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### **Professor Basualdo's Peronism\***

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#### **Abstract**

In this article I present a critique of a recent interpretation of Argentina's experience with Peronism in the 1940s and '50s, and especially of the relation between Peronism and foreign capital and industrial capital more generally. I explain that this interpretation is based on dubious data that are contradicted by the other available data.

#### **Resumen**

En este trabajo se presenta una crítica de una interpretación recientemente planteada sobre los primeros gobiernos peronistas, y específicamente sobre su relación con el capital extranjero y el capital industrial en su conjunto. Se explica que dicha interpretación depende de datos dudosos que no están de acuerdo con los otros datos disponibles.

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The study of Argentina's economic history is greatly complicated by a lack of reliable empirical data. It is no wonder, therefore, that the phrase *información oficial* is often met with an unquestioning sigh of relief. If it is produced by the government, it is assumed, it must have some basis in fact. In these notes I will give an example of how this assumption can lead even the most able researcher to false conclusions.

### **Peronism and the 'Popular Alliance'**

The case in hand is a recent work of Eduardo Basualdo (2005) on the economic failures and successes of the Peronist governments of 1946-1955<sup>1</sup>. Basualdo's interpretation of this period belongs to the strain of Argentina's historiography that sees Peronism as a 'Popular Alliance' between the working class and the industrial bourgeoisie, united against the landowning oligarchy (e.g. Di Tella 1965: 419-24; Murmis & Portantiero 2006; Peralta Ramos 1972: 104-22). As Basualdo (2005: 136) puts it:

We are discussing ... an alliance that was possible because the working class had constituted itself as a political and social subject that confronted oligarchic power whilst trying to model a new type of state from which, in turn, it promoted the formation of a national bourgeoisie based on a dynamic that was compatible with a greater participation of workers in the distribution of income. (my translation)

There is, however, a basic problem with this interpretation: its proponents have until now produced very little empirical evidence to support the existence of such an alliance. Indeed, several studies of industrial organisations in the 1940s suggest that Argentinean industrialists offered Perón little support (Kenworthy 1972; Lindenboim 1976; Mainwaring 1986; Horowitz 1990).

In this context, Basualdo's recent contribution is particularly interesting because he presents data that appear to demonstrate that industrialists experienced a 'golden age' of high profits during the first years of the Peronist regime, and that profitability remained exceptionally high even as Argentina's general economic situation deteriorated (Basualdo 2005: 148). This is significant because it seems to show the material basis for a 'Popular Alliance' between capital and labour: if industrialists were receiving exceptionally high profits then we can expect them to have supported Perón.

Basualdo's evidence comes from a dataset published by the Subsecretary for External Investments (henceforth, simply the 'Subsecretary'), a small government body created by Argentina's last military dictatorship as part of its attempt to attract foreign capital. Shortly after its creation, the Subsecretary published an annex to the Ministry of Economy's weekly bulletin, in which it combined a eulogy to foreign investment with several tables detailing the quantities and patterns of foreign

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<sup>1</sup> The article is replicated in a slightly shortened version in a more recent book (Basualdo 2006: 25-53). Here I will refer to the earlier version as it is freely available on-line at [www.cendes-ucv.edu.ve/pdfs/Basualdo%20113-151.pdf](http://www.cendes-ucv.edu.ve/pdfs/Basualdo%20113-151.pdf).

investment in Argentina between 1976 and 1979. It also included a table with data that covered the much longer period of 1912 to August 1976, including series for the inflows, outflows and profits of foreign capital. The figures in this table form the basis for Basualdo's analysis of the political economy of Peronism<sup>2</sup>.

We should begin by noting that the origin of the data is quite unclear as the Subsecretary did not publish any methodological notes or explain its sources. Basualdo (2005: 138) seems to imply that the source is a registry of foreign investments established in 1912. However, Argentina's first registry of foreign investments was only established in 1953, so it seems unlikely that this is the case (Cisneros & Escudé: 2000 vol. 11, ch. 52).

The uncertainty about the origins of the data notwithstanding, Basualdo uses it to make some bold claims about the Peronist era. As he puts it:

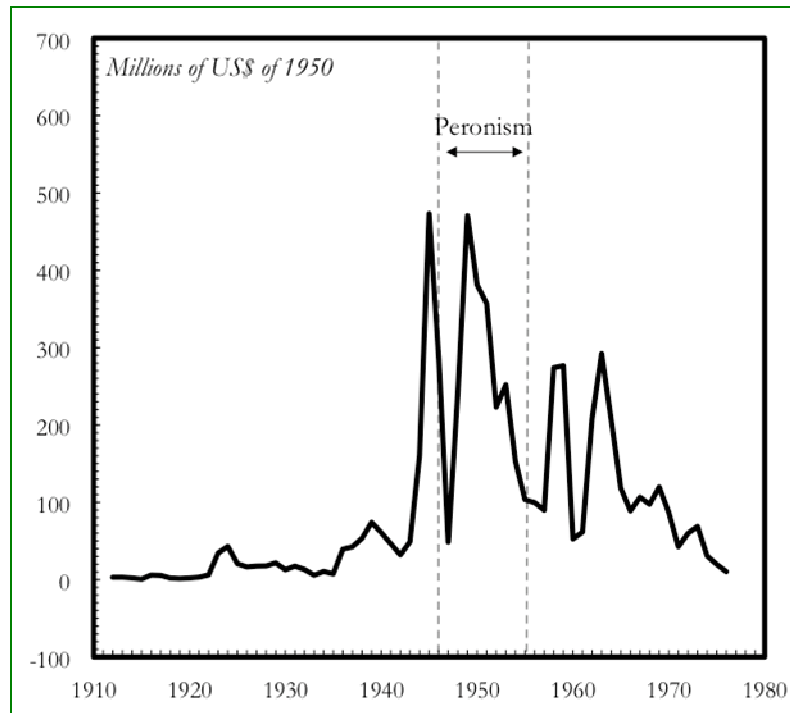
The results obtained do not cease to be surprising, since the foreign capital inserted in the country as foreign direct investment -the typical form adopted by industrial subsidiaries- received in the Peronist years the highest level of total profits, not only between 1940 and 1975 but from the beginning of the registries, that is, from the first decades of the twentieth century (1912). Indeed, on comparing the average of the total profits received by this type of foreign firm between 1946 and 1953 with the other boom period of 1958 to 1964 ... one finds that the profits obtained during the Peronist era are 27 percent greater (520 against 409 million constant 1975 U.S. dollars). Although the highest levels of profits were achieved between 1946 and 1949 (Peronism's years of greatest economic bonanza and best external conditions), it is striking that they continued to be way above the average until 1953, that is, during the most difficult period from the point of view of the economy and the balance of payments. (Basualdo 2005: 137-8, my translation)

In figure 1 we can see the numbers that form the basis for this statement. According to the Subsecretary's data, it does indeed appear that foreign capital received very high profits during the Peronist era. This is surprising for two reasons: firstly, it is generally assumed that foreign capital was not a major beneficiary of the Peronist regime; and secondly, it is generally reckoned that the stock of foreign investment decreased substantially during this period (CEPAL 1958: 263-7). It would seem, therefore, that if the Subsecretary's numbers are correct, a substantially reduced quantity of foreign investment received a vastly increased amount of profit between 1946 and 1955.

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<sup>2</sup> Basualdo (2005: 139, figure 3) lists his source as being the November 1976 edition of the Ministry of Economy's weekly bulletin. The correct date is actually the 5<sup>th</sup> of November 1979 (see Secretaría de Estado de Programación y Coordinación Económica 1979). The figures were previously published by Azpiazu (1985: 46) and are available on-line at [www.joefrancis.info/academic.html](http://www.joefrancis.info/academic.html). All the other data used in this note are available upon request.

**Figure 1: A Peronist Boom in Profits?**



Note: The figure shows the Subsecretary's series of the profits of foreign capital in Argentina.  
Source: Profits from Secretaría de Estado de Programación y Coordinación Económica (1979: anexo, 11-2); U.S. producers' price index calculated from Ferreres (2005: table 1.4.2).

So how does Basualdo explain these exceptionally high levels of profits? In short, he argues that they were the result of Perón's attempts to promote the interests of Argentine industrialists. As he puts it:

The economic policy of Peronism did not have as one of its fundamental objectives the promotion of foreign capital (...) but rather to strongly consolidate the national bourgeoisie (...) Bearing this assumption in mind, we can see that the quantity of profits and rate of return displayed by foreign capital does not indicate an exception but rather a generalised situation of industrial profitability... (Basualdo 2005: 141-2, my translation)

Thus, Basualdo implies that industrial capital as a whole experienced a 'golden age' of profitability during the Peronist era, and that the high profits received by foreign capital were just a symptom of the high profits of all industrialists. Here, then, he seems to have found the empirical basis for the 'Popular Alliance' between industrial capital and labour.

The Subsecretary's data are, however, the *only* evidence that Basualdo presents to support this claim. In the remainder of this note I will make some comparisons that appear to cast doubt on the veracity of this *información oficial*.

## **Comparison No.1: The Operating Surplus of Manufacturing**

A first comparison can be made with the 'operating surplus' column of Argentina's national accounts. As the United Nations System of National Accounts puts it:

Operating surplus (...) is a measure of the surplus accruing from processes of production before deducting any explicit or implicit interest charges, rents or other property incomes payable on the financial assets, land or other tangible non-produced assets required to carry on the production. (1993: part 7.82)

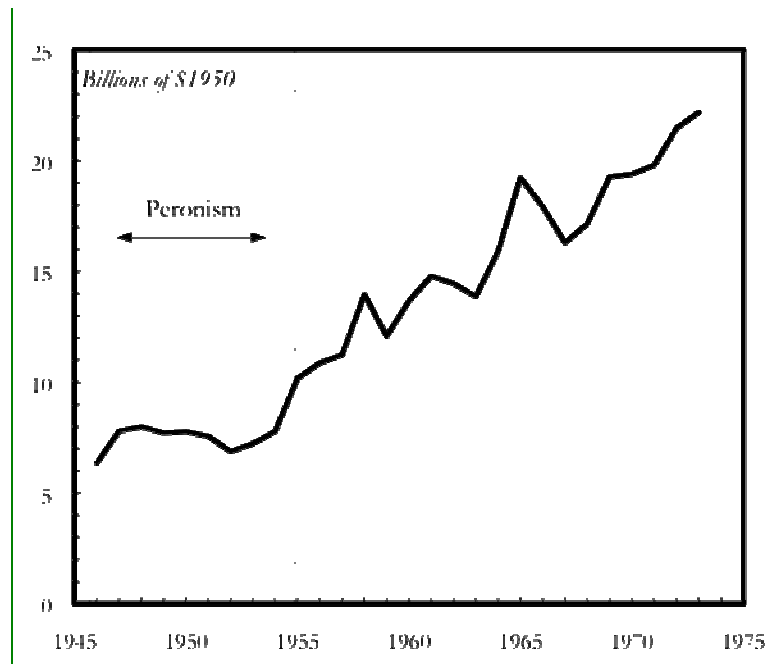
The formula for calculating the total operating surplus is total value added minus indirect taxes and subsidies and the compensation of employees. This is frequently used as a proxy measure for 'capital income', that is, the sum of all profits and interest accruing. The U.S. national accounts can be used to test the validity of this proxy. Thus, between 1960 and 2006 there is a correlation coefficient of 0.85 between the annual rates of variation of the operating surplus and of capital income in the United States (both measured as percentages of gross domestic income)<sup>3</sup>. This correlation suggests that although the operating surplus is not a perfect proxy for capital income, it is sufficiently close to estimate its evolution over time.

In figure 2 I have estimated the operating surplus of manufacturing in Argentina during the period of 1946 to 1973, basing my calculations on two sources that are generally regarded as being of good quality. We can see that during the Peronist era manufacturing's operating surplus was relatively low and stationary. Only in 1955, the year in which Perón fled Argentina, did it begin to rise rapidly, until it reached three times the Peronist levels in the early 1970s. This pattern is virtually the opposite of that suggested by the Subsecretary's data. It would, therefore, be worth making some other comparisons.

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<sup>3</sup> The operating surplus and capital income are calculated from Table 1.11 of the Bureau of Economic Analysis' online National Income and Product Accounts ([www.bea.gov](http://www.bea.gov)).

**Figure 2: The Operating Surplus of Manufacturing**



Note: The data for 1946-1949 have been calculated by using the annual rates of change from the CEPAL series to extend the BCRA series back four years.

Source: 1946-49 data from CEPAL (1958: 196, table 8); 1950-73 data from Banco Central de la República Argentina (1975: 56-7, table 4); wholesale price index calculated from Ferreres (2005: table 1.4.2).

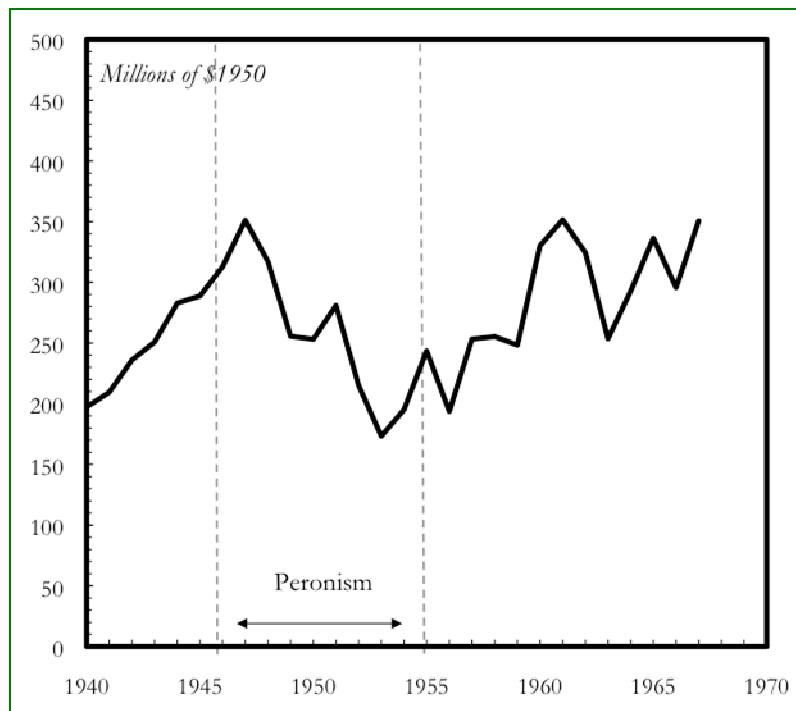
### **Comparison No.2: Arnaudo's Data on 58 Manufacturing Corporations**

In 1973 Aldo Arnaudo published the aggregated balances of 58 manufacturing corporations for the period 1940 to 1967. These series are not without their problems: representativeness most notably, but also questions related to the effects of inflation on the values of balances with different closing dates. Nevertheless, the series do have their uses, as Arnaudo (1973: 3) explains:

The reader will have to draw his own conclusions with respect to the particular problem that interests him... The advantage of the elaborated series is, without doubt, that of covering such a large period relative to the existing statistics on this theme in our country. This is the only justification for their publication.

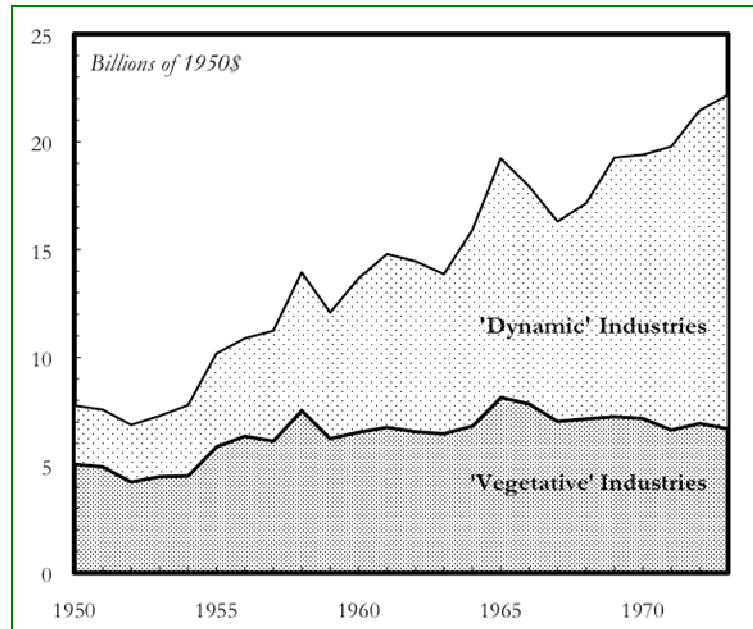
In figure 3 we can see the total deflated profits of the 58 corporations from Arnaudo's sample. We can see that from 1940 to 1947 the total profits were rising but then fell consistently, only rising again from 1954 onwards and attaining their earlier levels in the 1960s. This pattern suggests that the profits of these corporations *were* high in the early years of the Peronist government but then fell rapidly thereafter.

**Figure 3: The Profits of Arnaudo's 58 Corporations**



Source: Profits from Arnaudo (1973: 16, table 4); wholesale price index calculated from Ferreres (2005: table 1.4.2).

**Figure 4: Manufacturing's Operating Surplus Disaggregated**



Note: The figure shows the whole of manufacturing's operating surplus. The darker portion is that pertaining to the 'vegetative' industries (food, drink and tobacco; textiles, clothing and leather; wood products; paper, printing and publishing; cement, glass and stone) and the lighter portion that pertaining to the 'dynamic' industries (petrochemicals; metals, machinery and equipment; other manufacturing).

Source: Operating surplus calculated from Banco Central de la República Argentina (1975: 128-31, 167-71 & 176-9, tables 39, 49 & 52); wholesale price index calculated from Ferreres 2005: table 1.4.2).

On first glance this pattern seems to contradict that of the operating surplus of manufacturing in figure 2. There is, nevertheless, a good reason for this divergence: two thirds of Arnaudo's sample consists of companies from the so-called 'vegetative industries', that is, the industrial sectors that stagnated in relative terms from the early 1950s onwards (Arnaudo 1973: 27). In Figure 4, I have disaggregated the Central Bank's figures for the operating surplus of manufacturing for the period 1950 to 1973, in order to illustrate the divergence between the vegetative and dynamic industries. We can see that from the mid-1950s onwards, the dynamic sectors claim an ever-increasing share of manufacturing's operating surplus, while the operating surplus of the 'vegetative' sectors of manufacturing hardly increases over the same period. This would seem to support the trend shown in Arnaudo's sample.

### **Comparison No.3: The Profits of U.S. Foreign Direct Investment**

From the late 1950s onwards, the 'dynamic' industries were associated with foreign investment and the increasing prominence of foreign capital. Thus, according to the figures of Fabricaciones Militares (1965), between 1958 and June 1964, there were 132 million U.S. dollars of direct foreign investment in Argentina, with 85 percent pertaining to the 'dynamic' industries. Over 50 percent of the total came from the United States (Martorelli 1969: 107).

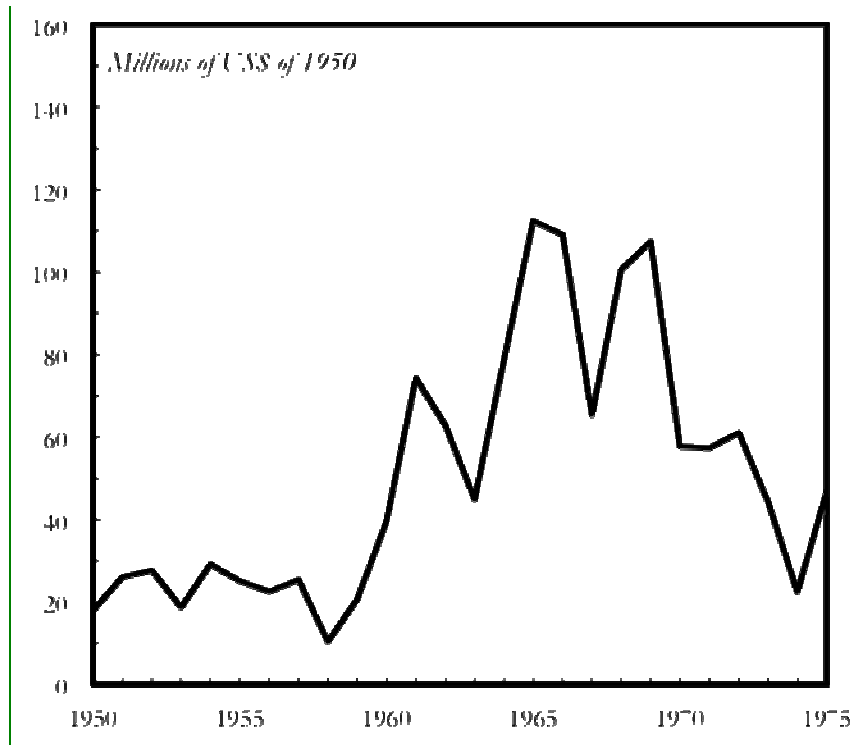
There are relatively reliable data on U.S. direct investment that allow us to analyse the profitability of U.S. business in Argentina. Since 1951 the U.S. Department of Commerce (henceforth, 'DoC') has conducted an annual survey of U.S. companies with foreign affiliates, publishing the results in the *Survey of Current Business*. These estimates are based on a mandatory survey of major U.S. corporations. The results are then adjusted to account for the foreign investments of smaller corporations.

In figure 5 we can see the DoC's data on the profits of U.S. business in Argentina, deflated into constant 1950 dollars. Once again, in the Peronist period covered by the series (1950 to 1955) profits appear to be relatively low, casting further doubt on the Subsecretary's data. After the passing of a new foreign investments law in 1958, the profits of U.S. subsidiaries rise rapidly, reaching their peak in the second half of the 1960s. They then fall back to near their Peronist levels in the mid-1970s. Apart from the final fall, this trend seems to support the general pattern of the dynamic industries in Figure 4: relatively low profits in the Peronist era that increase rapidly thereafter.

The DoC's data can also be used to test Basualdo's affirmation that in the early 1950s the profitability of foreign capital continued to be "notably high in historical and international terms" (Basualdo 2005: 148).



Figure 5: The Profits of U.S. direct investment in Argentina



Source: Profits from *Survey of Current Business* (various years); U.S. producers' price index calculated from Ferreres (2005: table 1.4.2.).

In table 1 there are some comparisons between the profitability of U.S. direct investments in Argentina and several world regions in two periods: 1950-53 and 1965-68. As we can see, for U.S. capital, this part of the Peronist era was hardly a 'golden age'; indeed, the profitability of U.S. direct investment in Argentina was well below the world average. In the later period, by contrast, Argentina's profitability had risen to just above the world average – further evidence that the Subsecretary's data should be treated with caution.

**Table 1: Profitability of U.S. FDI in Argentina in Historical and International Terms**

	1950-53			1965-68		
	(1) FDI	(2) Earnings	(2)/(1)	(1) FDI	(2) Earnings	(2)/(1)
<b>World</b>	<b>13,996</b>	<b>2,121</b>	<b>15.2%</b>	<b>57,123</b>	<b>6,052</b>	<b>10.6%</b>
Africa	463	103	22.3%	2,236	471	21.1%
Europe	2,053	295	14.4%	16,877	1,211	7.2%
Latin America	5,426	789	14.5%	11,854	1,439	12.1%
<b>Argentina</b>	<b>380</b>	<b>24</b>	<b>6.4%</b>	<b>1,063</b>	<b>117</b>	<b>11.0%</b>

Note: The numbers show the average annual value in millions of U.S. dollars.

Source: *Survey of Current Business*, various years.

#### **Comparison No. 4: The Subsecretary's Data and the Growth Rate**

The final comparison to be made is between the Subsecretary's data and the growth rate. First it should be explained that from the early 1950s until the late 1960s Argentina experienced a series of cycles of growth followed by depression that, as in other parts of the world, were known as 'Stop and Go'. Argentinean academia has been blessed with an unusually rich literature on this subject, with the works of Ferrer (1963), Braun and Joy (1969), and O'Donnell (1977) being particularly notable. The general consensus is that the 'Stop' phases of depression benefited the landowning oligarchy while the 'Go' phases benefited the industrial bourgeoisie, including the big foreign corporations. In Basualdo's work, for example, we find the following statement:

Considering as our point of departure (...) the ascendant phase [of the cycle], the level of activity of the internal economy began to reactivate in a situation of availability of [international] reserves and significant idle [industrial] capacity...

During this phase, it is feasible to assume that there was an improvement not only of the situation of the wage earners, but also of all the business fractions involved in industrial production. *Of course, the situation of the foreign firms improved...* (Basualdo 2006: 98, my translation, emphasis added)

Yet this assumption appears to be contradicted by the Subsecretary's data on the profits of foreign capital in Argentina. As we can see in figure 6, according to the Subsecretary's data, in 1945, 1949, 1959 and 1963 there were depressions that coincided with peaks in the profits of foreign capital. We are left, then, with a puzzle: either there is a problem with the Subsecretary's data, or there is something wrong with the entire historiography of Argentina's experience of 'Stop and Go'.

#### **Conclusions**

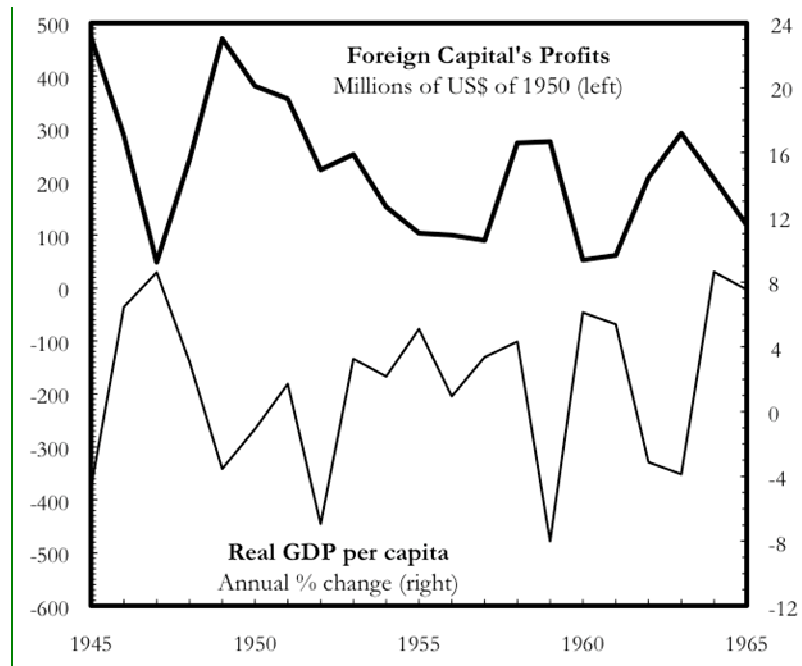
In these notes we have seen how the phrase *información oficial* can lead even the most capable researcher to make basic errors. The error in question was to take the veracity of a dataset on faith, without inquiring into its origins or methodology, or comparing it to other series.

It is of course true that the study of Argentina's political economy is hampered by a lack of empirical data. Nevertheless, the scarce data that are available suggest that there is a problem with the Subsecretary's dataset. It cannot, therefore, be taken as empirical evidence of the existence of a 'Popular Alliance' between industrial capital and labour during the Peronist era.

The other data suggest that for some of the corporations of the 'vegetative' sectors, the early Peronist years were indeed a period of relatively high profits. However, this period was brief and profits

then stagnated until the year of Perón's fall, after which a whole new batch of corporations of the 'dynamic' industries experienced a boom in profits that lasted until at least the early 1970s. Notably, however, the profits of U.S. business in Argentina appear to have collapsed around 1970.

**Figure 6: Profitable Depressions?**



Source: For profits see figure 1. The growth rate is from Ferreres (2005: table 3.4) and are based on figures in Geary-Khamis U.S. dollars at purchasing power parity.

A more thorough analysis of the relationship between business and Peronism would require the reconstruction of the financial histories of a fairly wide selection of firms in the 1940s and '50s, which would then give us a more detailed understanding of how capital fared under the Peronist regime. That, however, is an agenda for future research. For now we can conclude that *información oficial* does not always translate as valid data.

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