31

Trade and Immigration: How International Factors Shaped Social Policy in Argentina

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Social policy in Argentina is usually considered to be exclusively the result of political activity. Mesa-Lago (1978) highlights the role of pressure groups as the main drivers of stratified social security schemes, whereas other scholars describe social policy development in this country as a strategy used by ruling elites to co-opt sectors of the working class (Huber and Stephens 2012; Segura-Ubiergo 2007). Even though these factors are crucial social policy drivers, research so far has paid little attention to international interdependencies, in particular migration. Between the end of the nineteenth century and the first decades of the twentieth century, demographic pressure combined with an agricultural crisis in Europe prompted mass migration from this continent to the Americas and the Antipodes (Gerchunoff and Llach 2018).

In this chapter, trade and migration are considered to be two key factors that shaped social policy development in Argentina. Trade is regarded

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here as an important factor because it had a direct effect on the economy and this, in turn, had an influence on social policy. Specifically, I argue that trade shaped both the agro-export model in the late nineteenth century and the import-substitution industrialised economy in the 1930s and that these economic models led to different social policy systems. In addition, migration is considered to be a paramount factor for social policy development because, on the one hand, immigrants and domestic migrants had a significant influence on the political arena, and on the other hand, education and health policies were aimed at shaping a society which had been altered by immigration.

The history of social policy in this country can be divided into two periods. During the first period, starting in 1880, Argentina shaped its economy in relation to the international division of labour of the late-nineteenth century. In other words, the government established an export-led model specialised in agricultural products which formed its labour market with the help of immigration. As a result of mass immigration, no strong working-class party was formed and the political arena remained dominated by the elite and by middle-class parties. Therefore, social policy was not encompassing but characterised by exclusive benefits for occupational groups which were important for the vitality of the state and the agro-export economy. In addition, health and education policies were designed to give coherence to a society affected by mass migration.

The second period started in 1929 with the interruption of trade flows during the Great Depression. As a result, the country gradually abandoned the agro-export model and followed an import-substitution industrialisation path. At the same time, international immigration, which had already come to a halt, was replaced by internal migration. The rural crisis and industrialisation after the Great Depression fostered a rural-to-urban migration which resulted in an urban working class. This emergence of a modern working class modified the political arena and paved the way for the formation of a strong working-class party. When this party won the elections, the new government was able to lay the foundations for a modern social security system.

1 The Emergence of a Modern Society During the Export-Led Era

The country had gained its independence from Spain in 1816, but for more than sixty years, a period of internal conflict between regions was an obstacle to the construction of a solid nation state. It was in 1880 when, under the presidency of Julio Roca, the modern nation state was established by a sector of the landowning elite which blended political conservatism and economic liberalism. Under these circumstances, the government aimed to integrate the country into the global market characterised by the international division of labour. Similar to Canada and Australia, Argentina intensified its trade with the United Kingdom (UK) by adopting a complementary trade profile: the UK exported manufactured goods and imported agricultural products, while Argentina, specialised in agrarian production, satisfied its need for manufactured goods by turning to the British market (Gerchunoff and Llach 2018).

During the civil wars between regions, the absence of a nation state was not a strong hindrance for the export of leather and wool, commodities provided by the regions which had access to the transatlantic trade thanks to their geographical position (Oszlak 1982). However, the new government launched a project to promote cereal production alongside sheep and cattle breeding. For accomplishing this goal, not only inner peace safeguarded by a strong nation state was necessary but also the active role of the state in the incorporation of the three basic factors of production (labour, capital and land) into the country's economy (Gerchunoff and Llach 2018).

It was the nascent nation state which actively promoted the massive immigration of European workers through travel agencies and foreign policies, while it also encouraged British investments for developing the key sectors of an export-led economy based on beef, wool and cereals: railways, refrigerated warehouses, infrastructure and communication. Furthermore, the expansion of the national border by conquering new lands from indigenous people was a task driven by the military. This military campaign had a twofold objective: expanding the agricultural activities and finishing, in a violent manner, with the conflictual cohabitation between indigenous tribes and Argentinean settlers (Gerchunoff and Llach 2018).

This state-building process helped to insert the country into the global market and appears to be related to the establishment of the first pension funds. Esping-Andersen (1990) uses the concept of *etatism* to describe the strategy of the state to ensure the loyalty of civil servants by bestowing exclusive social benefits on them. In Argentina, early pension funds were exclusively targeted to state-related occupations (Mesa-Lago 1978), suggesting that these benefits were granted in order to strengthen loyalties towards a nation state against the backdrop of a recently finished long-lasting civil war between regional powers. Therefore, the first pension funds were granted to the military (1865, 1895), judicial magistrates (1877, 1903), teachers working for national public schools (1886, 1901), civil servants (1887, 1898, 1904, 1905), the national security forces (1887, 1896, 1898, 1903, 1908) and plenipotentiary ministers (1905).

Moreover, the state-building process was also related to the first health and education policies. In 1884, public elementary school was established as mandatory, secular and free. The enactment of this law was crucial not only for the instruction of the labour force but also for the ideological legitimisation of the nation state by the “(institution) of beliefs, values and norms of conduct” (Oszlak 1982, 541). The creation of a national consciousness and identity through a nationwide schooling system was paramount for a country which was receiving large numbers of immigrants.¹ In addition, the majority of health policies were related to the sanitation and urbanisation of the main cities, which were experiencing a steep increase in their population due to immigration. A sanitary service for arriving ships was organised in 1887, the Department of National Hygiene was established in 1891 and sewer systems and water supply networks were constructed in 1903. Two important hospitals were established in Buenos Aires (1883, 1908) and the campaign against malaria (1907) also illustrates the incipient endeavour of a nation state trying to safeguard public health in order to maintain social and economic order.

The expansion of agricultural production fostered the development of limited local industry in the cities. This industry focused on the simple processing of agrarian products (e.g. flour, beer, sugar, refrigerated beef, wine, leather and wool fabrics), construction and related activities (e.g.

¹ The situation was similar in Uruguay where education policies also aimed to integrate immigrants into society (Hentschke 2016). I would like to thank the editor for this observation.

wood and glass), railway workshops and the printing and publishing business. By contrast, other important industries were not extensively developed, and thus, in 1914, most of the consumption of textiles (77 percent) and metallurgic products (67 percent) was satisfied with imports (Gerchunoff and Llach 2018).

Urban activities provided employment to immigrants when rural activity plummeted because of the seasonal nature of harvesting. Most of the workers came from Europe, and their socialist and anarchist ideas travelled with them (Gerchunoff and Llach 2018). These immigrants were also decisive for the creation of the first trade unions (Mesa-Lago 1978). Due to the anarchist ideas and the recurrent fraudulent elections which limited the parliamentary activity of the Socialist Party, workers manifested their dissatisfaction with labour conditions through general strikes. The soaring social unrest alarmed the government which reacted ambiguously: on the one hand, in 1902, a law was enacted enabling the deportation of immigrants “involved in disturbance, strikes and union activities” (161). On the other hand, in 1904, some members of the ruling elite presented a draft bill for a National Labour Law, but it did not pass Congress due to business and labour opposition (Mesa-Lago 1978). Nevertheless, some laws aimed at regulating the burgeoning labour market were enacted: the Sunday Rest Act (1905, 1913), the establishment of a National Department of Labour (1912), the regulation of children’s and women’s work (1907) and protection against occupational hazards and diseases (1915).

An opportunity for the Socialist Party emerged in 1912, when the ruling elite implemented an electoral reform which eradicated fraudulent democracy. However, the Socialist Party was not able to build a strong electoral base among workers and remained a minority party. In 1916, the *Unión Cívica Radical* (UCR), the middle-class party which had been fighting for democratisation, came into power through national elections. The reasons for the lack of a strong Social Democratic labour movement in Argentina lay in the fact that voting rights were reserved for male native citizens. Therefore, immigrants, who were predominantly male blue-collar workers,² were excluded from the franchise whereas

² Many immigrants were seasonal workers who received the name of *golondrinas* (swallows) because they only migrated to Argentina for the harvesting season (Gerchunoff and Llach 2018). Assuming that, at that time, women only migrated with their families to settle down in a new country, this might explain why female immigration was low.

middle-class male voters were overrepresented in the electorate. Between 1890 and 1920, the percentage of immigrants among over-twenty-year-old male workers in the most-populated regions of the countries was 80 percent in Buenos Aires and 50–60 percent in the Littoral region (Torre and Pastoriza 2002, 263). Nevertheless, during the 1920s, when the immigrant workers' local-born children entered the labour market as national citizens, most of them voted for the UCR (Torre 2012).

The absence of a strong Social Democratic labour movement may explain the lack of comprehensive social benefits for the working class. However, (male) suffrage set off an electoral competition between the UCR, Conservatives and the Socialist Party that enabled the establishment of some occupational-related pension funds and the granting of new labour rights. In this situation, only pressure groups that occupied a vital position in the export-led economy (i.e. transport, infrastructure, communication, financial services) could profit from electoral competition. Therefore, pension funds were established for the railway workers (1915, 1919), public utilities (i.e. trams, telephones, telegraph, gas, electricity and radiotelegraphy) employees (1921) and bank employees (1923, 1929). In sum, pension funds were granted to occupational groups related either to the export-led economy or the nation state. Therefore, pension funds were exclusively granted to those who occupied a key role in a society characterised by the interdependence between the construction of the nation state, the formation of an agro-export economy and global trade based on the international division of labour.

2 Industrialisation and the Modern Social Security System

Although industrialisation in Argentina was a gradual process, several international events helped to boost this process. During the First World War, foreign industrial imports stopped flowing into Argentina creating an opportunity for local industry to thrive until the end of the war (Gerchunoff and Llach 2018). Moreover, the Great Depression during the 1930s and the following Second World War were two protracted international events which reinforced the industrialisation process.

Nevertheless, these international factors were intertwined with domestic policies. For example, after the First World War ended, the president of Argentina Marcelo T. Alvear raised customs duties in 1923. This measure set off a wave of investments from the United States (US) which established the industrial capabilities and laid the foundations for the upcoming industrialisation of the 1930s (Villanueva 1972).

Even though capital exports and other industrial commodities flowed from the US to Argentina, the opposite trade flow was hindered by US protectionist laws. The exports from Argentina, mainly beef and cereals, were a threat to US farmers who could not compete with them. Therefore, Argentina found itself in a so-called “commercial triangle” (Fodor et al. 1973). In this trade scheme, Argentina exported agricultural products to the UK but received industrial commodities and investments from the US. Bilateral trade was not possible, neither with the US as a consumer nor with the UK as a provider. As mentioned above, the US had high custom duties which rendered the Argentinean exports uncompetitive. In contrast, the UK offered a good market for beef and cereals, but this country was not able to provide sufficient investments and industrial products to satisfy the new demands of the burgeoning domestic market.

Despite the fact that the First World War and US investments during the 1920s were important drivers of industrialisation, the shift in the Argentine economy was decided elsewhere: the change from an export-led economy focused on agricultural products to a domestic-led economy based on industrial commodity production was finally settled after the Wall Street Crash of 1929. In the aftermath of the Great Crisis of 1929, trade protectionist measures were implemented in Europe and the US, which led to a fall in the country's exports. Consequently, the Argentine economy fell into a recession, only worsening the fiscal deficit to which the government finally reacted by rising import duties in 1931 (Gerchunoff and Llach 2018).

The scarcity of foreign currency in the country was caused by the steady decline of exports and jeopardised the payment of foreign debt. Hence, in 1931, the government established an exchange control regime which enabled a state-related committee to centralise foreign currencies and distribute them according to the government's preference (Gerchunoff and Llach 2018). Although the government used the exchange control

regime to ensure sufficient foreign currencies for the payment of external debt, this regime and the increased import duties were beneficial for local industry as they limited the competition from imports of industrial final goods.

Furthermore, the exchange control regime was also an important tool for the reactivation of trade with the UK. In 1932, the Import Duty Act in the UK introduced a general tariff for some agricultural products which were exported by Argentina. Some months later, the British Empire Economic Conference that was held in Ottawa established the so-called Imperial Preference. This resolution meant that the UK was going to prioritise trade relations with the colonies and dominions of the British Empire. As a consequence, the UK imposed import quotas for frozen beef (65 percent of the total exported in 1931–1932) and chilled beef (100 percent of the total exported in 1931–1932)³ from Argentina, which alarmed the farmers and landowners of this country (Fodor et al. 1973). The situation even worsened in 1932, when the import quota for chilled beef suffered a reduction of 10 percent as a result of lobbying by British farmers.

Under these circumstances, a bilateral commercial agreement between Argentina and the UK was signed in 1933. This agreement, known as the Roca–Runciman Treaty, was more beneficial to UK interests as it provided tangible benefits for British business sectors such as financial groups, railways enterprises, coal producers and textile industries in exchange for the guarantee of consultation with Argentina in the case that new reductions in the import quota on chilled beef were needed (Fodor et al. 1973).

As the Roca–Runciman Treaty aimed to reinforce trade relations between these two countries, this agreement included reductions on the import duties for some British products, in particular coal and textiles, and the prioritising of British imports in the allocation of foreign currency dictated by the exchange control regime. After this treaty, the government decided to devalue the national currency, establish import licences and divide the foreign currency market in two, thus setting up an “official” and a “free” market. The official market was characterised by a

³ It should be highlighted that exports during 1931–1932 were significantly lower than the exports before the Great Depression (Fodor et al. 1973).

lower exchange rate and only importers with a previous import licence were granted access. Hence, British importers, who had these import licences warranted by the Treaty, had a clear advantage as their products became cheaper in relation to imports from the US which did not have any access to the official market (Gerchunoff and Llach 2018).

This disadvantage for the US had a significant consequence on the industrialisation process. All the protectionist measures taken in Argentina, enacted for fiscal or commercial reasons, had the indirect consequence of attracting US investments into local industrial production. But it was in 1934, after the Roca–Runciman Treaty, when a new wave of direct investments started to stream into the country (Villanueva 1972). Therefore, as non-British imports of final goods were rendered uncompetitive by this treaty, new companies, financed mostly by direct investments from the US, began producing locally for the domestic market. In this way, fiscal measures and trade agreements unintentionally fostered an import-substitution industrialisation.

This gradual industrialisation process combined with the agrarian crisis, that was caused by the fall in exports after 1929, set off an internal rural-to-urban migration. According to Torre and Pastoriza (2002), the annual number of rural migrants arriving in Buenos Aires and its urban periphery rose from 8,000 in 1936 to 70,000 in 1937–1943 and 117,000 in the years from 1944 to 1947; as a result, the population in this region grew from 3,457,000 in 1936 to 4,618,000 in 1947 (Torre and Pastoriza 2002, 262). And because these migrants were attracted into the city by jobs in the industry and services sectors (Torre and Pastoriza 2002), we can consider that this rural-to-urban migration led to the emergence of an urban working class.

Industrialisation and migration flow in the 1930s developed against the backdrop of the return of the conservative forces to power. In 1930, the government of Yrigoyen (UCR) was overthrown and a military regime, pursuing a corporatist model, closed the parliament. However, in 1932, a new coup led by the liberal sector of the military put an end to the corporatist regime and reopened the parliament. Although the new government, which was led by the Conservative Party, practised electoral fraud, the limited multi-party system allowed for political competition between parties. This competition rendered the political arena receptive

to the interests of pressure groups: pension funds were established for employees of the merchant navy in 1939 and, also in 1939, for journalists.

During the first half of the 1930s, the UCR decided to withdraw from electoral competition and parliamentary activity as a strategy to oppose fraudulent democracy. As a consequence, the number of seats held in parliament by the Socialist Party rose steeply from one in 1930 to forty-three in 1932–1934; but declined to twenty-five in 1936–1938 and five in 1939–1941 as the UCR returned to the electoral arena (Matsushita 2014, 150). During this time, socialist legislators presented bills which became laws: Saturday half-holiday (1932), the right to breastfeed at work (1934), a maternity-leave fund for female employees (1934), the provision of appropriate seating for workers (1935), and the prohibition of dismissal due to marriage (1938) were approved by Congress. Although the role of socialist legislators was important for the enactment of these laws, the climate of opinion on labour reforms had changed after the Great Depression. The business sector, which had an alliance with the conservatives, became more receptive to some labour reforms as the economy became more industrialised (see the chapter by Gerards-Iglesias in this volume) and, as shown above, industrialisation was an unintended consequence of a shift in trade patterns.

Nevertheless, the emergence of a strong urban working class and political party competition did not offer sufficient conditions for the expansion of a comprehensive social security system. It was necessary for the working class to have access to power and it did so through a political coalition with a sector of the military. Although this government was led by Juan D. Perón, a nationalist military official, the trade unions had a strong position within the coalition (Torre 1989). Therefore, it was between the years of 1944–1955 when “the foundations of modern social security were laid, expanding the pension system to cover most of the labour force” (Mesa-Lago 1978, 168). In the realm of healthcare, the creation of a tax-financed national health system that was open to the whole population was combined with trade unions’ mutual insurance funds and healthcare protection programmes for some occupational groups (Mesa-Lago 1978). Regarding educational policies, the most important laws were the creation of a technical university (1948) and the removal of tuition fees from public universities (1949).

3 Conclusion

The interdependencies of immigration and trade with social policy development in Argentina were highlighted here. Overall, international trade shaped the economy and this, together with immigration flows, had, in turn, structured society. Consequently, societal sectors and their interests were also reflected in the political arena shaping social policy development.

In a first moment of historic development (1880–1929), entry into the global market led to the consolidation of an export-led economy specialised on agricultural products. This process was intertwined with a nation state-building process and the immigration of European workers. Therefore, early pension funds were exclusively directed to state-related occupations and occupations which were powerful due to their role in the agro-export economy. Furthermore, massive immigration shaped the political arena as it hindered the formation of a strong electoral working-class movement. This may explain why a comprehensive social security system was not established at this time and why labour laws were an attempt to regulate the world of work from above. Finally, health and education policies aimed to strengthen the nascent nation state, maintain social order and socialise a population with a strong immigrant component.

Nevertheless, during the 1930s the interruption of international trade, caused by the Great Depression, set off a strong industrialisation process which in turn fostered an internal rural-to-urban migration. In the short term, socialist legislators passed labour reforms as the climate of opinion, concerned with the new issues brought by industrialisation, became more favourable to improvements in working conditions. In the long term, a strong urban working class emerged and in a coalition with a sector of the military gained access to power. It was at that point that the foundations of a comprehensive welfare state were laid.

From this account of the matter, we might draw two conclusions. First, immigration appears to have delayed and fragmented social policy as it hindered the formation of a strong working-class party. Moreover, global trade under the international division of labour scheme also hampered the development of a comprehensive social security system, whereas bilateral trade and protectionist measures fostered industrialisation which, in turn, strengthened the working class and led to the

establishment of the modern welfare state. Nevertheless, it remains unknown whether immigration and trade relations had a similar effect in other countries. Further research exploring this question would be useful. For the time being, this chapter provides a case study where these factors were identified as important drivers of social policy development.

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