellent an example as today's People's Republic of China, which, contrary to dependency theory's suggestions, boasts an economy to rival that of the United States, has consistently maintained high economic growth rates, and maintains the third most positive trade balance in the world<sup>40</sup>. I also take issue with the concept of dependency itself. Especially in the age of intense globalization, hardly any country on Earth lacks dependency to the rest of the world economy, save perhaps Cuba and North Korea. In fact, the wealthiest countries are the most linked and dependent on the state of the global economy. This has always been the case for the most part, but especially so in contemporary times. No country is fully autonomous in this sense. Therefore, 'dependency' becomes a relatively broad term. Even if smaller economies are more affected by fluctuations and movements in the global economy, it does not mean that others are any less dependent and influenced.

Finally, it is important to address that dependency theory is very structure-oriented, to the point where it leaves aside unit-level analysis. Kenneth Waltz explains: "Theorists concerned with structural explanations need not ask how variations in units affect outcomes, even though outcomes find their causes at both structural and unit levels. Neorealists see states as like units; each state 'is like all other states in being an autonomous political unit.' Autonomy is the

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<sup>40</sup> "Country Comparisons: Current Account Balance," Central Intelligence Agency (Central Intelligence Agency), accessed March 8, 2022, <https://www.cia.gov/the-world-factbook/field/current-account-balance/country-comparison>.

unit-level counterpart of anarchy at the structural level.”<sup>41</sup> Dependency theory assumes a loss of autonomy for periphery economies, an autonomy that must be regained either through ISI or total restructuring of the economy. Kaufman, Chernotsky, and Geller’s realization that more attention is required on internal factors<sup>42</sup> is, in essence, an admission of the problem of ignoring unit-level factors of analysis.

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<sup>41</sup> Kenneth N. Waltz, “Realist Thought and Neorealist Theory,” *Journal of International Affairs* 44, no. 1 (1990): p. 37, <https://doi.org/https://www.jstor.org/stable/24357222>.

<sup>42</sup> Kaufman, Chernotsky, and Geller, “Theory of Dependency,” 329–330.

## Chapter 2:

### Quantitative Analysis

The results I attained following my research is quite interesting, especially when compared to Kaufman, Chernotsky, and Geller's previous results. Table 2 shows the intercorrelation between the dependency measures. Table 3, however, shows the correlation between the dependency measures and measures accounting for the hypotheses outlined by the aforementioned authors, including balance of trade (dependency leads to unfavorable balance of trade), income share of the top one percent (dependency leads to unequal distributions of income), and growth rate (dependency leads to low rates of economic growth). These particular results are for the entire longitudinal study of Argentine economic history.

Table 2.	1. Trade/GDP	2. Trade/Total	3. Exports	4. FDI/CAP	5. FDI/GDP	6. USFDI
1. Trade/GDP		0.62	0.764***	-0.513**	-0.363*	-0.211*
2. Trade/Total			0.326**	0.253***	-0.01***	0.563
3. Exports				0.683***	-0.637***	0.142***
4. FDI/CAP					0.912***	0.314*
5. FDI/GDP						0.723
6. USFDI						

Table 3.	1. Trade/GDP	2. Trade/Total	3. Exports	4. FDI/CAP	5. FDI/GDP	6. USFDI
Balance of Trade	-0.179	-0.143***	-0.406	-0.157***	-0.016***	-0.086
Top 1% Share	0.111	0.6	0.626	0.563	-0.17	0.2
Growth Rate	-0.001	-0.059	0.123	0.022	-0.011	-0.031

\*Significant at 0.05 level

\*\*Significant at 0.01 level

\*\*\*Significant at 0.001 level

To clarify, Trade/GDP is the value of trade to the largest trading partner as a percent of GDP; Trade/Total is the same but as a percent of total trade. Exports refers to export concentration, in other words, the value of the two leading exports as a percent of total exports. FDI/CAP is the value of investment per capita—FDI meaning foreign direct investment—while FDI/GDP is the same but as a percent of GDP. Finally, USFDI is the value of the position of American investments in Argentina—this is based on accumulated values, therefore stocks, not flows.

Table 2 shows some very interesting dynamics taking place. At substantial levels of significance, there are many correlations between all dependency measures in some way. Interestingly, there seems to be a positive correlation between trade to Argentina's largest partner—for most of the 20<sup>th</sup> Century after World War II being the United States—and a lack of diversification in exports. This would seem to support the dependency theory position that periphery-center dependency leads to an unhealthy national economy. After all, a monoculture dependency, especially in agriculture-heavy economies, leaves an economy exposed to the flows of international prices and crises. Argentina's concentration on agricultural and animal products was indeed catastrophic for a time when there was an outbreak of foot-and-mouth disease that led to an American embargo on Argentine cold meats, hurting the national economy from 1927 onward and exacerbating the 1930 economic crisis<sup>43</sup>.

When measuring trade to the largest partner as a percent of GDP, there is a negative correlation with all measures of FDI. Meanwhile, when using trade to the largest partner as a percent of total trade, the correlation with FDI/CAP becomes positive, while FDI/GDP maintains an essentially negligible negative correlation and we have a loss of statistical significance with

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<sup>43</sup> Mario A. Rapoport, "El Triángulo Argentino: Las Relaciones Económicas Con Estados Unidos y Gran Bretaña," *Todo es Historia*, March 1990, p. 28.

USFDI. Considering that Trade/GDP and Trade/Total are relatively similar measures, the difference in the correlations with FDI/CAP is particularly intriguing. Of course, it is interesting to begin with that the two trade measures do not have a statistically significant correlation. Further, considering that there is an adjusted  $R^2$  of around 0.5, we can understand why what might have been imagined to be similar results ended up as quite the opposite. A similar phenomenon seems to occur among the correlations between FDI/CAP and FDI/GDP with export concentration. Another possible explanation for these phenomena is that these ‘discrepancies’ occur due to the fact that GDP is far less linear than population growth, for instance, especially in a struggling economy as the Argentine one.

Table 4 Intercorrelation of Dependency Measures (N = 18)		Trade				Capital			
		1	2	3	4	5	6	7	8
1	TRADE/GNP		.41*	.522**	.23	.66**	.41**	.32*	.44**
2	TRADE67			.74**	-.05	.08	.08	.30	.22
3	TRADE29				-.07	.32*	.12	.39*	.26
4	EXPORT CONCENTRATIO N					.12	.17	.38	.27
5	INV/GNP67						.76**	.22	.42**
6	INV/CAP67							.55**	.63**
7	CAPITAL59								.53**
8	CAPITAL29								
	*Significant at .1 level.								
	**Significant at .05 level.								

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It is interesting to compare these results with that of Kaufman, Chernotsky, and Geller, as there are notable differences (table 4). First, I would like to point out that the statistical significance levels they worked with are accepting of weaker significance—while my weakest is 0.05 and strongest is 0.001, theirs is 0.1 and 0.05, respectively. By my criteria, some of their correlations would actually be statistically insignificant (of course there are some areas where I, instead, lack significance). As mentioned previously, my Trade/GDP's correlations with all the capital dependency markers were negative; in stark contrast, these scholars had these correlations as positive. Very apparent is the fact that they also had not a single measure correlating, with statistical significance, to export concentration, whereas I had clear and often considerable correlations. Throughout the rest, we have some differences in correlation significance and the values of the correlations themselves, but these are relatively inconsequential. I would also like to note again that their work was based on 18 different Latin American countries and at a more limited time range. Taking that into consideration, it seems that the results are not overwhelmingly dissimilar, even with some clear differences.

In order to provide more comparable results, since the main years observed by Kaufman, Chernotsky, and Geller are the 1960s, I regressed a subset of my data showing the same as table 2 for the 1960s and 1970s (table 5 below). I included the 1970s as the 1960s on their own had too many data gaps to provide substantial information. Curiously and in great contrast to tables 2 and 4, there is a noticeable lack of statistically significant correlations. The essentially same FDI/GDP-FDI/CAP correlation as table 2 was to be expected, considering it is the same overall dataset. However, a strong (and significant) Trade/GDP-Trade/Total correlation that was absent before appears, and more firmly than that of table 4.

Table 5. 60s–70s	1. Trade/GDP	2. Trade/Total	3. Exports	4. FDI/CAP	5. FDI/GDP	6. USFDI
1. Trade/GDP		0.865*	0.748	0.033	0.277	0.738
2. Trade/Total			0.743	-0.223	0.087	0.873
3. Exports				-0.15	0.119	0.793
4. FDI/CAP					0.913**	-0.273
5. FDI/GDP						0.034
6. USFDI						

\*Significant at 0.05 level

\*\*Significant at 0.01 level

Going back to table 3, it was quite surprising to observe how barren the results were. The inequality and growth rate measures—and what I intended to be markers of conspicuous consumption—had not a single significant correlation. Balance of Trade had completely negative correlations with Trade/Total, FDI/CAP, and FDI/GDP. However, these correlations themselves, while statistically significant, were rather underwhelming, not even surpassing -0.2.

Kaufman, Chernotsky, and Geller also made a table regarding the “Correlation of Dependency with Dependency Variables.”<sup>44</sup> Table 6 includes their findings relevant here (note the significance levels). Insignificant correlations aside, there is only one clear common factor, that being the negative correlation between the balance of trade and the value of trade to the largest partner as a percent of total trade. An understanding of why this phenomenon occurs could be rather straightforward. For example, as a country progressively dominates a larger portion of a smaller economy’s trade, it makes sense that an influx of the former’s products would have a negative effect on the latter’s balance of trade, especially with countries with relatively little diversification of export products. And while a lack of similarities between my

<sup>44</sup> Kaufman, Chernotsky, and Geller, “Theory of Dependency,” 317.



findings and that of past researchers may seem disappointing, I find poor results to be results just as well. If anything, so far, it may suggest that in the long-term—as opposed to more short-term studies like that of Kaufman, Chernotsky, and Geller—there may be even weaker evidence for dependency theory and/or its supposed negative effects on a peripheral nation. This comparison might also suggest that Latin American dissimilarities are too great to perhaps extrapolate regional results to analyze national phenomena.

<b>Table 6.</b>	<b>Balance of Trade (N=17)</b>	<b>Income Inequality (N=14)</b>	<b>Growth Rates (N=17)</b>
<b>TRADE/GNP</b>	.01	.32*	.55**
<b>TRADE67</b>	-.45**	.61**	.60**
<b>EXPORT CONCENTRATION</b>	.49**	-.27	-.23
<b>INVCAP67</b>	-.18	.25	.44**
<b>INVGNP67</b>	-.04	.37*	.51**
<b>CAPITAL59</b>	-.17	.24	.40*

\*Significant at 0.1 level

\*\*Significant at 0.05 level

To compare with my own results from tables 2 and 3, I produced new sets with more specific correlations. Table 7 shows correlations between dependency measures and balance of trade and the share of the top one percent for the years 1910–1961 and 1932–1961, respectively. The starting years were taken based on the data available, while 1961 onward is when GDP and other economic data become more available as well—this is also the reason for the exclusion of Trade/GDP and FDI/GDP here. I hoped such a dataset, while limited, might show some general differences from the Argentine ‘golden age’ and the beginning of Peronism and more modern

results. Hence, I produced tables 8 and 9, which have the same basis as tables 2 and 3, but from the 1960s onward until 2020.

Table 7.	Trade/Total	Exports	FDI/CAP	USFDI
Balance of Trade '10-'61	0.23	-0.072	0.109	0.248
Top 1% Share '32-'61	0.379***	-0.632***	NA	NA

Table 8.	1. Trade/GDP	2. Trade/Total	3. Exports	4. FDI/CAP	5. FDI/GDP	6. USFDI
1. Trade/GDP		0.62	0.764***	-0.513**	-0.363*	-0.211*
2. Trade/Total			0.542**	-0.343***	-0.1***	-0.047
3. Exports				-0.591***	-0.637***	-0.577***
4. FDI/CAP					0.912***	0.675*
5. FDI/GDP						0.723
6. USFDI						

Table 9.	1. Trade/GDP	2. Trade/Total	3. Exports	4. FDI/CAP	5. FDI/GDP	6. USFDI
Balance of Trade	-0.179	-0.413***	-0.356	-0.134***	-0.016***	-0.05
Top 1% Share	0.111	0.292	0.275	-0.288	-0.17	-0.274
Growth Rate	-0.001	-0.059	0.123	0.022	-0.011	-0.031

\*Significant at 0.05 level

\*\*Significant at 0.01 level

\*\*\*Significant at 0.001 level

Table 7, representing the earlier half of the 20<sup>th</sup> Century, shows a stark contrast to other results. First, the significant correlations that are visible in both tables 3 and 9 for the balance of trade disappear. But even more interesting is the emergence of significant correlations between the top income share and Trade/Total and export concentration. A similar Trade/Total to

inequality correlation is seen in Kaufman, Chernotsky, and Geller's findings (table 6). And yet an increased share of income by the top one percent seems to also somewhat correlate to a decrease in export concentration. There is evidently some contextual difference between the first half of the 1900s and the rest of my results, a difference that can perhaps be qualitatively explained.

Not unsurprisingly, tables 8 and 9 are almost entirely the same as tables 2 and 3. There are some minor differences in terms of correlation strength, such as the doubling in the relationship between FDI/CAP and USFDI. But what stands out the most is that the correlations between Trade/Total and export concentration with FDI/CAP have been flipped to negatives. A pre-1960s correlation between export concentration and FDI/CAP is of 0.578, but with a minor statistical significance level of 0.1. Meanwhile, Trade/Total has a correlation of -0.011 with no significance. Regardless, the former relationship seems to have had a serious impact on the difference between tables 2 and 8, enough to invert a moderately strong positive correlation negative. It would seem to me that the reason that the earlier relationship between FDI and export concentration might arise from targeted British—and to an extent, American—investments in Argentine cold meats, cereals, and other agricultural and animal products, especially during times of war. In contrast, the negative correlation we observe from the 1960s onward is likely due to a greater diversification in investments within Argentina, such as in other forms of manufacturing, information and financial services, mining, etc.

As it stands, on a purely quantitative basis, we fail to see particularly promising evidence for dependency theory's effects on a peripheral economy. Kaufman, Chernotsky, and Geller themselves found that their results were mixed, concluding that "the article shifts the burden of proof onto the shoulders of proponents of dependency theory."<sup>45</sup> From this empirical point of view, it would seem that only some aspects of dependency theory seem to apply, and this varies

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<sup>45</sup> Ibid, 329.

widely depending on the case study. But speaking purely on Argentine results, we can definitely see that dependency measures themselves are very much intercorrelated, which may suggest that the basic concept of having dependency or a periphery itself may be accurate. However, my data fail to suggest a strong correlation between dependency and negative impacts on the economy. Throughout all my subsets, there are only two instances where dependency has an impact on measures for conspicuous consumption (wealth concentration in upper strata and poor growth rates). While there may perhaps be disagreeing evidence in other Latin American countries, Argentina does not seem to bear positive results for this aspect of dependency theory. That being said, there may be some truth to dependency having a negative impact on the balance of trade. Of course, these results do not necessarily provide anything conclusive, but the data can at least suggest what is likely to be the case. So far in this analysis, it may suggest that dependency theory could be flawed.

Based on just these empirical results on their own, we can make some preliminary conclusions as to the basic dependency tenets outlined by Tansey and Hyman. As aforementioned, my hope was that by empirically evaluating the third and fourth tenets (respectively, on gains from trade and conspicuous consumption), that I might find explanations as to the first two tenets (respectively, the center-periphery relation and rejection of classical economics). Looking back at table 3, the results are disappointing, but quite clear. On balance of trade—the third claim—there are significant, though minor, negative correlations between one trade dependency measure and two capital dependency measures. This would suggest some truth to the third *dependentista* claim. And yet, as for conspicuous consumption, we find absolutely no statistically significant evidence in the Argentine case. This would mean that, empirically

speaking, there appears to be no reason to believe that development flaws in the Argentine economy are due to conspicuous spending by elites.

With these two conclusions, again without qualitative context, there does not seem to be any reason to accept the second dependency tenet. Nothing from these results even moderately suggests that an overall rejection of classical economics and the theory of comparative advantage is in order. And as to the claim that there is a core-periphery relationship, little from my results would leave us to believe, if such a relationship does indeed exist, that it has had an overtly negative impact on Argentine development. Of course, as mentioned previously, a qualitative analysis might impart insights that statistics do not; after all, important issues such as geopolitics cannot easily be analyzed with numbers and is just as important for a discussion about this theory. Still, my quantitative analysis shows interesting dynamics between inter-correlations, but offers too little for a positive evaluation of dependency theory.

## Chapter 3:

### Qualitative Reasoning

In this section, my intention is twofold: to qualitatively analyze dependency theory in Argentina prior to the 1960s, due to a relative lack of empirical data; and to provide explanations for the dependency data I have researched. The first task essentially relies on Argentine economic and geo-political history paired with some economic data from the beginning half of the 20<sup>th</sup> Century. The second task requires more recent history and relies on the data I have gathered, displayed, and analyzed, but for the point of providing conclusions to the previous, empirical section.

Coming into the 20<sup>th</sup> Century off of an economic depression in the 1890s, Argentina began an incredible rebound in the early 1900s. From 1903 to 1913, “the GDP increased at an estimated annual rate of 7.7 percent, while the per capita ratio rose annually by 3.4 percent. Industrial growth jumped even higher, reaching a rate of 9.6 percent.”<sup>46</sup> Although economically hindered during World War I, the national economy then continued its booming trajectory during the 1920s; and Argentina became an important hub for immigrants from the Middle East and Europe<sup>47</sup>. So great was the economic expansion, that Argentina had risen to being a relative economic powerhouse—according to Rocchi, based on figures by Angus Maddison, Argentina’s per capita GDP was over twice that of Mexico, thrice that of Brazil, and even larger than both Italy and Spain<sup>48</sup>; Alvaredo, again from Maddison, shows that Argentina’s 1913 per capita GDP

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<sup>46</sup> Fernando Rocchi, *Chimneys in the Desert: Industrialization in Argentina during the Export Boom Years, 1870–1930* (Stanford, CA: Stanford University Press, 2006), p. 87.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid, 88.

was lower than that of the Commonwealth, but higher than that of Germany, France, Austria, Denmark, Sweden, and Finland<sup>49</sup>.

Eventually, this golden era seemingly met a large obstacle in the 1930 crisis. And yet, Colin Clark's estimation of further Argentine growth was made in the 1940s; where did it all go wrong? Every study of Argentine economic history inevitably reaches that same question, leading to endless debates about why a country with such an abundance of natural resources, that was at one point so successful, seemed to fall in a retrograde motion to the point where it is a mediocre, middle-income nation—a uniquely disastrous case. In discussing dependency theory in Argentina, I fundamentally also have to address this difficult question.

## **Beginning of 20<sup>th</sup> Century to 1929**

Argentina came into the 20<sup>th</sup> Century recovering from recession. In 1901, the local currency was pegged to an overvalued gold standard, promoting exports and benefiting national industries whilst making imports expensive. This went on, like much of the rest of the world, until 1914<sup>50</sup>. Between the start of the century and the beginning of World War I, output boomed in Argentina. However, industrialization itself was held back, an aspect of Argentina's economy that has affected it to this day. As Rocchi puts it:

Due to the small population, the total size of the market was not large enough to promote mass production to the full extent of the most industrialized countries. The Argentine total national GDP was 12 percent of that of the British or German; compared to the United States, it was even lower: just 6 percent of the U.S. total GDP. The domestic market was, in cold numbers, lower than the Belgian and the Dutch domestic markets and not much higher than those of Sweden or Denmark. These countries, however, created a well-developed industrial sector through

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<sup>49</sup> Facundo Alvaredo, "The Rich in Argentina over the Twentieth Century: From the Conservative Republic to the Peronist Experience and beyond 1932–2004," HAL open science (Paris School of Economics, October 2007), p. 4. <https://halshs.archives-ouvertes.fr/halshs-00588318/document>.

<sup>50</sup> Rocchi, *Industrialization in Argentina*, 88.

exports. The Argentine experience in that arena was, to say the least, disappointing. Calls to find markets abroad when excess capacity became apparent at the turn of the twentieth century were renewed in subsequent years, but industry could not employ this strategy due to its structural limitations. Nor, incidentally, were improvements made.<sup>51</sup>

But while Argentina struggled to develop an industrialized economy for itself, it was a booming market for the rest of the world to invest into. Europe and the United States vied and competed for a share of the market. Such competition led to higher general importation, which also impaired domestic industry; the latter was saved, though, by the overall speed of the national economic growth. Argentina became a critical investment hub for both Americans and British. In fact, in 1930, in terms of British investments, Argentina was only behind India/Ceylon, Canada, and Australia, while being a bigger target than the rest of Europe, South Africa, the United States, Brazil, New Zealand, and Malaya. Simultaneously, Argentina had the fourth highest American investments, behind Canada, Germany, and Cuba, but ahead of Mexico, Chile, the United Kingdom, and Brazil<sup>52</sup>. Today, this is far from the same reality.

The early 20<sup>th</sup> Century in Argentina was characterized, among other things, by three key things: railways, British commerce, and the tariffs that made the latter possible. As Rocchi puts it, “First, [British] ownership of the railways assured the monopoly supply of necessary equipment, which included a third of capital goods imports. Second, tariffs protected the coarsest goods while British exports were, generally, of the highest quality, especially in textiles. Finally, Britain remained the main supplier for Argentine industry inputs and machinery until the First World War.”<sup>53</sup> This remained the case until American goods such as automobiles began making inroads into the Argentine market, and until Perón’s nationalization of the railways in 1946.

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<sup>51</sup> Ibid, 89.

<sup>52</sup> Rapoport, “El Triángulo Argentino,” 30.

<sup>53</sup> Rocchi, *Industrialization in Argentina*, 91.



Combined, these aspects led to the American dislocation of the United Kingdom as the top trading partner with Argentina.

As local producers leased and integrated new technologies and techniques, overall production became more mechanized in all types of industries, from tobacco to drinks to shoes and to steel. Without a doubt, industrialization took place, and at a relatively rapid rate. But such industrialization was hindered. In many fields, only basic production was locally made, while the rest was imported; other industries struggled to emerge as imports filled in the national consumption and demand. Further, industries struggled from a lack of energy sources, combustibles, and raw materials—indeed, this last one’s effect on the cotton industry left it primitive and inferior to such industry in Brazil and Mexico<sup>54</sup>. “Finally, the dependence of the Argentine domestic market on the booms and busts of the export economy destabilized demand and encouraged industrialists to keep investments low in order to reduce variable costs in the case of reducing consumption.”<sup>55</sup> In short, domestic industry was very unstable compared to more developed counterparts, and was heavily dependent and responsive to shocks and waves in the global economic core.

### **1910s–1920s**

In the 1910s, Argentina also developed, as in many parts of the world, a problem that potentially had more grave political effects than presumed at the time: the rise of ‘Big Business’. Large businesses began to form trusts and grew increasingly monopolistic/oligopolistic, leaving the country’s economy with great capital concentration in a few large corporations—Rocchi points out that Argentina was dominated by a mere five financial groups<sup>56</sup>. This left Argentina with two-tiered industries, divided among small companies and large ones, with no space for

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<sup>54</sup> Ibid, 91–96.

<sup>55</sup> Ibid, 96.

<sup>56</sup> Ibid, 113.

middle-sized enterprises<sup>57</sup>. Neither socialists nor conservatives accepted these changes; the former were concerned for workers and consumers, while the latter were wary of the power and modernism of the oligopolists<sup>58</sup>. Indeed, this would be a beautiful scenario from which Peronism arose three decades later, an ideology that gratified both political wings.

The onset of World War I hammered Argentine industries. A fall in imports meant scarcity, which further resulted in increased costs and therefore prices<sup>59</sup>. Argentina had also been constantly hit by labor strikes and anarchist attacks. In 1908, Italian anarchists almost assassinated President José Figueroa Alcorta<sup>60</sup>; in 1916, an anarchist attempted to assassinate President Victorino de la Plaza<sup>61</sup>; and yet another assassination attempt was made on center-left President Hipólito Yrigoyen on Christmas Eve, 1929<sup>62</sup>. Anarchist bombings occurred throughout the country during these times, partially fuelled by the ongoing Russian Civil War and the immigration of Italians, Ukrainians, Russians, and Jews; the latter two became prime targets of far-right groups like the Argentine Patriotic League<sup>63</sup>, which regularly participated in stomping out labor revolts. Both the economic crisis during the First World War and the socio-political chaos throughout and after it are important contexts for Argentine political and economic history, as such phenomena would come to reappear in the 1930 Crisis, the military coup against Yrigoyen, the rise of Peronism, the coup against Isabel Perón and the ensuing ‘National Reorganization Process’ and strife between far-left and far-right groups and the Argentine military.

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<sup>57</sup> Ibid, 103–113.

<sup>58</sup> Ibid, 113.

<sup>59</sup> Ibid, 116.

<sup>60</sup> “New Anarchist Plot,” *Evening News*, July 11, 1911, p. 3.

<sup>61</sup> “Effort Made to Kill President of Argentine,” *Gazette Times*, July 10, 1916, p. 1.

<sup>62</sup> “ARGENTINA: Unique Irigoyen,” *Time*, January 6, 1930,  
<http://content.time.com/time/subscriber/article/0,33009,738386,00.html>.

<sup>63</sup> Luis María Caterina, *La Liga Patriótica Argentina: Un Grupo De Presión Frente a Las Convulsiones Sociales De La Década Del Veinte* (Buenos Aires, Argentina: Corregidor, 1995), p. 333.

Despite these aforementioned issues, Argentina managed to develop a healthy middle class, which rose from a time of steadily increasing wages, relatively strong purchasing power, and durable import market<sup>64</sup>. Consumption boomed and the market was there to meet the demand and more. Even with all its problems, not to mention an ever-present political tension which could result in a coup at any given moment, Argentina seemed to be a curious success story for its time, especially in contrast to modern times. It is at this point before the 1930s that I would like to analyze dependency theory in the Argentine case and try to answer the question of whether or not Argentina could be considered a ‘core’ economy at the time.

When working with dependency theory, we have an important limitation compared to world-systems theory in that the concept of semi-periphery really came about properly with the latter theory<sup>65</sup>. In a world-systems theory approach, Immanuel Wallerstein considered Argentina a semi-peripheral economy due to a more privileged economic and political situation than in peripheral nations<sup>66</sup>. And while Wallerstein wrote this in 1976, Argentina’s economic position was considerably more favorable in the earlier parts of the century (incidentally, 1976 was the year of a military coup against a Peronist government). In fact, Argentina was Latin America’s economic leader.

Still, dependency of several forms was significantly clear in 1900–1930’s Argentina. Economically, foreign capital steadily grew from 1900 (at a value of 2020 in millions of 1950 US\$) and peaked in 1913 (8230), still remaining at a considerable size until 1945 (4260)<sup>67</sup>. During the First World War, Argentina had a strongly positive commercial balance, but this

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<sup>64</sup> Rocchi, *Industrialization in Argentina*, 118.

<sup>65</sup> Alvin Y. So, *Social Change and Development: Modernization, Dependency, and World-System Theories* (Newbury Park, CA: SAGE Publications, 1990), p. 195.

<sup>66</sup> Immanuel Wallerstein, “Semi-Peripheral Countries and the Contemporary World Crisis,” *Theory and Society* 3, no. 4 (1976): p. 465, <https://doi.org/10.1007/bf00161293>.

<sup>67</sup> Norma Lanciotti and Andrea Lluch, “Foreign Direct Investment in Argentina: Timing of Entry and Business Activities of Foreign Companies (1860–1950),” *Entreprises et histoire* 54, no. 1 (April 2009): p. 41. <https://doi.org/10.3917/eh.054.0037>. See Appendix A.

began to falter in 1920 and 1921 when the value of exports fell by 39% and continued to fall until 1924 due to collapsing prices, while imports did not fall in the same proportion. With a new negative balance of payments, the situation was “compensated by gold exports and an important increase in the external debt.”<sup>68</sup> Further, the *peso* fell relative to the American dollar and British pound. As a result, a problematic situation was set. And as I translated from Conde:

In the years 1924–1928, exports increased. Still, since the weight of the debt and other interests had been very high, the repayment capacity diminished. To continue with the high level of imports, loans from the exterior, principally from the United States, had to be taken. Since the money supply was tied to gold reserves, the entry of foreign capital contributed to keeping monetary resources and economic activity at previous levels. Finally, in 1928, convertibility to the old parity rate was reestablished. It was also increasingly difficult to continue obtaining loans from the exterior by the net loss in gold to compensate for the deficit in the balance of payments. This led to situations more critical in the following years.<sup>69</sup>

Furthermore, Argentina’s export economy was significantly concentrated. Agricultural and animal products made up over 95% of the value of exports—this would remain relatively consistent until the early 1960s. And from 1910 to 1930, trade with the United Kingdom made up between 10% to 15% of all trade<sup>70</sup>. Meanwhile, British investments made up over half of all capital investments in Argentina (the bulk of it in railways), while the United States made up 14% to 21% of this from 1927 to 1934<sup>71</sup>.

## **Conclusions**

In summary, Argentina was a relatively wealthy country that had become a haven for immigrants across the globe, similar to but in smaller proportion than the United States. Much of this wealth came from abroad; Buenos Aires was a good land to invest in. And yet this came at a

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<sup>68</sup> Roberto Cortés Conde, “La Economía Argentina,” *Todo es Historia*, 1982, p. 50.

<sup>69</sup> *Ibid.*

<sup>70</sup> “Anuario del Comercio Exterior,” Buenos Aires: Instituto Nacional de Estadística y Censos; INDEC, (1915–99). See Appendix A.

<sup>71</sup> Rapoport, “El Triángulo Argentino,” 27.

significant cost, arguably Argentina's own future. As demonstrated by Rocchi, the domestic industry had no room for growth. Foreign capital inflows and high levels of imports meant that Argentine demand could not be met by Argentine supply; neither did industrial products from Argentina boom abroad either. With the little industrialization that did occur, Argentina remained heavily reliant on agriculture (interestingly, Argentina remains the most food self-sufficient country on Earth<sup>72</sup>), to its own detriment in terms of becoming a developed, industrialized economy.

Tansey and Hyman's tenets of dependency theory are a good tool for analysis here. Firstly, was there a center-periphery relationship caused by an asymmetric power balance? My answer is that there likely was. Argentina's economy was incredibly dependent on the economic core and very susceptible to shocks from it. Particularly, Argentina was on the subservient side of relations with the developed world. The domestic economy became dominated by foreign powers and interests, especially in the British ownership of Argentine infrastructure (railways). The reality of power relations was made clear with an American embargo on Argentine meats caused by an alleged outbreak of foot-and-mouth disease among Argentine cattle. American capital began to divert, but it also meant Argentine farmers could not sell to the massive market that the United States was. A British mission led by Lord D'Abernon in 1929 managed to get the Argentine government to purchase millions of pounds worth of railway materials in exchange for cereals and meats; while this helped revive hurting British industries, it had little going for Argentina<sup>73</sup>. British interests in Argentina dominated Argentine foreign and economic policy at the time; Argentine tariffs typically helped maintain the British role as main exporter to

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<sup>72</sup> *FAO Statistical Pocketbook 2012: World Food and Agriculture* (Rome, Italy: Food and Agriculture Organization of the United Nations, 2012), p. 36.

<sup>73</sup> Rapoport, "El Triángulo Argentino," 26.

Argentina<sup>74</sup>. So while Argentina benefited in many ways from relations with the economic center, we can still notice and tick off the first of the dependency claims.

Then we have the *dependentista* rejection of classical economic theory, in particular the theory of competitive advantage. On this point, the reality is a bit mixed. While it is true that Argentine manufactured products struggled to find success in foreign markets—in great part due to lack of industrial development itself—it is, however, also true that Argentine agricultural exports found enthusiastic buyers throughout the globe, especially in the United Kingdom and, until the late 1920s, in the United States. Furthermore, Argentina did not exactly follow a free market policy; tariffs and economic intervention were, relatively speaking, commonplace. In conclusion, it is difficult to accept the second *dependentista* claim outlined by Tansey and Hyman.

The third point is that of unequal exchange, that the center disproportionately benefits from trade with the periphery. This actually has a mixed answer. Prestigious goods from abroad, especially from the United Kingdom, out-competed Argentine products at home, while the latter were miniscule abroad. Price and currency fluctuations also benefited the center, particularly the United States when American prices fell at a greater rate than in Argentina between 1920 and 1925, while the Argentine *peso* also devalued at a greater proportion than the fall of prices in the United States<sup>75</sup>. All that said, Argentine terms of trade were still typically greatly favorable to the domestic side, with consistently positive trade balances for most years in this early period—according to my data, Argentina had a net positive balance around 75% of the time. In a way, the third dependency theory claim can be both rejected and accepted. While the import and domestic competition situation did greatly hurt the potential of local industry, the export industry

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<sup>74</sup> Rocchi, *Industrialization in Argentina*, 91.

<sup>75</sup> Conde, “La Economía Argentina,” 51.

thrived; again, this latter point must be understood with the note that the vast majority of these exports were agricultural, which means little for industrial development.

Finally, dependency theory claims that conspicuous consumption undermines economic development by redirecting needed capital. While statistical data of this time are relatively scarce, it is clear that, for the most part, the Argentine economy was certainly booming. There were massive inflows and stocks of investments in Argentina and in Argentine production and industry. And yet, it is also true that the consumption of capital-intensive goods from abroad left little room for growth for domestic industry. While we lack clear statistics for income and wealth inequality in such early times in Argentina, it is clear that consumption of imported products in general partially impeded domestic industrial growth which struggled to compete locally. Indeed, social and economic resources became heavily concentrated in the province and city of Buenos Aires, “[siphoning] off much of the limited surplus wealth that would otherwise be available for local investment.”<sup>76</sup>

In conclusion, when observing pre-1930s Argentina, we can accept at least half of the dependency theory points outlined by Tansey and Hyman. Of course, dependency theory originated over thirty years later than this time range, and yet some aspects of it are recognizable. In truth, to make more tangible conclusions regarding the theory, an understanding of how Argentina’s dependency progressed through the next couple of decades is necessary. The year 1930 and the Peronist years in general were particularly critical moments in the development of Argentina’s economy. Still, we can observe in early Argentina the existence of asymmetric power dynamics with the global economic core and unfortunate diversion of capital necessary for development.

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<sup>76</sup> Tansey and Hyman, “Dependency Theory and the Effects of Advertising,” 32.

## 1930–1959

The 1930s were a horrible time for most of the world. The 1929 crashes plunged the world into a deep crisis. Apart from a crisis in 1930, Argentina experienced relatively mild impacts from the global disaster. This is partially attributed to the country's divorce from the gold standard and currency devaluation from 1929<sup>77</sup>. In fact, according to Romer, "Peak-to-Trough Decline in Industrial Production" in Argentina was of a 17% fall, compared to a 46.8% decline in the United States<sup>78</sup>. By 1935, Argentina had recovered its 1929 output levels<sup>79</sup>. Cumulative deflation in this time period was of 'just' 6%, while it was of around 20% in North America and 28% in Brazil<sup>80</sup>. Interestingly, Argentina, even having abandoned the gold standard, maintained great gold stocks to service debt. This allowed the government to maintain strict fiscal discipline and instead focus on monetary policy through the implementation of currency boards and, eventually, a central bank<sup>81</sup>. However, the import-substitution process that had always been present intensified and progressed during the Great Depression<sup>82</sup>.

In 1930, Argentina was rocked by a coup, known as the September Revolution, by the pro-fascist military, ousting the radical government of Yrigoyen and installing a military dictatorship under General Uriburu. This coup, the American embargo on Argentine meats, and the development of the Roca-Runciman Treaty would result in a temporary estrangement with the United States and closer ties to the United Kingdom. The Roca-Runciman Treaty essentially entailed that the United Kingdom would continue to import meat from Argentina in exchange for

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<sup>77</sup> Christina D. Romer, "Encyclopædia Britannica," in *Encyclopædia Britannica*, 2003, [https://eml.berkeley.edu/~cromer/Reprints/great\\_depression.pdf](https://eml.berkeley.edu/~cromer/Reprints/great_depression.pdf).

<sup>78</sup> Ibid.

<sup>79</sup> Gerardo della Paolera and Alan M. Taylor, "Economic Recovery from the Argentine Great Depression: Institutions, Expectations, and the Change of Macroeconomic Regime," *The Journal of Economic History* 59, no. 3 (September 1999): p. 568, <https://doi.org/10.3386/w6767>.

<sup>80</sup> Ibid, 569–572.

<sup>81</sup> Ibid, 572–576.

<sup>82</sup> Rocchi, *Industrialization in Argentina*, 238.



the lowering of tariffs on British exports. After this agreement expired in 1936, it was extended by the Eden-Malbrán Pact of that year.

While arguably favoring Great Britain over Argentina, the latter was desperate to attain it due to the United Kingdom turning to preference systems of its imperial holdings and the Commonwealth. Increased British involvement in the Argentine market displaced other countries, especially the United States. Trade with North America would not begin to recover until 1938. Foreign investments, however, were not fundamentally impacted<sup>83</sup>. Rapoport claims that “What Great Britain wanted was preferential treatment in foreign exchange, an unlocking of frozen funds, and a reduction in tariffs, being open to temporarily suspend interest on external debt. Argentina, on its part, asked that there not be a reduction in the quota for ‘chilled’ or cold meat and that the local government maintain control of this quota.”<sup>84</sup> Problematically for Argentina, the quota being maintained was from the slump years of the 1930s. The Eden-Malbrán Treaty further hurt Argentine farmers by imposing a tariff on Argentine meat exports, although giving quota control of chilled meats to Argentina. In short, Buenos Aires accepted several economic losses in order to keep its top customer.

### **1940s**

The 1940s continued to be a turbulent time for both Argentina and the world. After Urriburu’s coup of 1930, he reigned over the country until 1932. From then on, Argentina would be controlled by an undemocratic government with the opposition barred from elections. Because of economic relations with the Allies, Argentina attempted to approach first the United Kingdom and then the United States to be involved in World War II through non-belligerent means, only to be rebuffed by both in 1940. This Argentine initiative was somehow leaked,

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<sup>83</sup> Rapoport, “El Triángulo Argentino,” 27.

<sup>84</sup> Rapoport, “El Triángulo Argentino,” 26.

however, and caused great political tensions within the country. After the American entry into the war, “US rhetoric would abound with references to the Fascist Menace from Argentina.”<sup>85</sup>

American-Argentine tensions intensified.

Once it became acceptable for American countries to abandon neutrality as the United States did, it might have been expected that Argentina would declare war on the Axis. But there was no internal consensus in the country on whether to join the war or stay neutral. In 1942, the United States implemented a boycott of the Argentine economy<sup>86</sup>, with consequences I will address shortly. Eventually, concerns regarding an Argentine entry into the Second World War peaked with a coup in 1943, often referred to as the Revolution of ‘43, in response to fears of Argentine entry into the conflict; this left the country in the hands of, first, General Rawson, then General Ramírez, and, finally, General Farrell. According to Escudé, “After considerable bureaucratic conflict, Argentine assets in the USA were frozen. In turn, Argentine economic pressure was applied on neighboring countries to establish an anti-US bloc.”<sup>87</sup> American pressure intensified, responded to by Argentina with a right-wing coup in Bolivia. Eventually, Argentina would declare war on Germany nearing the end of the war, but an important figure in Argentine history would soon take power: Juan Domingo Perón.

The American boycott hit Argentina hard. Iron imports in 1943 were just 10% of those in 1939<sup>88</sup>. American policy regarding Argentina was not wholly accepted, as American exporters themselves felt the boycott went against their interests and benefited their British competitors. The United States attempted to bring the United Kingdom into the embargo, but these efforts failed. American and British relations and experiences with Argentina were significantly

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<sup>85</sup> Carlos Escudé, “The US Destabilization and Economic Boycott of Argentina of the 1940s, Revisited” (Buenos Aires, Argentina: University of CEMA, 2006), pp. 1–4.

<sup>86</sup> Ibid, 5.

<sup>87</sup> Ibid.

<sup>88</sup> Escudé, “Boicot Norteamericano,” 15.

different; London saw no reason to pursue such a grave course of action, least of all with an important trading partner. It was also the fact that the United States could not provide for the meat supply losses the British would face, as this would lower American rations during an election year. Still, the Department of State managed to put great pressure on London not to sign a long-term meat agreement with Argentina, which Churchill eventually caved in to. Yet American policy did not stop at Great Britain. The State Department tried to “reduce the level of Belgian and Norwegian purchases from Argentina,” and to “avoid the establishment of cordial relations between the governments of France and Argentina, to hinder the exports of the latter country to the European nation.”<sup>89</sup> These efforts also expanded to include countries like Spain and Portugal as well. Regarding Argentina’s dependency, the World War II experience resulted in, according to my data, the United Kingdom being around 30% of all Argentine trade around the year 1941. While this would mark a remarkable increase in a dependency measure, Argentina’s export concentration diminished, although this is likely due to a fall in global buyers due to the conflict and the American boycott.

The attempted economic isolation of Argentina did not stop with the end of the war. Even following peace in Europe and Asia, Argentina faced a partial fuel embargo and American opposition to Argentine trade with other nations—such as a 1945 contract with London regarding meat and a 1946 treaty regarding linen. Furthermore, the United Kingdom managed to maintain some monopoly (or monopsony) power regarding Argentine food by keeping out Belgian and French competition. Finally, there were efforts to block the importation of Argentine goods by Marshall Plan recipient countries, as well as general American efforts to limit Argentina’s marine mercantile growth<sup>90</sup>. Argentina’s implacable economic relations with Britain

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<sup>89</sup> Ibid, 20.

<sup>90</sup> Ibid, 20–21.

would eventually near a relative end with the onset of Peron's administration, the nationalization of railways and other public services, and eventual American replacement of the United Kingdom as Argentina's largest trading partner once World War era tensions calmed.

### **Peronism Elaborated**

It is impossible to understand Argentina without properly understanding Peronism. Juan Perón was a colonel trained in Italy and was appointed as minister of labor of the military junta, where he would develop a relationship and later marry a leader of the labor movement, Eva Duarte (later Eva Perón). Although he used his position to organize the working class, Perón was no socialist, but he employed the typical fascist<sup>91</sup> panderings of the day, in the same way the NSDAP was a 'worker's party'. "By 1944 his fellow officers became alarmed about Perón's increasing popularity and removed him to an island in the Platte River. Labor unions immediately called for a general strike."<sup>92</sup> This led to the young officer being brought back to the mainland, where in 1945 he would be elected president. Perón juggled the interests of the working class with that of the military and the Catholic Church.

Peronism—also known as justicialism after the name of the Justicialist Party—has been the ever-present ideology in Argentina since Perón's rise to power. Peronism is sometimes considered the first iteration of modern populism<sup>93</sup>. It is a syncretic ideology that has adopted policies and beliefs of both ends of the political spectrum. Like Mussolini's fascism, Peronism is a corporatist ideology centered around the organization and compromise between society, capital, and the state. *The New York Times* in 1990 explained Peronism as "right-wing socialism," combining "generous Government welfare programs and a large economic role for the state with

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<sup>91</sup> James P. Brennan, *Peronism and Argentina* (Wilmington, DE: Scholarly Resources Inc., 1998).

<sup>92</sup> Charles F. Denton and Preston Lee Lawrence, *Latin American Politics: A Functional Approach*, ed. Victor Jones (San Francisco, CA: Chandler Publishing Company, 1972), p. 139.

<sup>93</sup> Enrique Peruzzotti, "Peronism and the Birth of Modern Populism," *Journal of Inter-Regional Studies: Regional and Global Perspectives* 2 (2018): pp. 4–15.

religious conservatism and respect for private property.”<sup>94</sup> It is allegedly an anti-capitalist, anti-communist, anti-imperialist, authoritarian and nationalist ideology. Perón and Peronists pursued policies of nationalization and ISI. During and after the leader’s death, the different factions of the movement came into conflict, with left-wing Peronists organizing and joining revolutionary communist insurgencies, while right-wing Peronists developed anti-communist death squads. Later, in the 1990s, President Carlos Menem would take a different approach, a right-wing one of privatization and neoliberalism—supporters of Menem adhere to a faction of Peronism known as Menemism. Now, in the 21<sup>st</sup> Century, Presidents Néstor Kirchner, Cristina Fernández de Kirchner, and Alberto Fernández have taken the party back in a relatively more left-wing direction—this faction being known as Kirchnerism.

Perón managed to attain and maintain the support of the masses. Some aspects of early Peronism were truly progressive, such as the support for women’s suffrage, worker’s movements, and social justice (nominally). And yet it was heavily authoritarian, repressive, and prone to cults of personality. For the focus of this thesis, it is primarily important to understand Peronism’s relative isolationist tendencies and fixation on economic independence.

Perón’s first years in office coincided with an apparent change in policy by the United Kingdom. Due to depleting dollar reserves, the United Kingdom announced the inconvertibility of the pound sterling, resulting in damaged political and economic relations with Argentina. London sold their railways in Argentina to the Peronist regime, mainly to eliminate the substantial existing debt to the latter and to dispose of a profitless venture<sup>95</sup>. This political victory for Perón was the beginning of the end for Anglo-Argentine relations, and the start of wide

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<sup>94</sup> Shirley Christian, “Buenos Aires Journal; Carlos, Carlos, How Does Your Economy Sink?,” *New York Times*, January 13, 1990, sec. 1, p. 4, <https://www.nytimes.com/1990/01/13/world/buenos-aires-journal-carlos-carlos-how-does-your-economy-sink.html>.

<sup>95</sup> Escudé, “Economic Boycott of Argentina” 9.

nationalization attempts—the British railways were incorporated into a new state-owned enterprise named *Ferrocarriles Argentinos* or Argentine Railways. This new enterprise would go on to hemorrhage hundreds of millions of dollars each year<sup>96</sup>.

Escudé states that “By 1949, partly as a consequence of tripartite talks in Washington, Canada traded with Britain exclusively in dollars, a trade which was financed partly on a cash basis and partly through a Canadian line of credit. Meanwhile, the decision concerning Argentina held firm: there would be no gold or dollar ration for her.”<sup>97</sup> This severely hindered Perón’s plans of industrialization, which would have required American goods; instead Argentina would be forced to buy from the United Kingdom. Rapid industrialization in Argentina was seen as counterproductive for European recovery and for Great Britain’s balance of payments vis-à-vis Argentina. This culminated in an Anglo-American effort to withhold dollars from the country. Eventually, Argentina found itself in a foreign exchange crisis. In effect, Buenos Aires’s confrontation with Europe and North America, and plans and policies for industrialization, ended up being a “self-destructive policy.”<sup>98</sup>

### **1950s**

Perón intensified ISI and state intervention in the economy, and also began to implement Five-Year Plans. Intense protectionism meant Argentina struggled to compete internationally, especially due to higher costs of production. There were minor successes in internal market growth, and the first Five-Year Plan did aim to modernize the country; however, Argentina slowly began to stagnate and undergo inflationary cycles. By 1950, Argentine GDP per capita was half of that of the United States, having been close to 70% 30 years prior<sup>99</sup>. By the second

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<sup>96</sup> Fernando Ariel Ortega, “Modernización, Racionalización, Militarización. Políticas de Frondizi Ante la Crisis Ferroviaria Argentina (1958–1962),” (Madrid, 2012).

<sup>97</sup> Escudé, “Economic Boycott of Argentina” 10.

<sup>98</sup> Ibid.

<sup>99</sup> Javier Arnaut, “Understanding the Latin American Gap during the Era of Import Substitution,” *Understanding the Latin American Gap during the era of Import Substitution* (University of Groningen, 2010), p. 2,

implementation of a Five-Year Plan, agriculture prices in the post-war world fell, as well as output in the domestic economy. As inflation continued to spiral in the 1950s, wages fell, prices rose, spending was cut, and taxation was increased. Perón's popularity seemed to have faltered enough for yet another military coup to take over—the so-called Liberating Revolution of 1955. This revolt was supported by communists, socialists, radicals, and conservatives alike. Perón was exiled to Spain, and, in 1958, democratic elections (with Peronism banned) put the centrist Radical Civic Union back in power for the first time since Hipólito Yrigoyen was removed from office in 1930. Newly installed president, Arturo Frondizi continued import substitution, this time seeking oil self-sufficiency<sup>100</sup>. Overall, Argentina's trade dependency on its largest partner fell drastically, yet the national balance of trade also whiplashed terribly from strong positives to equally strong negatives throughout the 1950s and the beginning of the 1960s.

### **Conclusions**

So how well does dependency theory explain these three decades? Not very well it seems. Argentina's trade balance, even with all the crises and tensions with the United States and, later, the United Kingdom, was performing well until ISI was intensified under Perón. Perhaps it can be argued that these events showed the domineering powers the core may have over the periphery, but this conflict was more direct and unlike the subliminal exploitation dependency theory claims to explain. Furthermore, conspicuous consumption cannot be used as an explanation for economic hardship as, according to my data, income inequality actually went down and wealth was redistributed. There is also no evidence that I see to suggest that the second dependency claim of rejecting classical economics to be valid. Yes, Argentina's economy and

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<https://web.archive.org/web/20120426051927/http://www.fcs.edu.uy/archivos/Arnaut,%20Understanding%20the%20Latin%20American%20Gap%20during%20the%20era%20of%20Import%20Substitution.pdf>

<sup>100</sup> Eduardo Ferrari del Sel, "Día Del Petróleo: a 50 Años De La Batalla Por La Nacionalización Del Recurso," *La Capital*, July 22, 2008,

[https://web.archive.org/web/20100619050249/http://www.lacapital.com.ar/contenidos/2008/07/22/noticia\\_0032.html](https://web.archive.org/web/20100619050249/http://www.lacapital.com.ar/contenidos/2008/07/22/noticia_0032.html)

output struggled, but much of this was caused by poor macroeconomic policy, poor internal price management, and coincidental post-war price collapses in agriculture. Argentina became relatively isolated and the successes of ISI were too few to matter; these combined factors seem to strangle economic growth, even compared to other Latin American economies. Finally, perhaps the only point of redemption seems to be the first claim of the existence of a center-periphery relationship. Indeed, unbalanced power dynamics are clear in the triangular relations between Argentina and North America (the United States) and Europe (the United Kingdom). Yet geopolitical circumstances seem to be sufficient explanations for Argentina's struggle during the 1930s and 1940s; but the existence of this disparate relationship alone does not account for the country's economic troubles. In fact, Argentina had some advantages, even against the United Kingdom, such as British debt. Yet the latter was forfeited in order to attain an unprofitable railway enterprise.

To summarize, while maybe half of dependency theory's points were seemingly acceptable when analyzing Argentina pre-1930, we fall to barely accepting just one of the four tenets when looking at the 1930s to 1960. Much of the economic hardship Argentina faced in the latter half of the 1940s and throughout the 1950s seemed to have been self-imposed through the failures of ISI and poorly executed state intervention in the economy. Argentina, a country not directly affected by two world wars, could have implemented an export-oriented growth strategy, like that of Japan later, to seek out markets abroad, but the contrary happened. In an attempt to develop domestically, Argentina turned inward; this strategy, seemingly, failed.



## 1960–1979

Argentina started the 1960s joining the newly formed Latin American Free Trade Association, a free trade zone for Latin America, as the name suggests, focused on goods. This was the beginning of a trend in South America where limited regional integration was promoted, eventually leading to the formation of the Southern Common Market (Mercosur) by 1994. Throughout the 1960s, Argentina saw real growth rates as low as -5.3% and as high as 10.5%. Oddly, two high years of growth of 10% occurred after the so-called Argentine Revolution—yet another military coup, this one installing General Onganía in power—in 1966.

The following years were a surprisingly decent time for the Argentine economy once Onganía appointed Adalberto Krieger Vasena as Minister of the Economy. Smith explains that “Upon assuming power, Krieger's two immediate priorities were gaining the confidence and support of the International Monetary Fund, the World Bank, private international banks, and the transnationals, and consolidating his control over the economic apparatus (purging holdovers likely to dissent from his views and appointing business-oriented pragmatists to key posts). Strengthening ties to the U.S. government, especially the Department of Commerce and the Treasury Department, was also a top priority.”<sup>101</sup> Money supply, prices, and wages were kept in the hands of the state, while credit was privatized. Thus, the state limited wage increases while private sector credit was expanded higher than wages but below the new money supply<sup>102</sup>. Both inflation and unemployment were kept in check, although real wages depreciated. Interestingly, the 1960s were also the beginning of a slow decline in export concentration for Argentina, with a smaller, but still extremely sizable, role among agricultural products.

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<sup>101</sup> William C. Smith, *Authoritarianism and the Crisis of the Argentine Political Economy* (Stanford, CA: Stanford University Press, 1989), p. 78.

<sup>102</sup> *Ibid.*, 79

The dictatorship slowly began to abandon ISI, turning Argentina toward the global market. An overvalued currency cut into domestic industry, so the national currency was devalued by over 30%<sup>103</sup>, replacing the *peso moneda nacional* with the *peso ley*. Krieger Vasena also implemented tax reforms to cut the government deficit while stimulating the private sector with tax cuts. These policies were immensely popular with international capital, but less so with workers and farmers, whose products and wages fell significantly in value<sup>104</sup>. Protests were organized throughout the country's bigger cities and Krieger Vasena was removed. By 1970, the state could not maintain its restrictions on wage growth any longer, leading to a serious wage-price spiral<sup>105</sup>. Inflation would continue to be a persistent issue in Argentina.

### **1970s**

Having been appointed by the military as head of state, General Lanusse faced an unpopular governance. By 1973, the military stepped aside and allowed for democratic elections to recommence, this time permitting Peronists to run for office. Héctor Cámpora was elected president after his opponent withdrew his candidacy, and he proceeded to unban Juan Domingo Perón, who returned from Spain and, following new elections, became president for a third term. Cámpora had only been in power for a couple months before transitioning power eventually to Perón. The latter would proceed to die in office, replaced by his vice-president and wife, Isabel Perón after about a year. Poor monetary policy during this time and after led to explosive inflation<sup>106107</sup>.

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<sup>103</sup> Ibid, 81.

<sup>104</sup> Ibid, 82–84.

<sup>105</sup> Ibid, 79.

<sup>106</sup> Leandro Prados de la Escosura and Isabel Sanz-Villarroya, "Institutional Instability and Growth in Argentina: A Long-Run View" (Getafe, Spain: University Carlos III of Madrid, 2004), p. 8.

<sup>107</sup> Guido di Tella and Rudiger Dornbusch, "The Political Economy of Argentina, 1946–83," *The Journal of Economic History* 49, no. 3 (September 1989), <https://doi.org/10.1017/S0022050700009116>.

New policies enacted in 1975 were called the *Rodrigazo*, intended to correct price distortions in the economy. The *Rodrigazo* included a large currency devaluation and increases in prices, which resulted in a 36% drop in purchasing power<sup>108</sup> and ensuing civil and political problems that would lead to the eventual coup of 1976, which deposed Isabel Perón and installed a military junta under the name of National Reorganization Process. But economically, Argentina began to seriously stagnate, with falling output and inflation “reaching more than 300 percent per year on average during the period 1975 to 1991,” resulting in the fact that “prices in Argentina had increased by a staggering factor of 20 billion.”<sup>109</sup>

But ISI was gradually brought to an end as the new government removed many protectionist barriers and liberalized some aspects of the economy, particularly credit. High interest rates in Argentina and low foreign ones led to large capital inflow. Due to overvaluation, real incomes rose, as the real exchange rates appreciated due to inflation being higher than depreciation. But as the overvaluation continued through the late 1970s, markets and individuals alike expected an inevitable depreciation to come eventually, leading to dollar purchases and mass capital flight. Public debt proceeded to skyrocket. The capital flight cost Argentina dozens of billions of dollars, facilitated by the new liberalization of the credit market<sup>110</sup>.

## **Conclusions**

In the end, Argentina’s woes during the 1960s and greatly in the 1970s seem difficult to explain through the lens of dependency theory. Dependency, measured in ways like trade to the largest partner—by this time, the United States—as a percentage of GDP and as a percentage of total trade, fell slowly throughout this time period. Dependency on agricultural and animal

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<sup>108</sup> Luis A. Beccaria, “Distribución Del Ingreso En La Argentina: Explorando Lo Sucedido Desde Medios De Los Setenta,” *Desarrollo Económico* 31, no. 123 (1991): p. 319, <https://doi.org/10.2307/3466908>.

<sup>109</sup> Klaus Friedrich Veigel, “Governed by Emergency: Economic Policy-Making in Argentina, 1973-1991” (dissertation, Princeton University, 2005), p. 11.

<sup>110</sup> Juan Carlos de Pablo Rudiger Dornbusch, “Argentina: Debt and Macroeconomic Instability” (Cambridge, MA: National Bureau of Economic Research, 1978), pp. 6–9.

products in 1959 was around 95% of all Argentine exports, dropping to about 73% by 1978.

Balance of trade was also consistently and superbly in Argentina's favor. Surely, by dependency theory standards, this seems like a success story. And yet, the economy contracted through the 1970s and would continue to do so.

It seems instead that economic difficulties in Argentina throughout these two decades were caused by, mainly, internal issues. Military coups and dictatorships decade after decade and absurd inflation rates are not signs of a healthy country, politically or economically. In hindsight, mistakes were likely made, both in the continuation of ISI and in the poor transition out of it. Argentine administrations also struggled with some of the strongest labor movements on Earth: "Approximately 20 per cent of all labor-union members in Latin America belong to the *peronista* organizations in Argentina. In fact, this is the only country where labor is sufficiently strong to make its demands and supports continuously felt in the system."<sup>111</sup> This meant that any government policy to combat inflation had to struggle against demands for rising wages and the knowledge that moving to the contrary would be political self-destruction.

So how do Tansey and Hyman's tenets perform here? Well, as stated already, trade favored Argentina for the most part, meaning that we can disregard the third claim. There are also no noticeable effects of any conspicuous consumption. Likewise, there seems to be no reason to reject classical economics in the Argentine case; the late 1970s experience might have been drastically different had the military government taken a different approach to overvaluation and avoided the capital flight that ruined the financial system in the country. And finally, as to the first tenet of the core-periphery relationship, Argentina theoretically improved on this as I outlined earlier. In fact, Argentina's relations with the United States improved dramatically after 1976, as Argentina seemed to be a strong defender against communism in

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<sup>111</sup> Denton and Lawrence, *Latin American Politics*, 149.

Latin America. The United States supported, with the exception of the Carter Administration, the government's Dirty War and participation in Operation Condor. And even with the support of the United States and following economic liberalization policies appreciated by the IMF, Buenos Aires continued to find itself in disaster.

<b>Table 10.</b>	<b>1.</b>	<b>2.</b>	<b>3. Exports</b>	<b>4.</b>	<b>5.</b>	<b>6. USFDI</b>
	<b>Trade/GDP</b>	<b>Trade/Total</b>		<b>FDI/CAP</b>	<b>FDI/GDP</b>	
<b>Balance of Trade</b>	-0.213	-0.567	-0.415	0.644	0.451	-0.388
<b>Growth Rate</b>	-0.21	-0.016	0.219	-0.283	-0.333	0.279

But this era is also a disappointing sight for the credibility of dependency theory. If anything, dependency theory's analysis should fit perfectly with the era within which it was developed. And yet, it is the least fitting time range so far in the Argentine example. There is nothing structural that I have noticed which justifies blaming the core-periphery relationship among economies here. So far, when comparing with the empirical results I attained, some of it is visible qualitatively. Sure, there may be clear and significant correlations between dependency measures, but when it comes to aspects like balance of trade, inequality, and growth rates, only three out of eighteen possible relationships showed any semblance of a statistically significant correlation. Even worse, however, Table 5, regressing for the 1960s and 1970s showed very weak correlations even among the dependency measures. And so I developed another table (table 10) to show this same timespan, but in terms of the aforementioned balance of trade and growth rates—I lack dependable figures for inequality prior to the 1980s. As is very clear and noticeable, there is not a single significant correlation, even among the balance of trade ones which did have significance when analyzing Argentina in wider time ranges. I will note that the

relationship between balance of trade and export concentration did have significance at the 0.1 level, but I find this to be too weak for consideration.

## **From 1980 to Before the Global Financial Crisis**

The start of the 1980s was a horrible time for Argentina. Military dictatorship, civil strife, hyperinflation that reached one thousand percent annually<sup>112</sup>, as well as an eventual war with the United Kingdom in 1982 did not leave respite for the populace. Inflation ate at the currency, so yet another Argentine peso was issued in 1983, replacing the *peso ley*; the former was then replaced again with the Argentine austral in 1985. The realities and policies of the 1970s also left Argentina in a deep debt crisis. A 1983 IMF program failed after it became clear that the government had flawed control over the economy<sup>113</sup>.

In a positive turn of events, after the catastrophic Falklands War (*Guerra de las Malvinas*), the military junta willingly stepped aside for new democratic elections to take place. Raúl Alfonsín of the socio-liberal Radical Civic Union was elected president in 1983. Despite definite positives in terms of democracy in the country, deficits and debt continued to grow, the latter tripling in a three-year period<sup>114</sup>. Argentina managed to get loans from other American nations and, eventually, found an agreement with the IMF totalling around six billion dollars. Again, the new peso was substituted by the Argentine austral in 1985 (this one would only last until 1992); the new financial plan “included a temporary price freeze, a declaration of intent to end central bank financing of the fiscal deficit and a reduction of the deficit itself. In a breach

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<sup>112</sup> “Economy of Argentina,” Encyclopædia Britannica (Encyclopædia Britannica, Inc.), accessed March 11, 2022, <https://www.britannica.com/place/Argentina/Economy>.

<sup>113</sup> J. Onno de Beaufort Wijnholds, “The Argentine Drama: A View from the IMF Board,” in *The Crisis That Was Not Prevented: Lessons for Argentina, the IMF, and Globalisation*, ed. Jan Joost Teunissen and Age Akkerman (The Hague, Netherlands: Forum on Debt and Development (FONDAD), 2003), pp. 102–103.

<sup>114</sup> *Ibid*, 102.

with the past, contracts were to be indexed.”<sup>115</sup> Wages, prices, monetary emission, and interest rates were to be limited; the plan was a short-term success as inflation dropped. But as debt increased, the government had to once more begin to print currency. At the same time, there were strong labor and Peronist pressures to increase wages. Weak monetary policy and high expenditure killed the plan. By 1987, the Austral Plan collapsed and a new IMF agreement was made, only to also fall apart the next year<sup>116</sup>. The new Spring Plan (*Plan Primavera*) of 1988 intended to halt inflationary pressures again. Prices were limited, the currency was devalued, interest rates were raised, and there were efforts to privatize state enterprises. Prices still ended up increasing, the exchange rate with the dollar exploded, banks were forced to undergo many bank holidays, a shortage of goods developed, and the economy was greatly destabilized. Because of the state’s inability to maintain spending cuts, the IMF pulled out, leading to the Spring Plan’s collapse after just six months, hyperinflation, and riots that started in 1989<sup>117</sup>.

The 1980s were certainly an interesting case in Argentina’s economic history. The Falklands War saw Argentina’s trade dependency to the United States actually crumpled—10% in 1981 to 7% and 4% in 1982 and 1983, respectively. Prior to the collapse of the Austral Plan, Argentina’s trade balance also boomed as did, to a less consistent extent, FDI per capita within the country. An exception to the latter point seems to be American FDI, which sharply dropped after the Austral’s collapse; the recovery of this investment would not fully return until around 1993. From what we can see in the 1980s, Argentina’s economy seemed to become more diversified in terms of commercial partners, yet, at the same time, external debt continued to be a significant issue for the country.

### **Menem and the 1990s**

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<sup>115</sup> Ibid, 103.

<sup>116</sup> Ibid, 104.

<sup>117</sup> Ibid.

In 1989, Alfonsín stepped aside for Carlos Menem, a Peronist by name, but an ardent supporter of austerity and economic liberalization. Another shock program was announced (called the Bunge y Born Plan), this time with greater fiscal discipline. “Importantly, the central bank was given more independence by not having to finance the government anymore.”<sup>118</sup> A new agreement was reached with the IMF and inflation dropped significantly, only for the IMF to pull out again due to political uncertainties in terms of reforms. What followed was the continuation of hyperinflation eventually reaching 12,000% per year<sup>119</sup>. Interest rates heightened and increased further as interest on debt was paid through further borrowing. The money supply expanded rapidly, worsening the situation. Argentine banks also faced a liquidity crisis as a result of these developments. Taxes were raised and the austral was further devalued, while a floating exchange rate system was implemented and prices were liberalized, leading to further depreciation, while hyperinflation went on uninterrupted.

A new plan, the BONEX Plan, was implemented to deal with the new hyperinflation, again. This time, the Treasury would issue external bonds to the Argentine Central Bank, who would pay commercial banks with said bonds, who would resultantly pay off depositors. Inflation dropped off quickly, even leading to temporary deflation, but inflation soon returned due to an increase in liquidity and fears of dollarization; the austral continued to devalue. The government then tightened fiscal policy by raising taxes and prices on public services and cutting expenditures. In Phillips Curve tradition, unemployment was permitted to rise to further check inflation<sup>120</sup>. The government also proceeded to push for mass privatization. While this led to increased unemployment, it also gave the economy a jump-start—the monopolistic practices of

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<sup>118</sup> Ibid.

<sup>119</sup> Ibid.

<sup>120</sup> Paul Beckerman, “Central-Bank ‘Distress’ and Hyperinflation in Argentina, 1989–90,” *Journal of Latin American Studies* 27, no. 3 (October 1995): pp. 678–679, <https://doi.org/10.1017/s0022216x00011640>.



state enterprises did not end, however, they simply became private in many cases<sup>121</sup>. The exchange rates stabilized and hyperinflation fell to ‘just’ high inflation and the IMF continued its program with Argentina<sup>122</sup>.

In 1991, the austral got hit with a heavy devaluation and inflation began to take off again. Newly assigned Economic Minister Domingo Cavallo began the implementation of a convertibility plan. In 1992, the austral was replaced by the *peso convertible*. The new currency was pegged on par to the American dollar through a currency board, choking the money supply to counter inflation while also relinquishing the government’s power to devalue. Over the next couple of years, capital flowed in, the economy grew, and unemployment fell. To put this into perspective, the GDP growth rate in 1989 was around -7%; the growth rates from 1991 to 1993 floated around 8–9%. Still, this was also accompanied by the flipping of the balance of trade from a strong net positive to strong net negative that would more or less persist until the start of the new millennium.

But by the end of 1994 and the beginning of 1995, the GDP growth rate virtually halved while unemployment began to climb. The Mexican peso crisis and the ensuing ‘Tequila Effect’ throughout Latin America hit Argentina hard, but the country managed to recover, reaching again an 8% growth rate in 1998. Freer and more open trade allowed capital through FDI to continue to pour into the Argentine economy, but this also made the country more susceptible to outside shocks. While fiscal policy was more restrictive, the currency board forced the government to take in greater amounts of debt, unable to finance through other means. Indeed, de Beaufort Wijnholds suggests that the state should have abandoned the currency board at this

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<sup>121</sup> “Argentina’s Collapse: A Decline without Parallel,” *Economist*, February 28, 2002, <https://www.economist.com/special-report/2002/02/28/a-decline-without-parallel>.

<sup>122</sup> *Ibid*, 679–680.

point, even though this was not politically viable at the time<sup>123</sup>. The international financial crises around the world raised interest rates and hit Argentina's ability to borrow. The heaviest blow came from Brazil in 1999, who had to heavily depreciate its currency. As Argentina's largest trading partner and considering that the latter's currency was still linked to the appreciating dollar, this was a blow to Argentina's international competitiveness and directly impacted the economy and worsened the current account deficit. The economy shrunk as deflation hit alongside high interest rates and increasing unemployment<sup>124</sup>. Argentina faced disaster.

### **Turn of the Millennium**

At the end of 1999, Radical contender Fernando de la Rúa was elected president, albeit in unfortunate timing—he would not last beyond 2001 before resigning due to the riots that would strike in the midst of the Argentine Depression. De la Rúa managed to find assistance in the World Bank, the IMF, and others to provide several billions of dollars. But fiscal reforms were poorly implemented and Argentina was sorely struggling to maintain access to international capital markets, the combination of these and lack of confidence in the Argentine state leading to the start of capital flight. Domingo Cavallo had returned to implement much-needed reforms, such as taxes on financial transactions. De Beaufort Wijnholds explains, “Another desperate act aimed at staving off default at all cost was the massive operation designed to swap a huge amount of Argentine government bonds for paper with longer maturities so as to lighten the debt service in the immediate years ahead.”<sup>125</sup> This gamble lowered the debt service by a moderate amount in the short-term, while increasing it greatly on interest payments after 2005.

Unemployment neared 20%, riots and unrest spread through the nation, and Argentina partially defaulted. Again, the IMF offered assistance, although their program was arguably

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<sup>123</sup> de Beaufort Wijnholds, “The Argentine Drama,” 108.

<sup>124</sup> “Argentina’s Collapse.”

<sup>125</sup> de Beaufort Wijnholds, “The Argentine Drama,” 112.

misguided or unrealistic, as it expected a large budget surplus within a situation where revenue had already been collapsing; nor did Argentina's standing in the international capital market improve<sup>126</sup>. De la Rúa fled from office, and Argentina proceeded to have a series of Justicialist presidents, none of which could withstand the pressure. Ramón Puerta lasted around three days, Adolfo Rodríguez Saá was gone after nine, and Eduardo Camaño abandoned after four. Finally, Congress installed Peronist Eduardo Duhalde, who would remain as president for the remainder of de la Rúa's term. Economically, Argentina was in a catastrophe. The Duhalde Administration floated the peso, leading to its devaluation and inflation, but also making Argentina more competitive and improved the current account balance.

Under the new president, Néstor Kirchner, Argentina experienced a surprising recovery. The GDP growth rate rebounded from around -11% to almost 9% from 2002 and 2003, respectively. Argentina's FDI would begin a slow recovery from 2004 onward. Still, exports grew and the peso's valuation heightened, even to a worrying degree; but Argentina's foreign currency reserves rose greatly. Unemployment began to drop and wages and standards of living started to recuperate.

But Argentina's recovery also demonstrated a failure in the country's development. The economic recovery was spearheaded by agriculture, especially soybeans. Even at this late date, agricultural products would comprise over half of all Argentine exports, a figure which would only proceed to increase over time as Argentina's industrial development stagnated. The last time Argentina's dependency on agriculture for exports had increased had been in the 1960s. The government also proceeded to increase tariffs, leading to greater revenue and even greater spending, which in turn increased inflation again. The state also nationalized certain industries/enterprises, such as the postal service, the national airlines (later on), and some

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<sup>126</sup> Ibid, 113–114.

railways. Still, by 2006, Argentina paid off its debt to the IMF<sup>127</sup>; such positive news would not reoccur since.

### **Conclusions**

The 1980s, 1990s, and early 2000s were without a doubt a turbulent time for Argentina. It is also an interesting time range when looking at dependency measures. For the most part and with the exception of the 1990s, Argentina's trade balance was confidently positive—the 1990s are the exception, as aforementioned, due to the pegging of the peso to the dollar making Argentina less competitive and more prone to importation. When it comes to the share of the top 1%, this remained quite stable, from almost 13% in the 1980s to a minimum of 10% in 2005 and a maximum of 14% in 2002. Trade dependency on the United States remained in single digits in terms of trade as a percentage of GDP from 1982 onward, while hovering between 10–16% in terms of trade to largest partner as a percentage of total trade. FDI, both from the United States and in general, slumped during the 1980s and increased greatly through the 1990s, peaking in 1999 until collapsing throughout the next couple of years through the Argentine Great Depression; after, during the recovery phase, FDI would approach around a third of the 1999 rates. Finally, Argentina had been doing quite well in terms of reducing its dependency on agriculture for exports. Agricultural and animal products made up over 70% of all Argentine exports in the start of the 1980s, but gradually fell to just 50% by the start of the new millennium, only to then increase in a backward trajectory.

When thinking about dependency, it must also be noted that this particular time range was quite different from all the rest in terms of the reality of international finances and the world economy. While Argentina's economy was relatively closed in the beginning, by the 1990s, the

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<sup>127</sup> Henry C. K. Liu, "Pegs, Boards and the IMF Curse," *Asia Times*, July 29, 2010, [https://web.archive.org/web/20101101051030/http://atimes.com/atimes/Global\\_Economy/LG29Dj05.html](https://web.archive.org/web/20101101051030/http://atimes.com/atimes/Global_Economy/LG29Dj05.html).

country had rejoined the world economy fully, with the benefits and consequences of this. While it certainly improved the economy for a time, Argentina also became newly more greatly susceptible to global financial shocks, such as the Asian and Russian crises of 1997 and 1998, respectively. But the effects of these problems were worsened by Argentina's own straightjacket: the currency board. The currency board certainly seemed to work during the early 1990s as it cut down greatly on hyperinflation, stabilized the Argentine economy, allowed for greater central bank independence, and inspired greater confidence in Argentina on behalf of investors and businesses. But because even a conservative and neoliberal government as was the Menem Administration could not fully cut down on its deficits, the currency board made borrowing both the only option and a necessary one. By the late 1990s, it was arguably actively hurting the Argentine economy by making it less competitive through the currency's appreciation in tandem with the American dollar. By the time the government needed flexibility, it was too late. When Argentina found herself locked out of the capital markets due to high premiums, the state could no longer finance itself; this combination of factors made default unavoidable. And so, in essence, Argentina aggravated its own dependency on the world economy. While open trade and finances improved the situation in other national contexts and certainly in the Argentine context during the early to mid 1990s, Argentina's peculiar situation led to catastrophe.

This era of Argentine history is an alien one for dependency theory, a theory developed before more modern levels of financialization and hyper-globalization. Going back to Tansey and Hyman's tenets, the conclusions to be made are insightful as many issues arise. Starting with the first tenet, even though Argentina linked its currency directly to that of the United States, the main influences on the Argentine economy, especially throughout the 1990s, was not a relationship with the center, but with the world economy as a whole. Economic crises in

periphery economies were far more negatively influential on Argentina. While FDI increased during the late 1990s, trade dependency on the United States generally fell. Hence, while there might still be a center-periphery relationship, it is difficult to presume that, during this time, the former had a substantial influence on the latter in the Argentine case. Dropping to the fourth tenet of conspicuous consumption, this can be virtually entirely discarded. Income share of top earners either fell or remained the same, while the economy convulsed in different directions, indifferent to this factor. Finally, I consider the second and third tenets to have the most egregious failures. The Argentine economy has consistently had an excellently positive trade balance, with a massive exception in the 1990s. But this is not because the center gained to the periphery's detriment. Nor does it suggest that classical economics do not apply in the Argentine situation. On the contrary, this phenomenon occurred when Argentina pegged the peso to the dollar at par, essentially emulating the latter. This made Argentina less competitive and heightened importation, leading Argentina to suffer from the same downsides of having a strong currency as the United States. In other words, Argentina suffered greatly for emulating a center economy while not being one. Hyperinflation aside, had Argentina not continued its adoption of the currency board, the negative effects the country experienced during the late 1990s would have been greatly lesser. Once Argentina abandoned the board, the trade balance came straight back to a strong positive. Argentina's competitive advantage as a periphery country was regained currency-wise, but with a significantly weakened economy due to the depression and default.

To conclude, if dependency theory's explanatory power through the 1960s and 1970s had dropped significantly, it can pretty much explain nothing accurately from the 1980s onward. The crises Argentina experienced here were not caused by any outside influence, but by poor macroeconomic management of the national economy. None of the tenets of dependency theory

are visible in this era, leaving little hope for even more contemporary times. While it is true that the Argentine economy is greatly influenced by multinational/transnational corporations—as will be mentioned in more detail in the next section—the turbulent flows witnessed throughout this time period cannot be explained through the interference of these corporations.

### **From the Global Financial Crisis to the COVID-19 Pandemic**

In 2007, Néstor Kirchner's wife, Cristina Fernández de Kirchner, took office as President of Argentina until 2015. As Argentina's dependency on the agricultural sector increased, so did the government's revenue dependency. Richardson reports: "Increasingly, Kirchner exploited soy as a source of tax revenue, among other things, to cancel the wage-goods effect of increased exports. In January 2007, Kirchner increased export taxes on soy products to 24% on oil and meal and 27.5% on the export of the unprocessed oilseed. This additional soy-specific tax of 4% was forecast to generate an additional US\$400 million in fiscal revenue in 2007."<sup>128</sup> This also permitted the state to indulge in further spending through these export taxes.

Like in many countries, the Argentine economy is also quite oligopolized, controlled by handfuls of transnational corporations. According to Quiñones, "In 2008, only 14 TNCs [(Transnational Corporations)] of four exporting complexes were accountable for 38.5 percent of national exports," and "The top five companies in the soy complex (*Cargill, ADM, Bunge, Nidera* and *Dreyfus*) exported 61.7 percent of all soy products in 2008 and 14 percent of national exports. In the cereal complex the same five TNCs exported 40.7 percent of the wheat and corn grains, equivalent to 5.7 percent of total exports."<sup>129</sup> But while these transnational corporations

<sup>128</sup> Neal P. Richardson, "Export-Oriented Populism: Commodities and Coalitions in Argentina," *Studies in Comparative International Development* 44, no. 3 (December 19, 2008): p. 242, <https://doi.org/10.1007/s12116-008-9037-5>.

<sup>129</sup> Quiñones, "Post-Neoliberalism in Argentina", 93.

may have a large influence, effect, and stake in the Argentine economy, these alone cannot justify Argentina's relative lag, especially in terms of industrialization. There are many more transnational corporations involved in automobile manufacturing, for example, meaning that the existence of these corporations does not necessarily result in lack of industrial development. If anything, earlier Argentine history would show that the little industry that did appear did so on a large part thanks to foreign investment. Manufacturing and services also employ far more people than agriculture does, there is no lack of manpower for industrial labor. However, economically unstable as Argentina is, it is not an attractive country for investment or industrial development; it would be easier to instead invest in an enterprise in neighboring Brazil and Chile. And while neither corporations nor the state want to limit Argentina's growth and development, the government's ability to finance itself through agriculture exports has led to a sort of resource curse and poor fiscal management. These are important things to consider especially in contemporary Argentina.

The economic success under Néstor Kirchner slowed and Argentina's GDP growth rate in 2008 was half of that in 2007. The Great Recession hit the country hardest by 2009, where GDP fell by almost 6%. Yet the economy would bounce back the next year at a 10% growth rate in 2010. By 2011, concerns grew over the overheating of the economy. *The Economist* marked Argentina as the highest risk country and at maximum risk<sup>130</sup>. The state then, in 2012, attempted to discreetly implement some austerity policies, which mainly focused on cutting subsidies to public services and utilities and the intent to curtail imports<sup>131</sup>. Furthermore, YPF, Argentina's largest petroleum and natural gas producer, was renationalized after having been privatized under

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<sup>130</sup> "Some Like It Hot," *Economist*, June 30, 2011, <https://www.economist.com/finance-and-economics/2011/06/30/some-like-it-hot>.

<sup>131</sup> Enrique Szewach, "De La Sintonía Fina Al Ajuste Desordenado," *Perfil*, March 17, 2012, [https://web.archive.org/web/20120608191412/http://www.perfil.com/ediciones/2012/3/edicion\\_660/contenidos/noticia\\_0020.html](https://web.archive.org/web/20120608191412/http://www.perfil.com/ediciones/2012/3/edicion_660/contenidos/noticia_0020.html).



the Menem Administration over a decade ago. State management of YPF has since been a topic of significant criticism within Argentina. Again, however, inflation rose and many Argentinians ran to the American dollar, especially in the black market, where higher exchange rates could be obtained after the government attempted to implement capital controls.

Since 2011, Argentina has experienced nothing but economic stagnation and turmoil. Each year of growth is replaced by another one of equal or greater decline. Also, due in large part to the events of 2012, Argentina's trade balance began to face a heavy decline, especially by 2017, and would not recover until 2019. FDI also had a sharp fall, while, curiously, trade dependence on the United States slowly grew.

In 2014, Argentina experienced an international scandal, when an American court ruling ordered the government to pay off bonds defaulted on in 2001, mainly held by vulture funds. When Buenos Aires showed itself unwilling to grant this debt, the nation defaulted again. An area where even the most conservative opinion might agree with dependency theory is on the power, political and otherwise, that wealthier core countries have over the rest. The fact that one country's courts can determine the debt outcomes of other sovereign nations is not something most systems can claim to do.

### **Change Under *Macrismo*?**

Regardless, by 2015, fatigued from the years of economic hardship under Cristina Kirchner's administration, businessman and intendant of the city of Buenos Aires, Mauricio Macri was elected President of Argentina. Macri ran as a center-right economic pragmatist who would correct the economic ills the country faced. He began by releasing restrictions on dollar exchanges, which led to a massive devaluation of the peso, not seen since the currency board was abandoned. It also meant, however, that the real exchange rate became closer to that of the black

market one. Another devaluation happened in 2016, this time leading to or coinciding with a large increase in unemployment and layoffs. Even under a businessman president like Macri, high inflation continued to be a significant issue; worse, his administration saw continued contractions of the national economy.

Macri did follow through on promises to remove control currencies and reduce tariffs, however growth remained limited. In 2018, Argentina began to experience a severe monetary crisis after the United States Federal Reserve increased interest rates, leading to an appreciation of the dollar. The peso devalued by over 40% and concerns among investors grew regarding whether the country would default again. Drought and general economic woes led to a decrease in state revenue, leading to the fear that Argentina might struggle to pay its debt once more. Macri proceeded to request a loan worth 50 billion dollars from the IMF, alongside promises to reform the economy<sup>132</sup>. Soon after, the president of the Central Bank resigned. The following year, the budget was actually cut significantly to meet IMF requirements.

### **Return to Kirchnerism**

But in 2019, Macri lost reelection to Kirchnerist Alberto Fernández, whose vice-president is former president Cristina Kirchner. The new administration butted heads with the IMF, but matters were made worse with the onset of the COVID-19 pandemic in 2020, which saw the peso depreciate even further. Currency exchange controls were reintroduced, leading to a rebirth in the dollar black market that the Macri Administration had drowned out. The same year, Argentina defaulted yet again followed by further debt restructuring.

Like in the rest of the world, the COVID-19 pandemic greatly impacted the Argentine economy. General lockdown measures were also introduced very early on, leading to a severely

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<sup>132</sup> Daniel Gallas, "Argentina Asks IMF to Release \$50bn Loan as Crisis Worsens," *BBC*, August 30, 2018, <https://www.bbc.com/news/business-45350218>.

long business shutdown throughout the country. The country continues to be plagued by inflation, unemployment, rise in poverty, increasing income inequality, and continuous currency depreciation that has led to a total collapse in the standard of living of ordinary Argentinians, whose money is worth less while prices increase.

### **Conclusions and Considerations**

Like the situation in the 1980s through to the early 2000s, Argentina's relation to the world economy has altered. I find this to be mainly as a result of the change in the nature of the global economy. The rise of financialization has utterly changed the paradigm for developing nations. While previously it was important to receive investment from a particular group of wealthy nations, national finances today are increasingly focused on relations with global markets rather than individual countries. Argentina today functions much like the Argentina of old, but in an inherently different time. Previously the country was a global investment hub, where the only concerns of the state were its relations with key investing nations to keep them satisfied while also in competition. Today, it seems Argentina has transitioned poorly into the new world, needing investments just as much as before but not understanding how to build an environment to attract them. Argentina's credit rating has only worsened over time, having done little to improve relations with international capital markets and the IMF; instead, Buenos Aires has been a continuous headache for anyone holding its debt. The attitude of the most recent administration reinforces the idea that the Argentine state will not repay you—the inability to pay debts is not simply about capacity, but to a greater extent about willingness. I personally find caution and wariness toward international capital to be an acceptable sentiment, but the constant ups and downs, nationalization followed by privatization followed by renationalization, defaults, debt restructuring, currency fluctuations, etc. make Argentina a country almost impossible to

confidently invest in, even or especially from the point of view of locals. In the early 20<sup>th</sup> Century, the state could do as it pleased, limited just by the preferences of a handful of European and North American countries. Today, the state does as it pleases with no regard—except during the Macri Administration and, to an extent, the Menem Administration—with its own financial reputation, seemingly trying to cheat or manipulate the system by requesting assistance from the IMF and others only to thereafter renege on its promises to repay.

Still, it might be important for dependency theorists to rethink dependency and the relationship between the core and the periphery. As I mentioned before, the important ties today are less so with individual nations, but instead with international capital markets. Dos Santos's concept of 'new dependency' was an early foresight into the emerging importance of capital markets and foreign currency issues<sup>133</sup>. But while he more or less correctly foresaw issues pertaining to the monopolistic nature of capital markets, the overwhelming hegemony of the dollar, and more, he maintained the core-periphery distinction. Ultimately, this is what I am in disagreement with.

The financialization that came after the 1970s has led to something altogether new. I find the idea of the 'core' to be an insufficient entity. In a way, on a flat surface upon which are both the periphery and core, above them floats international capital/finances. The relation between the periphery and core has in some ways become more indirect, one interacting with the other through this middleman power. Another factor of extreme relevance is the fact that the relations between the periphery with itself has become exponentially important, especially with the development of international finances. It is not enough for periphery economies to be wary or to stay attentive to what occurs in the core. World-systems theory deals with this issue in one way by breaking down the periphery into two categories. While the importance of

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<sup>133</sup> dos Santos, "The Structure of Dependence," 232–233.

periphery-periphery economic relations was definitely important in the past, it has never been more critical as it is today. Core-core relations and dependency within core economies is also left unexplained. For these reasons, even dos Santos's new dependence, in my view, is lacking as it maintains this ill-fitting dichotomy. Dependency theory is an ambitious theory, but these issues make it seem significantly incomplete.

So how do dependency theory's tenets match up with present times? Well, what I outlined here just previously directly implicates the first tenet. What is noticeable is the imbalance of political power. The vulture funds scandal is a problematic case that reinforces the reality that economic hegemons truly do sit upon a different level from the rest. At the very least, it shows global capital's dominance over the periphery. Still, as I outlined previously, center-periphery relations seem to me to be a merely partial explanation of the economic woes the periphery might face in today's world. Furthermore, Argentina's current issues are difficult to blame on the exterior world, as the bulk of the problem seems to arise from economic mismanagement and political issues.

The second tenet is almost the most egregious here. Argentina's comparative advantage in soybeans and other agricultural products is the only thing keeping the economy and the state afloat. Likewise, to the third tenet, with the exception of the Macri years, trade has tended to favor Argentina through this time period. Argentina's trade dependency on the United States has continued to diminish; but so has FDI from both North America and the rest of the world, with harmful implications to Argentina's economy. Finally, on the issue of conspicuous consumption, there was an increase in the income share of the top 1%, this is mainly due to the fact that the wealthy survive economic downturns better than the rest. Argentina's issues do not stem from diverted capital from the wealthy. If anything, the continued dollarization of the country is

something all social classes partake in, as the dollar is seen as the currency with which one's money will not disappear through inflation.

As it did in the previous section, dependency theory struggles here as well. It seems to me that the theoretical framework is severely lacking, as the theory focuses far too heavily on the core-periphery dichotomy. The Argentine experience simply does not fit comfortably with the expectations outlined by the theory. While it is comforting to have someone else to blame, the truth is that Argentina's economic woes are largely self-inflicted. This does not mean that the policies pushed for by the IMF or other organizations are necessarily the correct steps for all periphery nations, but these are not to blame for what has happened. The Janus-faced and uncommitting nature of the Argentine government are the reasons for the uncertainty, instability, and consequent disasters that occur decade through decade.

## **Chapter 4:**

### **Conclusions**

Without a doubt, dependency theory was an ambitious attempt to explain the flaws of the global capitalist economic system at the time of the 1960s and 1970s. To go straight to the point, the theory fails to explain Argentina's economic experience. In this thesis, I have set out to determine the theory's explanatory capacity to explain the evolution of Argentine history. The truth is that it cannot accomplish much. Yes, there are points in earlier Argentine history where dependency theory makes good points, especially on the nature of power relations between countries. But the reality is that the world economy has drastically changed over time, and dependency theory's biggest drawback is its lack of flexibility, so focused on the imperialistic pressures from the core onto the periphery that it cannot accommodate for the increased importance of the periphery and of international capital.

As my quantitative analysis shows, indeed there seems to be quite clear correlations between measures of trade and capital dependency. However, my results show very weak evidence that the measures had any real impact on the economic development of Argentina as argued by dependency theory. My qualitative analysis, where I traced Argentine economic history from the start of the 20<sup>th</sup> Century to contemporary times, begins with some insights that there could be some validity to dependency theory's claims. However, from the 1960s onward, I find little to no evidence that Argentina's relationship with the global economic center heavily impacted the national economy and development.

So what would explain Argentina's failures? Clearly, an early lack of success in terms of heavy industrialization had consequences for the country's future development. Still, there are many countries that were less industrialized than Argentina at the time which managed to

develop at much greater rates. As I mentioned in the previous chapter, Argentina's woes seem to generally be self-inflicted. Politically, the country has been a continuous mess, juggling military coups and populist regimes. Economic mismanagement, both in fiscal and monetary terms as well as the maintained decision to industrialize via ISI, has been catastrophic. ISI had some successes very early on, but ultimately did not prosper, especially when compared to countries that adopted export-oriented growth. Argentina also quickly became an unattractive country for business, where nationalization was and still is relatively common, and where the government has a history of imposing price and exchange controls. The state was also, in a sense, restricted and pressured by countless Peronist labor groups and movements, which, to be fair to them, continuously fought for higher wages as these became decimated by hyperinflation. Finally, apart from politics, my opinion is that Argentina's current greatest issue is its lack of monetary stability, which of course has a myriad of causes and an even greater amount of consequences.

Like Kaufman, Chernotsky, and Geller's work, mine has provided relatively little socio-cultural context. However, I did provide significant attention to the political situations of Argentina, as these are quite more visible and comprehensible. Ultimately, I attempted to piece together as complete a picture as possible in this limited space regarding Argentina's economic development.

On the issue of dependency theory, while my findings do not necessarily mean that there is no national context where the theory might succeed, it is clear that it has significant issues. My thesis, however, demonstrated a case of grand economic failure that dependency theory still could not explain properly. Some basic/key concepts of the theory are certainly interesting or worth keeping in consideration. But times have changed drastically, and the theory's dichotomy of center/core and periphery was already problematic. World-systems theory develops this better



with the concept of semi-periphery, but as I noted in my previous segment, these categories fail to consider, in my view, the growing influence and dominance of international capital on all nations of the world. Likely, if the dichotomy were stripped away and other issues resolved, there might be something worthwhile to the theory. I appreciate dependency theory's ambition to explain the world economy as it tries to do, but, at least with the Argentine case as an example, the theory has little real explanatory power of economic development.

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## Appendix A

## Data Sources for Regression Analysis

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