

**POLITICAL STABILITY AND STRUCTURAL DEPENDENCY
IN ARGENTINA AND CANADA:
A COMPARATIVE STUDY IN WELFARE STATE DEVELOPMENT, 1930-1970**

by

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Abstract

This thesis sought to answer the question, Why did the Argentine Welfare State not develop in a continuous and consistent manner? The research compared Argentina to Canada in their formative decades prior to 1930 when these two countries were on a similar path to development, and between 1930 and 1970, when the two countries appeared to follow radically divergent paths, with Argentina going into what Carlos Waisman has termed a Reversal of Development. The comparison looked at the role two variables (political stability and structural dependency) played in fostering an environment of state-driven economic development consistent with a stable developed Welfare State. This research argues that a high degree of political instability that marked Argentina after 1930, as well as a relatively higher (than Canada) level of structural dependency in that same period, led to an unstable environment of economic development and an unfulfilled Welfare State.

The first chapter looks at the relationship the thesis tries to develop between political stability and structural dependency as independent variables, and Welfare State development (within the larger environment of state-driven economic development) as the dependent variable. This chapter also introduces some of the models, or approaches, that will be used to help establish this relationship. Lands of Recent Settlement, political stability (i.e. labour relations, the military etc.), and structural dependency are some of the models and approaches that will be drawn upon.

The second chapter compares Argentina and Canada in the formative decades prior to 1930. Many parallels are drawn between these two countries which were both on the doorstep of economic take-off into industrial development. This chapter also highlights a couple of unique differences between the two countries, differences which could be seen as catalysts to the divergence between the two countries after 1930. The political exclusion of labour (and the

middle-classes, at least to 1916) was relatively more extreme than in Canada. The second difference is the more active role of the Canadian state in economic development compared to Argentina,

The third chapter looks at the two countries after 1930 when they pursued more radically divergent paths to development, or underdevelopment in the case of Argentina. This chapter looks at the political environment of the two countries, highlighting the much more conflictual nature of the Argentine polity as compared to the more stable cooperative Canadian polity. The effects of trade and investment in the two countries, by Britain and the U.S., is also discussed, highlighting the more circumscribed Argentine attempts at industrialization. The picture is drawn of Argentina as a much more politically unstable country than Canada, with less control over its path to economic development.

The fourth chapter looks at the actual evolution of the Welfare State in each country, and how this reflected upon the politico-economic environment in each country at the time. The comparison that is drawn is of an Argentine Welfare State that did not develop, taking two steps forward and then two steps back, whereas the Canadian Welfare State slowly progressed, albeit in spurts, to a level of development far greater than that in Argentina.

The conclusion argues that this thesis has shown that it was a level of accommodation and consensus in the Canadian polity, especially with regards to the established tradition of state activism in Canadian economic development, that contributed greatly to the formation of a stable developed Welfare State. Because Argentina lacked accommodation between major actors, and did not establish an active state role in the economic development of the country, leaving it to foreign interests, it could not establish the conditions necessary for a stable Welfare State to develop. Areas for future research include Argentina and Canada's economic, social, and political position today. Does Argentina's current politico-economic environment reflect a conscious move to address the difficulties of the past environment? Is Canada going through a

crisis of consensus which will jeopardize economic development directed from within, and consequently the Canadian welfare state?

DEDICATION

For Mom, Dad, and I,

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This work was a collective undertaking dependent upon the assistance of many people. The author would like to express his deepest gratitude to Professors Alberto Ciria and Paddy Smith for their encouragement and unfailingly helpful feedback and contribution to this thesis. I would also like to thank the faculty and staff of the Political Science Department

Last but not least, an unpayable debt of gratitude is owed to my family and friends who never stopped believing that I could actually complete it.

Name	Period	Mode of Accession to Office
Bartolomé Mitre	1862-68	military victory
Domingo F. Sarmiento	1868-74	election
Nicolás Avellaneda	1874-80	election
Julio A. Roca	1880-86	election
Miguel Juárez Celman	1886-90	election
Carlos Pellegrini (v.p.)	1890-92	president resigned
Luis Sáenz Pena	1892-95	election
José E. Uriburu (v.p.)	1895-98	president resigned
Julio A. Roca	1898-1904	election
Manuel Quintana	1904-06	election
José Figueroa Alcorta	1906-10	president died
Roque Sáenz Pena	1910-14	election
Victorino de la Plaza (v.p.)	1914-16	president died
Hipólito Yrigoyen	1916-22	election
Marcelo T. de Alvear	1922-28	election
Hipólito Yrigoyen	1928-30	election
José F. Uriburu	1930-32	military revolt
Agustín P. Justo	1932-38	election
Roberto M. Ortiz	1938-40	election
Ramón S. Castillo (v.p.)	1940-43	president delegated authority
Arturo J. Rawson	1943	military revolt
Pedro Pablo Ramírez	1943-44	coup d'etat
Edelmiro J. Farrell	1944-46	coup d'etat
Juan D. Perón	1946-55	election
Eduardo Lonardi	1955	military revolt
Pedro P. Aramburu	1955-58	coup d'etat
Arturo Frondizi	1958-62	election
José M. Guido	1962-63	coup d'etat
Arturo Illia	1963-66	election
Juan Carlos Onganía	1966-70	military revolt
Roberto Marcelo Levingston	1970-71	coup d'etat
Alejandro A. Lanusse	1971-73	coup d'etat
Héctor J. Cámpora	1973	election
Juan D. Perón	1973-74	election
Isabel Perón	1974-76	president died
Jorge Rafael Videla	1976-1981	military coup
Roberto Eduardo Viola	1981	military election
Leopoldo Fortunato Galtieri	1981-1982	internal military coup
Reynaldo Bignone	1982-1983	military coup
Raúl Alfonsín	1983-1989	election
Carlos Menem	1989-	election(s)

Source: Alberto Ciria, *Parties and Power in Modern Argentina* p. xiv

Name	Period	Mode of Accession to Office
John A, MacDonald ©	1867-73	election (1st held/Confed.)
Alexander MacKenzie (L)	1873-1878	election
John A. MacDonald ©	1878-1891	election(s)
John Abbott ©	1891-92	p.m. died
John Thompson ©	1892-94	p.m. resigned
MacKenzie Bowell ©	1894-96	p.m. died
Charles Tupper ©	1896	p.m. resigned
Wilfrid Laurier (L)	1896-1911	election(s)
Robert Borden ©	1911-20	election(s)
Arthur Meighen ©	1920-21	p.m. resigned
Wm. Mackenzie King (L)	1921-26	election
Arthur Meighen ©	1926	Byng-King affair*
Wm. Mackenzie King (L)	1926-1930	election
R.B. Bennett ©	1930-35	election
Wm. Mackenzie King (L)	1935-48	election(s)
Louis St. Laurent (L)	1948-57	p.m resigned/election(s)
John Diefenbaker ©	1957-63	election(s)
Lester B. Pearson (L)	1963-68	election(s)
Pierre Trudeau (L)	1968-79	p.m. resigned/election(s)
Joe Clark ©	1979-80	election
Pierre Trudeau (L)	1980-84	election
John Turner (L)	1984	p.m. resigned
Brian Mulroney	1984-1993	election(s)*
Kim Campbell	1993	p.m. resigned
Jean Chrétien	1993-	election

Source: Gordon Donaldson, Sixteen Men: The Prime Ministers of Canada, (Toronto: 1980)

TABLE OF CONTENTS

CHAPTER 1: ARGENTINA AND CANADA - THE BASIS FOR COMPARISON	6
Political Stability	7
External Dependency	8
DRAWING EARLY PARALLELS - POISED FOR TAKEOFF	9
Staple Theory and Lands of Recent Settlement	11
Preconditions to the <u>Reversal of Development</u>	12
POST 1930 - ARGENTINA AND CANADA DIVERGE	15
<u>Modernization and the Working Class</u>	15
<u>The Founding of New Societies</u>	16
Structural Dependency (Prebisch et. al.)	19
WELFARE STATE EVOLUTION IN ARGENTINA AND CANADA	22
Canadian Welfare State	24
Argentine Welfare State	25
CHAPTER 2: PARALLELS TO 1930 -	
EARLY POLITICO-ECONOMIC DEVELOPMENT	26
THE PATH TO ECONOMIC DEVELOPMENT:	
OF STAPLES AND TARIFFS	29
Primary Production	31
Secondary Production	39
Infrastructure	44
Government Policy/Direction vis-à-vis Economic Development	45
Socio-Political Dysfunction - the Roots of Divergence	47
PRECONDITIONS OF EXTERNAL DEPENDENCY AND	
POLITICAL STABILITY	50
Foreign Investment/Ownership	51
Argentine Industrialization	54
Canadian Industrialization	58
Patterns of Immigration and Settlement	61
Argentina - Renters	61
Canada - Owners and Cooperative Community	62
Responses to Immigration	64
Argentine Exclusion of Immigration	64
Canadian Inclusion of Agrarian Immigration	65
CHAPTER 3: DIVERGENT DIRECTIONS SINCE 1930 -	
RESPONSES TO POLITICO-ECONOMIC STIMULI	67
Why 1930 as a Break Point?	67
EXTERNAL DEPENDENCY	70
Differences in Trade & Direct Investment	72
Argentine Trade/Investment Triangle	74
Canadian Trade/Investment Triangle	80
National Directions in Economic Development	85
Argentina - Import Substitution Industrialization vs.	
Laissez-Faire	85
Canada - Advanced Resource Capitalism and	

The National Policy	89
POLITICAL STABILITY	93
Inclusion/Exclusion and Co-optation - Roots of Labour Unrest	96
Political Stability and Welfare State Evolution	105
CHAPTER 4: WELFARE STATE EVOLUTION COMPARED	107
CANADIAN WELFARE STATE: THE "COMMON SENSE" HYBRID SOLUTION	108
The Environment of State Activism: The National Policies	111
Old Age Pensions - Welfare State Initiatives in the Pre-Keynesian Era	115
Unemployment Insurance - Rowell-Sirois, Federalism, et. al.	117
Universal Health Insurance - Provincial Experiments	122
Regional/ Economic Development (1960s)	124
Roots of the Canadian Welfare State Environment	127
ARGENTINE WELFARE STATE: THE LACK OF CONSENSUS/ SOLUTION	130
Changing Economics in a Fragmented Society: Argentina's Welfare State Environment	131
SHIFTING PRIORITIES: RULING COALITIONS/ CHANGING HEGEMONS	132
THE FRAGMENTATION OF GROUPS AND THE MILITARY AS A POLITICAL ACTOR	134
Periods of the Argentine Welfare State	138
(TO 1930): OLIGARCHY OF THE LANDED ELITE	138
(1930-1943): THE OLIGARCHY AND THE MILITARY	141
(1943-1952): PERON AND THE POPULAR SECTOR	143
(1952-1966): CRISIS OF HEGEMONIC PROPORTIONS	147
(1966-1973): BUREAUCRATIC AUTHORITARIANISM	152
Roots of the Argentine Welfare State Environment	153
CANADA AND ARGENTINA COMPARED: THE WELFARE STATE ENVIRONMENT AS A PRODUCT	156
CHAPTER 5: CONCLUSIONS TO CONSIDER	160
APPENDIX	170

TABLES

1.1 Private Consumption and Gross Domestic Investment	21
2.1 Population /Growth Rate /Density	26
2.2 Distribution of Labor Force and Share of Gross Domestic Product	30
3.1 Trade as a % of Gross National Product	74
3.2 Canadian Exports/Imports	81
3.3 Per Capita Energy Consumption/Petroleum Production	85
3.4 Quantitative Data on Political Instability: Canada	96
3.5 Quantitative Data on Political Instability: Argentina	96
A.1 Income Distribution	170
A.2 Government Spending as a % of GDP: Canada	170
A.3 General Government Expenditures (%GDP): Argentina/Canada	170

1 : ARGENTINA AND CANADA - THE BASIS FOR COMPARISON

Why has Argentina undergone what Carlos Waisman refers to as a "Reversal of Development"? Why is Canada now regularly recognized as having one of the highest standards of living in the world? Prior to 1930, both countries were on a similar path to development. Argentina was believed to have at least as promising a future as the likes of Canada, Australia, and the other Lands of Recent Settlement. What then was it that caused Argentina to go into a "Reversal of Development" after 1930? Why did Canada not go into this reversal?

Welfare State development is the index that we shall use to measure Argentina and Canada by. Why have we chosen Welfare State development as the index? Many of the countries that are referred to as developed possess Welfare States (in varying degrees) that have evolved over time. Most of these Welfare States, such as those in Western Europe and North America, came about as a response to the effects of the Great Depression in the 1930s and the hyperinflation that plagued Europe in the 1920s.

Canada developed a Welfare State that was comparable to many other developed countries, more comprehensive than the United States, but less developed than many European countries. Argentina did not succeed in creating a sustainable enduring Welfare State, even though its economic position prior to 1930 would have made it a candidate to become a developed country. As we shall see, economic indicators place Argentina in the same field as other Lands of Recent Settlement, such as Canada and Australia.¹

¹Lands of Recent Settlement is a term used to refer to countries that were colonized and settled relatively recently (within the past 250 years). Most of the existing aboriginal population was wiped out at the time of settlement. These

It is the argument of this thesis that the contrasting evolution of the Welfare State in Canada and Argentina reflects the political and economic environment in each country. The two variables we will look at in evaluating this argument will be political stability/instability and external dependency (trade dependency and dependency based on foreign ownership/control of the means of production). Why have these two variables been chosen?

Differences with regards to political stability in the two countries, as well as different responses, or reactions, to external dependency present us with insights as to why the Welfare State in each country has followed a different path. While these two factors are by no means the only variables in explaining Welfare State evolution, they are the two that we will focus upon.

What are these two variables and what is their relationship to Welfare State development?

Political Stability

Political stability/instability is the degree of continuity and common goals within the political environment.

- What is the level of co-operation or conflict between the various groups within the larger community?
- How many of these groups are included in the political process? In other words, how open is the political process to different groups within society?
- Is there a continuous, stable, and open democratic political process?
- Are elections truly competitive, whereby various groups can be represented within government?
- Is there a realistic opportunity for the transfer of power to different parties representing various groups?
- Is there a smooth transition of power when there is a new government?
- Do governments rule with all groups within society in mind, or do they govern for specific groups to the exclusion of the needs of the other groups in society?

These are all questions which must be considered when evaluating political stability. The successful evolution of the Welfare State in developed countries such as Canada has rested upon

countries possess an abundance of natural resources and their population makeup is predominantly European in origin.

the co-operation of various groups within society. Its growth has cut across political groups. Successive governments have largely respected the importance of having some form of stable Welfare State. This has allowed for its continuity. Political stability, and continuity, in Argentina appears to mirror the stability and continuity of the Welfare State. While this does not necessarily mean that political stability leads to Welfare State stability, there is a relationship between the two.

External Dependency

External Dependency is the degree to which foreign countries and foreign corporate interests influence the economic activities of the host country.

-Does a foreign country have the ability to influence the terms of trade between the two countries?

-Can a foreign country or corporation influence what will be produced within the host country?

-Can a host country develop industry, or direct production to serve the needs of economic growth within the country?

-Do the economic activities which happen within a host country benefit the citizens of that country?

-To what degree can a host country create and implement economic policy which it feels will benefit the economic development of that country?

-Can foreign interests take action, economically or politically, which will have a significant negative impact upon the economic development of a host country? Can this be done arbitrarily?

These are all questions which must be considered when evaluating External Dependency.

The successful evolution of the Welfare State is in large part a result of the host country being able to decide how it will develop economically, to best serve the needs of the population as a whole. It can range from the state having an active hand in the directing of economic development through government economic/trade initiatives and state-run enterprises, to simply fostering an economic climate in which economic development can occur that best serves the needs of the population. Foreign economic control often has a bearing upon the economic groups within the society, groups such as labour, landowners, manufacturers, and the financial-commercial groups. These groups have competing interests with regards to the Welfare State. Therefore, we will attempt to determine

the relationship, if any, that exists between foreign economic control and Welfare State development.

DRAWING EARLY PARALLELS - POISED FOR TAKEOFF

How are we to arrive at these two variables as the basis for our argument? By drawing parallels between Argentina and Canada prior to 1930 we can focus upon political stability and external dependency as factors in the divergence of the two countries after 1930. Carlos Waisman in Reversal of Development, and Melville Watkins in "A Staple Theory of Economic Growth" draw a picture of a country that looks similar to both Argentina and Canada prior to 1930. This type of country has been variously called Land of Recent Settlement, New Country, or Settler Dominion.

These countries had two distinctive characteristics as they began their economic growth: a favourable man/land ratio, and an absence of inhibiting traditions².

Waisman argues that these characteristics have in part led to a stable, albeit limited, democratic political system and an efficient capitalist system.

After 1930 Argentina and Canada diverged as Canada continued to develop and Argentina went into what Carlos Waisman refers to as a reversal of development. Carlos Waisman in Modernization and the Working Class, Louis Hartz's The Founding of New Societies, and Raúl Prebisch's writings on external dependency present us with models to draw comparisons in political stability and external dependency in Argentina and Canada. Arguments in Modernization and the Working Class are the basis on which to build our own arguments around political stability and class conflict. The Founding of New Societies serves to highlight the differences between the

²Melville Watkins, "A Staple Theory of Economic Growth," The Canadian Journal of Economics and Political Science, XXIX (May, 1963), p.143

economic elite in Argentina and Canada, in terms of both political stability and external dependency. Economic development in the face of external dependency is the difference between Argentina and Canada that is raised through Raúl Prebisch's models of external dependency.

The models and theories drawn upon will be the Lands of Recent Settlement, Settler Dominions, and Louis Hartz' Fragment Societies. These models apply to countries like Canada, Australia and, arguably, Argentina. These countries are, relatively speaking, quite new; between 100 years and 200 years approximately. They are outgrowths of European colonies established during the drive towards overseas expansion through imperialism. The dominant population in these countries is generally the same European groups that colonized them. Relative to their mass of usable land and resources, these countries have a small population. Because of their colonial status as a source of raw materials for the home country, many of these New Countries have followed a staples-based pattern of economic development³. Staples are those natural resources on which a New Country, through export trade, bases its early economic growth upon. Finally, these countries have, for the most part, a lack of inhibiting traditions. Inhibiting traditions are seen as the presence of pre-capitalist, or indigenous cultures that would impede the progress of capitalist industrialization.

Why are these models and theories important? Most of these countries, which include Canada, Argentina, Australia, New Zealand, and the United States have become economically developed. Arguably, the three countries most similar in this group are Canada, Australia, and Argentina. It will be argued too, that after 1930, Argentina diverged markedly from the other two.

³Melville Watkins, (1963), p. 144

What these models show is that prior to 1930 Canada and Argentina were following similar paths of development in many regards. Indices, such as the production of natural resources, exports and imports, levels of population relative to usable resources, immigration, income, and the quantity and level of technology utilized in Argentina and Canada were comparable to each other, as well as to other countries in this category, such as Australia and New Zealand. Finally, neither Argentina nor Canada possessed significant aboriginal cultures which could impose traditions which would inhibit economic development, unlike other Latin American countries like Mexico and Brazil. This comparison through the models presented in these sources will allow us to draw parallels and isolate differences between Argentina and Canada.

Staple Theory and Lands of Recent Settlement

The favourable man/land ratio refers to the low population in these New Countries relative to their stock of usable land. The benefit of a low population relates to the lack of demand placed upon the existing resources of a country. Scarce resources are not overtaxed, and there is not a surplus labour force. Carlos Waisman goes further to define the populations of these New Countries as Transplanted Peoples, a situation in which large amounts of European immigrants pushed out or eliminated the small aboriginal population⁴.

Subsequent waves of immigration also play an important role in New Countries. According to Waisman, four characteristics for comparison of immigration in New Countries are raised. First is the ratio of newcomers to the recipient population. This immigration is significant but by no means dominant, relative to the existing population. Second is geographic concentration of the immigrants. In most New Countries the concentration of immigration is in the rural areas of

⁴Carlos H. Waisman, Reversal of Development in Argentina: Postwar Counterrevolutionary Policies and Their Structural Consequences (Princeton, 1987), p. 54.

agricultural production. Third, is the impact immigration has upon the class structure. Finally, the country of origin for immigration is usually similar to the origin of the colonizing population⁵.

In short, immigration was conducted with the objective of alleviating the labour shortages that existed in agricultural production. This immigration would not challenge the dominant economic elite in the New Countries, but would rather form the body of labour so badly needed to fully exploit the production of the staples, along with the linkages of those staples⁶. A substantial portion of the immigrant labour brought in for agricultural production migrated to the cities, often before the cities were capable of supporting these populations (employment, housing, etc.).

Preconditions to the Reversal of Development

The Unión Cívica Radical (UCR) was the political party that had the support of the growing middle classes in Argentina. Until the Sáenz Peña electoral act of 1912 allowed for universal male suffrage and the secret ballot the Radicals had been denied electoral success because of electoral fraud practiced by the oligarchy. After the Sáenz Peña act they won the presidential elections of 1916, 1922, and 1928 before being removed by the military in 1930. Prior to this the landed elite ran Argentina through a highly circumscribed political democracy. After 1930

⁵Carlos Waisman, Reversal of Development, p.55

⁶Watkins refers to three types of linkages that export industries may possess. A linkage refers to increased investment in an industry that is in some way related to the export good, or staple. Watkins, "A Staple Theory", pp. 146-149. In addition to Melville Watkins and Carlos Waisman, W.A. Mackintosh, "Economic Factors in Canadian History" in W.T. Easterbrook and M.H. Watkins (eds.), Approaches to Canadian Economic History (Toronto, 1967) and Robert E. Baldwin, Economic Development and Growth (New York, 1966) are good sources of information around staple theory, economic growth, development, and export trade in lands of recent settlement. See also H.A. Innis, Essays in Canadian Economic History (Toronto, 1956).

Argentina deviated from the New Country pattern and became somewhat more similar to the underdeveloped type characteristic of the rest of Latin America⁷. The Underdevelopment model stands distinct from the New Country model in several aspects. Countries described by this model are usually populated by "witness" peoples, or "new" peoples, rather than "transplanted" peoples. These countries exhibit a plantation-type economy. Often these countries are also lacking a substantial resource base⁸.

The end result of this is that these countries had to deal with cultures that could inhibit the growth and dominance of capitalism. The plantation-type economy is not conducive to the development of a middle class of economic participants, from which entrepreneurship and economic dynamism usually emanate. In addition, this type of production is not labour-intensive, and consequently these countries usually exhibit a surplus of redundant labour. In general these countries have not industrialized, remaining underdeveloped.

Besides immigration, to be dealt with in chapter 2, the other factor important to the success of New Countries are their exports. The export base of these countries is crucial to their economic development; this is the central concept of the Staple theory as stated by Watkins. A Staple is the commodity, or group of commodities, around which the resource dependent economies of recently inhabited lands revolve. An example of a Staple in the Canadian context would be wheat.

The fundamental assumption of the Staple theory is that staple exports are the leading sector of the economy and set the pace for economic growth⁹.

⁷Carlos Waisman, Reversal of Development, pp. 36-37.

⁸Carlos Waisman, Reversal of Development, pp. 47-48.

⁹Melville Watkins, "A Staple Theory", p. 144

This is facilitated by the limited domestic demands placed upon these resources. The small population translates into a small domestic market. These staple exports provide spread effects or linkages into other sectors of the economy. Resources need to be flexible in a staple economy to satisfy the needs and demands of the export market. The capacity to transform requires that the new country possess a resource base sufficiently large to encourage the investment into new export products.

Watkins explains these spread effects upon the economy of the new country in terms of the various linkages that develop.

Inducement to domestic investment resulting from the increased activity of the export sector can be broken down into three linkage effects: backward linkage, forward linkage, and what we shall call final demand linkage¹⁰.

In short, linkages from the export sector mean that other parts of the New Country's economy are stimulated because of the production of the export good. Backward linkages refer to the industrial inputs and infrastructure that will be required to produce and export the good. Forward linkages refer to the value-added industries and services which would use the export good as a factor of production. Final-demand linkages refer to the industries and services required to meet the needs of the domestic population producing the export good.

Watkins also argues that these new countries will face some difficulties because of their export dependency. "Export mentality" and structural deficiencies are the biggest potential problems that staple economies face.

A more real difficulty is that the staple exporters - specifically, those exercising political control - will develop an inhibiting "export mentality", resulting in an overconcentration of resources in the export sector and a reluctance to promote domestic development¹¹.

¹⁰Melville Watkins, "A Staple Theory", p. 145

¹¹Melville Watkins, "A Staple Theory", p. 150

In addition, the high national income of the staple economy does not reflect the structural imbalance in the country. The primary sector dominates to the detriment of a secondary economic sector. Primary exports dependent on international markets and prices dominate¹².

POST 1930 - ARGENTINA AND CANADA DIVERGE

There are limitations to these theories and models which seek to tie countries like Canada and Argentina together. Limitations coming both from within the theories and models, as well as from writers such as Louis Hartz. These writers are looking at societal issues within immigration and the Europeanization of the New Countries. The limitations provide the ground for Chapter 3, which focuses on the divergence of Argentina and Canada after 1930.

Carlos Waisman argues that Argentina goes into a "reversal of development" after 1930. The two key variables in which Argentina and Canada diverge after 1930 are political stability and external dependency. These two variables and the post-1930 time period are the focus of chapter 3.

Modernization and the Working Class

What do the models presented in Modernization and the Working Class have to do with the variable of political stability? How do these variables feed into this model? Waisman's arguments about inclusion, exclusion, and co-optation¹³, when applied to Canada and Argentina, reflect different relationships between economic groups in each society. This is important in understanding how organized labour was integrated into the political system in Argentina and Canada. This in turn is very useful in understanding the levels of political stability in each country, especially after 1930

¹²Melville Watkins, "A Staple Theory", p. 150

¹³Carlos Waisman, Modernization and the Working Class. (Austin, Texas, 1982), pp. 13-15

when labour played a more significant role in the socio-political realm. Inclusion of labour by the political and economic elite in Canada fostered a stable political environment and a good working relationship. A Welfare State acceptable to both groups evolved out of this atmosphere. By contrast, the fluctuation between exclusion and co-optation of labour by the political elite in Argentina fostered a conflictual relationship between the traditional political and economic elite and labour. This atmosphere of conflict fostered an inconsistent Welfare State, unacceptable to either the landed economic elite or labour.

The Founding of New Societies

What does the model presented in Louis Hartz's The Founding of New Societies have to do with the variables of political stability and external dependency? Hartz's discussions of Fragment Societies, when applied to Argentina and Canada, show differences between the economic elites in the two countries. The dominant Fragment in Argentina was pre-capitalist in origin¹⁴. The landed economic elite made their wealth off their ownership of land rather than industrial production. This would result in conflict between these groups and the industrial economic elite arising out of Import Substitution Industrialization (ISI). This produced two effects related to the inability to formulate a consistent plan for economic development.

1. Competition for political power between the two groups and their lack of co-operation which jeopardized political stability, and consequently, the development of a consistent Welfare State.

¹⁴A Fragment is a homogenous (political, social, economic) component of an older polity which breaks away to form its own polity.

2. Their different reactions and responses to external dependency which created the opportunity for greater foreign control of Argentina's economic development, itself a vital component of the Welfare State.

The dominant Fragment in Canada was capitalist in origin, which precluded the evolution of a dominant commercial-financial elite. This dominant capitalist Fragment allowed the political elite to create a National Policy of economic development which remained consistent through different governments. This National Policy allowed a greater level of domestic control of the economy in the face of external dependency. Trade and industrial development were conducted in accordance with the National Policy, which allowed for the consistent development of the Welfare State.

What is the theory behind The Founding of New Societies? Hartz argues that the new societies are isolated fragments of the larger European societies. These fragments possess an ideology and social structure that reflects the ideology and the conditions of the larger European society at the time of the break. If the Fragment is a product of feudal conditions and time, then the Fragment will be a traditional pre-capitalist society, as it happens with Latin American societies and French Canada¹⁵. Liberal Fragments such as the United States and English Canada represent societies that are products of breaks at the start of capitalist relations¹⁶. Radical Fragments such as Australia are the products of Chartist Fragments that developed in Europe in the 19th century¹⁷.

The European societies from which these Fragments broke off exhibited many different ideologies all competing against one another. There were challenges rooted in the past and

¹⁵Louis Hartz, The Founding of New Societies: Studies in the History of the United States, Latin America, South Africa, Canada, and Australia (New York, 1964), pp. 3, 9

¹⁶Louis Hartz, pp. 3, 9

¹⁷Louis Hartz, pp. 3, 9

challenges based on the future; Fragments espousing the various challenging ideologies battled each other for control and power. By breaking off from the whole of this European society to start their own society in a new land, the Fragment could ensure that it would possess exclusive control of the new society. However, in the process these Fragments cut short the process of change.

...when a part of a European nation is detached from the whole of it, and hurled, outward onto new soil, it loses the stimulus towards change that the whole provides. It lapses into a kind of immobility¹⁸.

In breaking away from the European whole, these Fragments established societies in new lands. These societies formed very insular groups in which the particular ideology of the Fragment was held sacred as the only option for the new society. For subsequent generations this became their nationalism; it was the only ideology or perspective that they knew. These Fragments were very reactionary towards the introduction of ideological change, repressing it whenever it arose.

The weakness of the Fragment societies is two-fold. First, the narrowness of the Fragment societies, with regard to ideology, has resulted in a lack of a body of philosophical thought. The societies do not possess a past of open ideological challenges, which form the basis of creating a future body of thought and challenges. Second, these societies have not been able to permanently prevent the arrival of the revolution to the new societies, the very revolution from which these fragments fled in the first place¹⁹.

¹⁸Louis Hartz, p. 3

¹⁹Louis Hartz, p. 20. For further discussion see Gad Horowitz, "Conservatism, Liberalism, and Socialism in Canada: An Interpretation" in Canadian Journal of Economics and Political Science, Vol. 32, No. 2 (May 1966); Seymour Martin Lipset, "Canada and the United States: The Cultural Dimension" in Charles F. Doran and John H. Sigler (eds.), Canada and the United States: Enduring Friendships, Persistent Stress. S.M. Lipset, Continental Divide: The Values and Institutions of the United States and Canada (New York, 1990).

Structural Dependency (Prebisch et. al.)

What does Raúl Prebisch's model of External Dependency have to do with the difference in foreign control in Argentina and Canada? How does it relate to the Welfare State? The two types of dependency discussed, trade dependency and dependency based on ownership of the means of production, existed in both Argentina and Canada. This dependency had different impacts. In Argentina trade dependency brought with it increasingly poorer terms of trade that were strongly influenced by trading partners such as Britain. Prices of the primary products exported from Argentina were not keeping pace with the industrial goods imported. This was causing a poor balance of trade. Argentina was also forced to import unwanted consumer goods rather than the industrial inputs that were required for economic development. This had a bearing upon its economic vision, to which the Welfare State was tied.

Canada did not face these difficulties, and therefore its national policy was not jeopardized. With regards to dependency based on ownership of the means of production, much of Argentina's infrastructure and industrial production was developed, owned, and controlled by foreign interests. Such things as railways and food processing industries were built to serve the needs of foreign owners and markets, not the needs of Argentine economic development and its own population. Again, this had an impact on the development of a Welfare State to service the Argentine population. The Canadian financial-commercial elite financed the development of Canadian infrastructure, such as the railways, and the natural resource-processing industries. Foreign companies were involved in building industry and there was portfolio investment in industry and infrastructure, but this did not translate into control of economic development in Canada; rather the National Policy dictated Canadian economic development and this created an economic environment capable of developing a sustainable Welfare State.

Raúl Prebisch's arguments on Dependency theory provide us with the basis for developing ideas and concepts around external dependency in Argentina and Canada. Prebisch refers to structural dependency in terms of a "centre", the developed industrial world, and the "periphery", the underdeveloped or developing world in which Latin America is included:

By dependence I mean the relations between centres and the periphery whereby a country is subjected to decisions taken in the centres, not only in economic matters, but also in matters of politics and strategy for domestic and foreign policies. The consequence is that due to exterior pressure the country cannot decide autonomously what it should do or cease doing. The structural changes bring about an awareness of this phenomenon, and this awareness, this desire for autonomy, is one of the integral elements in a critical understanding of the system²⁰.

There are two important components in Prebisch's arguments. The first is the growing disequilibrium in trade that exists between countries of the centre and countries of the periphery. This is the result of the deterioration of the terms of trade which favour the industrial exporting centre over the commodity producing periphery²¹. The second pillar rests on the internal contradictions of the periphery. Wealth is concentrated heavily in the hands of the owners of the means of production. The lack of capital accumulation amongst the vast majority of society makes it difficult to stimulate the dynamic elements of the economy and consequently absorb the redundant and unemployed labour force²².

Table 1.1: Private Consumption & Gross Domestic Investment (% GDP)

	Consumption (%GDP)		G.D. Investment(%GDP)	
	1960	1978 ('75 Arg.)	1960	1975 ('75 Arg.)
Canada	65	57	20	22

²⁰Raúl Prebisch, (1980), p.25 as quoted in Ronald. H. Chilcote, Theories of Development and Underdevelopment (Boulder, Colorado, 1984), p. 25

²¹Ronald H. Chilcote, Theories of Development and Underdevelopment, pp. 31-32

²²Raúl Prebisch, Towards a Global Strategy of Development (New York, 1968), pp. 8-12

How can this be more specifically applied in the situations of Argentina and Canada? Prior to the 1970s Argentina exhibited two particular forms of dependency, trade dependency, and dependency with regards to the ownership of the means of production. Canada has also shown these two types of dependency, but to a somewhat different extent. Trade dependency becomes a problem for a country when two factors are present. First, substantial portions of the income received by each country must be tied to trade. Simply put, a lot of the goods, resources, and services of a given country must be destined for export markets, and/or have been imported for domestic consumption. Second, the prices of exports from the country in question have been unable to keep pace with the prices of imports over an extended period of time.

As will be elaborated later, trade has been of crucial importance to both Argentina and Canada. However, Argentina has suffered greater disequilibrium with regards to trading relationships, than has Canada. Argentina has been dependent upon the limited (British) export markets for its agro-pecuarian products. Canada has had the benefit of a broader range of resource exports, across sectors.²³

The trade disequilibrium between the centre and periphery is complex in its make-up. The terms of trade that have led to this disequilibrium are the result of both internal economic forces and external economic forces. The fluctuating commodity exports from the periphery, for one, are a result of external economic forces; in this case, the instability in international commodities prices.

²³Carl E. Solberg, The Prairies and the Pampas: Agrarian Policy in Canada and Argentina, 1880-1930 (Stanford, California, 1987), pp. 40-43

The lack of commodity stabilization agreements has allowed this instability in commodity prices to occur²⁴. These instabilities in prices have generally pushed prices, and therefore incomes, down.

Tariffs and barriers imposed by the developed countries against the import of commodities from the periphery have also had a negative effect upon the latter's exports.

The other point of comparison is the level of dependency based upon the degree of foreign ownership of the means of production²⁵. This form of dependency exists when there is a high degree of foreign ownership of industry and resource extraction. More specifically, this ownership is direct ownership, which involves control of these production sources. This can be in the form of a branch plant, such as the Ford, GM, and Chrysler plants in Canada; or it can be the result of direct foreign purchase of existing domestic industry²⁶. Indirect, or portfolio investment, is the purchase of a company's trading stock. This does not imply control of the actual industry. This is a hands off investment for the purpose of earning dividends, and therefore does not have the same implications for dependency. Direct investment is of greater significance to our arguments about foreign control.

WELFARE STATE EVOLUTION IN ARGENTINA AND CANADA

What impact or bearing do these issues of foreign control and political stability have upon the development of the Welfare State in Argentina and Canada? (Chapter four will address the development of the Welfare State in Argentina and Canada, bringing these differences in variables into play).

²⁴Raúl Prebisch, Towards a Global Strategy of Development, pp. 17-18

²⁵Carlos Waisman, Reversal of Development, p.66

²⁶ Carl Solberg, The Prairies and the Pampas, p. 45

Canada has been able to develop a Welfare State because of the principle of accommodation which has fostered an atmosphere of political stability, as well as following a National Policy of economic development which recognizes the importance of trade. Canada's economic success is dependent upon trade to a greater extent than most developed countries. The National Policy also recognized the importance of foreign investment. Due to economies of scale, Canada's small population does not afford the best atmosphere to create industry which will compete on a global scale with industry developed in larger markets like the U.S. As a result, branch plant industry was and is a reality.

However, the National Policy and the existence of a strong commercial-financial elite allowed Canada to undertake economic development, through infrastructure and the processing of natural resources. In this way trade and foreign investment were conducted in a manner compatible with Canada's economic vision. A Welfare State developed out of this which was acceptable to both business and labour, and which could operate in the economic environment. The aspirations and survival of labour and business were tied to trade and foreign investment in industry.

Argentina's difficulties in establishing a sustainable Welfare State are a result of the principle of exclusion/co-optation of labour which translated into political instability, as well as a divided economic elite which responded differently to Argentina's dependence upon trade, and the foreign ownership and control of Argentine infrastructure and industry. The divisions between labour and business, as well as the divisions within each respective group, for example, prevented a consistent vision of economic development from existing. The traditional landed elite allowed foreign interests to develop infrastructure and industry to serve the needs of these interests and their markets, to the detriment of the Argentine population.

The capitalist economic elite grew out of ISI and followed a policy of combating these foreign interests and Argentina's dependence on trade with these foreign countries. They did not recognize the importance of trade and foreign investment to a small market country like Argentina. Along the way they attempted to coopt labour into the battle. The result is that there was no common ground between these groups, and power and economic policy fluctuated from one group to the other, often violently. In this atmosphere of instability and dependency pressure was brought to bear by foreign powers, and no consistent vision of economic development and Welfare State development could occur.

In essence, a dependent economic reality was created by the landed elite. This reality was then attacked by the ISI industrial economic elite with no consistent, stable, and favourable results. The friction created by the many divisions caused Argentina to stagnate further, and undergo an economic reversal. Welfare State Development could not succeed in this environment.

Canadian Welfare State

The Canadian Welfare State found its roots in the Royal Commission on Dominion-Provincial Relations (Rowell-Sirois Commission)²⁷. More importantly, though, it seems that the Canadian Welfare State largely developed as a response to the growing strength and influence of labour, and the party most closely affiliated with it, the CCF-NDP. The Welfare State included measures taken to preserve the hegemony of capitalist relations. It has been argued that by meeting

²⁷R. MacGregor Dawson, The Government of Canada 4th ed. Revised by Norman Ward (Toronto, 1963), pp. 115-116

some of the basic demands of labour the Welfare State preserved the dominant commercial-financial bourgeoisie²⁸.

Argentine Welfare State

The Argentine Welfare State, in contrast, developed as the result of the work of Juan Perón, the Argentine president from 1946 to 1955 and the Secretary of Labour prior to that. Juan Perón, along with his wife Eva Perón, initiated most of what was seen as the Argentine Welfare State in that period. This will be elaborated in the following pages. The discontinuity of the Argentine Welfare State is a reflection of the discontinuity of the political leadership in Argentina.

²⁸Alvin Finkel, "Origins of the Welfare State in Canada" in Interpreting Canada's Past V.2 After Confederation J.M. Bumsted (ed.) (Toronto, 1986), p. 295

2 : PARALLELS TO 1930 -

EARLY POLITICO-ECONOMIC DEVELOPMENT

A society having a high land-labour ratio and a population shortage will develop an efficient capitalist economy and a democratic polity¹.

This chapter will address the similarities between Argentina and Canada that existed prior to 1930. It will be argued that on the eve of the Depression in 1930 Canada and Argentina were at a very similar stage of development. Both countries had an abundance of arable land for agricultural production, as well as an abundance of natural resources, relative to the underdeveloped countries in the rest of Latin America. Both Argentina and Canada also had a small population relative to this land base. Both countries were more economically developed than the rest of Latin America, and had political systems that more closely resembled democracy than any of the other Latin American countries. These indicators suggest that Canada and Argentina would follow similar paths of Welfare State development after 1930. This was not the case. Table 2.1 reflects some of the similarities in population and land density between the two countries (Although the data is for the 1960s, both countries experienced similar rates of population growth, and therefore data from 1930 would not be radically different).

Table 2.1: Population/Growth Rate/Density

	Population (millions)		Growth Rate	Density (per sq. km)	
	1960	1975	1950-75 (%)	Overall (rank)	Agricultural*
Argentina	20.6	25.4	1.6	9.2 (126/154)	28.5/31.1
Canada	17.9	22.8	2.0	2.3 (147/154)	15.0/13.3

Note: *Agricultural density data is for 1960/1970, overall density is for 1975

Source: Taylor and Jodice, World Handbook of Political and Social Indicators, pp. 91, 100, 104

¹Carlos Waisman, Reversal of Development, p. 24.

To what degree does this hold true with regard to the situations of Argentina and Canada prior to the onset of the Depression in 1930? Economically both countries fit within the boundaries, or parameters, of the lands of recent settlement. There existed an abundance of land in both countries with a relatively small aboriginal population. In the case of Argentina, this aboriginal population was removed from consideration quite rapidly by the European colonizers. In Canada the aboriginal population was decimated by disease, introduced by the Europeans, and pushed into reserves throughout Canada. (These aboriginal populations would not regain a substantial voice until the 1970s, which is after the scope of this thesis.) This effectively resulted in the acquisition of vast amounts of land by relatively few people.

More important than this, however, the land of these New Countries had to be usable. The New Countries all possessed lands capable of producing a range of primary products². Included in this range are mineral extraction, forestry, and agricultural production. The importance of this resides in the ability of the New Countries to transfer their energies and financial resources to the production and export of different primary products depending on what was in demand in the European and, subsequently, international marketplace³. Given the relatively small population of these New Countries there was not much of a domestic marketplace for these primary goods. Income and rents from primary production would be obtained, rather, from the export of these goods.⁴

²Carlos Waisman, Reversal of Development, p. 4

³Melville Watkins, "A Staple Theory of Economic Growth," p. 149.

⁴For further discussion about staple economies and export-driven economies see Baldwin, Economic Development and Growth, and Mackintosh, "Economic Factors in Canadian History".

This is different from the position of the countries grouped under the Underdevelopment model discussed by Carlos Waisman⁵. The Underdeveloped countries do not possess the same range of primary production capabilities as the New Countries. Often the Underdeveloped countries are cash crop economies, in which one cash crop is the main source of income for the country. Such is the case with coffee, sugar, or bananas in many of the more underdeveloped Latin American countries (hence the term "Banana Republic")⁶. These countries are much more dependent on the instability of demand for that one product. They do not possess other areas of primary production to transfer their resources into.

With regards to the economic and geographic indicators mentioned so far, it would seem that Argentina and Canada resemble the open spaces model most closely. To reiterate, the 'open spaces' model includes a large amount of usable land, with abundant resources. In addition 'open spaces' have a small population relative to the amount of usable land. Starting from the distinction of "Settler dominions" versus "late-follower" countries, we will then lay out the staple-led pattern of economic growth, applying the pre-Depression development and growth of Canada and Argentina to that pattern⁷. The Late Follower, or Underdevelopment Model, more closely applies to the rest of Latin America. Countries that fit this model have a large unskilled population relative to the amount of usable land and resources. Resources are sparse and these countries often rely on

⁵Carlos Waisman, Reversal of Development, pp. 33-35

⁶The Dominican Republic became known as the 'Banana Republic' because of the American-owned United Fruit Company which controlled the economy and political environment in the Dominican Republic.

⁷Throughout the thesis the term 'Settler Dominion' will be used interchangeably with 'New Country' and 'Land of Recent Settlement'. 'Late Follower' will be used interchangeably with the 'Underdevelopment Model'.

the production of one or two natural resources. The excess population is usually unemployed or underemployed.

It is in the areas of political agency, as well as other non-economic factors, that we see a divergence between the two countries. Patterns of labour, immigration, and elite all exhibit qualitative differences. These non-economic factors played a role in the evolution of a fundamentally different conception of political agency in Argentina and Canada prior to 1930. Political agency in Argentina was a very exclusive thing, limited to the Creole landed economic elite. Labour and immigration were excluded from the political operations of the society. In Canada immigration occurred with the intention of including them in the larger society as Canadian citizens. Labour was included and allowed to organize more readily than in Argentina. (This will be discussed more fully later in this chapter.) This shall lead, as we will argue in chapter three, to starkly contrasting levels of political stability exhibited by these two countries after 1930.

This will, when combined with external economic dependency, produces a situation of Welfare State development divergent from that of most Open Spaces. The less important non-economic factors of open space modelling in chapter two become much more important as they contribute to the different levels of stability/instability in chapter three.

THE PATH TO ECONOMIC DEVELOPMENT: OF STAPLES AND TARIFFS

The staple-led pattern of industrialization contains four main components:

1. These countries exhibit a cumulative concentration of product resources in staples exploitation.
2. These countries have massive debt for heavy fixed capital charges, such as transportation infrastructure and other components of social overhead capital.
3. These countries are vulnerable to external market fluctuations.

4. These countries usually exhibit government involvement/policies to counter instability and/or benefit staples production⁸.

To analyze this in the framework of comparing Argentina to Canada, six factors will be dealt with, including three areas, or sectors, of economic activity. The primary sector will look at the extraction and exploitation of raw materials, and agro-pecuarian production. The secondary sector will deal with industry, the manufacturing base, technology, and external involvement through investment, branch plants, etc. Finally, infrastructure, government intervention, and government policy will be dealt with. In addition to these economic factors we will look at some of the differences that arise between the two countries with regard to the domestic economic elite, foreign investment, and immigration. What we end up with is a picture of two countries with similar economic potential. The different economic actors within each country utilized the economic resources presented to them in different ways. The resulting economic development, and Welfare State development, reflects the relationship between these economic actors and the economic resources in Argentina and Canada. Economic development in Canada utilized Canadian economic potential more effectively than was the case in Argentina. Out of this, a more stable Welfare State evolved. We will elaborate on the significance of these differences in chapter 3.

Table 2.2: Distribution of Labour Force (%) & Share (%) of Gross Domestic Product (GDP)

	Agricult.	% GDP	Industry	%GDP	Services	%GDP
Argentina 1914	23.6		37.5		32.4	
1947	25.7		30.0		37.3	
1960	20	17	36	37	44	46
1977	14	12 ('75)	29	36 ('75)	57	45 ('75)
Canada 1911	40.0		24.2		24.3	
1951	18.7		34.0		37.3	
1960	13	6	35	34	52	59
1977	6	4	30	25	64	60
Brazil 1950	56.0		13.7		23.1	
1960	52	22	15	25	33	52
1977	42	9	20	26	38	48

⁸Melville Watkins, "A Staple Theory".

Note: 32% of the labour force in agriculture in Argentina (1947) were land owners, 61% of the labour force in agriculture in Canada were landowners.

Note: Brazil was included to show a country that fits into the Underdevelopment model.

Sources: Colin Clark, The Conditions of Economic Progress (London, 1957), pp. 510-511 for Argentina 1914 & 1947, Canada 1911 & 1951, Brazil 1950. Charles Lewis Taylor and David A. Jodice, World Handbook of Political and Social Indicators, Vol. 1 (3rd ed.) (New Haven, 1983), pp. 208-225.

Primary Production

Included within any discussion of the primary sector must be issues of land settlement, staples production, export markets for these products, as well as the sectors of overall primary production, and the range of production within these sectors. This will reflect upon the variable of external dependency for each country. A strongly developed primary production sector includes a range of linkages, such as primary goods processing industries, and industries that manufacture the factors of production, such as agricultural machinery and fertilizer. This is important to the position a country has vis-à-vis external trade and foreign investment. A balanced and broad primary sector provides more protection against external trade markets than a country with only one major natural resource, or primary good. What then was the situation of Argentina and Canada prior to 1930 with regards to primary production capabilities?

Canada possesses a wealth of natural resources and is capable of numerous productions across several different primary sectors. Prior to 1930 Canada possessed mineral resources, abundant forests, fisheries, and a range of agro-pecuarian products, beef and pork production, various grains and oilseeds, and fruit, vegetable and dairy production⁹. However, as we shall expand upon later, Canada was only efficient with regards to the production of grains, oilseeds, and some meat production. Otherwise, protection has been used to ensure the survival of other

⁹Carl Solberg, The Prairies and the Pampas, pp. 40-43

agricultural productions¹⁰. This protection has taken the form of government subsidies for production, the creation of an artificially high purchasing price for the products, and a protected market which inhibits outside competition. These protected agricultural goods could not be produced as cheaply as they could in other countries. Therefore, they could not compete on the free market without operating at a loss.

Argentina does not possess the wealth of natural resources that Canada does and, therefore, is not able to develop primary industry across sectors. Most notable is Argentina's lack of mineral resources¹¹. The lack of minerals made it more difficult for Argentina to establish capital goods industries and other heavy manufacturing which rely on minerals as crucial inputs into the production process¹².

What Argentina did possess, however, was a broad range of capabilities within the agro-pecuarian sector¹³ of primary production, broader in these respects than Canada¹⁴. This range of agricultural production separated Argentina from the other Latin American countries which fell into the Underdevelopment model¹⁵. While Argentina's flexibility was not as great as some New Countries, such as Canada, we feel it falls within the parameters set by Waisman.

With regard to land settlement in Argentina and Canada, the purely economic aspects are difficult to draw out. Qualitatively, these two countries represent the extremes within the group of

¹⁰Carl Solberg, The Prairies and the Pampas, pp. 40-43

¹¹Solberg, The Prairies and the Pampas, pp. 42-43

¹²For further discussion of the agricultural sector in Argentina, as well as some comparisons to Canada see H.S. Ferns, The Argentine Republic, 1516-1971 (New York, 1973)

¹³Agro-pecuarian sector refers to the areas of agricultural production and the areas of meat production, such as cattle or pigs.

¹⁴Carl Solberg, The Prairies and the Pampas, pp. 40-41

¹⁵Carlos Waisman, Reversal of Development. pp. 34-35

"New Countries". The average area per farm reflected the range within this group of countries. In 1930 the average Canadian farm was 90.6 Hectares in size; only the US was lower with an average size of 63.5 Hectares. At the other end of the range the average Argentine farm was 386.4 Hectares in size. While this was the largest average of any of the "New Countries", Australia and New Zealand also represent high average farm sizes with 290.5 Hectares and 206.0 Hectares respectively¹⁶. This is important in showing that Argentina's average farm size was in keeping with the rest of the new countries. Argentina had more plantation-type agricultural operations than other New Countries, but not as many as the underdeveloped Latin American countries. Plantation-type economies, like those found in the Underdevelopment model, do not contribute to the economic development of the society as a whole. Rather they benefit the few landed elite who own the plantations¹⁷. Argentina is not greatly out of line with the other New Countries which tend to have more farms, which Solberg argues are better for the economic development of the society¹⁸.

More important than this, however, the predominant form of agricultural production in both countries appears to have been that of the more labour-intensive farm crop, as compared to the much less labour-intensive plantation crop. Data referring to agricultural labour circa the Second World War (WWII) is supportive of this notion. Argentine agricultural production was 78 percent

¹⁶Carlos Waisman, Reversal of Development. p. 52.

¹⁷Melville Watkins, "A Staple Theory", p. 147

¹⁸Carl Solberg, "Land Tenure and Land Settlement: Policy and Patterns in the Canadian Prairies and Argentine Pampas", in D.C.M. Platt and Guido Di Tella (eds.) Argentina, Australia & Canada: Studies in Comparative Development, 1870-1965 (London, 1985), pp. 53-75. Solberg discusses the family farm in Canada as a tool for economic development. Watkins, in "A Staple Theory", refers to the strength of the family farm over the plantation for economic development. Argentina possessed a farm crop agricultural economy similar to Canada, even though it lacked the successful community-cooperative structure that developed in the Canadian prairies.

as labour intensive as agricultural production in Canada. By comparison, Australia was just over 7 percent as labour intensive as Canada; and the US was more labour intensive¹⁹. It would seem that, with regards to land settlement, both Argentina and Canada fall within the parameters of the "New Countries". These indicators are useful in painting a picture of Argentina and Canada prior to 1930. Both countries' agricultural sectors were similar in many regards. The differences after 1930 will reflect different responses to external markets, and different conceptions of economic development. The agricultural community in Canada was in a better position vis-à-vis external dependency than was Argentina. We will elaborate on this further in this chapter.

The status of the land in Argentina and Canada during this period is somewhat different. This is rooted in the different social structures and political policies of the two countries during the arrival of immigration. Immigration in Canada was for the purpose of cultivating the prairies and building economic communities founded on that agricultural production. Immigration in Argentina was for the purpose of short-term labour on the agricultural preserve of the landed elite.

Ownership of the land reflects these differences in immigration. Ownership, in which the owner of the farm is also the operator, accounted for 89 per cent of farms in Canada in 1911, and 69 per cent of farms in 1931. Only 5 to 15 percent of the farms were operated by renters. In Argentina, during this period, only one-third of all farms were exploited by owners; between 55 and 61 percent were rented²⁰. Statistically, Argentina does not stand out as an anomaly; both the US and New Zealand also exhibited somewhat high levels of tenancy in the farms²¹.

¹⁹Carlos Waisman, Reversal of Development. p. 52.

²⁰Carl Solberg, "Land Tenure and Land Settlement:..." p. 56.

²¹Carlos Waisman, Reversal of Development. p. 52. These last statistics for U.S. (31.7%) and New Zealand (25.9%) are c.1930. Argentina is shown to have 44.3% tenancy (1937), and Canada is listed as having 12.9% tenancy.

The significance of ownership lies within the development of agricultural communities. In Canada immigrants were given land and encouraged to become citizens. This resulted in a long-term attachment to the land and the development of agricultural communities, from which co-operatives and other agricultural economic initiatives and development grew. A strong agricultural economy grew which could respond to the pressures exerted by external trade. In Argentina immigration was for the purpose of short term agricultural labour to benefit the owners of the land. The immigrants were not given land or encouraged to become citizens. They did not develop a long term attachment to the land they were renting, and consequently few agricultural communities developed. Agricultural economic development was not as prevalent as that found in Canada²². Argentine agriculture did not have as strong a vantage point as Canada vis-à-vis external trade.

Comparing the actual staples production in Argentina and Canada also fails to produce any substantial divergence from the norm of open spaces countries. Labour productivity corresponds to the open spaces norms; the share of labour corresponds to the share of Gross Domestic Product, in both agriculture and industry (Argentina)²³. In the period leading up to 1930 productivity and growth in the agricultural sector in Argentina kept pace with the other open spaces countries²⁴.

Agricultural yields in Argentina compared favourably with those of other open spaces countries, thus reflecting the ability of Argentine agricultural productivity to keep pace with the productivity of the other open spaces countries. Prior to 1930 yields in Argentina were marginally

²²Carl Solberg, The Prairies and the Pampas, pp. 65-66

²³Carlos Waisman, Reversal of Development. p. 60. The data for Argentina is for 1960 but is not inconsistent with Waisman's discussion of pre-Depression Argentina. The percentage of labour in agriculture and industry in Argentina is not out of line with other new countries (c. 1940).

²⁴Carlos Waisman, Reversal of Development. p. 59.

better than Australia in both wheat and corn production, and marginally poorer than Canada in both wheat and corn production²⁵.

In addition to this, more land was being cultivated for agricultural production in both Argentina and Canada. In Argentina, the area under cultivation for cereals, flaxseed, and alfalfa increased more than six-fold between 1890 and 1915-16 (Pampas). At this point the area under cultivation seems to have levelled off, with only marginal increases in area prior to 1930²⁶. In the case of Canada, the area under cultivation for cereals and flaxseed multiplied more than sixteen-fold between 1890 and 1915-16, and another 50 percent in the period immediately prior to 1930 (Prairies)²⁷.

Two factors limit the actual impact, or importance, of these differences. It must be noted that the amount under cultivation in the prairies in 1890 was much smaller than that in the pampas. The differences in the growth rates of the areas under cultivation between the prairies and the pampas becomes much less significant when we factor in the population-growth rates in these two regions during the same time period; the pampas increased three-fold over the period, while the population of the prairies increased nine-fold over the same time frame²⁸.

One final note with regards to staple production in Argentina: the rural sector's share of the gross national product had declined from about one-third at the turn of the century, to about one-quarter in the five year period just prior to 1930²⁹. This would appear to support the importance of

²⁵Carlos Waisman, Reversal of Development. p. 59.

²⁶Carl Solberg, "Land Tenure and Land Settlement:..." p. 57.

²⁷Carl Solberg, "Land Tenure and Land Settlement:..." p. 57.

²⁸Carl Solberg, "Land Tenure and Land Settlement:..." p. 57.

²⁹Ysabel Rennie, The Argentine Republic. (New York, 1945), p. 70.

a growing secondary sector in the economic take-off, especially if we consider that the decreasing share of agriculture came at the same time as more land was being brought under cultivation.

Staple production is important relative to its impact upon trade with the export markets of these countries. Coming from staple theory, and the open spaces countries in which it develops, we know that staple production is largely undertaken to satisfy external demand. These open spaces countries do not possess the population base to offer a domestic market for these staples³⁰.

With this in mind we need to observe more closely the export situations of Argentina and Canada. Export markets drive the economies of both countries. The example of wheat production and export is a case in point. Between 1909 and 1932 Canada exported from 57 percent to 74 percent of its wheat production. In the same period Argentina exported 46 percent to 79 percent of its wheat production³¹. Within this period there was no noticeable trend, with regards to increases or decreases, for either country. In Argentina, 40 percent of cattle slaughter was for export markets in the period up until 1930³².

The principal exports of Canada and Argentina also reflect the importance of staple production to export income. In Argentina, between 1910 and 1930, agriculture (corn and flax) and

³⁰For further discussion of Argentine agricultural economic history and the staple theory see Carlos F. Díaz Alejandro, Essays on the Economic History of the Argentine Republic (New Haven, 1970), and Mackintosh, "Economic Factors in Canadian History".

³¹Carl Solberg, The Prairies and the Pampas. p. 35.

³²Colin Lewis, "Anglo-Argentine Trade, 1945-1965" in David Rock, ed. Argentina in the Twentieth Century (London, 1975), p. 121.

livestock make up three-quarters of all exports, and this remains fairly consistent throughout this twenty year period. Almost all of the remaining exports are also from the agro-pecuarian sector³³.

In Canada, wheat makes up the largest single export in the period leading up until 1930, ranging between 40 percent and 50 percent of Canada's total export earnings. The remainder of Canada's export earnings come from forestry and mining³⁴. This would seem to reflect Canada's greater sectoral range of primary production. Within the agro-pecuarian sector, however, Canada is almost a monoculture, relying almost totally upon wheat for its export earnings.

It would appear that export earnings, and exports, for both countries grew in the period leading up to 1930. Taking population increases into account, between 1881 and 1914 export incomes increased in Argentina 240 percent per individual. This outstripped import values, which increased 190 percent per individual in the same time frame. The end result was an export surplus in 1914. This strong surplus in commodity trade was maintained until 1930. Export incomes in total increased over this whole time period leading up to 1930³⁵.

For Argentina, the only dark cloud appeared to be a commodity trade deficit with the US which persisted, and increased, for at least the fifteen year period leading up until 1930. In percentages, imports from the US made up between one-seventh and one-third of all Argentine imports in the twenty-year period leading up to 1930. At the same time exports to the US only made up between one-twentieth and one-fifth of all Argentine exports³⁶. Argentina, during this

³³Roberto Cortés Conde, "Some Notes on the Industrial Development of Argentina and Canada in the 1920s" in Platt and Di Tella (eds.) Argentina, Australia and Canada, p. 152.

³⁴Roberto Cortés Conde, p. 152.

³⁵A.G. Ford, "British Investment and Argentine Economic Development, 1880-1914" in David Rock. ed. Argentina in the Twentieth Century. pp. 29, 31.

³⁶Colin Lewis, "Anglo-Argentine Trade". p. 115.

period, relied heavily upon the United Kingdom as an export market to ensure that export earnings in commodities were greater than import expenditures.

This trading relationship, or triangle, between Argentina, Britain, and the U.S. would pose significant barriers to Juan Perón's nationalist plans for economic development in Argentina after 1946. Perón's goal of developing heavy industry with public and domestic investment resources was not well received by the U.S., who preferred to see that the process occur through branch plants of American industry. As the primary source of industrial inputs required by Argentina, the U.S. had the capability of stalling Argentina's industrialization process. Furthermore, Perón's nationalist focus detracted from the export of agricultural goods to a recovering United Kingdom, which the U.S. felt was of utmost importance.

The inconvertibility of the British pound limited Argentina's options with its reserves of British currency to unneeded British consumer goods, instead of the preferred American industrial inputs.

This situation of structural trade dependency negatively affected the economic development plans of Juan Perón. The result was the economic decline of Argentina as exports declined. Imports of consumer goods remained high and the government deficit increased.

Secondary Production

What then is the situation with secondary production in Argentina and Canada? Earlier in the chapter we mentioned that, in Argentina, the share of labour in both agriculture and manufactures corresponded to their respective shares of GDP. This would seem to suggest that productivity in the secondary sector was at least as high as that in the agricultural sector, and we know this to have been relatively good. What we shall see in the next few paragraphs, as well as in subsequent discussions of foreign investment, is the qualitative differences in Canadian and

Argentine secondary production. Many of these differences evolved as a result of the types of foreign investment within these two countries.

In Argentina, the manufacturing sector's share of gross national product (GNP) increased from 14 percent at the turn of the century to 18.4 percent in the five-year period leading up to 1930³⁷. This would seem to indicate that the secondary sector is not insignificant in Argentina in the period leading up to 1930. The value of Argentine manufacturing production per capita would also seem to support the notion of Argentine manufacturing capabilities. This value of manufacturing production per capita crept up from about 50 percent of that of Australia and New Zealand, to around 60 percent in 1929. This same value per capita was greater than that of Italy, and presumably (based on data after 1930) vastly greater than that of other Latin American countries³⁸. Argentina's manufacturing and industrial potential was not out of line with regards to other New Countries, and was markedly better than the other Latin American countries.

What about the development of Canada's manufacturing sector? It has been argued that this growth and development of the secondary sector was closely tied to the explosion of U.S. investment that occurred after 1914. Much of this industrial development in Canada took the form of export-oriented industries, such as newsprint for the American market. Virtually non-existent prior to the turn of the century, newsprint accounted for 15 percent of Canadian export values in 1920, and over 30 per cent of these values by 1930³⁹. A reasonably strong manufacturing base

³⁷Ysabel Rennie, The Argentine Republic, p. 70.

³⁸Carlos Waisman, Reversal of Development, p. 62.

³⁹Roberto Cortés Conde, "Some Notes on the Industrial Development of Argentina and Canada in the 1920s," p. 151.

appears to be indicated by a Canadian per capita product which remained twice that of Argentina's prior to 1930⁴⁰.

Two or three points can be highlighted with regards to Argentine, and to a lesser extent, Canadian secondary production. First, prior to 1930 there would appear to be a consistent rate of growth in the number of industrial establishments, the amount of horsepower employed by these establishments, the number of workers employed, and the productivity of these establishments. This becomes more clearly apparent when placed in relation to the Argentine situation after 1930⁴¹. (We have not any equivalent Canadian data at this time).

Data for Argentina is a case in point; the number of establishments nearly doubled between 1895 and 1913, and increased another 30 percent by 1923. The increase in employment and installed horsepower was even more dramatic during this time period. Between 1895 and 1913, employment in industry more than doubled, and increased another 65 percent to 1923. Installed horsepower increased four-fold from 1895 to 1913, and four-fold again to 1923⁴². This suggests that Argentina was industrializing at a fairly rapid rate, distinguishing it from the Underdevelopment model of countries.

This larger amount of installed horsepower would seem to reflect the increasingly capital intensive nature of Argentine industry. Capital accumulation in Argentina is reflective of this. Between 1900 and 1929 capital accumulation increased four-fold in Argentina. These

⁴⁰Carlos Waisman, Reversal of Development, p. 6.

⁴¹Paul H. Lewis, The Crisis of Argentine Capitalism (Chapel Hill, 1990), pp. 36-37.

⁴²Paul H. Lewis, The Crisis of Argentine Capitalism, pp. 36-37.

establishments would also seem to be both the most productive and the most labour-intensive of Argentine industrial establishments existing in the first half of this century⁴³.

Second, the increase in secondary manufacture is not reflected in the make-up of exports from either country. Secondary manufactures make up almost nothing in terms of the share of exports from Argentina and Canada. Of Argentina and Canada, only Argentina actually lists manufactures amongst its principal exports. At best, in 1920, these manufacturing exports made up only 1 percent of all principal exports⁴⁴. The manufacturing sectors do not contribute significantly to the exports of Argentina and Canada. They exist to serve the domestic market in each country. The manufacturing sectors, not including processing industries, and the agricultural sectors have different priorities. After 1930 this would be the source of cleavages between these industrialists and the landed elite in Argentina. These cleavages placed additional stress on political stability in Argentina after 1930.

Finally, and related to the second point, much of the secondary production that existed in Argentina and Canada prior to 1930 was a result of the linkages that developed from the staple production, specifically forward linkages⁴⁵. The processing of the primary staples is arguably the most significant component of the secondary manufacturing base in either country prior to 1930.

In Argentina agro-pecuarian processing such as meat, leather, and textiles formed part of the traditional industry which made up 91.4 percent of all industrial production in Argentina in 1913⁴⁶. It is therefore no surprise that where Argentina's secondary sector is represented in export shares, it is in the areas of meat, leather, and wool, accounting for up to one-fifth of the share of

⁴³Paul H. Lewis, The Crisis of Argentine Capitalism, p. 40.

⁴⁴Roberto Cortés Conde, "Some notes on the Industrial Development...", p. 152.

⁴⁵For example, in the food processing industries.

⁴⁶Paul H. Lewis, The Crisis of Argentine Capitalism, p. 300.

exports. In Canada, prior to 1930, principal exports also reflect the importance of the processing industry. Newsprint, wood pulp, and planks and boards make up between 40 percent and 50 percent of principal exports up to 1930⁴⁷.

Within the secondary sector of each country there were also cleavages vis-à-vis processing industries which were driven by export markets and manufacturing industries which produced consumer goods for the domestic markets. These cleavages would become important with regards to the different political actors, external market pressures and domestic market pressures. Industry was split by these cleavages, with some industrialists demanding an export driven economic development strategy, and others demanding a nationalist protective economic development strategy. These strategies were not compatible.

What this does not reflect is the growth in ISI that occurred in Argentina after 1914. This movement towards ISI is considered to be the result of the declining foreign investment that occurred after 1914⁴⁸. This move to ISI is also related to the instability in the export markets for Argentina's goods that resulted from the war. The volume of exports from Argentina fell markedly during the war years, and the export markets remained somewhat unstable in the immediate post-war years. In addition, the volume of imports fell by a greater margin in the same period. This served to precipitate Argentina's first foray into Import Substitution Industrialization, mostly in light consumer goods, foodstuffs, and textiles. This initial ISI did not include heavier industry

⁴⁷Roberto Cortés Conde, "Some Notes on the Industrial Development...", p. 151.

⁴⁸Carl Solberg, The Prairies and the Pampas, p. 44. In conjunction with this see Lewis, The Crisis of Argentine Capitalism, pp. 80, 84-85

because of a lack of fuels and machinery, also a result of the war. This ISI would subside by the mid-1920s as Argentine export markets recovered⁴⁹.

Infrastructure

The differences between Argentina and Canada with regards to infrastructure and government policy are reflected in the path to economic development each country elected to follow. Political stability and external dependency also factor into this discussion. Canada had clear and consistent government policy and infrastructure development which recognised the importance of export markets to Canadian economic growth. Articulated through the National Policy, this infrastructure and policy was developed to serve Canadian economic development.

In Argentina infrastructure and government policy responded to cleavages between primary and secondary sectors, and within the secondary sector itself. There was no National Policy to articulate a consistent approach to Argentine economic growth. Infrastructure served the export to foreign markets as well as the foreign owned processing industries. Government policy served different economic groups at different times. There was no consistent vision of economic development nor the infrastructure to serve this economic development.

The remaining two aspects of the staple-led pattern of industrialization have been tied together. Both the massive debt that is incurred for heavy fixed capital charges such as transportation, as well as government involvement and policies designed to counter instability and benefit staples production, would seem to be linked to government involvement in the economy. At least, this would seem to be the case with the open spaces countries.

⁴⁹David Tamarin, The Argentine Labour Movement, 1930-1945: A Study in the Origins of Peronism, (Albuquerque, 1985), pp. 3-

The transportation infrastructure was developed in both countries to facilitate the movement of staple products to port for export overseas. In both Argentina and Canada this effectively meant the building of a vast rail network. Ownership and layout of these two railways are what effectively differentiate Argentina and Canada with respect to their transportation infrastructures. Canada's railway linked the whole country in a straight line, and was in many cases the prime tool, or incentive, used to bring different provinces into the Confederation. This railway was largely financed by Canadian mercantile interests with support from the government.

In the case of Argentina, the railway was laid out like the spokes of a wheel, with the hub being Buenos Aires. Several rail lines emanated from Buenos Aires, but were not connected to each other. In this fashion much of the country was not linked with any region other than the District of Buenos Aires. With regards to the ownership of railways in Argentina, Britain was the primary source of finance to undertake such endeavours. Between 1881 and 1914 the amount of railway track increased ten-fold from 3000 kilometres to 31,100 kilometres of railway track⁵⁰.

The transportation infrastructures reflect the level of dependency upon foreign actors such as Britain. In Argentina Britain owned and controlled this transportation infrastructure, leaving the South American country more dependent upon foreign decisions.

Government Policy/Direction vis-à-vis Economic Development

Government intervention and policy with regards to economic development was more apparent in Canada. Unlike Argentina, Canada developed a tariff policy designed to assist the development and protection of Canadian industry. In the area of staples production the government became involved in wheat experimentation to improve the strains and productivity of wheat⁵¹. The

⁵⁰Ford, "British Investment 1880-1914", p. 14.

⁵¹Carl Solberg, "Land Tenure and Land Settlement", p. 58

tariff policy was one of the key components of the National Policy, envisioned by the MacDonald administration and responsible for the early economic development of Canada. Other components that are seen to be part of this National Policy are the Canadian Pacific Railway and Canadian immigration policies, both serving the objective of populating the prairies and linking British Columbia with Central Canada. Economic development is a component of Welfare State development. The National Policy reflects a consistent stable vision of economic development that was largely accepted and followed by various governments.

There was nothing approximately similar to the National Policy in Argentina. Carl Solberg has argued that this is because of the different groups that dominated the two countries⁵². Financiers and industrialists from Ontario and Quebec had a substantial amount of influence with Prime Minister MacDonald. Combined with this influence was the support given to protectionism and the relative weakness of the pro-free trade agricultural producers of the prairies. The result was a tariff policy which basically forced US capital and industry to establish branch plants if they wanted to have access to the Canadian market. This was a consistent and substantial tariff policy.

In Argentina the landed elite dominated the political arena until the arrival of Juan Perón. This elite was pro-free trade and faced no substantial opposition from any of the other economic groups. Prior to 1930 the industrial elite were weak, and were unable to obtain the support needed from the working class to stand up to the landed elite and British foreign interests. The lack of any substantial industry not directly tied to the landed elite is partly responsible for this. Furthermore, the landed elite had political dominance until 1916, when the Radicals came to power. This middle-class party did not proceed to open up the system further to include the working class at this time. No significant bonds were developed between the relatively unorganized groups. The only tariff structure was a relatively small one, designed merely to provide revenue to the government, and not

⁵²Carl Solberg, The Prairies and the Pampas, pp. 11-12

to keep foreign industrial goods out of the country. Solberg argued that it was because of the existence of a tariff, as well as Canada's close proximity to the US, and a more substantial resource base, that Canada was able to develop industrially more rapidly than Argentina⁵³.

The key points with regards to infrastructure and government policy vis-à-vis Welfare State development relate to the approach taken towards economic development. Argentine infrastructure and government policy was reactive in nature, often initiated by direct foreign investment, and inconsistent across different governments. There does not appear to have been significant planning in these areas. In Canada, infrastructure and government policy was less reactive. There was a broad National Policy followed by successive governments regardless of political stripes, and which formed the basis of much in the way of infrastructure and trade/economic policy.

What resulted in Canada was a more stable economic development which is an important prerequisite of stable Welfare State development. This is also contingent upon less foreign control and external dependency, as well as a higher level of political stability. The National Policy appears to have reflected those factors, remaining consistent over time, and being designed with Canadian economic development in mind.

Socio-political Dysfunction: The Roots of Divergence

All of this data provides us with several economic indicators and figures which place Argentina and Canada in a similar light before 1930, as well as more systemic items like state economic development policy, which differentiate the two countries. What this does not take into account are the qualitative, non-economic circumstances of these two countries prior to 1930. The level of foreign control and ownership in Argentina, as well as the lack of a unified vision vis-à-vis

⁵³Carl Solberg, The Prairies and the Pampas, pp. 45-46

economic development, foreshadows the political and economic difficulties Argentina would have after 1930.

There may in fact be surface similarities between the two countries in these regards as well. Both appear to be stable liberal democracies in the extended period leading up to 1930, although, as stated earlier, Argentina's democracy was quite limited. Both countries appear to contain a growing and substantial middle class. Both countries are home to a large immigrant population, constituting part of the transplanted peoples that make up and define both countries. Finally, in effectively removing and/or marginalizing any and all aboriginal populations, both countries, it seems, did not have to overcome the barrier of an anti-capitalist traditional society.

Before proceeding, some remarks should be made with regards to the political arena in each country up until 1930. What we mean by stable liberal democracies, is that both countries experienced a prolonged period in which there was a regular transferral of power through democratic electoral processes. Beyond this, however, there were differences between the two countries. Suffrage and the electoral process were somewhat limited in both countries, but substantially more so in Argentina prior to the Sáenz Pena electoral legislation of 1912. Prior to the Sáenz Pena act there was no secret ballot in elections, and suffrage was limited to male property owners. This essentially gave the landed elite a free hand in choosing the government. The Sáenz Pena act, in addition to instituting the secret ballot, opened up suffrage to much of the middle class. These rather authoritarian limitations (pre-Sáenz Pena act) had effectively allowed the Conservatives to hold power until the elections of 1916. After this time the UCR Radicals took control and would not relinquish it until 1930 when they were overthrown by a military coup.

The Radicals, led by Hipólito Yrigoyen, were popular with the growing middle classes and won the elections in 1916, 1922, and 1928. The UCR did not challenge the wealth, status, and

power of the landed elite but rather served as a vehicle to facilitate the middle classes emulating the landed elite⁵⁴. The military, at the urging of the landed elite, overthrew the Radicals in 1930 when the Depression struck and "Radical control over the protesting masses weakened,..."⁵⁵. The UCR appealed to the growing middle class and would arguably have remained in power for much longer were it not for the intervention of the military in 1930.

In Canada there was a more frequent transfer of power between the major parties, the Liberals and the Conservatives. Both the Conservatives and the Liberals were fairly similar in focus and approach. They were pragmatic parties with broad bases of support in the corporate community and the middle classes. Their policies were supportive of business/corporate interests. The National Policy had been a Conservative initiative under Prime Minister John A. MacDonald, but had been carried on by subsequent Liberal and Conservative administrations. Wartime alliances, as well as the results of pragmatism and brokerage politics, had dictated that these two major parties were similar in many ways.

Both the Liberals and the Conservatives are pragmatic parties that have sought to lead by gathering as much support from across class lines. They both had support from the commercial-mercantile elite in Toronto and Montreal. With Prime Minister Wilfrid Laurier (1896-1911) the Liberals began to establish their ongoing dominance in Quebec. This would allow them to dominate the Federal political scene.

Carl Solberg notes that much of the more substantial American investment in Canada, relative to Argentina, may have been the result of a perception, held by US industry, that Canada

⁵⁴Gary Wynia, Argentina: Illusions and Realities (New York, 1986), pp. 39-40. The Sociedad Rural Argentina (SRA) was the most important social organization of the landed elite (est. 1866). See also José Luis de Imaz, Los Que Mandan (Those Who Rule), trans. Carlos A. Astiz (Albany, New York, 1970).

⁵⁵Gary Wynia, Argentina: Illusions and Realities, p 40.

was more politically stable than Argentina⁵⁶. This, indeed, would seem to be born out by the political picture of Argentina in 1930. Canada's political system was more conducive to political stability. No one party or political/economic actor created the rules and policy which the other parties were to follow under duress. Neither party in Canada had the favour of the military in order to stage the removal of a ruling party.

PRECONDITIONS OF EXTERNAL DEPENDENCY AND POLITICAL STABILITY

What these surface similarities seem to cover are differences that have great bearing in terms of not only social and political consequence, but economic consequence as well. Prior to 1930 there are several qualitative differences between Argentina and Canada, which we shall attempt to discuss. Within this, however, there are two key differences, or patterns of difference, that seem to emerge in this period. Each contributes in some way to our two themes of external dependency and political instability/stability.

The first key area of difference is with regards to foreign investment and ownership. While on paper both countries seem to have been host to a high level of foreign investment in the period before 1930, there are qualitative differences relating to the type of investment, as well as the relationships between domestic elite, government, and the sources of foreign investment. These relationships serve as building blocks towards a fundamentally different definition of external dependency in the period after 1930 (to be discussed in chapter 3).

Immigration and their settlement in these "new countries" form the basis for the second key area of differences. There are qualitative differences in the make-up of the immigration to Canada and Argentina. The policies of Argentina and Canada, in receiving these immigrants, were also different. This difference is also reflected in the reaction of the existing population to these new

⁵⁶Carl Solberg, The Prairies and the Pampas, p. 38

waves of immigration. Finally, Argentina and Canada exhibited different patterns of land settlement before 1930. This is, in part, a reflection of the status of the land in the two countries at the time of arrival of the immigration. These issues of difference play a contributing role in the levels of political stability achieved by the two countries after 1930. Immigration in Canada was seen as long term development. Immigrants were given land and encouraged to become citizens. They formed communities which were eventually included in the political process. This contrasts with Argentina, where immigration was for the purpose of short term labour on the estates of the landed elite. Immigrants were not encouraged to become citizens and were not given land. As short-term renters they did not form communities and were excluded from the political process. We will elaborate on this point in the following chapter⁵⁷.

Foreign Investment/Ownership

A picture needs to be drawn showing the extent of foreign involvement in the economies of Argentina and Canada. Between 1910 and 1927 it is estimated that foreign capital in Argentina increased by 60 per cent. Of this foreign capital invested, around 60 per cent was from Great Britain⁵⁸. The US was at first an insignificant investor. Its investment of foreign capital would grow to 15 per cent in 1927, and 20 per cent by 1931⁵⁹. To get another perspective on the weight of foreign involvement in Argentina, one only needs to look at the levels of capital accumulation in

⁵⁷Carlos Waisman discusses the make-up of immigration and how it differs from typical New Countries like Canada in Reversal of Development. Carl Solberg looks at the patterns of land settlement in Canada and Argentina in The Prairies and the Pampas. Both sources also look at the general integration of immigrants into each country.

⁵⁸Paul H. Lewis, The Crisis of Argentine Capitalism. p. 42.

⁵⁹Paul H. Lewis, The Crisis of Argentine Capitalism. p. 42.

Argentina. Between the turn of the century and 1929, foreign capital as percentage of total capital accumulation ranged between one-third and one-half of it⁶⁰.

In terms of actual foreign industrial establishments in Argentina, prior to 1920 food processing and beverages accounted for nearly half of all foreign-owned principal establishments. After 1920 foreign investment moved into more technologically intensive areas. This is reflected in the growing number of principal foreign establishments in the chemical and electrical sectors⁶¹.

Yet another trend which reflects the importance of foreign industry is the growth of investment imports in Argentina. At the turn of the century investment imports made up less than one-third of total import values into Argentina (consumption imports making up the rest). By 1914 investment imports made up more than half of total import values. Extrapolating from other data it would seem that investment imports increased to more than 60 per cent of total import values by 1930. Of these investment imports it appears that two-thirds were in the form of raw materials and semi-finished goods, the other third being in the form of capital goods⁶².

The picture drawn is one of Argentina industrializing through the use of foreign technology and foreign raw materials, especially considering that imports made up more than 50 per cent of total consumption on the eve of the Depression⁶³. From all of this several conclusions can be drawn. For Argentina, the US proved to be more of a source of investment imports than a market

⁶⁰Paul H. Lewis, The Crisis of Argentine Capitalism. p. 49.

⁶¹Ysabel Rennie, The Argentine Republic. p. 71.

⁶²Colin Lewis, "Anglo-Argentine Trade". p. 116.

⁶³Colin Lewis, "Anglo-Argentine Trade". p. 116.

for Argentine exports. This would be a source of trade imbalance for Argentina. Argentina's lack of natural resources for such ISI endeavours necessitated such investment imports⁶⁴.

First, however, these numbers must be qualified in relation to the foreign investment boom that Canada was having during the same time. Specifically, after 1914 there was a rapid level of growth in US foreign investment, far outstripping the level of growth of US foreign investment in Argentina⁶⁵. In response to this relative lack of foreign investment, Argentina appears to have turned inwards with ISI. This would seem to be supported by the increase in investment imports.

What is the significance of this relationship with the U.S. vis-à-vis our thesis' arguments? The nature of Argentina's trade relationship with the U.S. made it highly dependent upon the actions of the U.S. Argentina's industrialization rested upon importing the industrial goods which would be inputs into this process. The U.S. did not have a corresponding need for Argentine goods and therefore there was a trade imbalance. This relationship would have a much more significant impact upon Argentine political stability after WWII. The U.S. denied Juan Perón the industrial inputs he required to carry out heavy industrialization, one of his economic development goals. This was done for several reasons. The U.S. did not approve of Perón as President, the U.S. felt a more industrialized Argentina would threaten American hegemony in the region, and these industrial inputs were to go towards the rebuilding of Britain.

The American relationship with Canada vis-à-vis foreign investment did not have the same impact. American corporations sought to invest in Canada as a way to profit within the parameters of the National Policy. This was an investment relationship rather than a situation of trade dependency. There was not the same trade imbalance between Canada and the U.S., which could

⁶⁴For more discussion on foreign investment in Argentina and Argentine foreign policy towards trade and investment see Alberto Conil Paz and Gustavo Ferrari, Argentina's Foreign Policy, 1930-1962 (Notre Dame, 1966)

⁶⁵Carl Solberg, The Prairies and the Pampas, p. 38

cause a situation of dependency like that in Argentina. Canada's path to economic development, and out of this, Welfare State development, preceded this foreign investment by the U.S. This was not the case in Argentina.

ARGENTINE INDUSTRIALIZATION

The US was the primary source of technology and capital goods for Argentina's industrialization. This is reflected in the fact that in the fifteen years immediately prior to 1930 the US was the single biggest source of all Argentine imports. This is at the same time that the United Kingdom was the biggest export market for Argentina. The US accounted for a relatively small portion of Argentine exports, resulting in a balance of payments favourable to the US. (Anglo-Argentine relations would be strained after 1930 because of the unfavourable trade balance between Britain and Argentina; the balance of payments favoured Argentina⁶⁶). This triangle with Argentina, Britain, and the U.S. would be disadvantageous to Argentina, as evidenced by the Roca-Runciman agreement in the 1930s and the post-WWII trade pressures by the U.S. Argentina was dependent upon Britain to import foodstuffs from the River Plate, but had no need for British exports, preferring, rather, to import goods from the U.S., who themselves had no need for Argentine goods. The result is that Britain pressured Argentina to import more goods from Britain in order to reach trade parity (Roca-Runciman). After WWII, Argentina had to import unneeded consumer goods from Britain rather than the industrial inputs required to develop heavy industry, because the British pound was made inconvertible into U.S. dollars.

The second point to be drawn is that Argentina's relative lack of natural resources, aside from agricultural resources, was becoming more apparent as the process of industrialization

⁶⁶Roger Gravil, "Anglo-U.S. Trade Rivalry in Argentina and the D'Abernon Mission of 1929" in David Rock, ed. Argentina in the Twentieth Century, p. 52.

occurred. This is something that would, again, be problematic after 1930 as Argentina embarked on the ISI path⁶⁷. After 1914, when the slow-down in foreign investment began, Argentina sought to remedy the potential trade imbalance by establishing a domestic consumer goods industry. Argentina did not possess the mineral resources or the capital goods industries needed to effectively establish consumer goods industries and, therefore, was forced to import much of their production inputs from the US.

In terms of the foreign investment that existed in Canada and Argentina there are important differences. These differences are clearly present prior to 1914, when US investment took off in Canada, and Argentina embarked on its first wave of ISI. The lack of an entrepreneurial elite in Argentina is a factor that, when combined with the economic circumstances of the country, at least partially explains why there was a higher level of foreign control over Argentina's economy than was the case in Canada. It should be noted that the Canadian entrepreneurial elite was limited primarily to the banking and finance sectors of the economy. There was no significant entrepreneurial elite in the manufacturing sector. This was left primarily to foreign interests vis-à-vis branch plants. There was not necessarily more foreign investment or ownership in Argentina as compared to Canada; in fact, the contrary may be the case. Rather, the foreign investment in Argentina allowed more control to the investors because of the type of investment as well as the location of investment.

This is specifically apparent with regards to British foreign investment. There was apparently more acquiescence to Canadian entrepreneurship than to Argentine entrepreneurship.

⁶⁷With the effects of the world Depression Argentina found itself turning to import substitution industrialization to obtain consumer goods for the domestic market. This was similar to the post WWI period, when it was also difficult to import consumer goods.

Portfolio investment, stock in Canadian-managed business in the case of Canada, was the primary source of British investment in Canada. By comparison, most of the British investment in Argentina was of the direct variant: establishing industry, or purchasing existing industry, and managing it from London⁶⁸.

It is not being argued that Argentina did not have an entrepreneurial segment of population; there was an entrepreneurial segment. However, this segment did not possess the power to overcome the Argentine landed elite. The key differences between Argentina and Canada with regards to entrepreneurial segments is that Canada's entrepreneurial elite, in the finance and banking sectors, had real power. Argentina's entrepreneurial elite were powerless relative to the landed elites. The significance of this to the thesis is simply that, in Argentina, foreign interests and investment were given more control over things like infrastructure and manufacturing. In Canada the existence of a powerful entrepreneurial elite in the finance and banking sectors resulted in the development of infrastructure and secondary production that served as a model of Canadian economic development.

This was not the case in Argentina where the powerful economic groups were the landed elite. This landed elite controlled much of the political power base of Argentina prior to 1930, and were not specifically entrepreneurial in outlook. This would remain true until the popular sectors (organized labour, domestic industry, and the integral nationalist segments of the military) overthrew the landed oligarchy in 1943⁶⁹.

During the early war era, the conservative Argentine landed oligarchy, still in control of the Argentine government, had stifled serious study of mineral deposits for fear that the discovery of coal and iron in quantity would make heavy industry inevitable and thus end the political predominance of the Argentine landowning class. For essentially the same

⁶⁸Carl Solberg, The Prairies and the Pampas, p. 38

⁶⁹Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, 1930-1966: An Interpretation (Austin, 1972), pp. xvii-xviii

reasons, the landowner government had scuttled the wartime Pinedo Plan for planned industrialization, fearing that it would result in a lessened dependence on agriculture and foreign trade⁷⁰.

Rather than financing the development of linkages to staple production such as meat-packing plants, or the social overhead capital such as a rail transportation network, the landed elite were content to extract the rents from their land (rents meaning the agro-pecuarian goods grown or raised on the land, such as cattle or wheat). They left most of the financing and building of rail networks and processing plants to British foreign investment.

The result of this is that there was a transportation network designed to serve the interests of the British meat-packing plants and the British market that would receive those meat exports. The transportation network did not link up the nation, but rather fed into the port at Buenos Aires for export overseas. Foreign interests, in owning much of the food processing industry, controlled much of the early Argentine secondary industry. The exodus of interest payments and dividends out of Argentina to the United Kingdom reflects this⁷¹. All this runs somewhat counter to the notion that a strong entrepreneurial element is needed in the open spaces society if it is to achieve economic take-off⁷².

⁷⁰David Green, The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy (Chicago, 1971), p.240

⁷¹Roger Gravié, "Anglo-U.S. Trade Rivalry in Argentina...", p. 52.

⁷²W W Rostow, The Stages of Economic Growth: a non-Communist Manifesto. (London, 1960), p. 48. Rostow argued that economic take-off is the indicator for industrialization in the economic development of new countries like Canada and Argentina. It is the stage of development where a country possess the resources (human, financial, natural) to undertake major industrialization. The mindset of the society must be entrepreneurial. There should be no inhibiting factors such as pre-capitalist cultures that would inhibit the goals and objectives of the entrepreneurial elite.

CANADIAN INDUSTRIALIZATION

This is not to say that Canada was free of foreign control prior to 1930; such a statement would not be true. Canada experienced the same sort of trade triangle as Argentina, whereby it had a trade surplus with Britain, countered by a trade deficit with the U.S. This was for much the same reason as Argentina. Canada exported foodstuffs to Britain, but the manufactured imports it desired came from the U.S. rather than Britain. Canada, like Argentina, was also highly vulnerable to the fluctuations in the international economy, due to its high degree of dependence upon trade and foreign markets.

Canada also experienced much of its early industrialization as a by-product of the exploitation of its abundant resources. The processing of these natural resources into semi-finished food products and lumber was the basis for early manufacturing operations, and it would continue to be the basis as more Canadian natural resources were tapped into, such as minerals, fuels, and hydro-electricity. This reflected a high degree of dependence upon Canadian Staples. Like Argentina, it could be argued that Canadian industrialization had fallen into a staples trap whereby the economic powers were content to focus on exploiting the primary products which made up the bulk of their export market. This export mentality was not conducive to a more broadly established national industrialization⁷³. This was similar to the Argentine dependence upon the export of agropecuarian products.

However, what Canada did have was a strong mercantile elite. This mercantile elite had established itself through the trade of Canadian staple resources. This elite developed by being the middle man between those who obtained the staple products and the foreign markets who sought

⁷³ Bradford and Williams, "What Went Wrong?...", pp. 58-62

these resources. This elite established itself in the major centres of Toronto and Montreal, building a substantial banking nucleus which formed the core of Canada's economic activities.

While this mercantile elite was not necessarily entrepreneurial itself, it possessed the finances to undertake the building of a rail network, as well as the establishment of secondary industry in central Canada. This elite also apparently had the support of British foreign investors who were largely content to leave the management of their portfolio investments to this Canadian elite. The result was a transportation network that linked the country, and an industrial base that was largely controlled, if not owned, by this Canadian financial elite.

Like Argentina, Britain was the biggest source of foreign investment in Canada for much of the period before 1930. Just prior to World War I, Britain accounted for 58 per cent of the 3.8 billion dollars in foreign capital estimated to be in Canada. In Argentina, Britain accounted for 71 per cent of the 3.1 billion in foreign capital invested in Argentina⁷⁴. British investment in Canada took the form of indirect portfolio investment, leaving much of the actual control of Canadian industry in Canadian hands. This is of course different from the situation of Argentina, in which the British had much more direct control over industry⁷⁵. This direct control affected the economic development of Argentina. Greater dependency upon this foreign control contributed to less stability and consistency within the development of the Welfare State after 1930. The Welfare State in Argentina was not compatible with these British economic interests or the Argentine landed elite who worked with them.

The US would not overtake Britain as the biggest single investor in Canada until 1925⁷⁶.

⁷⁴Roberto Cortés Conde, "Some Notes on the Industrial Development...", p. 155

⁷⁵Carl Solberg, The Prairies and the Pampas, p. 38

⁷⁶Carl Solberg, The Prairies and the Pampas, p. 37.

Foreign investment grew by 71 per cent between 1914 and 1931 (Canada); in Argentina it rose by only 15 per cent...due mainly to the United States which contributed 63 per cent of all foreign investment, while in Argentina it accounted for only 19 per cent⁷⁷.

The US investment that became dominant in Canada was of a more direct nature, notably branch plants and export-oriented industries involved in the processing of raw goods, such as newsprint and minerals. As we have mentioned earlier, the lack of an equivalent influx of capital into Argentina may partially be responsible for the movement towards the import substituting industry which was geared to the domestic market. Branch plants were a big part of Canadian industry. These American branch plants imparted a higher degree of dependence and vulnerability upon Canadian secondary manufacture. Often these Canadian operations were fully controlled and directed by the American head office, with little or no Canadian input. This tied secondary manufacture in Canada to the market dynamics operating within the U.S. This dependence upon the highs and lows of the American parent operations did not allow this industry to be flexible and responsive towards Canadian economic development planning. With regards to industrial development it seems much was tied up with the fortunes of this continental partnership.

This was not the case in Argentina. Import Substitution Industrialization in Argentina occurred to develop the consumer goods industries to serve the needs of its population. Unlike branch plant industry in Canada, ISI did not develop a stable long-term relationship with either the landed elite, or the competitive processing industries, who were at odds with ISI. This made it difficult on economic development and Welfare State development in Argentina, of which ISI was a part. Long-term planning was difficult with the inconsistent ruling administrations and power groups.

⁷⁷Roberto Cortés Conde, "Some Notes on the Industrial Development...", p. 155.

Patterns of Immigration and Settlement

The objective of both Argentina and Canada was to bring in immigration that could help alleviate the labour shortage endemic to open spaces countries, particularly in agricultural production. Different policies on immigration, as well as a different status of land upon the arrival of immigration, have dictated a fundamentally different process of land settlement in Canada and Argentina. To put it succinctly, the difference is based on a policy of inclusion in the case of Canada, versus a policy of exclusion in the case of Argentina. The policy of inclusion in Canada facilitated political stability as these immigrants formed a substantial portion of Canada's growing middle class. In Argentina, the policy of exclusion of immigration from the political process led to problems of political stability. Immigration formed a large portion of the middle classes which would challenge the landed elite for political power after the Sáenz Peña act in 1912. Land settlement patterns also affected the levels of agricultural growth and development. Immigrants to the Canadian prairies were given land and this led to a healthier development of land settlement and, consequently, higher long term productivity⁷⁸. Immigration in Argentina was often for the purpose of short term labour on the lands of the elite. This, as we shall argue, was not as conducive to growth and development.

ARGENTINA: RENTERS

In the case of Argentina, most of the usable agricultural land had already been granted when the bulk of immigration arrived. There was a pre-existing landed elite, almost an aristocracy

⁷⁸Carl Solberg, The Prairies and the Pampas, pp. 29-32. Solberg does not actually discuss the concept of inclusion but Canadian policies for the integration of immigration are consistent with Carlos Waisman's definition of inclusion in Modernization and the Working Class.

of land owners, who were granted most of the wealth of Argentine land by Argentine political leadership through Argentine history. The Spanish crown, Juan Manuel de Rosas, and General Julio A. Roca were three main sources of land grants. In the 1830s Juan Manuel de Rosas, the powerful caudillo who controlled the country for nearly 25 years, "opened vast territories for settlement at the expense of the Indian population."⁷⁹ By 1879 General Roca finished the process of opening up territories at the expense of the aboriginal populations.⁸⁰ The bulk of immigration that arrived in Argentina after 1900 were left to their own devices in obtaining land to produce agricultural goods.

The result of this is that much of the immigration that worked the lands, did so as short term renters. We mentioned earlier that up to two-thirds of farmers on the pampas were either renters or sharecroppers⁸¹. These renters usually had only short-term contracts, and so they did not really have any attachment to the land they were working⁸². The results of this were higher levels of land exploitation, as well as a lack of a sense of community amongst the farmers. The higher levels of land exploitation led to lower yields in the long run as the quality of the soil was run down. The lack of community amongst the farmers prevented the pooling of knowledge and technology which would have assisted productivity.⁸³

CANADA: OWNERS AND COOPERATIVE COMMUNITIES

What then was the situation in Canada? Like Argentina, Canada promoted the influx of immigrants to work in agricultural production and on the railways. The bulk of this agricultural immigration was in the last decade of the 19th century and the first fifteen years of the 20th century.

⁷⁹Juan E. Corradi, The Fitful Republic: Economy, Society, and Politics in Argentina (Boulder, Colorado, 1985), p. 15

⁸⁰Juan E. Corradi, p. 15

⁸¹Carl Solberg, "Land Tenure and Land Settlement". p. 56.

⁸²Carl Solberg, "Land Tenure and Land Settlement", p. 64

⁸³Carl Solberg, "Land Tenure and Land Settlement", pp. 65-66

From here the similarities end. Canada had much more comprehensive objectives for bringing the immigrants to the land. The prairies were vast open plains and the government wanted to link up British Columbia and Central Canada. The Wilfrid Laurier government (1896-1911) worked at tying the immigrants to the prairies through land grants. This was the basis of John A. MacDonald's Homestead Policy⁸⁴. In 1911, at the end of Sir Wilfrid Laurier's term as Prime Minister, nearly 90 per cent of farmers owned their land⁸⁵.

This had two obvious results that, in the long term, ran counter to the situation in Argentina. Because those who worked the land in Canada also owned it, there was less exploitation of the land; the farmers were on the land for longer than a few years, as was the case in Argentina. This resulted in productivity that held up in the long run. The second result followed from the first. By owning the land and thus staying for an extended period, a sense of community developed amongst the farmers in Canada. Out of this sense of community co-operatives developed, along with wheat pools. This pooling of minds and resources resulted in greater access to technology. This in turn led to greater levels of productivity⁸⁶. These communities were a part of the political process, and this contributed to political stability. They fostered political parties which competed openly within the political process. More often, they supported the existing Conservative and Liberal parties which the economic elite in central Canada also supported⁸⁷.

⁸⁴Carl Solberg, "Land Tenure and Land Settlement", p. 55

⁸⁵Carl Solberg, "Land Tenure and Land Settlement". p. 56.

⁸⁶Carl Solberg, "Land Tenure and Land Settlement", pp. 58-59

⁸⁷For more discussion on the settlement of the prairies and the pampas see C.A. Dawson and Eva R. Younge, Pioneering in the Prairie Provinces: The Social Side of the Settlement Process (Toronto, 1940) and James R. Scobie, Revolution on the Pampas: A Social History of Argentine Wheat, 1860-1910 (Austin, 1964)

Responses to Immigration

ARGENTINE EXCLUSION OF IMMIGRATION

What about immigration in and of itself? The exclusionary political tradition in Argentina translated into a rural population, which as we know did not form a community. This in itself prevented the rural political mobilization that could have led to agrarian reform. This rural situation of exclusion is itself rooted in a socio-political pattern of exclusion of immigrants from the point of arrival.

What factors contributed to this pattern of exclusion? Three points come to mind. First, there was a high ratio of immigrants as compared to existing population; this is the case in most open spaces countries, but especially so in Argentina. In 1914 immigrants made up 30 per cent of the population⁸⁸. Second, there was a geographic and social concentration of these immigrants. Most of the immigration was in Buenos Aires district and province, and also in other prosperous provinces. These immigrants began to form the rural and urban middle classes, as well as part of industrial labour. Finally, most of these immigrants were of non-Hispanic origins. One-half were Italian and only one-third were Spanish. The cumulative effect of this was a belief amongst the elite that these immigrants were an immoral, ambitious group that was perceived as a threat to their wealth and control⁸⁹. The incompatibility between the landed elite and the middle classes and labour, led to a political arena in which there was no common ground. The political process led to parties which were unacceptable to either the landed elite or the middle classes and labour. This eventually led to non-democratic means in the transfer of power, as it can be seen in the military coup of 1930 in which the landed elite regained political power.

⁸⁸Carlos Waisman, Reversal of Development, p. 55

⁸⁹Carlos Waisman, Reversal of Development. pp. 41-43

Urban and social unrest were also blamed on immigration. Immigrants became the scapegoats of a nationalistic reaction that was sparked by the fears of the Criollo elite. Fears of cultural changes were cited as a reason for the nationalistic reaction⁹⁰. This argument is supported by the more romantic image of Europeanization held by the elite prior to the influx of immigration. They felt that immigrants from northern Europe would blend and give a more urbane feel to Argentina⁹¹. More logically, the reaction was likely sparked by the elite's fears of a challenge to their hold on power; immigrants were moving rapidly into the ranks of the middle class and threatened the elite's rule. This new middle class had its base of power not in the ownership of land, as with the traditional elite, but rather in the industrial and commercial developments within Buenos Aires and other major urban centres. Their economic goals and development were not specifically compatible with those of the landed elite.

What were some of the results of this pattern of exclusion? Most notable is that the immigrants into Argentina were not encouraged to obtain citizenship; many planned on staying only a short time to make some money which they would then take back with them to their home country. (We already know the pattern of immigrant land settlement in Argentina; the short term leases seem to correspond to the short term stays of many immigrants to Argentina in this period).

CANADIAN INCLUSION OF AGRARIAN IMMIGRATION

In the case of Canada, from what we have discussed already, we know that inclusion of the immigrants was the predominant pattern, at least with regards to land settlement. Canadian

⁹⁰The nationalistic reaction spoken of refers to the desire of the criollo landed elite (native born) to limit the citizenship and political rights of these waves of immigration into Argentina.

⁹¹Carlos Waisman, Reversal of Development, p. 39

citizenship was encouraged through the land grants, among other features. The whole inclusionary pattern resulted in rural community development, which in turn led to rural political mobilization; various farmers' parties, the Progressives, and the Co-operative Commonwealth Federation (CCF) being cases in point. In summation, the agrarian sector in Canada was far more dynamic than that of Argentina.

All of this is not to say that immigrants were openly and indiscriminately welcomed by all segments of Canadian society. Canada sought out immigrants that were perceived as docile and hard-working, for the railways and the prairies. To these ends Canada encouraged immigration from north-eastern Europe. It was felt that these "vigorous northern races" would fit better into the Canadian lifestyle than Europeans from more southern regions⁹². Canada discouraged some elements of British immigration out of fears that they would incite labour unrest. Another example of Canada's less than perfect treatment of immigrants can be seen during WWI. Immigrants from countries seen as hostile to Canada were denied certain rights, such as voting rights, and mobility rights⁹³. However, all in all Canada was much more inclusionary with regards to immigration than Argentina. This inclusionary policy would be extended to labour relations, as we shall see subsequently.

⁹²Donald Avery, European Immigrant Workers and Labour Radicalism in Canada, 1896-1932 (Toronto, 1979), pp. 40-41

⁹³Donald Avery, p. 66

3 :-DIVERGENT DIRECTIONS SINCE 1930 -

RESPONSES TO POLITICO-ECONOMIC STIMULI

Why 1930 as the Break Point?

1930 was a natural break in the fortunes of Argentina and Canada, for two reasons. First, 1930 marked the first military coup in Argentina in over 70 years. During that past seventy years Argentina had experienced relative political stability under a limited, highly circumscribed democracy. This is similar to Canada, which had experienced the regular democratic transition of power since Confederation in 1867. In terms of comparing political stability, this is an important date in noting the divergence between the two countries. Second, 1930 marked the onset of an economic depression that would have its effects felt throughout the world, specifically industrialized Europe and North America. The effects of this depression upon trade were important, especially to trade dependent countries such as Canada and Argentina. For Canada this was the first major economic-social downturn since Confederation and the inception of John A. MacDonald's National Policy in 1879¹.

The military coup in Argentina was not unforeseen; there were some elements of foreshadowing. Fourteen years of Radical government (1916-1930) had caused increasing friction with the landed elite, as well as with the armed forces. In search of revenues, Yrigoyen had set up tariffs on certain imports. Britain reacted unfavourably to this and the landed elite supported Britain ("Buy from those who buy from us")². The Conservative oligarchy, who had regained power through the political alliance called Concordancia in the 1930s, wanted to move away from some of the protectionist measures Yrigoyen had established, thereby achieving a greater level of trade

¹Carl Solberg, The Prairies and the Pampas, pp. 9-15

parity with Britain. The onset of the Great Depression in 1929 overwhelmed the Radical government, leaving it open to a military coup. Prior to 1916, the landed elite had run the country for more than a half century³.

The second factor was the onset of the Depression. For Canada, this economic downturn precipitated the second National Policy. This policy was the driving force behind the Canadian Welfare State. (We will go into more detail around this second National Policy in the next chapter). In Argentina's case, the Depression caused an economic downturn that, as we have mentioned previously, precipitated the military coup that removed the Radicals from office. Canada and Argentina were countries intimately tied to the international marketplace and, subsequently, the international economy. Because of the importance of trade to their economies, both Canada and Argentina would be affected by this international depression. The Roca-Runciman treaty between Argentina and Britain reflected the pressures that could be brought to bear by external trading partners in times of economic depression. In the Roca-Runciman agreement, Argentina gave Britain various trade concessions in return for the maintenance of Britain as the main market for Argentine agro-pecuarian exports.

The themes of inclusion and exclusion that were present in chapter 2 can be extended to much of the social, economic, and political phenomena in the two countries after 1930⁴. Much of this can be tied to the evolution of the Welfare State in both Canada and Argentina. In Canada, the National Policy was embraced by all political parties, business, and labour as the new common sense, having evolved out of the agreement between business, labour, and government.

² Paul H. Lewis, The Crisis of Argentine Capitalism, p. 84

³ Carl Solberg, The Prairies and the Pampas, pp. 17-21

⁴ Carlos Waisman, Modernization and the Working Class, pp. 15-24

In application it was much more difficult. R.B. Bennett tried to embrace this with his own "New Deal" similar to Roosevelt's in the U.S. This deal was to be a wide-ranging package including, working legislation, unemployment insurance, and sickness insurance which would alleviate the devastation of the Depression⁵. In reality the plan was not developed, and was watered down in many areas. Furthermore, Bennett's attempt at creating a Federal Unemployment Insurance scheme with provincial funding was rejected by the provinces, who objected to Bennett trying to impose this plan on them before giving them any details of what it actually would look like⁶. W.M. Mackenzie King (1935-1948) had a greater measure of success in introducing Welfare State measures.

In Argentina, by contrast, there was a strong pattern of exclusion. Political parties were excluded from running in elections (the UCR in the 1930s and later on the Perónists after 1955), interest groups were excluded from the policy-making process (see chapter 4). Economic policy was rigidly based upon the economic theory, or model, followed by the economic minister of the time. There was no consultation with other individuals and groups in drafting economic policy.

How did political stability and external dependency affect Welfare State development in Canada and Argentina after 1930? How and why did levels of external dependency and political stability differ between Canada and Argentina? In order to respond to the former, we must first address the latter question. External dependency has affected Welfare State development, or the lack thereof, via two avenues: trade dependency and direct foreign investment. (Portfolio investment is of peripheral importance, and therefore will not be dealt with in detail)⁷. Political

⁵ John H. Thompson and Allen Seager, Canada 1922-1939: Decades of Discord (Toronto, 1985), p. 262 •

⁶ Thompson and Seager, Canada 1922-1939, p. 253

⁷ Portfolio investment is indirect investment, vis-à-vis purchase of stock in a company. This type of investment does

stability, or the lack of stability, was reflected in the continuity, or discontinuity, of Welfare State evolution. Inclusion, exclusion, and co-optation played a significant role ⁸.

EXTERNAL DEPENDENCY

The more economic issue of external dependency will be dealt with first. In both Canada and Argentina investment and trading relations with other countries, such Britain and the US, had an impact upon the political stability. As we have argued above, external dependency can be split into two more specific variables, trade dependency on the one hand, and dependency based on ownership/control of the means of production, or, as we shall refer to it, direct foreign investment⁹. Portfolio investment, which does not entail control of the means of production, and therefore does not necessarily indicate dependency, was the most common investment in Canada prior to 1930¹⁰.

Direct investment, on the other hand, does entail actual control of the firm, and therefore results in a relationship dependent upon the investor. Direct investment has taken some different forms in Argentina as well as Canada. The establishment of branch plants, and the purchase of existing resource industries, were the most common forms of direct investment in Canada¹¹. In Argentina the most common form of direct investment was ownership of the transportation

not entail control, or management of the company, unlike actually purchasing a company, including its hard capital, which is direct investment.

⁸Carlos Waisman, Modernization and the Working Class, pp. 15-24. Waisman discusses Accommodation, Co-optation, Polarization, and Exclusion. For the thesis Inclusion (Accommodation), Exclusion, and Co-optation are the outcomes that will be focused upon.

⁹Raúl Prebisch, Change and Development: Latin America's Great Task, pp. 49,55, 75-77

¹⁰Carl Solberg, The Prairies and the Pampas, p. 37

¹¹Carl Solberg, The Prairies and the Pampas, pp. 45-46

infrastructure, and ownership of industries involved in the processing of agro-pecuarian products¹². In Canada, direct investment translated into increased industrial facilities operating within a tariff structure and infrastructure designed by an activist state. In Argentina, direct investment *was* the infrastructure, designed and controlled by the foreign interests, with their own needs in mind.

Branch plant industry in Canada was primarily an American response to the tariff wall that existed to favour domestic industry¹³. These initiatives were designed to jump the tariff wall. The exploitation of resources or some industrial capabilities of either Canada or Argentina was the major incentive for direct investment. This was most commonly tied to exploitation of staples and resources, whether through linkages as in the case of agricultural linkages in Argentina; or through the actual extraction of resources, as in the advanced resource capitalism in Canada. The Canadian financial and banking elite focused their energies upon developing resource extraction and processing industries within Canada. Forestry, mining, and agriculture were key staples upon which economic development within Canada rested. This was the advanced resource capitalism referred to above.

While direct investment was substantial in both Argentina and Canada, there were some significant differences. Britain was the source of most direct investment in Argentina. Most of this direct investment was in areas that were linkages of Argentine agro-pecuarian production, a production destined for export to Britain. The main investments were in the transportation

¹²Carl Solberg, The Prairies and the Pampas, pp. 45-46. Roberto Cortés Conde also deals with industrial development and foreign investment in Argentina and Canada, in "Some Notes on Industrial Development"

¹³Neil Bradford and Glen Williams, "What Went Wrong?: Explaining Canadian Industrialization", in Wallace Clement and Glen Williams eds. The New Canadian Political Economy, (Kingston, 1989), p. 65

infrastructure such as railways and trolleys, processing industries such as meat-packing houses and refrigeration plants, and shipping companies to get the goods overseas¹⁴.

The most visible effect of this sort of investment was an infrastructure more geared towards servicing exports to Britain than servicing the Argentine population and domestic industries (the railways)¹⁵. The result is that most of the country was not linked by rail; getting agro-pecuarian goods to port in Buenos Aires was more important than linking up the rural Argentine populations with each other¹⁶. Most of the processing industries were also in and around Buenos Aires. Last, there was the dominance of an Argentine landed elite more concerned with obtaining rents from their land than in economic development within their country¹⁷. This would seem to reflect the dependency of the Argentine landed elite upon foreign economic powers such as Britain. Argentina did not have the infrastructure needed to serve as a base for economic development, or Welfare State development. Canada's National Policies separate their experience from Argentina's. Unlike Canada, the Argentine state did not play an active role in economic development. The infrastructure (key components of the Welfare State) was not controlled by the state. The lack of state activism did not establish precedent for a Welfare State.

Differences in Trade and Direct Investment

There are some significant differences between Canada and Argentina with regards to the patterns of direct investment and control. First, the Canadian economic elite had significantly more control over their infrastructure in terms of transport, finance, and utilities, than did the Argentine

¹⁴Paul H. Lewis, The Crisis of Argentine Capitalism, p. 50

¹⁵Carl Solberg, The Prairies and the Pampas, pp. 19-20

¹⁶Paul Lewis, The Crisis of Argentine Capitalism; pp. 25-26

¹⁷Carlos Waisman, Reversal of Development, pp. 80, 105

economic elite. Second, there existed no protective tariffs in Argentina remotely similar to the ones that existed in Canada. During the last part of the 19th Century and the first two decades of the 20th Century the conservative administrations in Argentina ruled under a strict laissez-faire economic policy, free of protective government measures. Canada followed a more state-activist resource driven capitalism.

The Canadian economic and political elite possessed a higher level of control over the economic infrastructure, as well as control over the types and direction of foreign investment. The economic elite dominated in areas of finance such as banking, while the utilities and much of the transportation infrastructure were under public control. Without a protective tariff to encourage the development of an industrial base, or a domestically controlled infrastructure (transport, finance, utilities), Argentina lacked the tools to ensure economic development in the interests of the Argentine population.

The export markets drove the Canadian and Argentine economies. Table 3.1 is indicative of this. This was significant for the development of the two countries and their Welfare States. The export of primary products, specifically food products, accounted for a significant part of national income in both Canada and Argentina, a more significant part than in countries such as the U.S. and Britain¹⁸. A second point of comparison is that trade was not spread out to several different markets. Prior to 1930 Britain was the destination for the majority of both Argentine and Canadian exports¹⁹. After 1930 the U.S. increasingly became the main destination for Canadian exports.

¹⁸Carlos Waisman, Reversal of Development, p. 60 and Roberto Cortés Conde, "Some Notes on the Industrial Development...", pp. 151-152

¹⁹Carl Solberg, The Prairies and the Pampas, p. 37

The significance of this is that both Canada and Argentina were dependent upon one market for the majority of their exports. This would allow Britain to take advantage of Argentina in the Roca-Runciman treaty of the 1930s. For example, when the British pound was made inconvertible in the 1940s, Argentina was forced to purchase unneeded consumer goods from Britain instead of the industrial inputs it desired from the US. This of course hindered Perón's plans for economic development, a factor itself in the development of the Welfare State.

Table 3.1: Trade as a % of Gross National Product (GNP)

	1965	1975
Argentina	15.7	17.6
Canada*	34.8	41.9

*Note: includes goods routed through Canada to a third party

Source: Taylor and Jodice, World Handbook of Political and Social Indicators, pp. 227-228

ARGENTINE TRADE/INVESTMENT TRIANGLE

Great Britain was the destination of choice for the vast majority of Argentine exports. There was not a corresponding demand for imports from Britain. The result was a substantial trade surplus with Britain²⁰. Imports into Argentina came largely from the U.S. and Germany²¹. These imports were mainly industrial goods and inputs into the production process, inputs that Argentina lacked because of its few mineral resources. It is this triangle of trade dependency that would haunt Argentina after 1930; first, with the 1933 Roca-Runciman treaty between Britain and Argentina, which forced the latter to import more goods from Britain than it needed to; and then with the deterioration of U.S.-Argentine relations during and after WWII, which limited Argentine access to US industrial inputs when they required them for heavy industrialization after the war.

Prior to 1930 there was indication that Britain was dissatisfied with the balance of trade with Argentina. Combined with its declining economic position, Britain sought to extract some

²⁰Paul Lewis, The Crisis of Argentine Capitalism, p. 115

²¹Paul Lewis, The Crisis of Argentine Capitalism, p. 115

trade concessions from Argentina. Lord D'Abernon travelled South to draft a new trading agreement with Argentina. This treaty sought to ensure that Argentina maintain a high level of imports from Britain, so as to balance the high level of exports to Britain. The leverage used was the threat of intra-Empire trading priority, in the form of import quotas. In effect, what this meant was a trading preference within the Empire with regards to tariffs, and non-tariff trade barriers, against non-Dominion trading partners²². Such a policy would have favoured the agricultural products of Canada and Australia over those of Argentina.

The treaty drawn up by Lord D'Abernon was never ratified, because of the military coup which threw out the Radicals in 1930, but it laid the groundwork for the Roca-Runciman treaty which was ratified in 1933. The authors of this treaty were Walter Runciman, the British minister of Trade, and Julio A. Roca, the Argentine vice-president. That Argentina was dependent upon Britain as an export market is reflected in the terms of the agreement. Argentina gained nothing except maintenance of export levels near the level they were prior to the treaty²³. This essentially meant that Argentina received an exemption to the import quotas that had been established for imports from non-Dominion trading partners, drawn at the Imperial Conference of Ottawa in 1932²⁴. A substantial portion of these agro-pecuarian products were ear-marked for British owned meat-packing houses and processing facilities, rather than Argentine owned processing facilities²⁵. Furthermore, Argentina was required to achieve greater trade parity with Britain, via greater

²²Alberto Conil Paz and Gustavo Ferrari, Argentina's Foreign Policy, 1930-1962 (Notre Dame, 1966), pp. 5,6,19. Also Paul Lewis, The Crisis of Argentine Capitalism, pp. 84-85.

²³Paul Lewis, The Crisis of Argentine Capitalism, p. 86

²⁴Ferrari and Paz, Argentina's Foreign Policy, 1930-1962, pp. 5,6,11.

²⁵Ferrari and Paz, Argentina's Foreign Policy, 1930-1962, p.

imports of non-needed British manufactures²⁶. This reduced the amount of funds available for importing needed American industrial inputs²⁷.

The main problem with this is that Britain could not provide the goods that Argentina needed; the US, and to a lesser extent Germany, could. Britain did not have, or produce, the industrial technology that Argentina required to establish heavy industry in petroleum and steel production. After 1930 Argentina increasingly needed finished industrial products and inputs for industrial production. This would become a significant problem during the war when US-Argentine relations soured over Argentina's friendly relations with Germany and neutral status in the war. In short, this relationship of trade dependency restricted Argentina's opportunities for heavy industrialisation, itself a key component of Perón's vision of economic development for Argentina²⁸.

The post-WWII trade relationships with Great Britain were in fact strongly influenced by the U.S. The U.S. wanted to rebuild Britain to prevent the spread of Communism in Europe. To do this they needed Argentina to continue supplying agricultural products to feed the British

²⁶Paul Lewis, The Crisis of Argentine Capitalism, p. 86

²⁷For further discussion about Argentine trade relations in the late 1920s and 1930s see David Rock, "Radical Populism and the Conservative Elite, 1912-1930," in David Rock (ed.) Argentina in the Twentieth Century (Pittsburgh, 1975); Díaz-Alejandro, Essays on the Economic History of the Argentine Republic (New Haven, 1970); and Paz and Ferrari, Argentina's Foreign Policy, 1930-1962.

²⁸The anti-U.S. feeling among the popular sectors in Argentina can not be discounted. This sentiment would be of great concern to the U.S. after the War, when the cold war rivalry was beginning with the Soviet Union. The potential for a Soviet-Argentine relationship in the western hemisphere was of great concern to the U.S. For more on this see David Green, The Containment of Latin America: A History

population. With the inconvertibility of the British pound Argentina was restricted in what it could import. It could only purchase British goods with British currency; the pound could not be converted into American dollars to buy American goods. Argentina was dependent upon American capital goods and inputs for industrialization in heavy industries that Perón envisioned. The U.S. would have none of these trading relationships, especially while Britain was in dire economic straits. The U.S. virtually forced Argentina to import consumer luxury goods from Britain for which Argentina had no real need²⁹. This ran counter to the objectives of Perón, who defined Argentina's economic need as the establishment of industry in such areas as petroleum and steel production, keys to Argentine goals of economic diversification and economic independence³⁰.

Argentina could either stockpile the British currency in the hopes of convertibility, or it could buy the unneeded whisky and cosmetics³¹. The U.S. further exerted pressures upon Argentine trade policies by withholding Marshall Plan dollars from Argentina³². Argentina sought to export agro-pecuarian products to Britain and Western Europe at inflated prices which would be paid by Marshall Plan funds. The Economic Charter of the Americas (E.C.A.), which administered the Marshall Plan, advised Argentina to adjust their prices to meet world prices. Furthermore, the U.S. did not approve of IAPI, the state-owned trading agent, because it ran counter to the American

of the Myths and Realities of the Good Neighbor Policy
(Chicago, 1971), p. 238

²⁹C.A. MacDonald, "The United States, Britain, and Argentina in the Years Immediately after the Second World War", in D.C.M. Platt and Guido Di Tella (eds.) The Political Economy of Argentina, 1880-1946 (London, 1986), p. 190.

³⁰C.A. MacDonald, pp. 183-184

³¹C.A. MacDonald, p. 190

³²Paz and Ferrari, Argentina's Foreign Policy, 1930-1962, pp. 152

push towards liberalizing world trade³³. The dollars Argentina did receive were to be used with the objective of modernizing its agricultural production to increase output and get more agricultural goods to the food-starved British³⁴. Argentina had sought to obtain funds to undertake heavy industrialization. This industrialization would be achieved through ISI and nationalization of any of the existing foreign-owned heavy industry and infrastructure³⁵.

There were many reasons why the U.S. did not desire to see Argentina industrialize in the more capital goods-oriented heavy industries. The U.S. felt that South America was in its direct sphere of influence; it had no desire to see Argentina become a regional industrial powerhouse in South America³⁶. There were two factors that caused concern for the U.S: Argentina's pro-Axis foreign policy, and Argentina's anti-democratic internal political structure³⁷. Argentina was perceived by the U.S. as not supportive of the Allies. The Argentine government was seen as authoritarian. The U.S. believed that Argentina was sympathetic to the fascist governments in Germany, Italy, and Japan.³⁸ This would be significant when, after the war, Perón would seek to develop heavy industrialization. As the source of the scarce capital goods Perón would require for

³³Paz and Ferrari, Argentina's Foreign Policy, 1930-1962, pp. 153-154

³⁴C.A. MacDonald, p. 196

³⁵Green, The Containment of Latin America, pp. 240-243, 264-265, 287

³⁶C.A. MacDonald, p. 194

³⁷Green, The Containment of Latin America, p. 79

³⁸For further discussion on U.S.-Argentine relations during and after WWII see Richard N. Gardner, Sterling-Dollar Diplomacy in Current Perspective: The Origins and the Prospects of Our International Economic Order (New York, 1980), pp. 306-346; and David Green, The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy (Chicago, 1971)

this task, the U.S. could exert pressure upon Argentina by withholding those goods, and directing them to the reconstruction of Europe.

Perón was seen as the father of Argentine authoritarian syndicalism³⁹. He had organized the unions together in a general confederation (the CGT) underneath his control. Perón had attempted to organize businesses together under his control, and also landowners and industrialists. He had restricted the amount of political action that could occur, limiting effective opposition to him. Together this made for a limited democracy along with some vertically organized syndicates under Perón's control. Perón's government was quite different from any other Argentine administrations in terms of organizing economic groups into syndicates under the influence and direction of the state. Previous governments had let the economy run under laissez-faire principles. The production and export of agro-pecuarian products had been the overriding focus, and there were no substantial tariff barriers, abundant Import Substitution Industry, or government owned industry or infrastructure prior to Perón. This tied in with an overall theme of economic nationalism that the U.S. and Britain feared⁴⁰. Because of Argentina's dependent relationship to Britain and the U.S., such a change in economic development policy was not welcome⁴¹.

The U.S. primary objective with regards to Argentina and Britain was to ensure that Britain rebuild its economic strength⁴². Ensuring that Argentine agricultural products continued flowing to

³⁹C.A. MacDonald, pp. 183-185

⁴⁰C.A. MacDonald, p. 184

⁴¹Canada was in the same situation of trade dependency as Argentina, vis-à-vis Britain and the U.S. However, it can be argued that Canada did not experience the same pressures as Argentina because industrialization was allowed to occur through foreign investment, such as branch plants, and secondly, the Canadian state had traditionally been activist with regards to control and development of the infrastructure. There was no need to nationalize infrastructure and be seen as an economic nationalist.

⁴²C.A. MacDonald, p. 194

Britain in large quantities was one part of this plan. Sending American capital goods to help rebuild British industry was another part (these capital goods Argentina could have used to achieve their unfulfilled goal of heavy industrialization). Argentina was dependent on the US for industrial inputs and when those inputs went instead to Britain's reconstruction, Argentine plans for economic development were fractured. The U.S. and Britain would have no part of Argentina's "economic nationalism"⁴³.

CANADIAN TRADE/INVESTMENT TRIANGLE

Like Argentina, Canada was heavily involved with the U.S. in the rebuilding of Britain after the war. Britain and the U.S had traditionally been Canada's main trading partners. By the early 1920s the U.S. had replaced Britain as the main market for Canadian exports. Britain was still a very important trading partner consuming between 30 and 40 percent of Canadian exports, compared to the U.S. which consumed between 35 and 40 per cent of them⁴⁴. Canada - U.S. trade relations became more dominant in the 1930s as a result of the effects of the Depression. The U.S. and Canada both reacted with an increase in protective measures against imports. Trade between the two countries suffered as a result⁴⁵.

⁴³C.A. MacDonald, p: 184

⁴⁴B.W. Muirhead, The Development of Postwar Canadian Trade Policy: The Failure of the Anglo-European Option (Montreal, 1992), pp.. 183-184

⁴⁵Muirhead, p. 6

Table 3.2: Canadian Imports/Exports

Year	IMPORTS (from)				EXPORTS (to)			
	United States		Britain		United States		Britain	
	\$	%	\$	%	\$	%	\$	%
1923	610 Mil.	68	154 Mil.	17	422 Mil.	41	361 Mil.	35
1928-9	868 Mil.	68	194 Mil.	15	500 Mil.	36	431 Mil.	31
1937	490 Mil.	59	148 Mil.	18	372 Mil.	40	403 Mil.	40
1949	1.95 Bil.	71	307 Mil.	11	1.5 Bil.	50	709 Mil.	23
1950	2.1 Bil.	67	404 Mil.	12	2.05 Bil.	64	472 Mil.	14
1952	2.98 Bil.	74	359 Mil.	9	2.35 Bil.	54	751 Mil.	17
1957	4 Bil.	71	521 Mil.	9	2.94 Bil.	60	742 Mil.	15

Source: Muirhead, *The Development of Postwar Canadian Trade Policy* (Montreal, 1992)

At the same time Canadian relations with Britain were not faring much better. Prime Minister R.B. Bennett failed to achieve the sought after preferential trading agreements with Britain at the Imperial Conference of 1930. The trading agreement that was reached at the 1932 Imperial Conference did not result in the dramatic increases in Canadian exports that Bennett had hoped for⁴⁶. In response to this inability to negotiate a substantial trade agreement, Canada negotiated a trade agreement with the U.S. in 1935, the first since 1854⁴⁷. This agreement was a response to the drastic drop in U.S. - Canada trade since the onset of the Depression. By the end of the decade Canada had also negotiated a trade agreement with Britain (1937), and trade with Britain and the U.S. had begun to pick up substantially⁴⁸.

Canada had a fairly unique position within the British Empire as the only country not part of the sterling area of currency exchange. When the British pound was made inconvertible because of Britain's wartime economic difficulties, these inconvertible pounds accumulated in Canada as

⁴⁶Muirhead, p. 7

⁴⁷Muirhead, p. 9

⁴⁸Muirhead, pp. 10-11. For further discussion on Canadian trade relations with Britain and the U.S. in the 1920s and 1930s see John Thompson and Allen Seager, *Canada, 1921-1939* (Toronto, 1987); and Ian Drummond and Norman Hillmer, *Negotiating Freer Trade: The United Kingdom, The United States, Canada, and the Trade Agreements of 1938* (Waterloo, 1989)

Britain's demand for goods during the war remained strong, resulting in a substantial trade surplus for Canada⁴⁹. At the same time Canada was increasing its imports from the U.S. to meet wartime production needs. This particular trade triangle was similar to the Argentine situation in which Argentina had a trade surplus with Britain and a trade deficit with the U.S. For both Argentina and Canada this presented a situation of trade dependency, which neither was satisfied with.

Before explaining this relationship and comparison of trade dependency, Canada's post-war trade relationships should be highlighted. After the war Canada took the initiative to give substantial loans and aid to Britain for the cause of rebuilding. The trade incentive for this act of generosity was apparent: Canada did not want to jeopardize an export market that accounted for one-third of all Canadian exports⁵⁰. Throughout the late 1940s Britain's financial picture became worse. Britain was rapidly using up much of its credit in the rebuilding process, and in combination with the inconvertibility of its currency was beginning to make noises about curtailing its imports from Canada⁵¹.

Anglo-Canadian relations continued to deteriorate during the last two years of the 1940s. By 1949 Britain was transferring much of its import dollars to other European countries for goods once supplied by Canada, including the purchase of French wheat⁵². Trade negotiations between the three countries were also experiencing little success as Anglo-American relations deteriorated. In these situations Canada was highly vulnerable to being caught in the crossfire; the U.S. believed that Canada and Britain still gave each other favoured status with regards to trade⁵³. The trade triangle deteriorated further into the early 1950s when Britain continued to cut back on imports from Canada, as it moved more towards a European trading bloc. At the same time Canada was

⁴⁹Muirhead, The Development of Postwar Canadian Trade Policy, p. 12

⁵⁰Muirhead, p. 17

⁵¹Muirhead, pp. 19-20

⁵²Muirhead, p. 31

apprehensive of the prospect of the U.S. being the primary market for Canadian exports, leaving it even more dependent upon one market. The U.S. was not interested in Canada's secondary production of metal products and machinery. They sought Canada's resources and primary production of goods⁵⁴.

The trading situations of both Argentina and Canada in the time frame discussed reflect a level of dependency upon two countries, Britain and the U.S. Both Argentina and Canada sought capital goods and technology from the U.S., and both were major suppliers of foodstuffs and natural resources to Britain. The inconvertibility of the British pound, as well as the American and British desire to rebuild Britain industrially, substantially circumscribed the economic plans both countries had developed vis-à-vis trade.

The Argentine goal of heavy industrialization that Perón had envisaged was derailed by unfriendly American governments who sent the needed capital goods for industrialization to Britain, and who did not want Argentina to jeopardize U.S. industrial/economic hegemony in the Southern Cone⁵⁵. Argentina, instead, was pressured to use its account surplus of sterling to purchase unneeded British luxury consumer goods.

⁵³Muirhead, p. 38

⁵⁴Muirhead, p. 45 For further discussion on trade relations between Canada, the U.S., and Britain after WWII see Sir Alec Cairncross, Years of Recovery: British Economic Policy, 1945-51 (London, 1985); Gardner, Sterling Dollar Diplomacy, R D Cuff and J.L. Granatstein, American Dollars, Canadian Prosperity: Canadian-American Economic Relations, 1945-50 (Toronto, 1978); Alan S. Millard, The Reconstruction of Western Europe, 1945-51 (London, 1984)

⁵⁵The U.S. wanted Argentina to industrialize via American branch plants, and in extraction industries in petroleum, steel, etc. C.A MacDonal, "The United States, Britain, and Argentina in the Years Immediately after the Second World War".

Canada wanted to keep a fairly diverse export market based around the North Atlantic triangle of Britain, the U.S., and Canada, as well as Western Europe. This would provide a substantial market, not only for Canada's primary products, but for secondary manufacture as well. The inconvertibility of the pound, as well as Britain's generally poor economic state, led this country to distance itself from Canada, importing fewer goods. The U.S. filled the vacuum, becoming the dominant destination point for Canadian exports, primarily natural resources and raw materials⁵⁶. The impact of this is that Canadian economic development became more highly circumscribed, and dependent upon the actions and policies of one country, the United States. Whereas previously Canada operated within the North Atlantic triangle including Britain and the U.S., and had privileged access to the Commonwealth (pre-1945) as a member Dominion; now Canada was highly dependent upon the U.S. alone as a trading partner. Economic development became more focused upon resource development and extraction to meet U.S. needs, rather than the secondary manufactures which would stimulate further industrialization. Welfare State development which was linked with the reconstruction of the Canadian industrial economy, post-WWII, was now more dependent upon the fortunes of the U.S. alone, both in trade and in foreign investment and ownership of natural resources⁵⁷.

It is interesting to note that both Canada and Argentina were orphans' of the Commonwealth. Argentina, referred to as the "Sixth Dominion" by Ysabel Rennie in The Argentine Republic, and Canada, the only member of the Commonwealth not in the sterling exchange, were increasingly left out of the loop as Britain's economic empire contracted from the 1920s onward. The economic development of both Argentina and Canada has been driven in large

⁵⁶A substantial portion of Canada's secondary industry were branch plants of a larger American industry. This may partially explain why the U.S. did not have great interest in Canada's industrial exports.

part by the trade and investment relationships these two countries have had with Britain and the U.S. However, they chose different paths of economic development in responding to these relationships. These different paths have played a role in the divergence of Argentina and Canada, vis-à-vis economic development and the Welfare State.

National Directions in Economic Development

Table 3.3: Per Capita Energy Consumption/ Petroleum Production

	Consumption (kg/person)	Petroleum Prod. ('000 m. tn)	
		('000 metric tons)	Rank
Argentina 1960	1088	8898	
1975	1763	20773	17
Growth Rate (%)	3.5 (1950-75)	6.0 (1960-75)	
Canada 1960	5663	25630	
1975	9835	70087	12
Growth Rate *	2.4 (1950-75)	7.2 (1960-75)	

Source: Taylor and Jodice, World Handbook of Political and Social Indicators, pp. 114-115, 122

*This is a calculation that will not be found in Taylor and Jodice.

ARGENTINA: IMPORT SUBSTITUTION INDUSTRIALIZATION vs. LAISSEZ-FAIRE

Import Substitution Industrialization (ISI) was the key to state-driven economic development and planning, which themselves would feed into the development of the Welfare State. ISI was reflective of Argentina's economic inward turn after 1930. The external market had been the engine for Argentine economic growth prior to 1930. After this point Argentina tried to lessen the dependency upon finished products from Europe and the U.S. ISI became the primary source of economic growth in Argentina after 1930, in terms of both the number of establishments, as well as installed horsepower⁵⁸. This industry was primarily in the light consumer goods sector. Argentina was still dependent on the West for much of the capital inputs into these industrial products.

⁵⁷Janine Brodie, The Political Economy of Canadian Regionalism (Toronto, 1990), pp. 149, 152-153

The push for this Import Substitution Industrialization in Argentina, whether in consumer goods or heavy industry, was a response to a variety of factors. Argentina began ISI during and after WWI largely as an emergency response to the "disastrous fall in Argentina's export earnings'..."⁵⁹. It was a response to the situation of trade dependency which Argentina found itself in, rooted in an import coefficient that was working against Argentine economic growth. Argentina's trade partners could not import the level of Argentine goods they had previously imported. Argentina could not import the consumer goods because of reduced export earnings and established ISI to produce these consumer goods themselves⁶⁰.

In what ways did this industrialization manifest itself in Argentina? Initial forms of ISI in the 1920s were small factories that flourished under increased levels of government protectionism and regulation. Paul Lewis argues that these forms were unplanned responses to a virtual collapse in some trade patterns because of WWI⁶¹. The difference between Argentina and Canada in these regards is that Argentina developed protective measures to allow ISI to survive. These were reactive measures, unlike the National Policy in Canada, The National Policy outlined a broad and substantial tariff structure to ensure an environment in which industry could establish itself, either via branch plants or indigenous industry. This policy of protection was broadly supported and preceded the development of much Canadian industry. Argentina's protective measures were not comprehensive, only serving to allow the survival of consumer goods industries that were needed.

⁵⁸Paul Lewis, The Crisis of Argentine Capitalism, pp. 36-37

⁵⁹Paul Lewis, The Crisis of Argentine Capitalism, p. 8

⁶⁰For additional discussion on Argentine economic history vis-à-vis Import Substitution Industrialization see Diaz-Alejandro, Essays on the Economic History of Argentina.

⁶¹Paul Lewis, The Crisis of Argentine Capitalism, p. 8

It was not until after 1930 that ISI became more substantially planned from the government's standpoint⁶².

Perón recognised the need to establish heavy industry in Argentina, to reduce the dependence upon foreign inputs into production. Some of the heavy industries that Perón envisioned were petroleum and steel. Argentina possessed substantial petroleum resources, but did not have the technology to refine that petroleum to the full potential⁶³. Steel would be beneficial to other consumer goods industries, as well as the military. However, as mentioned previously, the U.S. had no desire to see Argentina develop in these two areas via economic nationalism. MacDonald argues that the U.S. did not want Argentina to become a regional powerhouse, threatening U.S. hegemony in South America⁶⁴. Argentine industrialization, like that in other Latin American countries, should occur through American foreign investment and private enterprise⁶⁵. Given the United States' negative view towards Argentine economic nationalism⁶⁶, and Argentina's dependence upon the U.S. for the industrial inputs required for heavy industrialization, Perón faced substantial obstacles in his economic development plans for the country. The development of petroleum resources by the YPF vs. foreign oil companies would be unresolved in Argentina for many years after the removal of Perón. Steel manufacture would not get under way in earnest in Argentina until 1960, with SOMISA.

⁶²Paul Lewis, The Crisis of Argentine Capitalism, p. 8

⁶³Carl Solberg, Oil and Nationalism in Argentina: A History (Stanford, 1979), p. 162

⁶⁴C.A. MacDonald, "The United States, Britain, and Argentina..." p. 187

⁶⁵Green, The Containment of Latin America, pp. 264-265

⁶⁶C.A. MacDonald, p. 184

What bearing did all of this have on Welfare State development in Argentina and Canada?

There appears to be two linkages between dependency and Welfare State development in Argentina. First British, and then American, pressures, in terms of trade restrictions, made it very difficult to undertake heavy industry ISI, and other measures involving public works which would spur Argentine economic growth and development. Perón's efforts to modernize the petroleum industry were met with resistance from the U.S., the source of the industrial machinery needed to undertake this modernization.⁶⁷

The second linkage arises from the internal fragmentation and conflict within the economic groups that resulted from the ISI response to dependency. The landed elite and traditional manufacturing industrialists in the area of agricultural processing were opposed to the protectionist measures and economic nationalism that were part of Perón's economic development plans. Strict laissez-faire economic development policies, like those espoused by conservative political groups supported by the landed elite, were not beneficial to ISI. There was not the same level of common ground to achieve consensus on economic policy in Argentina, as there was in Canada with the National Policy. The development of a powerful labour group, allied closely to Perón, added another uncompromising group. Organized labour in Canada, by comparison, was more open to working with government and business⁶⁸.

With the transfer of power, either through military coups or through elections, came substantial changes in economic development policy. There was no continuity in economic development policy, fiscal policy and, consequently, Welfare State measures. Because of the often violent and undemocratic nature of the transfer of power in Argentina, policies of the new ruling groups, or coalitions, were often antithetical to the policies of the government they removed. As has

⁶⁷C.A. MacDonald, p. 194

been mentioned, much of the fiscal policies associated with the modern Welfare State were developed under the Perón administration. With the removal of Perón came instability in the economic and fiscal policies of government. Liberals and nationalists battled for control of the economy and the fiscal policies that resulted were inconsistent. The growth and evolution of Perón's endeavours in Welfare State development was not continued⁶⁹. A lack of political stability after 1930 translated into a lack of continuity in economic development policy and Welfare State development. This is unlike Canada, which, as shall be argued, had greater political stability and continuity, as well as a greater measure of consensus across economic groups around the National Policy.

CANADA: ADVANCED RESOURCE CAPITALISM AND THE NATIONAL POLICY

Prior to 1930 Canada was much like Argentina in its dependence upon Britain as a market for Canadian exports. Around this time Canada began making a shift towards greater levels of trade with the United States. This shift in trade partners became more visible after WWII, with a conscious move on the part of the Canadian government away from Britain and towards the United States. With the inconvertibility of the British pound after the war the Canadian government reduced trade drastically with Britain to avoid accumulating a currency which it then could not use in its trade with the U.S. for industrial and consumer imports⁷⁰. This change in trading partners did

⁶⁸David Kwavnick, Organized Labour and Pressure Politics: The Canadian Labour Congress 1956-68 (Montreal, 1972), pp. 217-218

⁶⁹Paul Lewis, The Crisis of Argentine Capitalism, pp. 247-254

⁷⁰B.W. Muirhead, The Development of Postwar Canadian Trade Policy: The Failure of the Anglo-European Option (Montreal, 1992), pp. 21, 46

not erase the fact that Canada was still dependent upon one market for the export of Canadian products.

Canada's response or reaction to trade dependency has been to embark on a path of Advanced Resource Capitalism (ARC)⁷¹. Advanced resource capitalism meant that the government and the Canadian economic elite would be developing the infrastructure and social overhead capital needed to get the extracted resources (lumber, minerals or wheat) to the export markets. The Canadian economic elite have also invested much into the extraction of these resources, and in some cases their refining. Beyond this, foreign interests have dominated the secondary sector in Canada, as well as some resource sectors. In this, advanced resource capitalism can be seen as primarily an economically influenced response to external dependency; economically, it was not in the short term interests of Canada to challenge this external trade situation.

Why was advanced resource capitalism the product of external dependency in Canada's situation? There have been arguments put forward stemming from the belief that Canada has developed an export mentality in the past⁷². A financial elite established itself in Canada, an elite more concerned with extracting rents from the natural resources than developing any sort of indigenous industrial base⁷³. This financial elite was the product of the strong banking sector that had developed and flourished in Central Canada. This banking sector was itself a response to the

⁷¹Melville Watkins, "The Political Economy of Growth", in Clement and Williams (eds.), The New Canadian Political Economy, p. 23

⁷²Watkins, "The Political Economy of Growth". This article is essentially a discussion of Canada's economic history as it revolved around the export of Canadian resources.

⁷³Neil Bradford and Glen Williams, "What Went Wrong?...", p. 60

powerful merchant class that had grown from Canada's trade in natural resources. The Hudson's Bay Company is an example of this merchant trade.

Out of this disinterest for indigenous industry, dependent industrialization flourished. This should be explained more clearly. Dependent industrialization flourished for two reasons. One, as we have already mentioned, was because domestic industrial interests were unable to obtain the finances from the financial and merchant classes in Canada needed to establish the industry. The financial and merchant class had no desire of financing this indigenous industrialization process, an industrialization which could be left to foreign interests.

Domestic economic entrepreneurship was marginalized by these large foreign interests that were establishing branch plants. More specifically, these foreign interests moved into areas of staple-related industry, the extraction and refining of natural resources. An example of this is the share of U.S. control in the mining and smelting industries in Canada. U.S. control increased from 38 per cent in 1946 to 57 per cent in 1953, and 70 per cent in 1957⁷⁴. One negative side effect of the foreign control of these industries is that the level and amount of processing that occurred in Canada decreased. More unprocessed natural resource exports flowed to the U.S., decreasing the important levels of value-added production (secondary production) that occurred in Canada⁷⁵.

What are the effects of the above upon Welfare State development in Canada? Strictly speaking, there are no direct linkages between trade dependency and some specific component of the Canadian Welfare State. What is important, though, is the shift in Canada. Canada was less a reflection of Britain than it was a reflection of the U.S. By 1926 the U.S. replaced Britain as the

⁷⁴Wallace Clement, "Debates and Directions: A Political Economy of Resources" in Clement and Williams, The New Canadian Political Economy, p. 43

⁷⁵Wallace Clement, "Debates and Directions", p. 43

biggest source of foreign investment in Canada⁷⁶. After WWII the U.S. replaced Britain as Canada's biggest trading partner. Politically there was a more pro-American sentiment, vis-à-vis trade, in the Liberal government of Louis St-Laurent (1948-1957) and his Foreign Affairs minister Lester B. Pearson (Prime Minister 1963-1968). Prime Minister John Diefenbaker (1957-1963) was more concerned about Canada's dependence upon the U.S. for trade and investment. There was no actual change with regards to the source of Canadian imports, and while Diefenbaker was vocal about maintaining the Commonwealth as an important export market, he could not reverse Britain's move towards trade in the European community⁷⁷. In terms of American foreign investment, Diefenbaker's government incrementally and tentatively applied the recommendations of the Gordon Commission, which was to maintain a level of Canadian investment and control in manufacture and resource production⁷⁸.

These stronger ties with the U.S. occur at the same time as the application of the Second National Policy after WWII. This policy had three key components:

...the development of social welfare policies, the implementation of macroeconomic policies devised in the Keynesian tradition, and measures to reconstruct a peacetime economy, especially a more liberalized trading environment⁷⁹.

As applied by the Economic Minister C.D. Howe, this policy was a watered-down version of the Keynesian fiscal structures in Britain, designed more to attract U.S. investment dollars to a stabilized Canadian economy than to develop a comprehensive Welfare State to protect Canadian

⁷⁶Roger Gibbons, Conflict and Unity: An Introduction to Canadian Political Life, 3rd ed. (Scarborough, Ontario, 1994), p. 269

⁷⁷Robert Bothwell, Ian Drummond, and John English, Canada since 1945: Power, Politics, and Provincialism (Toronto, 1989), pp. 190-192

⁷⁸Robert Bothwell, Ian Drummond, and John English, Canada since 1945, pp. 192-193

⁷⁹Brodie, The Political Economy of Canadian Regionalism, p.

society in times of economic downturn⁸⁰. The resulting Canadian Welfare State was not as comprehensive as the British Welfare State, although more developed than the American Welfare State.

One could argue that this is a reflection of the dominant Classical Liberal fragment in Canada, much like the Classical Liberal fragment that formed the U.S. The reasons that the Canadian Welfare State was more established than the U.S. Welfare State may relate to the existence of a "Tory Touch" in Canada, as well as Canada's long relationship with Britain. The "Tory Touch" is reflected in a concern for the collective as compared to the Classical Liberal concern for the individual⁸¹. This may have manifested itself in an organized labour somewhat more political than their American counterparts, and therefore more apt to support positive Welfare State change through political parties such as the CCF. This will be discussed more thoroughly later in this chapter.

POLITICAL STABILITY

Political stability is the other variable considered in the Welfare State development of the two countries. Political stability was substantially different in the two countries. Conflict, fragmentation, dualism and discontinuity contributed to a highly unstable political environment in Argentina, an environment in which two major groups vied for power through quite undemocratic means. The military and organized labour became the two most influential groups in Argentina during and after the rule of Juan Perón. Operating in coalition with, or against other groups such as

⁸⁰Brodie, The Political Economy of Canadian Regionalism, p. 151

⁸¹This relates back to the earlier discussions in Chapter 1 about Fragment Societies (Louis Hartz) and Gad Horowitz "Conservatism, Liberalism, and Socialism in Canada: An Interpretation" in Canadian Journal of Economics and Political Science, Vol. 32, No. 2 (May 1966)

the landowning oligarchy or industrialists,(and against each other) the military and organized labour would make and break all of the Argentine governments during this period of time. As Secretary of Labour, Perón unified a fragmented and weak labour movement and gave them power. For this labour gave Perón their loyalty. Fragmentation and dualism marginalized much of the remaining groups. The transfer of power was often via undemocratic means, and Perón was the last elected President (up to 1989) to finish out the six-year-term (1946-52).

Canada did not have the same class cleavages and political discontinuity as Argentina. Like the U.S., there was a dominant conception of a single-class society, that class being the middle class. However, Canada possessed what Gad Horowitz referred to as a "Tory Touch"⁸². This was a conservative, class-based/hierarchical, community/collective oriented element which contrasted with the dominant individually oriented laissez-faire classical liberalism. This touch fostered the development of a somewhat class-based organized labour in Canada, although much of the labour rank-and-file still viewed themselves as middle class⁸³.

The second National Policy reflects this cohesive and rather non-conflictual political environment. This National Policy, like the first, was broadly supported by political parties as the new common sense⁸⁴. It was the result of co-operation between business, labour, and government calling upon the state to take a more activist role in Welfare State creation, while recognizing business's right to drive investment and direct capitalism, and recognizing the rights of unions to

⁸²Gad Horowitz, "Conservatism, Liberalism, and Socialism in Canada: An Interpretation" in Canadian Journal of Economics and Political Science, Vol. 32, No. 2 (May 1966)

⁸³For a thorough discussion of the Canadian class structure see John Porter, The Vertical Mosaic (Toronto, 1965)

⁸⁴Stephen McBride and John Shields, Dismantling a Nation: Canada and the New World Order (Halifax, 1993), p. 16

organize and collectively bargain⁸⁵. The significance of this is that in Canada it reflects a level of political stability, consensus, and inclusion that was not present in Argentina.

Our quantitative data on political stability indicators for Canada and Argentina (Tables 3.4 & 3.5) paint a picture of two countries with highly differing degrees of political stability, particularly from the period of Juan Perón onwards. From 1948 to 1972 there were 21 successful and unsuccessful undemocratic transfers of power in Argentina (i.e. military coups) compared to none for Canada. Death from political violence in Argentina outstripped that in Canada by a margin of 6867 to 11. Protest demonstrations, riots, and political strikes occurred nearly four times as often in Argentina as in Canada during this period.

Within Argentina itself, it is noteworthy that the vast majority of political actions and violence occurred with the removal of Perón (1955) and the two decades that followed. This is the same period in which the military and organized labour emerged as the two most powerful actors in Argentina, and would confront each other on the political stage through mostly non-democratic means. In Canada this conflict did not exist. The military was not a significant factor in the political arena, and organized labour worked with and through government rather than against it. The political environment for economic development and Welfare State development was consequently more stable and conducive to this development.

⁸⁵Stephen McBride and John Shields, p. 15

Table 3.4: Quantitative Data on Political Instability: Canada

	1948-52	1953-57	1958-62	1963-67	1968-72	1973-77
Protest Demonstrations	1	2	8	16	27	6
Political Strikes	0	0	0	1	19	3
Riots	5	1	5	18	3	2
Armed Attacks	4	14	73	22	29	1
Deaths from Political Violence	0	0	2	6	3	1
Political Executions	0	0	0	0	0	0
Irregular Executive Transfers (Successful & Unsuccessful)	0	0	0	0	0	0

Source: Charles Lewis Taylor, World Handbook of Political and Social Indicators, Vol. 2, (3rd ed.) (New Haven, 1983), pp. 22, 30, 33, 39, 48, 73, 89, 92

Table 3.5: Quantitative Data on Political Instability: Argentina

	1948-52	1953-57	1958-62	1963-67	1968-72	1973-77
Protest Demonstrations	8	34	27	30	23	46
Political Strikes	15	16	28	16	32	12
Riots	5	34	24	36	45	12
Armed Attacks	29	168	137	54	128	178
Deaths from Political Violence	8	6680	69	43	67	4476
Political Executions	0	50	0	0	0	0
Irregular Executive Transfers (Successful & Unsuccessful)	1	5	10	2	3	2

Source: Charles Lewis Taylor, World Handbook of Political and Social Indicators, Vol. 2, (3rd ed.) (New Haven, 1983), pp. 22, 30, 34, 40, 50, 75, 91, 94

Inclusion/Exclusion and Co-optation: Roots of Labour Unrest

In Modernization and the Working Class Carlos Waisman argued that countries which industrialized late, relative to Britain, France, and Germany, tend to have a labour force that is excluded from the political process⁸⁶. Industrialization in these countries was initiated by external sources, and these same external actors absorbed a substantial part of the economic surplus, leaving

⁸⁶Carlos Waisman, Modernization and the Working Class, pp. 74-82

much less for the remaining actors, such as labour, to compete for⁸⁷. As well, their domestic bourgeoisie was largely marginalized by this industrialization process. In the case of Argentina, the landowning oligarchy tried to deny modern industrialization, fearing it would jeopardize their power, preferring to prioritize the traditional agro-pecuarian production and processing (largely influenced by British interests)⁸⁸. The Canadian financial and banking elite preferred to finance industrial operations initiated and co-ordinated by external interests⁸⁹.

The question that still remains is: why were labour relations in Canada, a late industrializer, more accommodating and constructive than those in Argentina (another late industrializer)? Perhaps the answer lies in the existence of government activism (in Canada) vis-à-vis the first National Policy and the second National Policy. Economic development policy preceded foreign industrial operations in Canada. The first National Policy laid out an economic plan that ensured industrialization would serve the purposes of Canadian economic development. The second National policy grew out of an accord between labour, business, and government⁹⁰. These economic development policies enjoyed broad consensus support from many of the economic groups within Canada

By comparison fragmentation, dualism, and discontinuity define the political environment in Argentina. This dualism and fragmentation translated into an unstable relationship between labour, military, and the economic elite⁹¹. Historically, labour had been largely excluded from the

⁸⁷Carlos Waisman, Modernization and the Working Class, pp. 74-82

⁸⁸Neil Bradford and Glen Williams, "What Went Wrong?...", pp. 64-65

⁸⁹David Green, The Containment of Latin America, p. 240

⁹⁰Stephen McBride and John Shields, Dismantling a Nation, pp. 16

⁹¹This dualism refers to the split between the landowning elite which operated in a pre-capitalist property-centered economy compared to the later industrialization that

political process, sometimes violently. Even after the Sáenz Peña act in 1912 organized labour was still excluded, although there was universal manhood suffrage. Labour continued to be excluded, including the repression of unions, and any form of job action⁹². At other times, notably during the Perónist regime (1946-1955, and the previous three years of Perón as Secretary of Labour), labour had been coopted into the political process⁹³.

The rise to power and prominence for organized labour occurs at the same time as the rapid growth of domestic industrialization, spurred on by the economic nationalism arising out of the economic crisis of the 1930s. These two groups, domestic industrialists and the urban working class, formed the nucleus of a populist backlash against external economic control by British foreign interests in collusion with the Argentine landowning oligarchy⁹⁴. This populist coalition also directly appealed to the military with its "nationalism cum industrialization"⁹⁵. The growth of populism in Argentina was perhaps strongest during the era of Perón, in which this coalition of organized labour, the military, and domestic industry, expanded the role of the state in the economy in a very statist-nationalist model. The landed oligarchy and foreign economic interests in Argentina were largely excluded, maintaining the incompatibility of Argentine dualism.

occurred through ISI; these industrialists operated in a capitalist factory-centered economy. These dual economic entities were incompatible.

⁹²Carlos Waisman, Modernization and the Working Class, pp. 62-64

⁹³Carlos Waisman, Modernization and the Working Class, p. 79
For a more thorough discussion of labour in Argentina from the Depression until the rise of Perón see Joel Horowitz, Argentine Unions, the State & the Rise of Perón (Berkeley, 1990)

⁹⁴Guillermo O'Donnell, Modernization and Bureaucratic-Authoritarianism (Berkeley, 1973), p. 57

⁹⁵Guillermo O'Donnell, Modernization and Bureaucratic-Authoritarianism, p. 57

This period also introduces us to the conflict that would dominate Argentine politics, economic development and Welfare State development, in the decades following Perón's removal from office. Organized labour and the military would direct the political and economic development of Argentina through largely non-democratic means⁹⁶. Although excluded by the military from the political process, organized labour managed to bring down most of the post-Perón governments through various forms of protest (see Table #3.4).

How did this political discontinuity and instability affect the development of the Welfare State? It is during the nine-year regime of Juan Perón that we see the development of a Welfare State closely tied to him. When Perón was removed from power by the military in 1955 the Welfare State underwent change and instability as economic direction fluctuated⁹⁷. The pattern of discontinuity in the political system translated into discontinuity in the development of the Welfare State.

Because there did not exist an atmosphere of co-operation or any real consensus between (and within to some extent) economic groups, a united challenge to government economic policy could not be made. Groups were played off one against another, with government economic policies that favoured one group over another. As power would change hands, new economic policies would favour a different economic group. These changes fostered discontinuity and instability in economic development in Argentina.

⁹⁶Labour itself was also a victim of the dualism that divides much of Argentina. With the rapid industrialization there was a "new" body of labour that came from the traditional pre-capitalist peripheries and were descended from a non-socialist peasantry. This strain was incompatible with the "old" labour which was very similar to their Socialist counterparts in Europe. This fragmentation presented a challenge for the mobilization of different labour unions, and some rural labour forces in Argentina.

⁹⁷Paul Lewis, The Crisis of Argentine Capitalism, pp. 147-154

The alternation between the exclusion and co-optation of labour that corresponds with this discontinuity in politics is at the root of the Welfare State development. Labour had been largely excluded from the political process prior to Perón. As secretary of Labour in the 1940s he cultivated labour as a group, giving them material benefits, power, and influence. Perón started by simply enforcing the existing labour legislation, and increasing the real income of industrial labour. Labour was mobilized and politicized after Perón had coopted this group into organizations under his control. Labour was not an independent entity, but it rather found its identity within the structure of Peronism. Given the confrontational nature of Argentine economic groups with regards to political power, it is not surprising that labour would again be excluded when Perón was removed from power in 1955⁹⁸.

What about Canada? Like Argentina, Canada industrialized relatively late, and this process of industrialization involved a high level of external investment vis-à-vis economic resources. Why, then, did Canada not experience the same problems of exclusion of labour as it was the case in Argentina? It can be argued that Canadian labour was not as politically driven as organized labour in Argentina. American labour unions, which were not politically driven or socialist oriented, had a measure of influence on their Canadian counterparts, perhaps because of American branch plants in Canada⁹⁹.

As mentioned earlier, in Canada there was not a strong level of class cleavages as there were present in Argentina. Finally, the government achieved consensus between business and

⁹⁸For further discussion of labour's development prior to, during, and after Perón's rule see Samuel L. Baily, Labor, Nationalism & Politics in Argentina (New Brunswick, New Jersey, 1967)

⁹⁹H.A. Innis, Essays in Canadian Economic History (Toronto, 1956), p. 196

labour on the second National Policy, around Welfare State development. A level of co-operation existed between business and labour as well as a recognition of the importance of each other's role in Canadian economic development.

Canadian labour did not markedly challenge the political stability of the Canadian government; however, it did influence government at times, especially during WWII, when the CCF was perceived as a threat¹⁰⁰. In 1943 the CCF made substantial impact in the Ontario provincial election, and, federally, a Gallup poll showed the CCF leading the other two parties in popularity¹⁰¹. In 1944, the CCF won the Saskatchewan provincial election, forming the government. The Liberal party, which has been dominant for much of the 20th Century, survived as the government party (in power for all but 11 years between 1921 and 1984) by coopting popular policies to govern with, rather than because of any specific ability to pursue a distinct ideological path. In the 1944 Throne speech King spoke of the government objective of creating "cradle-to-grave social security", taking much of the political ground the CCF had positioned itself, even though this did not become a reality during King's administration¹⁰².

The CCF was unable to command the support of rank-and-file labour, perhaps because of previously mentioned factors such as lack of homogeneity in the workers' movement and the influence of non-politically driven U.S. labour unions. The inclusion of labour into the Canadian political system offered no real threat to the political stability and continuity enjoyed by the economic and political elite.

In exchange for the recognition and acceptance of unions and collective bargaining and the provision of a minimum level of the welfare state, labour implicitly agreed not to challenge

¹⁰⁰ The CCF (renamed NDP in 1961) could be seen as a quasi-labour party, although it was also composed of farmers, academics, and Social Christians.

¹⁰¹ J.L. Finley and D.N. Sprague, The Structure of Canadian History, 3rd ed. (Scarborough, 189), pp. 358-359

¹⁰² Finlay and Sprague, The Structure of Canadian History, p. 362

the capitalist system and to recognize and accept capital's prerogative and authority to manage and control the labour process¹⁰³.

Why did the interests of labour not extend fully into the political and social realm, remaining largely economic in focus? The influence of American labour as well as some internal fragmentation within Canadian labour would appear to be two key influences on the manner in which Canadian labour has evolved. Internal fragmentation has been discussed previously; rather than divide along class lines, the Canadian population has divided along ethnic, regional, gender, and rural/urban lines. Because of these divisions labour is not as homogenous as it could be. For example, the Catholic labour unions in Quebec were united with the more international unions in Ontario.

The influence of American labour unions over their Canadian counterparts has grown out of the financial dependence of Canadian labour organizations upon their American counterparts, as well as the development of a branch plant industry in Canada. Canadian labour often were dependent upon American organized labour for the finance needed to win strikes¹⁰⁴. With regards to branch plants, the workers in these plants often adopted the American union, or organized labour structure that existed in the home plants in the U.S¹⁰⁵.

This influence and support from U.S. organized labour has steered Canadian organized labour away from direct politicization and political involvement¹⁰⁶. The success of labour

¹⁰³Paul Phillips, "Through Different Lenses: The Political Economy of Labour", in Clement and Williams, The New Canadian Political Economy, p. 91

¹⁰⁴H.A. Innis, Essays in Canadian Economic History, pp. 196-200

¹⁰⁵H.A. Innis, pp. 196-200

¹⁰⁶H.A. Innis, p. 196

organizations in the U.S., particularly the American Federation of Labour, stemmed from policies against political intervention¹⁰⁷. There are arguments, however, that support the view of Canadian labour as more political than their American counterparts, if not as overtly political as their European counterparts. The fact that there exists a quasi-labour party which has in the past been a solid third party with 15 to 20 per cent of the electoral vote, speaks to this argument. No similar party has existed in the U.S. David Kwavnick has made arguments suggesting that Canadian labour has, in fact, been quite politically oriented. Prior to 1956, however, control and direction of organized labour in Canada, especially the Trades and Labour Congress (TLC) lay in the leadership of labour to the South.

Between 1902 and the merger of 1956 (TLC to Canadian Congress of Labour [CCL]), the outstanding feature of the Canadian labour movement was the series of schisms induced and expulsions imposed from without in response to the organizational needs of the AFL (American Federation of Labour) leadership. The evolution of the Canadian labour movement was clearly governed by the needs and ambitions of American labour leaders rather than by the needs of Canadian labour¹⁰⁸.

With the CCL-TLC merger of 1956 the Canadian Labour Congress was formed, and this organization took a much greater level of control within Canadian organized labour. The CLC sought and achieved recognition by the Canadian government as being a representative of Canadian organized labour. This recognition has brought the CLC into the corridors of power, given it access to politicians and civil servants. Through these means the CLC can have a level of influence over

¹⁰⁷H.A. Innis, p. 196

¹⁰⁸David Kwavnick, Organized Labour and Pressure Politics: The Canadian Labour Congress 1956-68 (Montreal, 1972), p. 34 For a discussion of the Canadian Congress of Labour prior to the merger of 1956 see Irving Martin Abella, Nationalism, Communism, and Canadian Labour: The CIO, the Communist Party, and the Canadian Congress of Labour 1935-1956 (Toronto, 1973)

government policy concerning labour in the long run¹⁰⁹. Kwavnick argues that the trade-off for this governmental recognition of the CLC is that the CLC itself has become part of the privileged government class and is no longer the champion of the working class.¹¹⁰

Organized labour has accommodated itself to the private enterprise economic system and seeks no fundamental alteration of that system by political means. Trade unionism has ceased to be a social movement and has become a business¹¹¹.

It could be argued that Canadian organized labour has been substantially influenced by other actors such as international-American labour Unions (AFL/CIO) and the Federal government. These influences circumscribed the overall impact of Canadian organized labour, with regards to political power and Welfare State development. This is not to say that organized labour did not exert pressure to bring about the Second National Policy. However, Welfare State measures proposed by Prime Minister King, in 1919, took decades to actually be developed. During this time King remained in power and there was no critical labour backlash. This could reflect the muted impact of labour, at least in comparison to the achievements of labour in Europe, and the political power of labour in Argentina.

¹⁰⁹David Kwavnick, pp. 217-218.

¹¹⁰ Irving Martin Abella argued that even after the merger of 1956, many of the most powerful individual unions within Canada remained affiliates of the AFL or the CIO, even though the CLC, which they were organized under in Canada, had gained its autonomy from the AFL-CIO (these powerful AFL or CIO affiliates often dominated on the National Executive over non-affiliated Canadian based unions. National based independent unions). According to Abella, International unionism (American based) was strong within Canada from 1935, when union membership was at its peak, and remained influential after the merger of the CCL and the TLC into the more autonomous, nationalist Canadian Labour Congress. Irving Martin Abella, Nationalism, Communism, and Canadian Labour, 1935-1956 (Toronto, 1973), pp. 1, 3-4, 210-211, 215-216, 222

¹¹¹David Kwavnick, p. 219.

Argentine organized labour was excluded until Perón incorporated them into the political process in the 1940s. From that point in time, organized labour would exert political power, as influential as the military. Through their actions, organized labour would decide the fate of most every government following Perón's removal. Their power did not translate into much in the way of Welfare State development (excluding the Peronist governments). Being excluded from government and much of the political process, Argentine organized labour exerted their power through political protest, strikes, and riots, often resulting in the collapse of government. In the simplest terms the comparison of organized labour in the two countries seems to be one of an organized labour working with and through the government (Canada) vs. an organized labour working against the government (Argentina). The lack of consistent economic development and Welfare State development reflect the politically conflictual and unstable environment in Argentina.

Political Stability and Welfare State Evolution

What distinguishes the Canadian experience from that of Argentina? There existed a fundamental level of political conflict in Argentina that was not present in Canada. The conflict was driven by several factors. First, there existed definite cleavages along material lines. These economic groups (landed elite, ISI economic elite, labour, middle class) had no real common ground. The political parties and the military, representing these groups, also had no common ground. Furthermore, there was not an entrenched respect for the democratic political process.

The result was that there was very little political stability and continuity. Power was often transferred through non-democratic means, and the new administration would throw out much of what had been created by the previous administration in the way of Welfare State provisions. The inclusion of labour also fluctuated between co-optation (during Perón's regime) and exclusion

(most of the subsequent administrations) with the different governments. Foreign economic control and trade dependence further circumscribed the power of government to create economic development policies which could embrace more groups and serve as an element of continuity on which to develop a stable Welfare State.

Economic/class cleavages did not play as significant a role in political divisions in Canada. A party such as the Liberals were able to cut across economic/class lines to gain consistent support¹¹². There was a high level of American influence amongst Canadian economic groups. This resulted in a focus more economic than political in nature. Labour posed no serious challenge to the capitalist, liberal democratic agenda of the commercial and financial class in Canada. Therefore, labour could be included in the political process without seriously challenging the capitalist status quo. The result was that a Welfare State was allowed to evolve in the late 1930s, in order to maintain a co-operative labour and prevent the success of the CCF. This Welfare State received support from all of the economic groups.

¹¹² Because of the nature of Canada's electoral system, a party could gain an absolute majority of seats while polling substantially less than 50% of the popular vote. Such was the case with the Liberals, who rarely had 50% of the popular vote but consistently had a majority or plurality of the seats. With 3 to 4 parties competing, a party with 35-40% of the popular vote could form government with more than 50% of the seats.

CHAPTER FOUR

WELFARE STATE EVOLUTION IN ARGENTINA AND CANADA

How did the Welfare State evolve in Canada and Argentina? How did the Welfare State in each country differ from the other, both in substance and pattern of development? More importantly, how were these different evolutions of the Welfare State the result of political stability issues and external dependency issues?

The Welfare State has been defined as:

A political system assuming state responsibility for the protection and promotion of the social security and welfare of its citizens by universal medical care, insurance against sickness and unemployment, old age pensions, family allowances, public housing, etc., on a 'cradle to grave' basis¹.

In addition to this definition, some concept of economic development should be included.

To this point in the thesis we have spoken of economic development as the base upon which the Welfare State rests. Part of this 'Welfare State' are the economic development initiatives promulgated by the state to develop the economy that might not be developed through private initiatives alone. This may be a particular industry, sector, or region of the country. Examples may be state-driven initiatives in infrastructure development, or resource exploration in the northern territories.

There are differences between the development of the Welfare State in Argentina and the Welfare State in Canada. The biggest difference is that the Welfare State in Argentina did not develop along a consistent line, or plan, to the same degree that the Canadian Welfare State did. In

¹Alan Bullock, Oliver Stallybrass, and Stephen Trombley, eds. The Fontana Dictionary of Modern Thought (London, 1988), p. 905

Argentina there were periods of development, followed by periods of reversal, even wholesale changes in direction. These often mirrored substantial changes in the governing elite within Argentina. In Canada, the transfers of power did not result in similar changes to the Welfare State; rather, things operated along more of a continuum. What is at the root of these differences between the two Welfare States?

Starting with Canada followed by Argentina, this chapter looks at the environments in which the Welfare State developed in both countries. The actual development of the Welfare State through time is then discussed to offer context for the comparison. There is then a return to the Welfare State environment to discuss the roots of that particular environment, drawing connections with some of the conclusions reached in chapter three. Finally this chapter looks at the fundamental differences in the Welfare State environment in the two countries and attempts to answer the question, *How is the Welfare State environment a product of political stability and external dependency?*

CANADIAN WELFARE STATE: THE "COMMON SENSE" HYBRID SOLUTION

The Welfare State policies undertaken by the Canadian government were done so with the objective of achieving "a large, national income, a high standard of living, and stability of employment..."².

This was to be achieved through three means³:

²McBride and Shields, Dismantling a Nation, p. 116

³McBride and Shields, Dismantling a Nation, p. 116

1. Large Export Trade: This was to be achieved through such measures as low costs of production, freer/reciprocal trade, sales promotion abroad, research, and anti-inflation controls.
2. Sustained Consumer's Purchasing Power: This was to be achieved through such measures as unemployment insurance, health insurance, family allowances, old age pensions, floor prices, and war pensions.
3. Widespread Private Investment, Supplemented by Public Works: This was to be achieved through such measures as taxation policies, industrial and other loans, and public works assistance.

The Canadian Welfare State reflects the influence of Keynesian economics that became prominent in the developed world as a result of the Great Depression in the 1930s, as well as the environment/ atmosphere of state activism that had been established with the first National Policy. The Second National policy, which can be seen as the embodiment of the Canadian Welfare State, grew out of an agreement between business, labour, and government. This policy accepted the Keynesian economic model in principle. This policy was developed during the latter years of WWII, at the same time as CCF popularity was reaching its peak, and the party was threatening to become a legitimate contender for power.

While Keynesian economics and the Second National policy set the tone for economic development and Welfare State development from the 1930s to the 1970s, there was by no means a smooth linear progression in Welfare State development or economic development, nor was there consensus on how to apply Keynesian economic in building the Welfare State. Overall, however, it could be argued that at the end of this period the Canadian Welfare State was more advanced, or evolved, than it was in the 1930s.

This thesis will look at the development of the Canadian Welfare State across four periods, characterized by the establishment of Canadian Welfare State initiatives, which arguably can be seen as pillars of the Canadian Welfare State. Old Age Pensions, Unemployment Insurance, Universal Health Care, and statist initiatives around economic development are these pillars.

The Old Age Pensions actually precluded the 1930 to 1970 period. This initiative was the result of pressure brought upon Prime Minister King by the independent predecessors to the CCF, led by J.S. Woodsworth. King initiated the discussion around social programs in 1919. There was labour support for these policies, which had built much support with organized labour in the United Kingdom.

Unemployment Insurance was the next major pillar in the Canadian Welfare State. This initiative was a major prescription to come out of the Rowell-Sirois Commission and the Marsh Report. Over the next three decades Unemployment Insurance increased incrementally in depth and breadth from its inception in 1941. After decades of pressure Unemployment Insurance took hold during a period when CCF popularity was increasing and cutting into the governing Liberal party's popularity.

The third pillar to the Canadian Welfare State was Universal Health Care. This was first experimented with in the provinces in the 1950s and was subsequently adopted by the Federal government in the 1960s when its popularity was strong. Canada's system of Federalism allowed the Federal government to adopt social policy after it was experimented in the smaller provincial governments.

Economic development policy and programs derived from statist nationalism. This was in part a response to the influence of Economic Minister Walter Gordon (1963-1966), and culminated in the 1970s with the Canada Development Corporation and the Foreign Investment Review

Agency (FIRA). The state, through these agencies, took a greater role in developing key industries and ensuring a greater level of Canadian control and ownership in them⁴.

The Environment of State Activism: The National Policies

Canadian Welfare State initiatives occurred in an environment of state activism that was established by the First National Policy, and continued by the Second National Policy. The tone of Welfare State development in Canada was set with the inception of the first National Policy⁵.

...the National policy was the first in the series of overarching development strategies adopted by the Canadian state, the central objective of which was to "transform the British North American territories of the mid-nineteenth century into a political and economic unit."⁶

The first National Policy was initiated by John A. MacDonald and spanned the period 1879-1930⁷. There were three major components to this National Policy:

⁴ Mitchell Sharp, Canada's Economic Minister from 1966 to 1968, reflected a pendulum swing away from the economically nationalist Walter Gordon, to a more continentalist economic perspective. For more discussion about economic nationalism and the differences between Walter Gordon and Mitchell Sharp see Mitchell Sharp, Which Reminds Me...: A Memoir, (Toronto, 1994), pp. 145-149. For more on Walter Gordon see Denis Smith, Gentle Patriot: A Political Biography on Walter Gordon, (Edmonton, 1973). and Walter Gordon, A Political Memoir, (Toronto, 1977), pp. 203-218, 243-250

⁵ Stephen McBride & John Shields, Dismantling a Nation: Canada and the New World Order (Halifax, 1993), p. 7

⁶ V. Fowke, "The National Policy - Old and New," in W. Easterbrook and M. Watkins, eds., Approaches to Canadian Economic History (Toronto, 1967), p. 188.

⁷ J.L. Finlay and D.N. Sprague, The Structure of Canadian History, 3rd ed. (Scarborough, 1989). P. 221. The initiation of the first National Policy coincides with the introduction of the tariff in the 1879 Budget, although elements of the National Policy had been going on for years (i.e. Confederation, the CPR Railway etc.)

1. A railway running across the entire country. This would not only link the country, but the economy as well. Industrial goods needed for agricultural production could be sent from Central Canada to the Prairies. The agricultural products of the Prairies, and the natural resources of the West, could be transported by rail to the East coast for trade overseas. This railway would also serve to populate the prairies, allowing for agricultural production, and linking the West coast and the Central and Eastern provinces.
2. High Tariff walls to protect industrial development. These tariff walls would serve to encourage industrial development in Central Canada. It was cost prohibitive for agricultural producers to purchase their machinery and processing equipment from the United States. These tariff walls discouraged imports in general, allowing for Canadian Industry to develop.
3. High levels of immigration. This would serve to populate Western Canada, increasing agricultural production and natural resource extraction. This immigration also served the purpose of industrial manufacturing, providing an industrial proletariat.⁸

These policies set a precedent for state activism in Canada. In terms of infrastructure, with the railway, and economic policy, the federal government took an active role to ensure that industrial development and trade would benefit Canadian economic growth. Much like Argentina, Canada was highly dependent upon the export of agricultural products, especially in the periods of early development. As well, the railways in both countries were built with private, and substantially foreign, economic resources. The difference is that Canada, with the National policy, took an active

⁸ McBride and Shields, Dismantling a Nation, p. 7. For a more thorough discussion of the first National Policy (which is, by this source, dated to the mid 1800s) see Janine Brodie, The Political Economy of Canadian Regionalism, pp. 97-128

role to ensure that trade and foreign industry were compatible with nation-building and industrialization.

The second National Policy was a response to the unrest amongst agricultural groups and industrial labour groups in the 1920s and 1930s, as well as the dynamics brought about by the Depression. The Depression brought unbridled capitalism into disrepute in the industrial world, ushering in the era of Keynesian economics to check the excesses of capitalism. The primary means to achieve this was to stabilize the incomes of the population through social welfare programs which supplemented and/or replaced incomes in times of economic downturn. This would keep demand stable and prevent the downward spiral of the economy. The second national policy was drawn up along the lines of Keynesian economic policy and was itself, primarily, the catalyst for the creation of the Canadian Welfare State.

The Second National Policy, which was unveiled during the last months of the war, had three fundamental strands - the development of social welfare policies, the implementation of macroeconomic policies devised in the Keynesian tradition, and measures to reconstruct a peacetime economy, especially a more liberalized trading environment⁹.

Keynes' economic theory argued that counter-cyclical measures were needed to produce high and stable levels of income and employment.¹⁰ In short, during economic growth, taxation would allow the government to operate at a surplus and there would be fewer people drawing on Social Welfare. During economic stagnation, or contraction, this surplus would be used for Social Welfare programs to ensure that a relatively stable level of income was maintained amongst the whole population.¹¹

⁹ Janine Brodie, The Political Economy of Canadian Regionalism, p. 149

¹⁰ McBride and Shields, Dismantling a Nation, p. 10

¹¹ The Keynesian economic model operates on the premise of maintaining a strong level of consumer demand through income protection. This demand will maintain the level of

Government spending as a percentage of Gross Domestic Product (GDP) is one indicator of Welfare State spending (see appendix A.2). Using this as a measurement, Canada was in the bottom third of industrialized countries for Welfare State investment during the 1960s and 1970s¹². However, it was quite advanced relative to the United States. Keynesian policy in the Canadian experience was realized through a social contract between the Federal Government, Business, and Labour. There were four key factors, or pillars, to this social contract.

1. The key interests of capital were respected with regards to investment.

2. High stable levels of income and employment were agreed to, and accepted by the business community.

3. Support for those who could not actively participate in the labour market was also agreed to by the business community.

4. The right for unions to collectively bargain was accepted by all three groups¹³.

The most important factor about this social contract and the development of the Canadian Welfare State was that all of the major Canadian political parties accepted this new National Policy as the new common sense in the post WWII period¹⁴.

industrial production, preventing a downward spiral in the economy like that seen in the Depression.

¹² Charles Lewis Taylor and David A. Jodice, World Handbook of Political and Social Indicators, v.1: Cross-National Attributes and Rates of Change (3rd. ed.), (New Haven, 1983), pp. 5-6 for the 1960 and 1972 data. McBride and Shields, Dismantling a Nation, p. 12

¹³ McBride and Shields, Dismantling a Nation, p. 15

¹⁴ McBride and Shields, Dismantling a Nation, p. 16. This social contract also impacted regional economic disparities. Federal transfer payments ensured that the poorer provinces would be able to finance jointly funded social programs. For more discussion about the second National Policy and its impact see Janine Brodie, The Political Economy of Canadian Regionalism, pp. 149-155

The popularity of the second National Policy began to decline in the 1970s, along with the popularity of Keynesian economics. This was in part due to the new phenomenon of Stagflation, a combination of high inflation and stagnant economic growth. Keynesian economics had argued that both could not be present in an economy¹⁵. The result of this was that Canada experienced a rapidly rising debt. This precipitated the onset of another economic approach based on fiscal restraint and supply-side economics. (However, this is outside the time frame of this thesis, and therefore will not be expanded upon.)

What were the major Welfare State initiatives that made up the Canadian Welfare State? This thesis looks at four major initiatives, most of which came about in the era of the second National Policy.

Old Age Pensions - Welfare State Initiatives in the Pre-Keynesian Era

The Old Age Pension Act (1927) was the one significant piece of Welfare State legislation introduced prior to the Second National Policy and Keynesian economics. The machinations of Organized Labour for old age pensions in the United Kingdom had ignited Canadian sentiment for this benefit. The issue was raised for the first time in the House of Commons in 1906¹⁶. Over the following two decades there was growing public pressure and labour unrest to introduce this measure. Old Age Pensions had been one of the tenets of the Liberal platform at the 1919 Leadership convention¹⁷.

¹⁵ McBride and Shields, Dismantling a Nation, P. 17

¹⁶ Dennis Guest, The Emergence of Social Security in Canada, (Vancouver, 1980), p. 74

¹⁷ J.L. Finlay and D.N. Sprague, The Structure of Canadian History, p. 316

It was not until 1926 that action was taken on making old age pensions a reality. At that point King traded the promise for an Old Age Pensions act, in writing, for the support in the House of Commons of two Labour members of Parliament, J.S. Woodsworth and A.A. Heaps¹⁸. This allowed King's minority Liberal government to remain in power¹⁹. Like many other welfare programs later on, this program was a jointly funded initiative administered under provincial jurisdiction²⁰. In other words the provincial governments administered these Old Age pension plans, ensuring they met some broad federal parameters in order to qualify for federal funding. By 1936 the federal contribution to this joint initiative had jumped to 75 percent, allowing all the provinces to join²¹.

This program was replaced by the Old Age Security Programs (1952)²². These programs were universal in nature, doing away with the means testing of the previous plan. The Old Age Security-Guaranteed Income Supplement (1964) was established to assist those whose primary source of income was Old Age Security²³.

When the act was first passed in 1927 the Federal government was retrenching from program spending. This act seemed to go against the grain of the times but upon closer observation it can be seen that the act was quite limited in application and benefits. A minimum payment, based on means testing, was available to British subjects over the age of seventy. These payments could then be recouped (with compound interest) by the government from the estate of the recipient

¹⁸ John Herd Thompson and Allen Seager, Canada, 1922-1939: Decades of Discord, (Toronto, 1985), p. 120

¹⁹ Finlay and Sprague, The Structure of Canadian History, p. 326

²⁰ John S. Morgan, "Social Welfare Services in Canada" in Melville H. Watkins and Donald F. Forster, eds. Economics: Canada, (Toronto, 1963), p. 235

²¹ Guest, The Emergence of Social Security in Canada, p. 76

²² A.W. Djao, Inequality and Social Policy: The Sociology of Welfare (Toronto, 1983), p. 109

²³ A.W. Djao, p. 109

upon their passing²⁴. Furthermore, the Maritimes and Quebec did not have an Old Age Pension program in place until the mid 1930s. While Quebec's reasoning was political, the Maritimes could not afford to pay their share of the program's costs²⁵.

These difficulties seemed to reflect the larger difficulties within the Canadian Federal system around the divisions in powers with regards to revenues and spending. Because of the relative differences in wealth of some of the provinces, some poorer provinces such as the Maritimes could not adequately participate in joint federal-provincial programs because they could not generate the taxation revenues to finance those programs. The three areas of taxation (personal income tax, corporation taxes, and succession duties) were finally released to the federal government to finance WWII²⁶. By releasing some taxation powers to the federal government, the provinces could receive transfer payments which reflected the Canadian average. In this way the rich provinces would be subsidizing the poorer provinces, allowing them to participate in social programs such as old age pensions and unemployment insurance. These were some of the recommendations of the Rowell-Sirois commission that we talk about next. This federal-provincial dynamic reflects the difficulty that existed within Canada in creating, passing, and implementing Welfare State Initiatives.

Unemployment Insurance - Rowell-Sirois, Federalism, et al.

Unemployment Insurance was the centrepiece of the second period of Canadian Welfare State development, which occurred during and after the second World War. This period was spurred by a combination of factors: the rise of Keynesian economics in the industrial world, the

²⁴ John H. Thompson and Allen Seager, Canada 1922-1939, p. 129

²⁵ John H. Thompson and Allen Seager, p. 130

Rowell-Sirois Commission of the late 1930s, and the Marsh Report released in 1943. Keynesian economics has already been discussed previously in this thesis. The Canadian government embraced the Keynesian economic approach with the Second National Policy.

The Rowell-Sirois commission was called in 1937, and was, itself, largely a response to the dire financial difficulties of the provinces, incurred as a result of the Depression. The revenue sources of the provinces did not equal the costs of the various provincial responsibilities outlined in sections 92, 93, 94, and 95 of the B.N.A. act of 1867. Essentially this commission was established to deal with the distribution of powers and financial relations between the Dominion and the provinces²⁷.

The commission called for the transfer of taxation powers to the Dominion, in exchange for federal grants to the provinces, based on the needs of each province. The objective was to bring provinces closer to equality with each other. Therefore, each province could "without resort to heavier taxation than the Canadian average, to provide adequate social, educational, and developmental services."²⁸ When the report was released in 1940, the recommendations were shelved because of provincial reservations around relinquishing the powers of direct taxation, i.e. income tax. Most of them were eventually introduced in piecemeal fashion, as a system of federal transfers replaced the provincial powers of direct taxation, allowing poorer provinces to fund social programs..

²⁶ Guest, The Emergence of Social Security in Canada, p. 179

²⁷ R MacGregor Dawson, The Government of Canada, 4th ed. (Toronto, 1963), p. 114

²⁸ Rowell-Sirois Report v.2 p. 86 in Dawson, The Government of Canada, p. 115

In March 1943 Leonard Marsh, Research Director on the James' Committee Report on Reconstruction, released the Report on Social Security in Canada²⁹:

It recommended full-employment policies, supplementary programs for occupational training, comprehensive systems for social and medical insurance (covering unemployment, sickness, maternity, disability, old age, and health), family or children's allowances, and general welfare assistance for those who, should the full employment policies fail, had exhausted unemployment insurance benefits or were not covered by them³⁰.

Like the federal commission report before it, Canada did not fully embrace Leonard Marsh's report. The report met with derision by civil servants, and politicians found it somewhat strange³¹. Full employment may have been a goal, but it was not necessarily considered a reality³².

The Unemployment Insurance Act was itself brought in 1940. However, talk of its introduction had been present since the Liberal Leadership Convention of 1919 when it was embraced as a concept. Financial protection from unemployment was an important component of the Rowell-Sirois commission and one that Mackenzie King managed to implement during the war even though it was in provincial jurisdiction³³. It was a response to a combination of pressures

²⁹ Robert Bothwell, Ian Drummond, and John English, Canada Since 1945: Power, Politics, and Provincialism, (Toronto, 1989), p. 46

³⁰ McBride and Shields, Dismantling a Nation, P. 43

³¹ Bothwell, Drummond, and English, Canada Since 1945, pp. 47-49

³² McBride and Shields, Dismantling a Nation, P. 45. For more discussion of the Marsh Report and the government and civil service rejection of its proscriptions see Robert Bothwell, Ian Drummond, John English, Canada Since 1945, pp. 48-50

³³ Finlay and Sprague, The Structure of Canadian History, p. 354

from the intergovernmental relations, war, bureaucratic rivalries, and the social work community³⁴.

When the Unemployment Insurance System was first introduced in 1940, it covered only 42% of the workforce. In 1940 the federal government took over jurisdiction for unemployment insurance, through constitutional amendment. As a result of wartime pressures, the provinces relinquished control, in 1941, over some forms of taxation, such as personal income and corporation taxes³⁵. This allowed the federal government to fund Unemployment Insurance, as well as develop federal transfer grants to the provinces which would allow the poorer provinces to finance other jointly funded social programs.

The 1956 Unemployment Assistance Act was a key component of the Canadian Welfare State. It precipitated a move towards a more comprehensive universal Welfare State.

Through consequences unforeseen by its sponsors, unemployment assistance, although initially designed to preserve categorical distinctions among those in need, instead played a major role in breaking down the categorical approach towards poverty by paving the way for the Canada Assistance Plan of 1966.³⁶

The federal government was unable to develop any unemployment legislation that could satisfy both the provincial governments and the federal government. The federal government sought to acquire the sole right to private and corporate income taxation powers in exchange for a federally financed and administered unemployment assistance program. The provinces were unwilling to agree to this arrangement. The federal government and the provincial governments were unable to agree to a cost sharing structure to finance this program. Further complicating this

³⁴ James Struthers, "Shadows From the Thirties: The Federal Government and Unemployment Assistance, 1941-1956" in Jacqueline S. Ismael (ed.) The Canadian Welfare State: Evolution and Transition (Edmonton, 1987), p. 4

³⁵ Rowell-Sirois Report v.2 p. 86 in Dawson, The Government of Canada, p. 115

was the post war prosperity and low unemployment rates that made the issue a lower priority. In 1953 the Korean war ended and the unemployment rates began inching upwards. With no comprehensive unemployment assistance program the private charities were put under intense pressure to satisfy the needs of the unemployed. They pressed the federal government for action.

The 1956 Unemployment Assistance Act was passed with four of the ten provinces declining this program. In 1958, when Prime Minister Diefenbaker changed the cost sharing arrangement to 50/50, three of the remaining four provinces (except Quebec) opted into the agreement. The federal government did not limit the number of people it could serve. The provinces included many people from other categories of need into their Unemployment Assistance rolls. This indirectly removed the categorizations of welfare and need that had existed. This set precedent for the comprehensive Canada Assistance Plan of 1966, which included old age assistance, disabled persons assistance, and child welfare, as well as unemployment assistance³⁷.

From 1941 to 1971 there were steady expansions of the coverage provided by this system. The Unemployment Insurance Act of 1971 covered 96% of the workforce.³⁸ This piecemeal introduction of Welfare State measures reflects the inability of the Canadian federal government and provincial governments to agree on an integrated system of revenue collection and social welfare service delivery. The package deal that the federal government had hoped for collapsed at the Dominion-Provincial conference of 1945.

The Liberal government, defeated in its intentions of developing a comprehensive welfare programme, proceeded, as public opinion, electoral strategy, and fiscal resources gave it opportunities, to add piecemeal to the welfare services³⁹.

³⁶ James Struthers, "Shadows From the Thirties", p. 4

³⁷ A.W. Djao, p. 109

³⁸ McBride and Shields, Dismantling a Nation, P. 45

³⁹ John S. Morgan, "Social Welfare Services in Canada", p. 237

Universal Health Insurance - Provincial Experiments

Mackenzie King spoke of a guaranteed minimum in Health Care at the Liberal leadership convention in 1919 and again in 1943; however, no real action was taken by the Federal government in these areas until the 1960s⁴⁰. It was the provinces, starting with Saskatchewan under the CCF government of Tommy Douglas, who led the charge for universal health care insurance by developing their own initiatives in these areas. Throughout the late 1940s and 1950s there was increasing pressure for a federally funded universal health care scheme. The Hospital Insurance and Diagnostic Services Act (1957) was the first major federal response to these pressures⁴¹. This provided a national insurance plan to protect Canadians against the cost incurred because of hospitalizations or diagnostic testing. This was not comprehensive medical insurance which would also cover medical appointments, non-hospital care, etc.

In 1961 a Royal Commission on Health Services was convened under Emmett Hall. This had been convened in response to the pressure by the Canadian Medical Association, who had hoped that a Commission would find Canada's existing medical services structure to be adequate, thereby not requiring any more government movement on universal health care initiatives⁴². When the Commission released its preliminary report in 1964 it endorsed the model for universal health care that Saskatchewan had adopted in 1961; the same model that the Canadian Medical Association was reacting against when it called for the Commission⁴³.

⁴⁰ Finlay and Sprague, The Structure of Canadian History, p. 417

⁴¹ Robert Bothwell, Ian Drummond, and John English, Canada since 1945, pp. 146-148

⁴² Donald Swartz, "The Politics of Reform", p. 325

⁴³ Finlay and Sprague, pp. 417

Prime Minister Lester Pearson responded by announcing that the Federal Government would contribute funds toward provincial schemes that met certain broad parameters.⁴⁴ The Federal Medical Care Act (1966) set out five criteria provinces had to meet in their Health Care programs to receive funding from the Federal government. This essentially ensured that health care was *Universal, Comprehensive, Portable, and Accessible* in all provinces (Public Administration was the fifth criteria)⁴⁵. Provinces that met these categories (all provinces had qualifying plans by 1972) were eligible for matched funds (50%) from the federal government⁴⁶. This plan was ready for service on July 1, 1968. At that point only Saskatchewan and B.C. had government health insurance plans in place that met the criteria of the Medicare Act⁴⁷.

The establishment of universal health insurance brings up a few points to consider, or reflect upon. First, it is argued by Donald Swartz that state action in funding health insurance became necessary when industrial and political militancy increased amongst organized labour⁴⁸. This was most apparent in B.C. where the labour movement was historically militant. Two Royal Commissions in the province prior to 1928 led to the introduction of legislation in 1935 to establish health insurance. This legislation was never acted upon⁴⁹. Besides the significance of organized labour's impact upon this development of the Welfare State, it was the provinces as a test ground for this Welfare State measure, that sets Canada apart from other countries such as Argentina. The provinces took action in the area of health care structures. When the federal government saw the success of this experimentation in the Hall commission they acted, 47 years after health care was made a Liberal policy.

⁴⁴ Bothwell, Drummond, and English, pp. 288-289.

⁴⁵ McBride and Shields, Dismantling a Nation, P. 45

⁴⁶ Finlay and Sprague, The Structure of Canadian History, pp. 417-418

⁴⁷ R.C. Bellan, Principles of Economics and the Canadian Economy, 7th ed. (Toronto, 1985), p. 357

⁴⁸ Donald Swartz, "The Politics of Reform", p. 317

The federal mood of the day was progressive, making it more receptive to health care initiatives. With the Liberal election campaign of 1963 Pearson promised much in the way of Welfare State initiatives including health care and what was to be the Canada Development Corporation. Over the course of his five years as Prime Minister, Pearson was able to legislate many of these initiatives⁵⁰. The NDP, holding the balance of power for the minority Liberal government, provided the pressure Pearson needed to carry out these plans. Labour legislation around organization and the right to strike for government employees was passed with the objective of drawing labour support away from the NDP⁵¹.

Regional/Economic Development (1960s)

The final period of Canadian Welfare State development occurred in the 1960s and 1970s. This period revolved around legislation aimed at improving and developing Canadian ownership and industrial development. The main tools to achieve this were the Canada Development Corporation (1971) and the Foreign Investment Review Act (1973)⁵².

The impetus for movement in the area of economic development came from the Gordon Commission which was called in 1955⁵³. In the Preliminary report tabled in 1957 Gordon found

⁴⁹ Donald Swartz, p. 318

⁵⁰ Bothwell, Drummond, and English, Canada Since 1945, pp. 287-289

⁵¹ Bothwell, Drummond, and English, Canada Since 1945, p. 289

⁵² Grant L. Reuber, Canada's Political Economy: Current Issues, (Toronto, 1980), p. 247

⁵³ To find out more about Walter Gordon's ideas of economic nationalism see W.L. Gordon, Troubled Canada: The Need for New Domestic Policies, (McLelland & Stewart Limited, 1961). In chapter 4 (pp. 83-100) Gordon discusses the concerns around the increasing levels of foreign investment in Canada. Chapter 5 (pp. 101-134) looks at Walter Gordon's

that the economy was dominated by Americans. Foreign control was dominant in oil and gas (70%), mining (52%), and secondary manufacture (56%)⁵⁴.

As Finance Minister (1963-1965) under Lester Pearson, Walter Gordon set out to check the level of foreign control of Canadian industries and resources⁵⁵. In 1964 Gordon amended acts to ensure Canadian ownership in key industries⁵⁶. Insurance and loan companies were allowed to have a maximum of 25 per cent of their shares owned by non-residents. The Bank Act (1965) brought Canadian banks into line with this principle⁵⁷. This legislation ensuring Canadian control was extended from the financial sectors to the cultural sectors with broadcasting and publications (the 1969 law limited non-resident voting stock to 20 per cent in the broadcasting sectors)⁵⁸.

prescription for resolving this foreign control concern. Much of the prescription revolves around the state taking a much more active role in economic expansion until a time when domestic industry can pick up the slack, in terms of capital expenditure (p. 107). For a contrasting rebuttal to Gordon's ideas on economic nationalism in Canada see Alan Heisey, The Great Canadian Stampede: The Rush to Economic Nationalism - Right or Wrong, (Toronto, 1973). Heisey speaks of the importance of foreign investment in Canada.

⁵⁴ Finlay and Sprague, The Structure of Canadian History, p. 377

⁵⁵ Bothwell, Drummond, and English, Canada Since 1945, p. 304, 307-308

⁵⁶ Walter Gordon was of the progressive economic nationalist mold. His budgets reflect an emphasis on excluding U.S. foreign investment and budgeting for social reform. His successor, Mitchell Sharp (1966-1968), was much the opposite, raising taxes, delaying medicare and not establishing the Canada Development Corporation. Except for the banking sector, Sharp did not fear U.S. foreign investment. Bothwell, Drummond, and English, Canada Since 1945, pp. 303-305. For more information on Gordon, Sharp and the banking sector see Barry Riddell, Canadian Issues: Economic Nationalism, (Toronto, 1969), pp. 21-25

⁵⁷ A.E. Safarian, "Benefits and Costs of Foreign Investment" in Lawrence H. Officer and Lawrence B. Smith eds. Canadian Economic Problems and Policies, (Toronto, 1970), p. 121

⁵⁸ A.E. Safarian, "Benefits and Costs of Foreign Investment", p. 121

The Canada Development Corporation was initially envisioned as an economic nationalist response to encroaching foreign investment. The impetus for the ultimate establishment of the Canada Development Corporation was the inability of Canadian investors to undertake many industrial ventures, leaving these ventures to American corporations and financial interests; CDC sought to remedy this. CDC was set up to have 2 billion in capital available for these projects (250 million by the federal government and the rest from private investors)⁵⁹. In the early 1970s the Canada Development Corporation reflected economic nationalist sentiment in the purchase of U.S. multinationals and much of the Canadian Aerospace Industry. Canada also established PetroCanada, a national petroleum company, in the early 1970s⁶⁰.

The Foreign Investment Review Act (FIRA) was brought about with the intention of reviewing "acquisitions of Canadian firms by foreign entities." This would be primarily in the areas of cultural and financial sectors. This act required that a percentage of company directors be Canadian. It also gave tax incentives and other development incentives to Canadian firms⁶¹.

The overall thrust of FIRA was to ensure that American take-overs of Canadian businesses as well as new start-ups of American businesses in Canada benefit Canada significantly. This became perhaps the toughest screen for foreign investment in the industrial world⁶².

In recent years, American branch plants have exported more capital from Canada in the form of dividends, interest, royalties, etc. than they have brought in between 1960 and 1967, the net export of capital from plants to subsidiaries was \$2 million.⁶³

⁵⁹ R.C. Bellan, Principles of Economics and the Canadian Economy, p. 37

⁶⁰ Bothwell, Drummond, and English, Canada Since 1945, p. 346

⁶¹ Grant L. Reuber, Canada's Political Economy, p. 247

⁶² Grant L. Reuber, Canada's Political Economy, p. 248

⁶³ I.D. Pal, Canadian Economic Issues: Introductory Readings, (Toronto, 1971), p. 544

Canada's economic policy in this area, especially under Gordon, reflects perhaps the strongest brand of economic nationalism Canada experienced during the period of 1930 to 1970. The fact that the NDP held the balance of power during this period may be partially responsible for the legislative mood that allowed such legislation to evolve. However, with Gordon's replacement by Mitchell Sharp, there is a noticeable shift back towards a moderately pro-foreign investment stance. Arguably, then, this has been Canada's natural position throughout the time in question⁶⁴.

Roots of the Canadian Welfare State Environment

*"...the Canadian state established for itself an active profile in social policy to match its traditional role in economic development. Its adoption of a version of Keynesian economic theory was followed by continued economic activism in support of stabilization and full employment."*⁶⁵

At the roots of the Canadian Welfare State there is a relatively high level of state activism established early in Canada's history to ensure that trade and industrialization served Canada's benefit. Arguably, Canada possessed a stable political tradition in which pragmatic centrist parties have carried out social and economic policy that did not stray from the national policies. That is to say, they developed economic and social policy which was activist in nature, but rather basic in scope and depth, at least relative to the industrial nations of Europe. The existence of strong provincial governments provided a moderating check upon the federal government. At times they forestalled radical departures into social policy (Unemployment Insurance) on the grounds that it encroached upon provincial jurisdiction. At other times the provinces provided experiments in

⁶⁴ Even the Conservative administration of John Diefenbaker (1957-1963) did not veer from this path as can be seen by the Avro Arrow debacle.

social legislation (health insurance) that the Federal government adopted once their popularity was ascertained.

In exploring the Welfare State environment in Canada the relationship between labour and business was highly significant. The Federal-Provincial dynamic also played a role in the shaping of the Welfare State policies that became part of the Canadian landscape. These factors worked both independently and jointly in the Canadian context to produce a stable, if somewhat unremarkable, Welfare State environment. Canada's dependence upon trade was a central factor in the establishment of both the first and second National Policies. Canada's established role of state activism in economic development from the time of the first National Policy set a precedent for continued state involvement to ensure that trade and investment served the economic growth and development of Canada.

One Tory Touch in English Canada which...has been noted by many others, is the far greater willingness of English-Canadian political and business elite to use the power of the state for the purpose of developing and controlling the economy.⁶⁶

The need for Keynesian economics embedded within the Second National Policy as a stabilising agent was made apparent during the Depression. Because Canada is relatively more dependent upon other economies as the result of trade, the collapse to the industrial world brought by the Depression produced a magnified effect upon Canada as their markets dried up.

While Canada's position of structural dependency made Keynesian economics and Welfare State measures all the more important, Canada's stable political and social environment provided legitimacy to this route as common sense. Labour and business, along with government, were able to achieve agreement around the need for the Welfare State. This is partially the product of a

⁶⁵ McBride and Shields, Dismantling a Nation, P. 46

⁶⁶ Gad Horowitz, "Conservatism, Liberalism, and Socialism in Canada" in Canadian Journal of Economics and Political Science, XXXII, No. 2 (May, 1966), p. 150

Canadian labour that perceived itself as middle class, and perceived capitalism as a legitimate *modus operandi* for the Canadian economy⁶⁷. For their part, business recognised the danger in not providing labour with welfare benefits during times of economic crisis; that being potential labour revolt⁶⁸. Labour, however, did not vote radically different from other economic groups in society. In the 1962 Federal election 38 per cent of union families voted Liberal, 26 per cent voted Conservative and 22 per cent voted NDP. This would seem to reflect the middle class perception that much of labour held⁶⁹.

The other important factor to consider in the development of the Canadian Welfare State environment was federalism, and the federal-provincial split in powers, jurisdiction, and revenue collection. This would prove to be a major factor in the watering down of Welfare State proposals. As previously mentioned the provincial level of government was granted jurisdiction over much of what would become the social Welfare State. During the Depression in the thirties it became painfully obvious that the provincial governments did not have the means to finance the social assistance programs that were needed. The programs proposed by the Federal government were seen as more financially sound than the relief measures which had been undertaken by individual municipalities and provinces. These relief measures were driving many provinces and municipalities into debt, often to the point of seriously risking their credit rating and jeopardizing future economic recovery and growth⁷⁰.

⁶⁷ For a discussion of the Canadian middle class society see John Porter, The Vertical Mosaic, (Toronto, 1965)

⁶⁸ Janine Brodie, The Political Economy of Canadian Regionalism, p. 149

⁶⁹ Gad Horowitz, "Conservatism, Liberalism, and Socialism in Canada" in Canadian Journal of Economics and Political Science, XXXII, No. 2 (May, 1966), p. 169

⁷⁰ Alvin Finkel, "Origins of the Welfare State in Canada" in J.M. Bumsted (ed.), Interpreting Canada's Past: V.II, After Confederation, (Toronto, 1986), p. 299

Canada's Welfare State appears to be very close to the definition of a Welfare State that we established at the beginning of this chapter. The high degree of political stability, as well as an established role of state activism with regards to trade, investment, and infrastructure development, all contribute to an environment in which a range of Welfare State measures gained a foothold. However, while the Canadian Welfare State established itself along Keynesian guidelines, it did not entrench the core objectives of Keynesian economics, as was the case of the more developed Welfare States in Europe. As it was applied by Finance Ministers such as C.D. Howe, Keynesian economics (within the Second National Policy) was used as a tool to show the Canadian economy as stable and very attractive to American investment. This all seems to reflect the complex dynamics of structural dependency upon the United States on the one hand, and broad consensus between business and labour on the other. A Welfare State like that in Europe would likely neither have been possible or desirable.

ARGENTINE WELFARE STATE: THE LACK OF CONSENSUS SOLUTION

The development of the Welfare State in Argentina was somewhat similar to the Welfare State in Canada, at least with regards to the three target areas mentioned earlier: a large export market, sustained consumer purchasing power, and widespread private investment. The export trade of agricultural products, the domestic market purchasing power, and the public sector are all areas which expanded and became significant in the period following the 1930s Depression. More specifically, these areas became important during the nine years in which Juan Perón was the president of Argentina. However, due to the instability and the fragmented nature of the Argentine polity, there was little in the way of consistency, vis-à-vis economic development models, from one administration to the next.

Changing Economics in a Fragmented Society: Argentina's Welfare-State Environment

Prior to 1930, the Argentine state did not heavily involve itself in directing the economic development of the country, choosing to pursue a laissez-faire route which best served the interests of the landed elite and their export oriented agricultural products. The onset of the Depression was the catalyst for an increased state role in the economic development of Argentina, much like other industrialized and industrializing countries.

The transformation of the state from the promotional bystander of the predepression-era to the involved manager of economic growth, which had begun cautiously under the Concordancia, was completed by Perón. With it came a politicization of economic policy making that would never again allow authorities to withdraw from their deep involvement in the regulation of the nation's economy⁷¹.

During this period of government-directed economic development and Welfare State policy, Wynia also notes two fundamental shortcomings in the economic policy making of Argentine governments, particularly the democratically elected ones: "...the very narrow and partisan character of the country's dominant political parties", and "...the lack of institutional linkages between interest groups and policy makers"⁷². The fragmentation that resulted from this uncooperative atmosphere was not conducive to policy-making that had broad support. A change in government usually resulted in a substantial change in policy and economic development⁷³.

Since 1930, the triumph of one party has usually meant discrimination against all others. Consequently, instead of fostering cooperative solutions to development problems, party government only reinforced the cleavages that separated political groups and compounded the difficulty of securing compliance with government policy⁷⁴.

⁷¹ Gary W. Wynia, Argentina in the Postwar Era: Politics and Economic Policy Making in a Divided Society (Albuquerque, 1978), p. 75

⁷² Wynia, Argentina in the Postwar Era, pp. 133-134

⁷³ Richard D. Mallon and Juan V. Sourrouille, Economic Policymaking in a Conflict Society: The Argentine Case, (Cambridge, 1975), pp. 34-35

⁷⁴ Wynia, Argentina in the Postwar Era, p. 134

Further aggravating the situation, social and economic interest groups had little reason to support political democracy, because the governing parties excluded these groups from input into the policy-making process. These groups often supported the military removal of these elected governments⁷⁵.

SHIFTING PRIORITIES: RULING COALITIONS/CHANGING HEGEMONS

According to Benjamin Most the evolution of the Welfare State in Argentina can be broken down into four periods from 1930 to 1971⁷⁶. These periods correspond to the types of leadership, and the coalitions of groups that composed this leadership. 1930 to 1943 was the period of traditional (oligarchic) authoritarian rule. The foreign export sector and export-oriented industrialists comprised this ruling coalition. Their public policies were not dissimilar to the ruling Conservatives' public policies prior to Yrigoyen; the economic policies, influenced by a laissez-faire ethos, were focused on serving the needs of the export sector. This period saw no redistribution of wealth to labour or the lower middle classes, no increase in welfare policies, and a patronizing labour policy. This period did, however, see a marginally higher level of government involvement in the economic development of Argentina via some import substitution industrialization, and some minimal use of import tariffs during General José Uriburu's short provisional presidency (1930-1932)⁷⁷.

1943 to 1952 has been categorized as a period of populist authoritarian rule. This ruling coalition was made up of the popular sector (labour and lower middle classes), the military,

⁷⁵ Wynia, Argentina in the Postwar Era, p. 134

⁷⁶ Benjamin Most, "Authoritarianism and the Growth of the State in Latin America: An Assessment of Their Impacts on Argentine Public Policy" in Comparative Political Studies, Vol. 13 No.2 (July 1980), pp. 173-203

⁷⁷ Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, 1930-1966 (Austin, 1972), p. 36

domestic industrialists, and domestic market agricultural producers. The policies of this period reflect a rejection of the laissez-faire export-dominated economy that was prominent under the Conservatives. An economy centred around ISI (light consumer goods) was the central goal in this period. Policies were designed to support the proliferation of ISI, as well as giving a more substantive role to the state in managing the economy. Other policies tended to redistribute wealth to labour and the lower middle classes, expanding welfare benefits and building the "organization and mobilization of labor through inclusionary corporatist controls"⁷⁸.

After 1952 Argentina went through a period in which there was no dominant, or hegemonic, coalition. Rule in this period was characterized by inconsistent shifts in policy which reflected the leadership of different economic and political groups. During Perón's second term of office the military and industrial and agricultural producers started distancing themselves from Perón. The reform of the Constitution in 1949, to expand the presidential powers of Perón and to allow his future reelection, and the attempted secularization of the state, disenchanted the Catholic church with the Perón administration. The military was also dissatisfied with the increased power of Perón and feared "the possibility of a personalist dictatorship and the Peronization of the army."⁷⁹ The agricultural and industrial producers were concerned with the deteriorating state of the economy; foreign exchange reserves were being depleted with uneconomical nationalizations of transportation, communications, and utilities, and agricultural products were being purchased by the government monopoly IAPI at below-market prices⁸⁰.

Following Perón's removal in 1955, Argentina alternated between military regimes and weak civilian administrations. This is reflected in the 185 personnel changes within Argentine

⁷⁸ Most, "Authoritarianism and the Growth of the State in Latin America", p. 175

⁷⁹ Paul Lewis, The Crisis of Argentine Capitalism, p. 220

cabinets during this time, as compared to the 77 changes in cabinet personnel in the previous 14 years⁸¹.

1966 to 1973 corresponds to the period of bureaucratic-authoritarian rule. Some military, foreign capital, technocrats, and large domestic industrialists comprised this ruling coalition. Their focus for the economy was upon capital goods and consumer durables. Besides the promotion of this form of ISI and the raising of investment capital to support it, policies during this period were intended to stop the redistribution of wealth to labour and the lower middle classes, as well as reverse welfare benefits. Demobilizing and excluding labour (economically and politically) was another policy objective of this period.

Economic development in Argentina, and Welfare State development, reflect this lack of continuity within Argentine government. Unlike Canada, the economic groups in Argentina could not achieve consensus on the path of economic development, be it inward looking import substitution industrialization, or outward looking laissez-faire export policies. There was no "common sense solution" like the second national policy in Canada. What did the Argentine Welfare State look like in its various manifestations?

THE FRAGMENTATION OF GROUPS AND THE MILITARY AS A POLITICAL ACTOR

The Argentine Welfare State environment was affected structurally by the divided nature of the major groups within Argentine society: specifically, the divisions within the military, labour, agricultural producers, and industrial manufacturers. These divisions within the groups, as well as between the groups, made for great difficulties in achieving consensus, or broad support, for any

⁸⁰ Robert Alexander, Labor Relations in Argentina, Brazil, and Chile, pp. 142-143, and Paul Lewis, The Crisis of Argentine Capitalism, p. 193

⁸¹ Most, "Authoritarianism and the Growth of the State in Latin America", p. 185

model of economic and Welfare State development. Two groups in particular, military and labour, became especially powerful in deciding the fates of most Argentine governments after 1930. These two actors would become the main combatants for power and control in the direction of Argentine economic and Welfare State development after Perón's overthrow in 1955.

Perón mobilized and politicized organized labour in a way which no subsequent government could ignore⁸². Prior to 1943 and the arrival of Perón labour was demoralized and largely devoid of identity.

While unions felt isolated from the political system, workers felt excluded from the society as a whole. The dominant mores were those of the middle and upper classes...in Argentine society, it was not acceptable to be a worker⁸³.

Between 1943 and 1955 organized labour was coopted into government. At first Perón simply enforced existing labour legislation, something that had not been done before⁸⁴. Perón, as Secretary of Labour (1943-1946), worked with the central body for organized labour in Argentina (CGT) to give them independence and a voice equal to other important interest groups. At the same time he discredited socialists and communists, the traditional parties associated with labour and the left⁸⁵. The result is that this empowered organized labour became personally attached to Perón⁸⁶. This body of support would propel Perón to the Presidency in 1946. From October 1945 to the elections in 1946 Perón made the transition from military minister to democratic populist politician. Labour rallied behind him in October 1945 when he was imprisoned by conservative and liberal

⁸² Joel Horowitz, Argentine Unions, the State & the Rise of Perón, 1930-1945 (Berkeley, 1990), p. 2

⁸³ Joel Horowitz, p. 2

⁸⁴ David Tamarin, The Argentine Labor Movement, 1930-1945: A Study in the Origins of Peronism, (Albuquerque, 1985), pp. 186-187

⁸⁵ Paul Lewis, The Crisis of Argentine Capitalism, pp. 76-78

⁸⁶ Carlos Waisman, Modernization and the Working Class, (Austin, 1982), pp. 62-64

forces. Upon his subsequent release Perón retired from the military and declared his intention to run for President under the newly created Labour Party banner⁸⁷.

As President, Perón continued to cultivate the attachment to organized labour, giving them material benefits as well as substantial power within the government. Perón began a social security program that, by 1951, covered approximately 70 percent of the working population⁸⁸. The 1949 constitution entrenched several rights for labour such as security, financial reward, and working conditions⁸⁹. In some fashion, these rights superseded private property, capital, and natural resources, which were "subject to the national interest."⁹⁰

After the removal of Perón, labour continued to maintain its power and solidified its identity around a "popular nationalism" that Samuel Baily speaks about⁹¹. Essentially this identity was labour as a nation⁹².

The military came to its governing role through its politicization by the Radical government, but it was the process of professionalization (1880-1916) that had given the military "...the leadership as well as the guns to define political change, should presidentialism falter⁹³." Prior to Yrigoyen and the Radicals, military officers that had positions of command were prohibited

⁸⁷ Juan E. Corradi, The Fitful Republic: Economy, Society, and Politics in Argentina, (Boulder, 1985), pp. 60-61

⁸⁸ Paul Lewis, The Crisis of Argentine Capitalism, pp. 98-101

⁸⁹ Robert Alexander, Labor Relations in Argentina, Brazil, and Chile, pp. 200-201

⁹⁰ Paul Lewis, The Crisis of Argentine Capitalism, p. 101

⁹¹ Samuel L. Baily, Labor, Nationalism, and Politics in Argentina (New Brunswick, New Jersey, 1967), p. 5

⁹² For further discussion about the Argentine labour movement see also David Tamarin, The Argentine Labour Movement, 1930-1945: A Study in the Origins of Peronism (Albuquerque, 1985)

⁹³ Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, 1930-1966: an Interpretation (Austin, 1972), p. xvi

from becoming directly or indirectly involved in politics⁹⁴. Yrigoyen politicized the military by using them for internal policing, intervening in provinces and replacing the governors with Radical officials⁹⁵. These actions removed the military from their isolated professional position. Military officers who had strong Radical sympathies could benefit from promotions because of that allegiance.

Marvin Goldwert cites two factors that expanded the Army's influence: a lack of political consensus, and a strong presidentialism and weakness of other governmental institutions⁹⁶. Political consensus was absent as the Radicals, representing the middle class, waged war against the oligarchy. "...neither the Radicals nor the liberal nationalist oligarchy adhered to the tradition of an apolitical army⁹⁷."

This can be seen upon examination of the three successful military coups in 1930, 1943, and 1955. The military coup in 1930 was conducted by a minority of the officer corps., and was a result of the growing discontent with the corruption of the government, and the misuse of the military for partisan politics⁹⁸. Yrigoyen had only a minority of support in the military. The large majority of the population was apathetic towards the Radical government and its fate⁹⁹.

In 1943, there was once again a high level of military discontent with the government for its exploitation of the military for partisan purposes.

⁹⁴ Robert A. Potash, The Army & Politics in Argentina, 1928-1945: Yrigoyen to Perón (Stanford, 1969), p. 9

⁹⁵ Robert A. Potash, The Army & Politics in Argentina, 1928-1945, p. 10

⁹⁶ Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, p. 4

⁹⁷ Marvin Goldwert, p. 4

⁹⁸ Robert A. Potash, The Army & Politics in Argentina, 1928-1945: Yrigoyen to Perón, (Stanford, 1969), pp. 50-54

⁹⁹ For more on the background of the 1930 military coup see Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, pp. 28-29

The roots of this process may be readily traced to institutional, political, and ideological considerations that together were creating a receptive attitude to the idea of military intervention...¹⁰⁰

A high level of fraud and corruption in the Conservative government bred a high level of discontent¹⁰¹.

The 1955 coup came in a time of economic malaise, church discontent with Perón's increasing power and his attempts towards the secularization of the state, and military discontent with Perón's increasing power¹⁰². These groups were able to focus on Perón's agreement with Standard Oil of California to exploit oil resources in Argentina¹⁰³. This challenged the traditional monopoly of the YPF, the state oil agency, and incensed nationalist sentiment. Like in the previous two cases, the military was seen as a remedy to elected governments that no longer held support amongst powerful groups, such as the military, industrial and agricultural producers, the church, etc. There was no adequate ruling coalition, or consensus, and the population at large was disaffected and apathetic towards the elected governments' removal¹⁰⁴.

Periods of the Argentine Welfare State

(TO 1930): OLIGARCHY OF THE LANDED ELITE

¹⁰⁰ Robert A. Potash, The Army & Politics in Argentina, 1928-1945, pp. 182-183

¹⁰¹ Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, pp. 182-183

¹⁰² Robert A Potash, The Army & Politics in Argentina, 1945-1962: Perón to Frondizi, (Stanford, 1980), pp. 170-172

¹⁰³ Robert A Potash, The Army & Politics in Argentina, 1945-1962, p. 178

¹⁰⁴ For more on the background to the 1955 coup see Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, pp. 134-138

The period of economic development and Welfare State evolution in Argentina prior to 1930 is one largely dominated by the landed elite¹⁰⁵. This oligarchy ruled through electoral fraud and a general disregard for the 1853 constitution. The approach that the oligarchy took towards economic development was one of strict laissez-faire, conducive to the export trade of Argentine agro-pecuarian products¹⁰⁶. There was no system of protective tariffs similar to Canada's to encourage domestic industry. Furthermore, there was no real government direction around the establishment of infrastructure, which Lewis refers to as social overhead capital¹⁰⁷.

The result of this distinct lack of government involvement in the development of the economy was a substantial measure of foreign control. With regards to infrastructure, British interests were predominant in transportation (railways), and banking¹⁰⁸. In terms of involvement in industry, the Argentine government hovered at about 10%. This export oriented economic strategy had peripheralized Argentine industrialization in importance¹⁰⁹. Much of the existing foreign-owned industry was related to Argentine primary production and revolved around the processing and export of Argentine agro-pecuarian products (i.e. meat-packing industries)¹¹⁰.

This laissez-faire strategy continued with the election of the Radicals in 1916. Politically, the election of the Radicals signified a shift from the oligarchy to a broad mass movement, based on

¹⁰⁵ Juan E. Corradi, The Fitful Republic: Economy, Society, and Politics in Argentina (Boulder, 1985), p. 23

¹⁰⁶ Peter H. Smith, Argentina and the Failure of Democracy: Conflict among Political Elites, 1904-1955 (Madison, 1974), p. 5

¹⁰⁷ Paul H. Lewis, The Crisis of Argentine Capitalism, (Chapel Hill, 1990), pp. 24-25

¹⁰⁸ Paul H. Lewis, p. 25

¹⁰⁹ Paul H. Lewis, pp. 79-80

¹¹⁰ Peter H. Smith, Argentina and the Failure of Democracy, p. 5

the growing middle-classes¹¹¹. This populist form of government was circumscribed in its activity by the power and influence which the oligarchy still held. Amongst the mechanisms which the oligarchy still had at its disposal were the Senate and segments of the military¹¹². The Radicals did not undertake major changes with regards to the economic development directions of Argentina. There was still a focus on free trade and the status quo amongst the Radical administrations, composed of industrialists, landowners, and some middle class elements.

Both Radical Presidents, Yrigoyen and Marcelo T. de Alvear were landowners and members of the Rural Society (SRA), and therefore their own personal position was not unlike that of the oligarchy¹¹³. Government involvement in industry remained at about 10% throughout the Radicals' governments. For the most part it appears the Radicals maintained the status quo vis-à-vis a laissez-faire approach to free trade¹¹⁴. Perhaps the most substantial shift in the pattern of economic development was from foreign based investment in industry towards more domestic based investment in industry. This was at least partially the result of the war, in which foreign interests withdrew their capital from Argentina to invest in war business¹¹⁵. Talk of economic nationalism and Welfare State measures increased with the election of Yrigoyen to his second Presidential term in 1928. However, the declining economic position, increasing government

¹¹¹ Marvín Goldwert, Democracy, Militarism, and Nationalism in Argentina, 1930-1966: An Interpretation (Austin 1972), p.

xv

¹¹² Marvín Goldwert, p. 11

¹¹³ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 84
Another source that mentions Alvear and his linkages to the aristocracy is Juan Corradi, The Fitful Republic, p. 36

¹¹⁴ For more discussion about the Radical administrations in the 1916-1930 period see Peter G. Snow, Argentine Radicalism: The History and Doctrine of the Radical Civic Union, (Iowa City, 1965), pp. 31-45

¹¹⁵ Paul H. Lewis, pp. 79-80

corruption as well as Yrigoyen's own senility, rendered the government immobile, leaving it ripe for the military coup that would overthrow it in 1930¹¹⁶.

(1930-1943): THE OLIGARCHY AND THE MILITARY

Economic development and Welfare State growth between 1930 and 1943 reflect some competing dynamics. One dynamic is the split within the military elites who removed the Radicals in 1930. Integral nationalism and Liberal nationalism were the two competing factions¹¹⁷. The other dynamic was between protection of the export market, and state activism in ISI and public works projects.

General José Uriburu, who first assumed control as President (1930-1932), was a proponent of integral nationalism similar to Fascism in Italy under Mussolini¹¹⁸. He sought to safeguard national resources through increases in tariffs and other protective measures¹¹⁹. Furthermore, Uriburu sought to establish corporate structures to organize various economic groups like labour and industries¹²⁰. The underlying ethos of Integral nationalism would appear to be the development of a strong independent industrial state that is, as a result, militarily prepared¹²¹.

¹¹⁶ Marvin Goldwert, Democracy, Militarism, and Nationalism, pp.. 21-22

¹¹⁷ Integral Nationalism is similar to the Fascist states in Europe in the 1920s and 1930s. There is a strong emphasis on industrial autarchy, and state-driven industry for military preparedness. Liberal Nationalism was much like the traditional Argentine conservatism. It focussed on the important trade relationships for Argentine agro-pecuarian products. There was much less focus on state-driven industrialization or nationalist protectionism of existing industry.

¹¹⁸ Marvin Goldwert, Democracy, Militarism, and Nationalism in Argentina, pp.. 23-24

¹¹⁹ Marvin Goldwert, p. 36

¹²⁰ Marvin Goldwert, p. 24

¹²¹ For more discussion on the nationalist differences that existed between Uriburu's faction and Agustín Justo's

The Liberal nationalist faction was represented by General Agustín Justo, who was elected President through fraudulent elections in 1931. This was essentially a return to the dominance of the oligarchy. The thrust of economic development for these governments was to undertake measures to secure its export markets at all costs¹²². This objective was more important than the cherished laissez-faire free trade. The Roca-Runciman treaty (1933) was a key component in the economic development of Argentina, which sought to protect the level of exports to Britain by offering concessions, through pricing and imports of British goods¹²³. At the same time, as part of the treaty, Argentina established its first Central Bank. This allowed for central control over credit and monetary policy¹²⁴.

Because of the collapse in trade that resulted from the Depression, incremental stop-gap measures were taken in Import Substitution Industrialization to provide Argentines with the needed consumer goods that they could not afford to import¹²⁵. Between 1929 and 1938 imports, as a share of the total supply of goods, dropped from 52.9% to 34.9%¹²⁶. This ISI reflected the lack of long-term planning on the part of the Concordancia; these industries were small, labour intensive, and possessed little and/or dated capital/technology. They were dependent upon the government for survival¹²⁷. The government did manage to induce an increase in the number of foreign subsidiaries in Argentina through the imposition of import disincentives. In some cases this did not

faction see Robert A. Potash, The Army & Politics in Argentina, 1928-1945, pp. 59-63

¹²² Gary Wynia, Argentina: Illusions and Realities (New York, 1986), p. 37

¹²³ Gary Wynia, Argentina: Illusions and Realities, p. 37

¹²⁴ Gary Wynia, Argentina in the Post War Era, p. 34

¹²⁵ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 91

¹²⁶ Juan Corradi, The Fitful Republic, p. 39

¹²⁷ Paul H. Lewis, p. 38

increase the amount of capitalization in Argentina, as the foreign companies would simply purchase existing facilities¹²⁸.

Finally, the governments during this period took measures to reduce unemployment through public works projects such as road-building and military facilities¹²⁹. However, this was inconsistent, due to a decrease in public expenditures from 1930 to 1934, and then an 86% increase in public expenditures from 1935 to 1942¹³⁰. These measures were a lower priority than serving the British export market, reflected in the cessation of highway construction because this would be competition for the British owned railways¹³¹. During this period, these policies reflected the very narrow scope which economic development served. The short term goals of the oligarchy and their export trade relationship with Britain were paramount, even if it meant working against fellow Argentine economic interests¹³².

(1943-1952): PERON AND THE POPULAR SECTOR

The three years prior to Perón's presidency provide foreshadowing to the direction of the Welfare State during his presidency. As the secretary of labour, commencing in 1943, Perón had the responsibility over much of the existing Welfare State. This included public health and welfare, the national pension fund, and public housing¹³³. Rather than the immediate creation of any Welfare State legislation, Perón merely enforced the existing labour legislation. Such things as the forty hour work week, minimum wage, workmen's compensation, medical insurance, severance, and paid holidays were largely neglected by employers prior to Perón's assumption of the labour

¹²⁸ Paul H. Lewis, p. 51

¹²⁹ Marvin Goldwert, Democracy, Militarism, and Nationalism, p. 49

¹³⁰ Gary Wynia, Argentina in the Postwar Era, p. 34

¹³¹ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 86

¹³² Juan Corradi, The Fitful Republic, p. 40

¹³³ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 140.

post. In addition to the enforcement of existing legislation, Perón extended all of these benefits to unskilled labour as well¹³⁴. By 1944 Perón was Secretary of Labour, Minister of War, and Vice-President, and recognised the importance of building alliances with labour¹³⁵.

More important than these material benefits, Perón gave labour the respect and the power that it longed for. Through alliances with the various leaderships, and inclusion of labour into the political process, as well as other intangibles, Perón built a base of support which would serve him well in obtaining the presidency. Moreover, it would be the first stage in the co-optation of labour, specifically organized industrial labour¹³⁶. Out of this arose the labour syndicate, a key component of Perón's Syndicalist structure. The unions were structured under the General Confederation of Labour (CGT), which Perón re-established under government control¹³⁷. Only those unions recognised by the CGT could negotiate contracts¹³⁸. This was implemented through the Law of Professional Associations, introduced in 1945, requiring unions to negotiate the recognition of the Secretariat of Labour¹³⁹.

As Secretary of Labour Perón also built relations with rural labour. The Statute of the Peón, introduced in November of 1944, included a minimum wage, along with other fringe benefits such

¹³⁴ Paul H. Lewis, p. 140

¹³⁵ Samuel L. Baily, Labor, Nationalism, and Politics in Argentina (New Brunswick, New Jersey, 1967), p.77

¹³⁶ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 141.

¹³⁷ Paul H. Lewis, p. 141

¹³⁸ Robert J. Alexander, Labor Relations in Argentina, Brazil, and Chile, (New York, 1962), pp. 173-175

¹³⁹ Paul H. Lewis, The Crisis of Argentine Capitalism, p. 141. For more discussion about Perón's relationship with the CGT during his time as Secretary of Labour, see Joel Horowitz, Argentine Unions, the State & the Rise of Perón, 1930-1945 (Berkeley, 1990), pp.. 180-215

as the provision of housing, medical services, clothing, and food¹⁴⁰. In addition to this job security and severance components were included. Commissions were developed to enforce these laws, and rural labour unions were encouraged to develop through the CGT¹⁴¹.

During the first years of Perón's presidency, as well as the three years preceding it, in which Perón was Labour Secretary, real income increased for labour. Between 1943 and 1946, real income increased 7 per cent¹⁴². In the first five years of Perón's presidency the real income of labour increased by more than 30 per cent¹⁴³. In accomplishing this Perón increased the domestic purchasing power of that sector of the population most likely to make up the domestic market for Argentine goods, thus fulfilling one of the objectives of the Welfare State.

Perón also developed measures to assist the lowest classes in Argentine society. The Eva Perón Social Aid Foundation was a highly personalistic structure built around the President's wife, Eva Perón. This foundation was involved in "building schools, clinics, orphanages, and old age homes, and in distributing food, money, medicine, and clothes to the very poor..."¹⁴⁴. Funds for this foundation came from labour and business, as well as from the national lottery. In addition to this, rent freezes provided low cost housing for the lowest classes¹⁴⁵.

¹⁴⁰Paul H. Lewis, The Crisis of Argentine Capitalism, p. 142

¹⁴¹Robert Alexander, Labor Relations in Argentina, Brazil, and Chile, pp. 177-184

¹⁴²Paul Lewis, p. 141

¹⁴³Paul Lewis, The Crisis of Argentine Capitalism, p. 182. For more about Perón's wage increases to labour see Robert Alexander, Labor Relations in Argentina, Brazil, and Chile, p. 203

¹⁴⁴Paul Lewis, p. 202

¹⁴⁵Paul Lewis, p. 182. For more discussion on Eva Perón and the Eva Perón Foundation see Robert A. Potash, The Army & Politics in Argentina, 1945-1962 (Stanford, 1980), pp. 52-53

The revised constitution in 1949 included the entrenchment of many of Perón's developments with regards to the Welfare State. Included in the constitution were such items as pensions, health insurance, maternity benefits, job security, safe working conditions, training, and social security¹⁴⁶. In all, the standard of living increased rather dramatically for most Argentines during the presidency of Perón, and his previous years as Labour Secretary. This is most clearly reflected in the increased domestic consumption levels during this period¹⁴⁷.

As we have mentioned earlier, the conception of the Welfare State should also include some aspect of public goods, or public enterprise; the Welfare State usually includes some level of government involvement in the economic activity of the state. Under Perón the government in Argentina became increasingly involved in the export trade in agricultural products. The Argentine Institute for the Promotion of Trade (IAPI), which was created in 1946, became the state buying and trading monopoly. The profits from this venture went into importing capital for Argentine industrialization¹⁴⁸. IAPI's power was unparalleled with regards to a hegemonic control of the export trade, something very crucial to the Argentine economy¹⁴⁹.

In addition to the establishment of IAPI, the government expanded the scope and depth of the public sector. Through nationalizations (with indemnizations) the Argentine government established ownership in the energy sectors, as well as in the transportation infrastructure. Gas del Estado was purchased by the state to go along with the state oil company YPF. Subway lines and

¹⁴⁶Paul H. Lewis, p. 163

¹⁴⁷Paul H. Lewis, pp.. 188-189

¹⁴⁸Robert J. Alexander, Labor Relations in Argentina, Brazil, and Chile, pp. 142-143. Also see Paul H. Lewis, The Crisis of Argentine Capitalism, pp.. 159-160

¹⁴⁹ For more discussion on IAPI see Robert Potash, The Army & Politics in Argentina, 1945-1962, pp. 61-62

railways were purchased from the British to go along with the establishment of a merchant marine, to consolidate the state in the transportation structure¹⁵⁰.

Much of this economic activity by the state appears to be related to the export market, vis-à-vis the infrastructure required to export Argentine agro-pecuarian products. Control over this very important source of income seems to have been crucial to Perón. In addition to this, the government's economic activities appear to have had the motive, at least in part, of assisting Import Substituting Industrialization. The public investment in the infrastructure, as well as some of the import and trade activities of IAPI, were beneficial to ISI. The overall thrust of this period would seem to be something of a pendulum swing away from economic liberalism and export-oriented free-trade towards an internally driven economic nationalism and protectionism.

(1952-1966): CRISIS OF HEGEMONIC PROPORTIONS

This period in Argentine economic development and Welfare State development represents a time of a non-dominant coalition of political and economic actors and, consequently, no dominant model of economic development. Throughout this period the two most powerful actors were the military, who either directly ruled, or established the parameters for the elected governments, and labour, who affected the fate of every administration in this period. This period of high political and economic instability started with Perón's second term of office as President.

The thrust of Perón's economic development direction during this period was to reverse the poor economic position Argentina had been put in because of what happened during his first term. Increased domestic demand, due to higher incomes in the popular sectors, had consumed much of Argentina's agro-pecuarian production, leaving much less for export. The result was decreased export incomes which could not pay for the imports needed to continue Perón's plans of

¹⁵⁰Paul Lewis, The Crisis of Argentine Capitalism, p. 50

industrialization. In 1952 Perón introduced the Emergency Economic Plan. This plan sought to achieve a trade balance, and included a freeze on wages, price stability, various government controls, and cuts in public expenditures¹⁵¹. The plan failed, however, to address the bigger economic problems which were the accelerating decapitalization of the private sector, and the declining quality of the economic infrastructure¹⁵².

It would seem that much of what Perón had sought to achieve through economic nationalism and Welfare State development had been reversed in his second term either directly, through welfare and income redistribution retrenchment, or indirectly as a result of Argentina's declining economic position (decapitalization and deteriorating infrastructure). It was the unravelling of Perón's coalition of support that put an end to his regime. Important and substantial components of the military, and the church, had begun to side with the conservatives against Perón, and pushed for his removal¹⁵³.

General Pedro Aramburu (1955-1958) looked to the economic policies of the 1930s to design his own economic policy, and in so doing represented the interests of conservatives, rural, foreign, and financial sectors¹⁵⁴. During his tenure as provisional President Aramburu eliminated IAPI, the state trading monopoly, and began measures to redistribute income from the popular sectors back to rural producers and investors. Much of Aramburu's plan was based on the recommendations of Raúl Prebisch's 1955 plan¹⁵⁵. The direction was to be one between the pure laissez-faire export driven economy and the statist-nationalist economic planning done under

¹⁵¹ Wynia, Argentina in the Postwar Era, pp. 70-71

¹⁵² Wynia, Argentina in the Postwar Era, p. 73. For more discussion of the EEP see Samuel Baily, Labor, Nationalism, and Politics in Argentina, pp. 139-140

¹⁵³ Samuel Baily, p. 145

¹⁵⁴ Wynia, Argentina in the Postwar Era, p. 144

Perón. In following this path Aramburu recognised the importance of industry in Argentina. So, he did not gain the full support of the Rural Society and the landed elite, who were expecting to be restored to the position of dominance that they had enjoyed prior to Perón¹⁵⁶. Labour was in a more unfavourable position than other economic groups as Aramburu tried to extricate the Peronist elements from the CGT, through repression and intervention¹⁵⁷.

Arturo Frondizi (1958-1962) won the 1958 presidential elections because he had secured the electoral support of the Peronists who were not allowed to run. Once in office Frondizi found that he was unable to fulfil most of his promises to Peronist labour who had backed him¹⁵⁸. The military was an ever present silent partner who set parameters which circumscribed the actions of Frondizi's government. The CGT labour structure was not fully legalized as had been promised, and the military forced Frondizi to adhere to the International Monetary Fund (IMF) stabilization plan¹⁵⁹. The effects of these actions were to restrict the mobility of organized labour as a political actor, and to redistribute income from these popular sectors to the rural agricultural producers and entrepreneurs¹⁶⁰.

The thrust of Frondizi's economic development plan for Argentina was to chart a path away from Perón's heavily nationalistic inward-looking approach to industrialization and infrastructure. Increased domestic demand and public finance had not produced enough to adequately finance heavy industrialization and infrastructure. Only foreign investment would

¹⁵⁵ Samuel Baily, Labour, Nationalism, and Politics in Argentina, p. 174

¹⁵⁶ Wynia, Argentina in the Postwar Era, pp.148-150, 160-161

¹⁵⁷ Samuel Baily, Labour, Nationalism, and Politics in Argentina, pp. 172-176

¹⁵⁸ Juan E. Corradi, The Fitful Republic, p. 76

¹⁵⁹ Wynia, Argentina in the Postwar Era, pp.. 90,100

achieve these goals and move Argentina towards the economic independence that would not be achieved by heavily relying upon the foreign export of agricultural products¹⁶¹.

This policy of economic development resulted in great increases in the output of petroleum, chemical, and pharmaceutical production, as well as the introduction of Argentina's first integrated steel complex. Many public facilities were improved, and the National Planning Agency was introduced in 1961 to "include economic and social groups in discussion of plan design and implementation"¹⁶². This did not extend to long-term plan development.

Frondizi was removed by the military because he had been unable to prevent Peronism and organized labour remaining as a political threat. Frondizi was unable to bring organized labour onside. Regardless of his achievements in industrializing Argentina, Frondizi's government collapsed because he was not able to solve the divisions within the country, and he could not effectively include important economic and political groups into the long-term economic development planning of Argentina¹⁶³.

Arturo Illia (1963-1966) faced many of the same difficulties as Frondizi with regards to solving the divisions within Argentina. Illia's government lacked legitimacy for similar reasons to Frondizi: he had received only a plurality of votes in an election in which the Peronists were again excluded. His attempts to gather the support of labour would, like Frondizi, meet with failure. Illia

¹⁶⁰ Peter Snow, Argentine Radicalism: The History and Doctrine of the Radical Civic Union, (Iowa City, 1965), p. 84

¹⁶¹ Wynia, Argentina in the Postwar Era, pp.. 89,108. Juan Corradi, The Fitful Republic, pp.. 76-77, also discusses the importance of foreign investment to Frondizi's plans of Desarrollismo (developmentalism)

¹⁶² Wynia, Argentina in the Postwar Era, pp.. 91-97, 98

¹⁶³ This inability to draw labour away from Peronism to the Radicals is reflected in the 1962 provincial electoral

would respond by repressing organized labour, and limiting their political freedom and mobility¹⁶⁴. However, it was organized labour's rejection of Illia for Peronism in legislative elections that would eventually result in his removal by the military.

The path to economic development that Illia followed was decidedly incrementalist, and it was not until after his first year that an economic plan was in place. Illia's plan was a more gradualist version of Perón's nationalist plan for economic development. The plan was the result of the Economic Commission for Latin America (ECLA) structuralist influences vis-à-vis rural and industrial modernisation, and Keynesian principles¹⁶⁵. The state was to take an activist role in stimulating economic expansion and full employment (to this effect the contracts with foreign petroleum companies were annulled)¹⁶⁶. This economic planning was carried on to the exclusion of all economic and social groups outside of the Radical party, and the National Planning Agency was not used during Illia's administration¹⁶⁷. As a result there was no support for the government when Illia was removed by the military in 1966¹⁶⁸.

losses to the Peronists. See Wynia, Argentina: Illusions and Realities, p. 129, and Corradi, p. 77

¹⁶⁴ Wynia, Argentina in the Postwar Era, pp. 128-129

¹⁶⁵ ECLA was a commission within the Economic and Social Council of the United Nations.

"In creating the Economic Commission for Latin America, the Economic and Social Council stated that one of its main purposes would be to make or sponsor...investigations and studies of economic and technological problems and developments within territories of Latin America..."

United Nations, The Economic Development of Latin America and its Principle Problems, (New York, 1950), p. V

¹⁶⁶ Peter Snow, Argentine Radicalism, pp. 106-107. Also see Gary Wynia, Argentina in the Postwar Era, pp. 114-115

¹⁶⁷ Wynia, Argentina in the Postwar Era, p. 119

¹⁶⁸ For more discussion on Illia's nationalistic economic planning and development see Paul H. Lewis, The Crisis of Argentine Capitalism, pp. 279-281

This whole period reflects a highly inconsistent series of phases in which there could be no long-term planning of economic or social policy.

(1966-1973): BUREAUCRATIC AUTHORITARIANISM

The military coup by General Juan Carlos Onganía (1966-1970) was different in that the military were not provisionally ruling the country until the next election could be held. Onganía was determined to rule in a firm authoritarian way to allow Argentina to economically reestablish itself.

The central thrust of Onganía and his brand of bureaucratic-authoritarianism was to direct the economic development of the country via qualified government officials unhindered by politics, political structures, and social conflicts. Other groups would be repressed firmly to prevent any challenges to this plan for economic development¹⁶⁹. It sought to complete the process of heavy industrialization through foreign investment, specifically multinational corporations¹⁷⁰. Consequently, Onganía redistributed income from the popular sectors to these foreign interests through wage freezes, substantial currency devaluation, higher export taxes on agro-pecuarian products, and reduced import tariffs¹⁷¹.

Onganía's success in pursuing his economic development objectives was the result of his repression and exclusion of organized labour¹⁷². In addition to freezing wages and suspending collective bargaining, Onganía played factions within labour off each other to prevent an unified

¹⁶⁹ Wynia, Argentina in the Postwar Era, p. 198

¹⁷⁰ For a discussion about Onganía's pursuit of foreign investment dollars see Corradi, The Fitful Republic, pp. 89-90

¹⁷¹ Wynia, Argentina in the Postwar Era, pp. 167-168. For further discussion of Onganía's Bureaucratic-Authoritarian approach to economic development see Paul H. Lewis, The Crisis of Argentine Capitalism, pp. 281-286

¹⁷² Wynia, Argentina: Illusions and Realities, p. 96

attack by the CGT. Labour was demoralized¹⁷³. Labour would be Onganía's downfall, when they joined a student protest in Córdoba in 1969, in what was known as the Cordobazo¹⁷⁴. They achieved a successful violent protest that undermined the government's position. Onganía's response to this crisis was to shake up his economic team in the hopes of restoring confidence, but the opposite was the result¹⁷⁵. Other powerful segments of the military pushed Onganía aside and embarked on a period of transition to elections in 1973, elections that would include organized labour and the Peronists.

Roots of the Argentine Welfare State Environment

There are two components at the roots of the Welfare State environment in Argentina. The first is a lack of political stability, articulated through the inability to achieve consensus on economic and social policy, as well as the political role of the military. The second is the high level of structural dependency, brought about by a tradition of free trade with little government support, or activism, for domestic industry and an absence of economic nationalism in the early Conservative governments.

The landed elite and the popular sectors were unable to find common ground prior to and during the reign of Juan Perón. The landed elite were inflexible in their pursuit of an economic policy designed to benefit landowners and agricultural producers, and foreign industrial interests and investment. The losers were aspiring domestic industrial producers and the popular sectors, who were denied the social and economic policy and programs that were finding their way into the industrial societies of Europe and North America.

¹⁷³ Wynia, Argentina in the Postwar Era, p. 185

¹⁷⁴ Juan Corradi, The Fitful Republic, p. 92

¹⁷⁵ Wynia, Argentina in the Postwar Era, pp. 186-187

In Perón, these groups found a champion for their goals. The landed elite were notably absent from Perón's ruling coalition, which promoted economic and social policies which were anathema to the landowners.

Following the regime of Perón, there was no consensus on how to pursue economic development¹⁷⁶. The split between economic liberals and economic nationalists persisted. Economic interest groups and other political parties (than the one elected) were excluded from the policy process¹⁷⁷. These factors led to widely changing economic development approaches, much like the Ministers of Economy that rigidly adhered to, and represented, these different economic development models. These ministers rigidly adhered to the theory underlying their economic plan, leaving no room for modifications to their policies, which would compromise the theory¹⁷⁸. They "feared the result (of listening to different economic interest groups) would be a patchwork of special interest legislation rather than an integrated approach to the country's problems."¹⁷⁹ This exclusion of pressure groups made achieving consensus on any of these economic plans very difficult. Moreover, these pressure groups felt no obligation to adhere to the economic policies laid out in these plans.

The 18 year period after Perón's overthrow provides a good case to observe the effects of Argentina's political stability (1955-1973)¹⁸⁰:

...in that time eight men occupied the Casa Rosada (President's seat of power): three civilians and five military officers. Six came to office through coups and five left for the same reason. Neither of the two elected presidents finished his term. For about eleven of

¹⁷⁶ Paul Lewis, The Crisis of Argentine Capitalism, p. 247

¹⁷⁷ Richard D. Mallon and Juan V. Sourrouille, Economic Policymaking in a Conflict Society, pp. 34-35

¹⁷⁸ Paul Lewis, The Crisis of Argentine Capitalism, p. 249

¹⁷⁹ Paul Lewis, P. 249

¹⁸⁰ For more about the dynamics and instabilities of the ruling coalitions after Perón see Benjamin Most, "Authoritarianism and the Growth of the State in Latin America: An Assessment of Their Impacts on Argentine Public Policy", pp. 173-203

those eighteen years Argentina was under military rule, either open or disguised. Violence also thwarted all attempts to solve Argentina's economic problems. In those eighteen years some eighteen different men were brought into the government to formulate an economic program, and three of them served twice. So, while there was no shortage of economic talent, no one could stay in office long enough to be effective.¹⁸¹

Tables 3.4 and 3.5 (p. 99) provide further evidence to the high degree of political volatility, conflict, and turnover, in Argentina, especially to the relatively more stable Canada.

Argentina's structural dependency worked against its goals of a nationally driven process of heavy industrialization. Argentine dependence upon Britain for exports of their agricultural products, and dependence upon the U.S. for imports of capital goods and inputs for industrialization, left it vulnerable. Perón's plans for internally driven heavy industrialization were unacceptable to the U.S., and unworkable with Britain and the inconvertible pound. Furthermore, the internally driven expansion of the economy, often through increasing domestic demand, led to shrinking exports and shrinking income available for imports of industrial inputs. Argentine supplies of foreign exchange were further depleted by the nationalization with indemnization of British owned Argentine infrastructure. The results were that Perón was forced to reverse his economic policy in his second term as President. Argentina had to economically contract, through the reduction of public expenditures, and the distribution of income away from the public sectors to investors.

There appears to be an absolute lack of consistency in economic and social policy throughout the period this thesis focuses upon (1930-1970), highlighted by pendulum swings between free trade and foreign investment-driven industrialization on the one hand, and economic nationalism, social welfare, and Import Substitution Industrialization on the other. Ruling coalitions in Argentina were fluid and changing, and there seems to have been an inability to include, or

¹⁸¹ Paul Lewis, The Crisis of Argentine Capitalism, p. 248

respond to, interest groups that were not part of the ruling coalition. Aggravating this lack of consensus-building was an absence of a strong democratic tradition and a powerful, professional, and independent military that became a tool of political change.

In a sense, civilian politicians opened the door to military involvement by abusing that institution for partisan political reasons. However, once this door was opened it could not then be closed, and these civilian politicians could not remove the military presence, and influence, from Argentine government. The combination of a professional military institution, disdainful towards civilian politicians and democratic processes and structures, and a general population indifferent towards the removal of democratically elected governments to which they felt no attachment, made for an environment in which the regular democratic transferral of power could not occur. It is arguable that Argentina's inconsistent, and often contradictory, economic and social policy reflected these dynamics.

CANADA AND ARGENTINA COMPARED: THE WELFARE STATE ENVIRONMENT AS A PRODUCT

There are at least four points for discussion when comparing the roots of the Welfare State environments in Argentina and Canada: federalism, the presence of the military as a political actor, labour legitimacy vs. coercion, and the method and source of industrialization and capitalization. The level of state activism in the early stages of economic development (mid 1800s to the Depression) is also significant in terms of the roots of these different environments.

From the mid 1800s to the Depression, Argentina and Canada experienced substantial political stability and continuity. This allowed for a consistent approach to economic development to occur. Canada chose to pursue a level of state activism through the National Policy in order to

form Canada into a political and economic unit. The result was that Canada established a high level of control and direction over the building of the railway and the influx of immigration, as well as control of the import and export of goods (through the tariff). The economic infrastructure and the patterns of trade and investment were directed by this early level of state activism.

This was not the case in Argentina, where the ruling landed elite established no directing structures for its economic development. Rather, a strict free market policy of laissez-faire was established. The important result of this is that the Argentine government did not have control over key pieces of their infrastructure. The British financed much of the railway construction, which was built not to link the country together but to link agro-pecuarian production with the port in Buenos Aires, for shipment to Britain, and in reverse, to link British imports to Argentina's interior. Furthermore, the British controlled much of the banking industry, leaving the Argentine government without central control of credit or monetary policy. Finally, there was no protection for fledgling Argentine industry through tariffs. What industry did develop was held in relatively low regard and importance by the landed elite.

Because of the existence of a tariff structure, foreign investment and branch plant industrialization was significant in the industrialization of Canada. American interests established subsidiaries to gain access to the Canadian market. When Argentina desired heavy industrialization, it chose to develop it internally through government initiatives and financing (i.e. petroleum and steel production, which was run by the military), and Import Substitution Industrialization. The U.S. was not open to this approach, and as the primary source of capital goods and industrial inputs could affect this Argentine objective. The U.S. preferred to restrict Argentina to supplying Britain with foodstuffs, and leaving industrialization to American branchplants, especially during the rebuilding period after WWII (1940s and 1950s), which coincided with Perón's Presidency.

The presence of the military as a political actor in Argentina is also a factor in the Welfare State environment not present in Canada. This politicized military began to see itself as an arbiter of the internal political malaise of Argentina after 1930, and finally, with the arrival of Bureaucratic-Authoritarianism in the 1960s, as an alternative to the partisan, ineffectual democratic system. At times the majority of the population (in Argentina) looked to the military to remove democratically elected governments when they were not responsive to the demands of the people. This further destabilized the institutions and processes that make up Argentina's Welfare State environment.

The role of organized labour in both countries also differs. It is basically a difference between legitimacy and accommodation of labour in Canada, and coercion and exclusion of labour in Argentina. Canadian organized labour saw itself in terms of the large middle-class, and did not tie its fortunes so exclusively with one party, as was the case in Argentina. In exchange for business recognition of labour's right to organize and collectively bargain, labour recognised the right of business and capital to be the driving force of the Canadian economy. In Argentina, labour was repressed and excluded until Perón took up their cause with great force. Labour tied itself to Perón, and when the Peronists were excluded by the military from the political system, labour became the main tool to bring down both elected and military governments through protests, strikes and, when allowed, elections.

The final dynamic is one which we have not spent much time with on this thesis, and that is federalism. Both countries were federal states, but there the comparison ends. Argentine provinces were less autonomous than their Canadian counterparts, commonly being intervened by the federal government¹⁸². Governors were often replaced by federal interventors who supported the central

¹⁸² The Argentine president often intervened in the provincial governments in cases when the provincial

government. The provinces in Canada were far more powerful because of the division of powers, jurisdiction, and revenues. The provinces had jurisdiction over much of what would become the Welfare State, the result of the powers granted to them in section 92, but they did not have the revenue generating resources to pay for these services. The stalemate that occurred between these two levels of government resulted in an atmosphere not conducive to long-term service planning and development. Such documents as the Rowell-Sirois Commission and the Marsh report were shelved and their recommendations for Keynesian economic policy and welfare policy were introduced piecemeal in a watered down form. This system of checks and balances between levels of government was not present in Argentina, allowing the central government to change structures and economic development plans much more quickly.

government was not friendly to federal policy, replacing the governor, cabinet, and legislature by executive appointees.

CHAPTER 5: CONCLUSIONS TO CONSIDER

What role does political stability and structural dependency (through trade and foreign investment) play in fostering an environment in which economic development is directed by the governing powers within the state in a manner consistent with the evolution of a stable, developed Welfare State? In comparing Argentina and Canada, the existence of consensus and accommodation, as well as an established tradition of state activism in economic development, were factors in the more developed and consistent Canadian Welfare State.

Canada's national policies established an active role for the state in economic development, and subsequently, Welfare State initiatives, from the period shortly after Confederation. That these national policies were able to materialize, and survive, over extended periods of time can be at least partly attributed to the greater level of consensus amongst the major groups in Canadian society. However, these national policies were circumscribed in their application. This is arguably a result of Canada's dependency upon foreign trading partners and investment sources. The implementation of the second National Policy by C.D. Howe reflected a priority of foreign investor confidence over social programs.

There was a much higher level of accommodation of the economic groups, including labour, by government, than was the case with Argentina. In the case of Canada the higher level of accommodation can perhaps be traced back to Canada's "Tory Touch" which added a dynamic to the predominant individualistic classical liberal fragment. This touch allowed for the development of a substantial third party based on social democracy.

Argentina lacked what balance Canada had and could not achieve the same sort of consensus in the development of economic and social policy. Rather than accommodation, major

groups in Argentina were either coopted or excluded, depending on the administration. All Argentine governments, even democratically elected governments, excluded groups outside the ruling coalition. The result was pendulum swings in economic and social policy, between the externally driven laissez-faire free trade on one side, and internally driven economic nationalism on the other side. These swings took the Welfare State along for the ride.

The economic malaise created by these policy swings was compounded by the results of Argentina's early abandonment of infrastructure and industry to foreign interests, primarily British. Dependence upon foreign interests had a greater impact as a result. Argentina's economic infrastructure was laid out to serve the British market, to the exclusion of the Argentine population. Trying to reverse this with policies of economic nationalism brought further economic trouble, such as depleted foreign exchange and debt.

This thesis started with the idea that Welfare State development was the dependent variable and political stability and structural dependency were the independent variables. To fully understand the relationship, the roots of the two independent variables were included. This thesis also looked at economic development. Economic development is the environment in which the Welfare State will develop. This environment defines the path to economic growth and industrial development that a country will take. By definition, the Welfare State is intimately linked with the state-driven economic development of a country. What this thesis has argued is that differences between Argentina and Canada, across the variables of political stability and structural dependency, affected the paths to economic development that the two countries chose.

We chose to compare Canada and Argentina and focused on the period of 1930 to 1970, a time when most industrialized and industrializing countries were developing their Welfare State structures and Keynesian economics was a dominant economic model in the developed world. If we

look at Canada, by 1973 government expenditures as a % of GDP was 33.6% , as compared to Argentina at only 11.2%.

Table 4.3: General Government Expenditures (% GDP)

	1960	1973	Rank(/116)
Argentina	8.5	11.2	97
Canada	25.3	33.6	14

Source: Taylor and Jodice, World Handbook of Political and Social Indicators, pp. 5-6

Canada's economic development history is based on the two national policies that dominated the country's economic reality from Confederation to the late 1970s/ early 1980s. The first national policy was the creation of Canada's first Prime Minister, John A. MacDonald, to build Canada through immigration, a trans-Canada railway, and the tariff. This broad policy would remain the thrust of Canadian government until the Depression, and was designed to ensure that Canada's economic and industrial development would benefit from the trade and investment that the country was, and is, dependent upon. The railway, and the settling of the prairies with immigration, linked the country together, and the tariff allowed for the industrialization of central Canada, compared to simply importing industrial products. This national policy remained as the main government approach to economic development across different administrations and two different ruling parties, and established Canadian government as an activist state in the economic development of the country. This thesis has argued that Canada's "Tory Touch" set the stage for economic activism by the state.

The second national policy, which operated between the 1940s and the 1970s, was accepted as "common sense" by business, labour, and the state. This national policy was an expansion of the state's role which allowed for the creation of the Welfare State in Canada. This national policy remained the driving force of the state in the economy for 30 years. This policy, which established

policies and guidelines for income stabilization, was a macroeconomic approach that Finance ministers like C.D. Howe used to draw foreign (American) investment. The focus, for Howe, was the establishment of a positive investment climate, rather than the establishment of comprehensive Welfare State programs. This approach reflects the different dynamics and priorities present for Canada. Keynesian economic policy became a tool the government could use in its relations with foreign investors and trading partners.

The existence of strong provincial governments has also tempered federal Welfare State policy. Section 92 of the Constitution Act (1867) gave the provinces jurisdiction over much of what would become the Welfare State. They were remiss to relinquish control in these areas to the federal government. The result is that in some cases Welfare State legislation was delayed, modified, or shelved. However, in some cases the provincial governments operated as experiments in social policy, such as with health insurance (Saskatchewan 1962).

Argentina's economic development approach has swung between two models that are at extremes. On one side they have had an externally driven laissez-faire model for economic development that was far less restrictive to trade and investment than Canada's national policies; this approach benefited the land-owning elite and agro-pecuarian producers, as well as foreign investors and trading partners. The losers were the Argentine population who had to use an infrastructure designed to serve trade with Britain rather than trade within Argentina. This also negatively affected some domestic industries and aspiring domestic industrialists, who were often discriminated against in favour of British industry.

The other approach to economic development was an internally driven economically nationalist approach, that was far more protectionist than either of the Canadian national policies. This extreme approach benefited domestic industrialists, especially those established because of

Import Substitution Industrialization. At times organized labour also benefited from this approach, as well as the military, who saw nationally-directed heavy industrialization as necessary for military strength. The losers were foreign investors and trading partners, and the landowning elite whose income was circumscribed by government monopoly in the purchase of agricultural products (IAPI).

The period before 1930 was identified as laissez-faire economic liberalism. The Argentine state did not take an active role in the development of the economy, leaving it to the landed elite and British foreign investment and trade to develop the economy and the infrastructure of Argentina. The result is that the economy and infrastructure reflected the needs of a very narrow segment of the Argentine population, namely the landed elite, as well as the British interests who owned much of the infrastructure, developing it to serve their trade requirements, rather than the Argentine population. Furthermore this period is defined by the long political rule by the conservative landed elite in Argentina. Corruption was a mainstay, even when the Radicals came to power through the first fair elections. The military was also introduced to politics through their abuse for partisan political reasons (as in the case of the Radicals).

The results of this period are three fold. A relationship of dependency was firmly established. This was a dependency more profound than Canada because the Argentine infrastructure (i.e. railways) had been built to serve the needs of the British market rather than the domestic market. Second, strong democratic traditions were not developed. The abuse of government by those who held office left the Argentine people apathetic towards democratic government. Finally, the military was introduced to the political realm, and would become the most significant alternative to elected politicians. In a sense, Pandora's box was opened when the military was brought into the political arena.

After 1930 there was no widely accepted model of economic development in Argentina. Between 1930 and 1970 Argentina experienced dramatically shifting coalitions in government. Each new coalition brought a new approach to economic and social policy, often reversing much of what the previous administration had established. Much of the British owned infrastructure was nationalized through indemnization in the Peronist era. Throughout the 50s and the 60s there was no consensus as to how Argentina should pursue heavy industrialization, be it through foreign investment, or through domestic resources. Contracts with foreign petroleum companies were made, then withdrawn, as administrations changed. More often, then, the transfer of power in Argentina was through non-democratic means. Those who were not part of the ruling coalition were excluded from the policy process.

There were many outcomes to note. The Argentine population were disdainful towards elected governments who were, after all, unresponsive to their needs. The military spent longer terms in office during transition periods, culminating with Bureaucratic-Authoritarianism under General Onganía. There could be no long term economic or social planning; the results were an unrealized Welfare State and poor economic growth relative to the industrial world. It also was made glaringly apparent that in Argentina, as compared to Canada, Presidentialism could quite easily overpower the Constitution, leading to many anti-democratic and destabilizing activities.

Upon closer examination of political stability, there appears to be some unique differences in the group dynamics of the two countries which led Canada to build a moderate Welfare State around consensus and a positive investment climate, whereas Argentina experienced regular wholesale change in economic and social policy, and everchanging ruling coalitions who backed these policies. There are three major points of comparison within group dynamics.

The first point of comparison is that in Argentina there was a definite and substantial undemocratic presence within the political process, in the form of the military and the church. These two groups did not have the same impact in Canadian politics.

The Catholic church in Argentina played an influential role in Perón's rise to power as well as his fall from grace. They endorsed his candidacy for President in 1946. Once the church soured on Perón, they became adversaries, finally excommunicating him during his second term, all but calling for his removal from office. The church in Canada did not play a political role, outside of Quebec, where the Catholic church was somewhat more influential¹.

The military's influence in Argentina after 1930 has been painfully obvious. With the removal of Yrigoyen the military stepped into the political spotlight as an alternative to democratic governments and civilian politicians. From that time onwards the military has arguably been the most influential group in Argentine politics, and consequently, the economic and social policy since 1930. They are at the root of the pendulum swings in policy, as a result of their role as an agent of political change. The military, rather than democratic elections, were the locus for a change in government. From 1930 to the 1980s only Agustín Justo (1932-1938) and Juan Perón (1946-1952) completed an elected term of office. The remaining presidencies were either prematurely terminated by the military, or were unelected military presidencies. The Canadian military, by comparison, has not played a political role. In the arguments of this thesis they have been a non-factor.

The second point of comparison is the cleavages that existed within the major groups in Argentina. These cleavages were for the most part based on the economic development approaches

¹ The Liberals gained a substantial share of their seats from the Catholic Francophone Quebecers through much of this century.

we spoke of earlier in the chapter. As with the military, industrialists, and even labour, there was a split between economic nationalists and economic liberals.

With the military it was the split between the Integral Nationalists like General Uriburu who wanted to establish a strong, independent, and militarily industrialized state, and the Liberal Nationalists like General Justo who wanted to maintain the status quo with strong trade relationships. Industrialists were split between those, often in agricultural processing industries, who benefited from free trade, and those, often import-substituting industries, who benefited from state protection and nationalism. Labour's perspectives were different, depending on the sector in which they worked. Labour in large export-oriented industries tended to be socialist in sympathies whereas those in import-substituting industries were most often Peronist.

Canada did not have these same degrees of cleavages, likely because there was not the same sort of divisive splits at the economic and social policy level. This has made it easier to accommodate more groups within the political process, resulting in a higher level of consensus and stability. This of course segues into our final point, vis-à-vis group dynamics.

With all of the cleavages between groups, as well as the presence of non-democratic actors such as the military and the church, it would have been much more difficult for any government to establish common ground in economic and social policy. In a situation of polar opposites (which is what it often appeared to be in Argentina) it seems to have been much easier to simply exclude from the policy process those groups that were not part of the ruling coalition.

To say there were not cleavages in Canada would be to over-simplify things. Given the make-up of Canada, with its diverse federal structure and linguistic differences, it was natural that there would be differences, within and between groups. However, it seems from history that these cleavages were not so great that some common ground couldn't be found. The 1st and 2nd National

Policies reflect this common ground, remaining in place throughout several democratically elected governments, both Liberal and Conservative.

Structural dependency as the other variable also has some roots, discussed in chapter 4, which differentiate Argentina and Canada. These roots include the resources each country possessed for economic development, the state's role in utilizing those resources, and the effect of this relationship upon the trade triangle with Britain and the U.S.

Canada possessed a broad range of natural resources across more than one sector; agriculture, mining, and forestry are three sectors in which Canada had a natural wealth. To maximize the benefits of this wealth, and to encourage industrialization, the Canadian state took an active role in economic development early in Canada's history, establishing the National Policy. This policy created an environment which encouraged Britain and the U.S. to invest in Canadian industry, and establish branch plants of American industries. Furthermore, these same two countries were the primary markets for Canadian exports of primary and semi-processed goods. The second national policy, with its stabilising Keynesian measures, continued to provide a strong investment climate for American investment dollars.

Argentina did not possess the same broad range of resources across sectors, but it did have a broader range of agro-pecuarian production than Canada. This would prove to make Argentina more economically rigid than Canada, especially since the state, prior to 1930, did little to encourage industrialization. The state, controlled by the oligarchy for much of this period, pursued a strict laissez-faire policy which allowed British interests to control the Argentine banking and transportation infrastructure. Argentina also did not establish a protective tariff which would have aided domestic industrialization.

The most significant point of comparison is that these two countries pursued different paths in the early stages of their development. Canada ensured that, through tariffs and the railway, trade and investment would benefit Canadian economic growth and industrialization. This activist role by the state still recognised the importance of trade and investment for Canada, but took measures to direct it. In contrast, Argentina's hands-off approach resulted in a transportation infrastructure that served British, rather than Argentine markets, and the lack of a banking structure to serve as a resource for aspiring industrialists.

When Argentina made a pendulum swing to economic nationalism with Perón in the 1940s the damage had already been done. Nationalizing the foreign-owned infrastructure through indemnization did not change the fact that this infrastructure had been designed to serve the needs of the British market and the British shareholders. Second, the money that Perón used to conduct these nationalizations depleted Argentine foreign exchange supplies. This left Argentina with little to use for obtaining the capital goods they sought to establish heavy industry. These things, combined with the U.S. politics of resource allocation and availability after WWII (British preference over Argentina), further aggravated Argentina's economic position. The result is that Perón had to backtrack on many of his economic and social policy goals. When he was removed, so too was much of what he had developed in economic and social policy.

APPENDIX

Table A.1: Income Distribution - % of total income to % of population

	Top 10%	Top 20%	Bottom 40%
Argentina 1970	35.2	50.2	14.1
Canada 1969	25.1	41.0	16.8 [*]

Source: Taylor and Jodice, World Handbook of Political and Social Indicators, p. 134

One statistic that can be utilized to reflect the size and development of the Welfare State is government spending as a portion of the Gross Domestic Product.²

Table A.2: Government spending as a % of GDP

Canada	1920	1950	1984
Gov't. spending as % of G.D.P	15.7%	26.4%	46.5%

Source: McBride and Shields, Dismantling a Nation, p. 12

Table A.3: Canada's government expenditures on health & welfare

	1950	1971
Canada (fed & prov. govts)	1 Billion	9 Billion

Source: McBride and Shields, Dismantling a Nation.

² McBride and Shields, Dismantling a Nation, p. 12

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