

A COMPARATIVE STUDY OF ECONOMIC
DEVELOPMENT DURING THE ARGENTINE AND
CHILEAN JUNTAS

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The purpose of this study is to understand why Argentina and Chile, countries in the same region that in some years were concurrently rule by two superficially similar regimes (the most recent Argentine junta known as the Ultima Dictadura and the Chilean junta headed by Augusto Pinochet), had such divergent development outcomes and left their democratic heirs with greatly differing mandates and political cultures. This work attempts to further understanding of the Chilean economy's success and Argentina's continual struggles by comparing the countries' most recent juntas regimes on the basis of their initial mandates, how they acted upon those mandates and how successful each regime's policies were.

This paper makes heavy use of interviews with and publications by members of each regime in order to gauge implicit and explicit regime original objectives. In determining the outcomes of the regime's effect on macroeconomic indicators or the country's political culture, secondary sources were used alongside the application of basic principles of political science. This study concludes that the most recent Argentine junta played a major role in hampering growth and sowing future political instability enough to allow Chile to surpass Argentina on indicators of economic wellbeing such as GDP per capita or HDI. The Argentine regime's restrictive and autarkic economic policies, belligerent foreign policy and anti-legalist nature stunted

growth and made future governments of any regime type less credible and less capable of governance. Meanwhile Chile's program of market oriented reform and export focused trade policy coupled with a generally legalist dictatorship that left the judiciary and financial organs independent of the executive empowered experts to make smart decisions on macroeconomic policy. This paper will contend that the prime drivers of Chile surpassing Argentina in terms of GDP per capita were Chile's export supports, Argentina's continued attempts at import substitution and the anti-legalist nature of the most recent Argentine military dictatorship and its long-run effects on Argentine political culture.

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I. INTRODUCTION

A half a century ago the average Argentine had an income a full 50% larger than the average Chilean¹ A half century ago the top 1% of Argentine earners received under 10%² of total income while the Chilean top 1% of earners received 13% of total income³. A half a century ago both countries faced similar political situations, Chile under a military dictatorship formed in reaction to a left wing leader and Argentina slouching towards a military coup under the caretaker presidency of Isabel Peron.

Today, Chilean per capita incomes are more than 30% larger than those in Argentina[1]. Chile also boasts a significantly more stable monetary and fiscal environment with inflation averaging just over 5% in the last 25 years while Argentina averaged over 20% inflation during the same period⁴. Argentina has defaulted on its debt five times since the 1983 transition to democracy, and faced down debt restructuring by the IMF while Chile has maintained a solid credit rating⁵. At the outset of this period both countries were export-focused semi-industrialized economies, both were in or soon to enter a period of military rule, and both juntas ostensibly sought the same outcomes (prosperity and entry into the world market) by the same means (empowering business at the expense of government owned firms and organized labor).

¹ "GDP per Capita (Current US\$)." *World Bank Open Data*, 2023, data.worldbank.org/indicator/NY.GDP.PCAP.CD%2%A0.

² Piketty, Thomas. "The Rich in Argentina over the Twentieth Century, 1932–2004." *Top Incomes - A Global Perspective*, Oxford University Press, 2014, pp. 264–264.

³ Flores, Ignacio, et al. "Top Incomes in Chile: A Historical Perspective on Income Inequality, 1964–2017." *Review of Income and Wealth*, vol. 66, no. 4, 4 Dec. 2020, pp. 861–861, <https://doi.org/10.1111/roiw.12441>.

⁴ "Inflation, GDP Deflator (Annual %)." *World Bank Open Data*, 2023, data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG.

⁵ Boggiano, Miguel Ángel. "Historia del Default en Argentina". *Carta Financiera*. Archived from the original on 2016-12-20. Retrieved 2017-11-11.

The question almost asks itself, why? Why did two countries placed in seemingly similar circumstances take such different paths? Why was Argentina matched and then surpassed by Chile on the basis of per capita income, household wealth and social mobility? And what might leaders today draw from the stories of these two countries to foster growth for their constituents? Answering this question will be the focus of this paper, and through my investigation we might come to a more complete understanding of reasons for this historical divergence and inform publics and policymakers in developing countries on how they might steer their countries' towards prosperity. This work will argue that the reason Chile converged and then surpassed Argentina on the basis of GDP per capita due to differences in the legal frameworks and levels of political violence in each country, and their respective trade policies.

II. A BRIEF HISTORY AND VARYING MANDATES

The first segment of this paper will give a general overview of the economic and political histories of Argentina and Chile. Both nations were Spanish colonies, though initial differences in their demography shaped the kind of imperial rule imposed upon them. Chile, as a territory of the Incan Empire was densely populated and held in a similar system to the territories of Gran Colombia, peninsulare settlers intermarrying with natives and holding most of the population under a racial caste system where indigenous people were somewhere between serf and slave. The early colonial economy was focused on plunder of native societies and later shifted to the extraction of precious minerals by means of forced labor⁶.

Argentina was much more lightly peopled than its neighbor West of the Andes, with a population in 1800 not reaching above 500,000⁷. A supermajority of Argentines are descendants of Southern European immigrants who arrived after the mid 19th century [6]. Argentina's origin as a settler instead of extraction colony and history as a nation of free laborers unbound to slave masters or feudal *patróns* appears not to have given it the work culture or inclination towards democratic governance writers as diverse as Daron Acemoglu[6] or Eduardo Galeano⁸ have attempted to link to Anglo-America's prosperity and material divergence from Ibero-America. I believe the source of Chile's rise and Argentina's stagnation stems from decisions and events that took place immediately preceding and during each country's most recent period of military rule, rather than any epigenetic shift in the nation's 'historical DNA'. This critical period running from approximately 1970 to

⁶ Acemoglu, Daron, and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Profile Books, London, 2013.

⁷ O'Neill, Aaron. "Population of Argentina from 1800 to 2020." *Statista*, 21 June 2022, www.statista.com/statistics/1066826/total-population-argentina-1800-2020/.

⁸ Galeano, Eduardo H. *Las Venas Abiertas de América Latina*. Siglo XXI de España Editores, 2008.

1990 will be the focus of this paper, and I believe the fulcrum in the story of each country's development.

All regimes have a mandate, given to them by their constituency even when the process by which they come to power is undemocratic and the constituency is unrepresentative of the common people. To begin to understand the differences between the Chilean and Argentine juntas we must first look at the factors that allowed them to seize and maintain their grip on power. Through an analysis of their formative periods we can gain a clearer picture of why each junta chose the ends and means it did.

After a long career in government, Salvador Allende, former minister of health and social welfare, senator and secretary of the Chilean Socialist party had reached the presidency. Allende received 36.31% of the vote in a three way general election, and failing to win an absolute majority in the first round the vote went to both houses of congress where Allende received 60% of the vote⁹. Shortly after inauguration he set about enacting sweeping legislation mandating an increase to the minimum wage, social outreach programs to poor and indigenous communities and the nationalization of "large-scale mining, the financial system, especially private banking and insurance; foreign trade, large enterprises, and industrial monopolies, production, distribution and consumption of electrical energy, rail, air, and maritime transport, communications, production, refining and distribution of oil and its derivatives, liquefied gas, the steel industry, cement, petrochemicals, and heavy chemicals, cellulose and paper"¹⁰. A central authority was now controlling the price

⁹ "Elecciones Presidenciales de 1970." *Bcn.Cl*, BCN. Biblioteca del Congreso Nacional de Chile, www.bcn.cl/historiapolitica/elecciones/detalle_eleccion?handle=10221.1%2F63763&periodo=1925-1973. Accessed 23 Oct. 2023.

¹⁰ Corvalán, L., Rodríguez, A., Morales, C., & Chonchol, J. (1969). Programa Básico de Gobierno de la Unidad Popular: Candidatura Presidencial de Salvador Allende. Santiago de Chile: Biblioteca Nacional.

and production of nearly all commodities, and in addition to the controls placed on industrial products the Allende government nationalized “all the privately owned farms of more than 80 hectares without paying compensation”.¹¹ Early in Allende’s tenure the economy boomed with real wages rising and unemployment held below 4%¹², though as time wore on the inefficiencies of the planned economy began to compound and shortages in key commodities became more commonplace[11]. In addition to this, the newly collectivized agricultural sector produced significantly less food than the old status quo, causing prices for food and consumer goods to rise enough that it more than negated the frequent wage hikes instituted by the Allende government¹³.

The fall of the Allende government in 1973 and subsequent rise of Pinochet was not entirely the result of conditions and decisions made within Chile, two main exogenous factors played a large role in the ousting of Allende and installation of Pinochet’s junta: the drastic decline in copper prices during Allende’s term and the support the United States lent to pro-coup elements of the Chilean military and civil society.

Today, copper constitutes more than half the value of Chile’s exports, and prior to the rise of China’s increased demand for high-value foodstuffs, copper extraction and processing represented an even larger share of Chile’s exports.¹⁴ It is for this reason that the drastic drop in global copper prices (moving from an average

¹¹ Collier, Simon, and William F. Sater. *A History of Chile, 1808-1994*. Cambridge University Press, 2004.

¹² Dornbusch, Rudiger, and Sebastian Edwards. “Macroeconomic Populism in Latin America.” *Journal of Development Economics*, 1989, <https://doi.org/10.3386/w2986>.

¹³ Dornbusch, Rudiger; Edwards, Sebastián (1990). "Macroeconomic Populism". *Journal of Development Economics*. 32 (2): 247–277. doi:10.1016/0304-3878(90)90038-D.

¹⁴ “The Atlas of Economic Complexity by @harvardgrwthlab.” *The Atlas of Economic Complexity*, atlas.cid.harvard.edu/explore?country=42&queryLevel=location&product=undefined&year=2020&productClass=HS&target=Product&partner=undefined&startYear=undefined. Accessed 9 June 2023.

closing price of 0.621USD/lb in 1970 to 0.492 in 1973) sustained during Allende's rule was catastrophic for the Chilean economy¹⁵. With the decline in copper prices exceeding 20% from the beginning of Allende's term to the end and popular sentiment linking Allende himself with the slide in global prices the stage was set for outside actors to give the military the nudge needed to topple democracy.

The Nixon administration had had Allende in their sights since the announcement of his candidacy, and Defense Secretary Melvin Laird concisely articulated the American policy in saying, "We have to do everything we can to hurt [Allende], and bring him down"¹⁶. Nixon and his National Security Council began planning to back a military coup prior to Allende's inauguration and found opportunity late in his term as his policies began to cause an economic meltdown. As the urban upper and middle classes turned against Allende, military leaders began to believe they could seize power with enough popular support to avoid significant use of violence against urban residents and avoid major resistance or countercoups.

Self inflicted economic meltdown and American covert action propelled Pinochet to power, and gave the regime the dual mandate of development and integration within the larger American led economic order. When asked by a reporters from the Associated Press on his perceptions of the junta's success, Pinochet led his defense of the junta by focusing on economics, stating in an interview conducted during the second year of his rule, "the goals fixed by us at the start of the regime have all been reached, we wanted to develop the country and that has been achieved, we wanted to restore the value of our money which was being

¹⁵ Grilli, Enzo R., and Maw Cheng Yang. "Internationally Traded Good Prices, World Money, and Economic Activity: 1900–83." *Journal of International Money and Finance*, vol. 9, no. 2, 1990, pp. 171–173, [https://doi.org/10.1016/0261-5606\(90\)90028-x](https://doi.org/10.1016/0261-5606(90)90028-x).

¹⁶ "Allende and Chile: 'Bring Him Down.'" *National Security Archive*, 5 Nov. 1970, nsarchive.gwu.edu/briefing-book/chile/2020-11-06/allende-inauguration-50th-anniversary.

destroyed, and the monetary situation has been completely normal as we wanted”¹⁷.

Indeed, political scientist and current Chilean trade minister Jose Miguel Ahumada has noted “the first two years of the Pinochet regime were exclusively focused on restoring the main pillars of capitalist accumulation by ensuring the power of capital over production, reducing inflation, and stabilizing the macroeconomic order”¹⁸.

As we shall see later, Pinochet leaned further into his mandate as a developmental autocrat by importing foreign expertise and embarking on a radical plan of market reforms recommended by the Chicago Boys clique.

The Argentine Junta came to power with a mandate very different from the one that brought Pinochet to power. The story of modern Argentina is one of near-constant turmoil and the period leading up to the 1976 military coup is no different. In 1973 wildly popular former president Juan Peron returned from exile in Spain to accept the presidency for the second time. Juan Peron’s first period in the office of the president ended in 1955, when a military coup ousted him from power and forced him to flee to Spain where he spent the 18 intervening years. It was from his Madrid residence that he mounted his second campaign for president, using a favored lieutenant from his first term as a surrogate candidate. Peron’s stand-in scored a resounding victory at the Argentine ballot box and soon after the election the stand-in made clear his intention to hand the presidency to Juan Peron. Days after the election Juan Peron touched down at the Buenos Aires International Airport to meet a mass of millions of supporters in an event that was intended to be a preemptive inauguration as much as a welcome back celebration. Not long after Peron

¹⁷ SYND 2-1-74 INTERVIEW WITH GENERAL PINOCHET IN SANTIAGO, AP Archive, 2 Feb. 1974, <https://www.youtube.com/watch?v=Njxl9caO3Rk>. Accessed 10 June 2023.

¹⁸ Ahumada, José Miguel. “Chilean Military Dictatorship and the Origins of Peripheral Growth.” *The Political Economy of Peripheral Growth Chile in the Global Economy*, Springer International Publishing, Cham, 2019, pp. 75–75.

disembarked from his plane right-wing paramilitaries opened fire on the crowd from concealed sniper nests causing hundreds of injuries and an unknown number of deaths in an event that would come to be known as the Eziya Massacre¹⁹.

Though all juntas make the claim that they must seize power in order to replace a civilian government unable to keep public order, such statements did not ring as hollow in Argentina as other countries in Latin America. Following Juan Peron's death by heart attack just months after his inauguration his wife, Isabel Peron, was secretly sworn in as president. Lacking Juan Peron's charisma and democratic legitimacy Isabel quickly fell out of favor with the public. The jarring rightward shift of her policies alienated her from the left-wing Peronists that comprised the base of her husband's support.

Already rampant political violence escalated during Isabel's year and a half in power. During Isabel's tenure over 2000 people were killed by the government-organized fascist paramilitary outfit known as the Argentine Anticommunist Alliance (AAA)²⁰. An additional 200 people were killed in "open battle between guerillas and the army"²¹, with Latin America scholar Cynthia Watson writing "Isabel's government was paralysed by a fundamental inability to control the surging political violence[21]". It should be noted that government security forces constituted a significant portion of total battlefield deaths. While this may seem at first a positive metric as security forces are not simply massacring unarmed civilians, the high number of combat deaths sustained by government forces in combat with insurgents indicated the government no longer had a monopoly on violence. Urban insurgents could credibly

¹⁹ Verbitsky, Horacio. "Ezeiza." *El Orbita*, 6 June 2006, www.elortiba.org/ezeiza.html.

²⁰ André, Ana Laura. "Terrorismo de Estado: Las Culpas de Perón Que El PJ Calla." *Noticias*, 3 Feb. 2017, noticias.perfil.com/noticias/general/2017-03-02-terrorismo-de-estado-las-culpas-de-peron-que-el-pj-calla.phtml.

²¹ Marchak, Patricia. "Introduction." *God's Assassins: State Terrorism in Argentina in the 1970s*, McGill-Queen's University Press, Montréal, 2014, p. 3.

contest government control within whole districts of major cities and were growing increasingly organized in response to combat. Despite Isabel Peron's best efforts, control of the country was slipping away.

After rejecting calls to step down by civil society leaders and moderate factions of the military Isabel Peron was ousted by a military putsch in March 1976. Similar to juntas in Chile, Uruguay, Nigeria or Greece the Argentine Junta made day-one pronouncements of their patriotism, good intentions and resolve to restore order. "While much of the support came from a belief that military rule would control the gyrating economy, the desire to stop deaths by the left and right was also a reason for welcoming the *golpe* (coup)²²." Like Chile, Argentina experienced an economic meltdown prior to the coup, however unlike Chile it was not a multi-year slide so much as a rapid unraveling with inflation moving from the modest (by Argentine standards) rate of 30.6% the year Juan Peron took power to a crushing 438% just two years later[4]. With political violence at an all time high and economic catastrophe being an acute instead of chronic problem, the Argentine Junta's mandate was clear: restore order, all else was secondary.

²² Watson, Cynthia A. "Political Violence in Colombia: Another Argentina?" *Third World Quarterly*, vol. 12, no. 3-4, 1990, pp. 25-39, <https://doi.org/10.1080/01436599008420246>.

III. GENERAL POLICY OBJECTIVES

We will now move to a discussion of how each country's respective Junta changed and implemented economic policies in relation to their mandate, and how the political and economic institutions they constructed have bent the trajectories of their development.

One cannot discuss the Pinochet regime's economic policy without mentioning the Chicago Boys. The Chicago Boys were a set of ministers and government technocrats that dominated positions in finance and economics planning during the Pinochet regime, to the first six ministers of finance under Pinochet hailed from the University of Chicago Department of Economics²³. Under the tutelage of Milton Friedman (who made two visits to Chile and was in correspondence with Pinochet during the early years of the junta) the Chicago Boys lobbied for and implemented a series of market-oriented reforms that will be analyzed with more depth later in this paper. Chief among these policies was the National Recovery Plan, known colloquially as 'the brick'. The brick was "based on major and across-the-board cuts in government expenditures and on a very significant reduction in the rate of money creation by the Central Bank. . . (T)he economy was opened to international competition and a privatization program was put in place. Most banks and more than 500 state owned enterprises, many of which had been expropriated during the Allende years, were privatized and many regulations were eliminated".²⁴ The Pinochet regime did not seek to defend the status quo of rent-seeking family owned conglomerates and protections for local 'infant industries'. Despite hailing

²³ "1973-1989 (11 Contenidos)." *Ministerios 1973-1989*, Ministerio de Hacienda, 2020, www.hacienda.cl/el-ministerio/historia/ministros/1973-1989.

²⁴ Edwards, Sebastian, and Leonidas Montes. "Milton Friedman in Chile: Shock Therapy, Economic Freedom, and Exchange Rates." *Journal of the History of Economic Thought*, vol. 42, no. 1, 2020, pp. 105–132, <https://doi.org/10.1017/s1053837219000397>.

from the upper and upper-middle classes themselves junta leaders did not prioritize appeasing the moneyed classes. This is in large part because the political muscles of the upper class had been atrophied by decades of inaction prior to the ascension of the Allende government and could exert little influence in society independent from the junta.²⁵ The Chilean business elite and landowners played a minimal role in planning and executing the coup. Foreign actors such as the CIA began building relationships with the Chilean officer corps prior to Allende's election, and largely kept their intelligence and patronage networks confined to the military, seeing the business elite and landowners as without significant political influence.²⁶ The junta did not need to rely on the support of the upper classes nearly as much as it did the support of the United States business community and security apparatus. For this reason Chilean officials could be more committed to free markets than their Argentine counterparts: the indigenous upper class was less entrenched and politically capable, and the feeling of obligation towards the United States was greater.

Similar to the Asian Tigers, the objective of Chilean economic policy was to increase national power and legitimize its rule through development. In short the Pinochet regime was willing to act to run against the interests of incumbent elites in pursuit of development. Though the National Recovery Plan might be characterized as pro-business, "industrialists who had benefited from decades-high import tariffs strongly opposed the opening up of the economy and the deregulation of

²⁵ Ratcliff, Richard E. "Capitalists in crisis: The Chilean Upper Class and the September 11 coup." *Latin American Perspectives*, vol. 1, no. 2, summer 1974, pp. 78–91, <https://doi.org/10.1177/0094582x7400100207>.

²⁶ United States, Congress, Senate. *Covert Action in Chile, 1963-1973: Staff Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities, United States Senate*, U.S. Govt. Print. Off., 1975.

business[25]”. The Pinochet regime and its clique of Chicago Boys was not so much pro-business as pro-market, willing to let parts of the old owner class to wither if it increased total societal wealth. This commitment was demonstrated by the regime’s lowering of average nominal tariff rates from 105% in 1973, the year the Pinochet regime took power, to a uniform 10% in 1979²⁷. ‘Infant industries’ were not spared, and the regime's commitment to trade was firm.

In stark contrast to Chile’s evolution towards markets and a trade-focused economy the Argentine junta was highly orthodox in its economic policies, continuing to uphold the bundle of policies that was the Latin American consensus during the 50s and 60s: high tariffs, state ownership of mineral resources, utilities and most heavy industry, a focus on the export of raw materials to the highly developed economies of Europe and North America. Tying in with the Argentine regime’s mandate to restore order, the policies implemented by the *Ultima Dictadura Militar* sought to return the economy to its pre-Peron equilibrium of manageable inflation and cowed labor unions. The Argentine junta’s strategy of raising tariffs, focusing on important substitution and revaluing Argentina’s currency at much higher price relative to the dollar had deleterious effects on the economy, with industrial output sagging to an average of 98% of 1973 production during the 1976-1983 period of junta rule.²⁸ Despite the money funneled into industry and the Argentine military industrial complex more narrowly, industrial output flagged and real wages cratered.

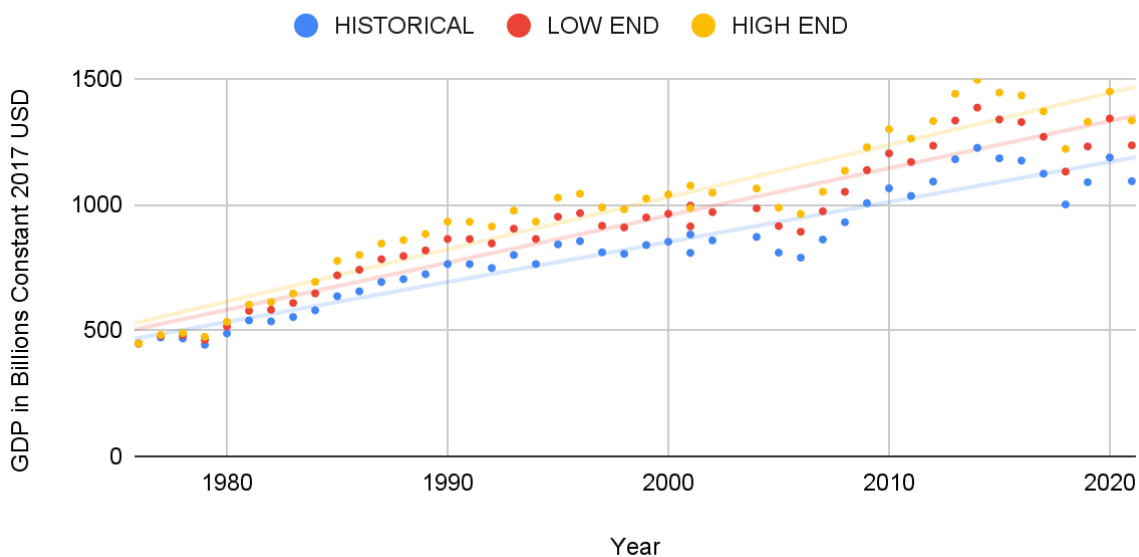
²⁷ Meller, Patricio. “The Chilean trade liberalization and export expansion process 1974–90.” *The Bangladesh Development Studies*, 1992, pp. 114–149, <https://doi.org/10.4324/9780203070406-8>.

²⁸ Zorzoli, Luciana, and Juan Pedro Massano. “Revisitando Las ‘Condiciones Materiales de La Clase Obrera.’” *Clase Obrera y Dictadura Militar En Argentina (1976-1983): Nuevos Estudios Sobre Conflictividad y Cambios Estructurales*, Editorial A Contracorriente, Raleigh, NC, 2021, pp. 406–406.

IV. ARGENTINA AND AUTARKY

The focus of this section will be Argentine trade policy specifically, a discussion of the peronist and junta attempts at autarky, as this paper contends that Argentina trade policy was one of the two main reasons Argentina's economic growth was stunted. Earlier in the paper it was stated Argentina upheld the orthodox Latin American policies of an export oriented economy, while import substitution was in large part the regimes' macroeconomic objectives there also existed a significant anti export bias. While regimes like the Republic of Korea or for example, Chile, focused on subsidizing exports to allow domestic firms to break into global markets, Argentina actively worked against domestic firms attempting to sell abroad through

Fig. 1: Argentine GDP with Historical and Hypothetical Effects of Differing Trade Policies



Source: Is the Washington Consensus Dead?., Trade Effects of Export Taxes, World Bank Open Data

nontariff barriers such as export taxes.

From the period of 1970 to 1990 Argentine export taxes averaged

approximately ~5% with export taxes on agricultural goods averaging over ~10%²⁹. These export taxes likely blunted any attempts Argentine firms had at exporting, with research done at Graduate Institute for international studies finding the elasticity of trade quantities to export taxes was -1.8% for a basket of common exportable goods and -5.5% for extractive industries such as agriculture and mining.³⁰ If this regression is applied to Argentina during the junta years it would predict a 55% decline in the export of minerals and agricultural products, sectors that comprised more than 40% of the Argentine economy in 1980. The export taxes represented a major impediment to export-led growth and the persistence of the policy in extractive industries such as agriculture³¹ shows the legacy of the Argentine junta's desire for self sufficiency.

Though the Argentina junta did reduce tariffs significantly (from a weighted average of ~90% to ~40% during the period of junta rule[29]) this tariff rate is still far higher than the highest tariff rate of any country today.³² The effects of this attempt at autarky on GDP were not insignificant with Estevadeordal and Taylor writing that during the period of 1970 to 2000 a 1% reduction in tariff rates was associated with a 0.02% to 0.05% increase in real GDP growth rates³³. Even when the average weighted tariff rate was halved, foreign goods remained prohibitively expensive and an estimated ~1% real GDP growth per year was left on the table. [33]. The real GDP growth rates from 1976 to 1984 for Argentina and Chile were 0.55% and 3.00%

²⁹ Brambilla, Irene, et al. "Argentine trade policies in the XX Century: 60 Years of solitude." *SSRN Electronic Journal*, Feb. 2018, <https://doi.org/10.2139/ssrn.1680606>.

³⁰ Solleder, Olga. ECONSTOR, Geneva, pp. 2–2, *Trade Effects of Export Taxes*.

³¹ "Update 2-Argentina Hikes Export Tax on Soy Oil, Meal to 33% to Combat Inflation." *Reuters*, Thomson Reuters, 19 Mar. 2022, www.reuters.com/article/grains-argentina/update-2-argentina-hikes-export-tax-on-soy-oil-meal-to-33-to-combat-inflation-idUKL2N2VM096.

³² "Tariff Rates by Country." *MacroTrends*, MacroTrends, www.macrotrends.net/countries/ranking/tariff-rates. Accessed 26 Oct. 2023.

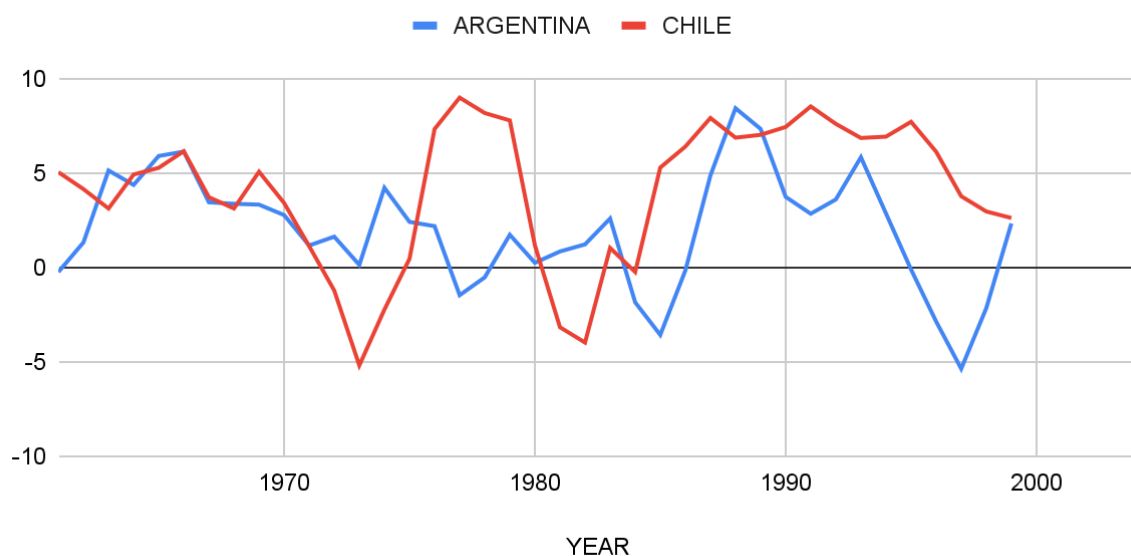
³³ Estevadeordal, Antoni, and Alan M. Taylor. "Is the Washington Consensus Dead? growth, openness, and the great liberalization, 1970s–2000s." *The Review of Economics and Statistics*, vol. 95, no. 5, 2013, pp. 1669–1690, https://doi.org/10.1162/rest_a_00358.

respectively, and if the regression by Estevadeordal and Taylor can be applied to this time period, difference in trade policy can account a majority of the difference in real GDP growth during 1976-1983 period of Argentine junta rule. High tariffs not only made it difficult to buy foreign goods (especially key capital goods like tractors and mining equipment) but allowed protected industries to grow inefficiently, setting them up for failure upon trade liberalization. As the graph above shows, the potential growth lost during the Argentina junta by not eliminating export taxes and lowering tariff rates to those enacted in Argentina had significant long term effects. Presuming the regressions

Source: Macrotrends

done by Solleder, Estevadeordal and Taylor are applicable, today Argentina could have a GDP 11.91-20.1% higher on the higher end if during the eight years of junta rule Argentina had trade policy that matched that found in Chile (a uniform 10%

Fig 2: REAL GDP GROWTH IN % PER YEAR, THREE YEAR RUNNING AVERAGE



tariff and removal of all export taxes) . These differences would be entirely due to discrepancies in average nominal tariff rates and export taxes during the years of the Argentina junta, and hold growth rates pre and post post-junta constant.

V. REGIME INSTITUTIONS

Institutions play a major and often decisive role in determining a state's long term development. While both Argentina and Chile have successfully transitioned to democracy and maintained democratic rule for more than a quarter century there is large variance in the nature and strength of the institutions each country uses to manage the country's economy. For the purposes of this paper the most important institution to look at is the central bank, and how the status and efficacy of each country's central bank influences macroeconomic outcomes.

The Chilean central bank is enshrined as a legally independent entity with article 108 of the Chilean constitution reading "there will be an autonomous organ, with its own patrimony, technical in character, called Central Bank, whose composition, organization, functions and powers will be determined by a constitutional organic law."³⁴ Since its establishment under the Pinochet-imposed 1980 constitution it has maintained what is by Latin American standards low inflation and in the last three decades (the timeframe for which such data is available) has kept the Chilean government's S&P credit rating above BBB+ ³⁵.

The Argentine central bank meanwhile, has faced near continuous political pressures since its modern foundation in 1980. While ostensibly "the Central Bank of the Argentine Republic is a self-administered National Government entity subject to the provisions of this Charter and other related legal rules"³⁶ members of the Argentine Junta were and are able to exert pressure on their appointees, commanding bankers to mount and sustain a campaign of lowering interest rates

³⁴ Republic of Chile Office of Records, Office of Records. *1980 Constitution of Chile Revised 2021*, Office of Records.

³⁵ "Chile - Credit Rating." *Chile - Credit Rating*, 15 Sept. 2022, tradingeconomics.com/chile/rating.

³⁶ "Charter of the Central Bank of the Argentine Republic." *Banco Central de La Republica Argentina*, www.bcra.gob.ar/Institucional/BCRALaw.asp. Accessed 10 June 2023.

and buying government debt that lasted through much of the junta³⁷. Democratic rule proved little better for the independence or efficacy of the Argentine central bank with democratically elected presidents sacking central bank governors at will³⁸ and the Argentine government defaulting on its debt or undergoing an IMF restructuring of its debt six times since the transition to democracy. During the infamously unstable period of Carlos Menem's tenure six different people held the title of governor of the Argentine central bank in the span of two years.

If both the Chilean and Argentine central banks are *de jure* independent institutions entrusted to regulate financial transactions and ensure macroeconomic stability in their respective countries, why has the Chilean Central Bank been consistently more effective? Part of the problem comes down to the way in which the executive of the bank is chosen. Chile operates in a system somewhat similar to the United States where the central bank is led by the governor of the board who presides over four other governors, each of whom is nominated by the Chilean president and ratified by the senate.

The Argentine system is similar in that board members and presidents (meaning the president of the Argentine Central Bank) are nominated by the president and confirmed by the senate. Chilean Central Bank governors are largely protected once in office, article nine of the Argentine Central Bank's charter states "the removal of the members of the Board shall be ordered by the National Executive in the event of misconduct or failure to comply with the duties incumbent on civil servants on the advice of a committee of the National Congress." [36] While Chilean

³⁷ "La Inflación, Según El Paso de Las Décadas." *Universidad Torcuato Di Tella*, 12 Oct. 2012, www.utdt.edu/ver_nota_prensa.php?id_nota_prensa=7670&id_item_menu=6.

³⁸ Parks, Ken. "Argentina Central Bank Governor Juan Carlos Fabrega Resigns." *The Wall Street Journal*, 2 Oct. 2014, www.wsj.com/articles/argentina-central-bank-governor-juan-carlos-fabrega-resigns-1412201234.

Central Bank's mission statement translates as “guarding the stability of currency and normal functioning of internal and external payments”³⁹ the Argentine Central Bank’s mission statement as defined by 2012 law is “*to promote, to the extent of its ability and in the framework of policies established by the national government, monetary stability, financial stability, jobs and economic growth with social fairness*”⁴⁰ (emphasis mine). This sprawling mission statement asserts that the first priority of the Argentine Central Bank should be to help legislators achieve their stated policy objectives, with monetary and financial stability coming, quite tellingly, second and third.

The degree to which the Argentine and Chilean political establishments trust undemocratically appointed technicians like central bankers could be a product of the juntas that spawned or evolved into the current democratic systems. The general macroeconomic stability witnessed under the stewardship of the Chicago Boys could have set a precedent for the efficacy and reliability of bureaucrats. While Argentine democrats saw little reason to let the bankers work after the meltdown experienced in the late Argentine Junta, and continued with their predecessors’ habit of not respecting the *de jure* independence of the bank.

³⁹ *Bank Functions - Banco Central de Chile*, 2023, www.bcentral.cl/en/web/banco-central/the-bank/corporative-goverment/bank-functions.

⁴⁰ “Piggy Bank.” *The Economist*, 31 Mar. 2012, www.economist.com/the-americas/2012/03/31/piggy-bank.

VII. CONTINUED POLITICAL VIOLENCE

As the juntas established themselves and their institutions' levels of political violence moved towards what would become the status quo for their respective regimes. Insights can be gained regarding levels of foreign investment and ease of doing business in Argentina and Chile by analyzing the relative levels of political violence seen in each country. This internal strife and the belligerence of each junta's foreign policy shaped Western perceptions of the juntas and the attitudes of the Western business community on the morality and viability of investments in the two countries.

Even by the standards of Cold-War-era Latin American juntas, the Argentine 'Ultima Dictadura' was especially brutal. Thousands of confirmed killings and an estimated 30,000 disappearances occurred at the hands of government security forces or regime aligned paramilitary death squads.⁴¹ CIA documents detail the construction of "over 300 secret prisons for detaining anyone suspected of being subversive". Besides the aforementioned leftist insurgents, the regime claimed it was protecting the country from "students, educators, trade unionists, writers, journalists, artists, left-wing activists, members of the clergy, and alleged sympathizers of anti-regime elements⁴²". While the urban insurgency and rural guerillas had largely been crushed by 1980, [42] the Falklands War gave investors a whole new raft of reasons to avoid building relationships and businesses in Argentina.

Famous for executing dissidents by pushing them out of helicopters, the Pinochet regime was by no means humane. This being said the levels of state

⁴¹ Esparza, Marcia, et al. *State Violence and Genocide in Latin America: The Cold War Years*, Routledge, London, 2013, pp. 107–107.

⁴² "Argentina Declassification Project - The 'Dirty War' (1976-83)." *Central Intelligence Agency*, www.cia.gov/readingroom/collection/argentina-declassification-project-dirty-war-1976-83. Accessed 9 June 2023.

violence were lower and unlike Argentina, nonstate actors were unable to match the level of violence the junta employed. Though approximately 3000 dissidents were executed and thousands more detained without trial⁴³ the number of political killings was literally not of the same magnitude in Argentina. The Chilean state also maintained a firm monopoly on violence during Pinochet's rule, with nearly all those killed or detained being noncombatants opposed to the regime or entirely unrelated bystanders.⁴⁴ Unlike in Argentina, Chilean security forces suffered minimal battlefield deaths and were largely targeting people with no real capacity for violence against the regime.

While the targeting of unarmed opposition and seemingly random people from anti-regime demographics may be more morally repugnant than the criteria for targeting used in Argentina, it shows that Chilean control over its territory was uncontested. This monopoly on violence is generally seen as a prerequisite for effective governance and development⁴⁵ and Chile's ability (and Argentina's inability) to use violence and contain opposition violence likely played a significant role in both countries' growth trajectories.

⁴³ McCarthy, Julie. "A Dictator's Legacy of Economic Growth." *NPR*, 14 Sept. 2006, www.npr.org/2006/09/14/6069233/a-dictators-legacy-of-economic-growth.

⁴⁴ Esberg, Jane. "The audience of repression: Killings and disappearances in Pinochet's Chile." *SSRN Electronic Journal*, Aug. 2018, <https://doi.org/10.2139/ssrn.3246120>.

⁴⁵ Acemoglu, Daron, et al. "The monopoly of violence: Evidence from Colombia." *Journal of The European Economic Association*, Jan. 2013, <https://doi.org/10.3386/w15578>.

VIII. LEGALITY

The Chilean regime had more respect for legality than the Argentine junta. Authoritarian legality is always a difficult subject to define but investors are attracted to predictability, and as can be seen in Singapore today or the Taiwan and Republic of Korea of the 1980s, rule of law and strong private contracts can exist in the absence of democracy.

A stable political, economic and social environment and well established methods of settling legal disputes is a prerequisite for attracting foreign investment and fostering long-term growth. As we shall see the two countries' relative degree of internal strife and external belligerence correlated strongly with the amount of investment each country received. Additionally, evidence that the relationship between external perceptions of a government's respect to legality being causally linked to foreign investment and development⁴⁶ so a look at the legal framework each regime constructed and worked within will be important to understand in order to make sense of later outcomes.

While not adhering to its own constitution or laws as authoritarian regimes in the manner of highly legalist authoritarian states like Brazil or South Korea, Chile's dictatorship was in many ways restrained. A majority of state sponsored killings in Chile were killings of people tried in military or civilian courts with a ratio of 1.5 executed from the courts per 1 extra-judicial killing (EJK). Argentina meanwhile had a staggering 71 EJKs per 1 person executed by courts or tribunals⁴⁷. These dramatic statistics and the levels of violence they represented may have made news in foreign

⁴⁶ Touchton, Michael. "Trapping the Tigers: Regulation of Market Entry and the Rule of Law in Se Asia." *The Social Science Journal*, vol. 52, no. 1, 2015, pp. 8–21, <https://doi.org/10.1016/j.soscij.2013.10.010>.

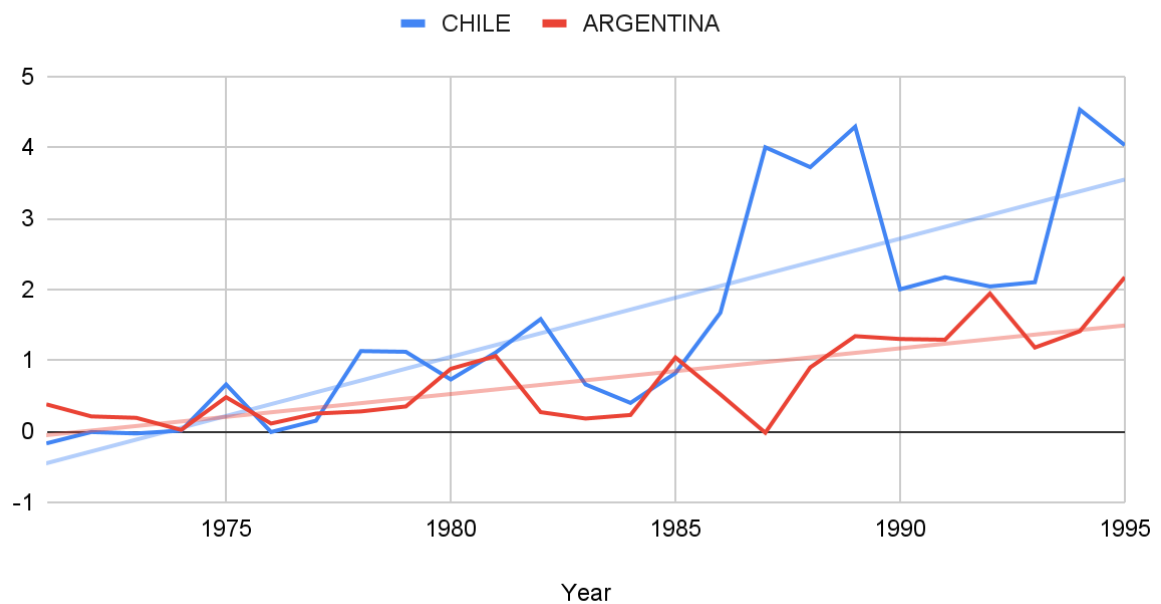
⁴⁷ Pereira, Anthony W. "Repression, Legality, and Authoritarian Regimes." *Political (in)Justice: Authoritarianism and the Rule of Law in Brazil, Chile, and Argentina*, University of Pittsburgh Press, Pittsburgh, 2005, pp. 21–23.

press but what is perhaps more important to business owners and potential investors is the conduct of civil law. Unlike Argentina, Chile did not purge its supreme court, revoke the irremovability of civilian judges or institute purges of its civilian judiciary[47]. Regime officials within the Ultima Dictadura have stated that completely bypassing the judiciary or attempts at legalism like Chile's 1980 constitution was a mistake. With former captain in the Argentine Navy Carlos Raimondi stating it was an error not to attempt the "Chilean solution" of having a "wary acceptance" of a largely independent civilian judiciary[47].

IX. INVESTMENT FLOWS

Argentina and Chile were not rich countries during their periods of junta rule. Most major industrial projects or resource gathering operations would need to seek capital from the state, or from abroad. For this reason it was, and is, imperative for the developing countries of Argentina and Chile to make foreign investment easy and attractive. Part of the countries' varying success can be explained by the policies taken to attract and maintain foreign money, and foreign actors' reactions to the level of violence in each country.

Fig 3: Foreign Direct Investment As Percentage of GDP



Source: Macrotrends

A case study of Argentine trade and investment policy can be found in the story of French auto manufacturer Citroën. In a 1979 statement Citroën stated "It is not beyond the knowledge of those of us who in one way or another are linked to this industry, that the opening of imports would necessarily force investments that would

allow a reduction in operating costs and an improvement in the units produced”⁴⁸, the next year the business shuttered. What remained of the company was acquired by Daher-Boge which continued producing spare parts for the Argentine Citroën models until it too was forced out of business in 1982. Sanctions, brought on by the Falklands War, kept needed components from Europe from reaching Daher-Boge factories for months. This double-tap of poor policy and planning eliminated a firm that employed more than 1,600⁴⁹ Argentines in sought-after manufacturing jobs. Jobs in factories like those of Citroën or Daher-Boge were exactly the kind of high-end manufacturing that allowed South Korea and Finland to escape middle income status and enter the new millennium as wealthy economies.

The story of Citroën in Argentina is not unique. Argentina did not effectively attract and retain investment during its junta. Foreign direct investment remained low, averaging 0.48% of GDP ⁵⁰ from 1976-1983. Investment wasn’t just not entering Argentina, it was leaving: there was \$41 billion of divestment during the junta years,⁵¹ a sum that would equal half of the country’s GDP the year the junta left power. Capital and jobs also left Argentina in response to junta diktats as well as a poor trade policy and an inability to reign in violence from the leftist insurgency or more extreme regime elements. Despite or perhaps because of the efforts of the Argentine Central Bank and Finance Ministry inflation was still uncontrolled and the Ultima Dictadura imposed periodic wage and price freezes that limited businesses’

⁴⁸ Capano, Alejandro H. “Historia de Citroën En Argentina.” *Dia Del Sur*, 2018, diadelsur.com/historia-de-citroen-en-argentina/.

⁴⁹ Autos, MDZ. “97 Años En El País: Conocé La Historia de Fiat Argentina.” *MdzOnline*, 25 Oct. 2020, www.mdzol.com/mdz-autos/2020/10/25/97-anos-en-el-pais-conoce-la-historia-de-fiat-argentina-113999.html.

⁵⁰ “Argentina Foreign Direct Investment 1970-2023.” *MacroTrends*, www.macrotrends.net/countries/ARG/argentina/foreign-direct-investment. Accessed 21 June 2023.

⁵¹ Barrera, Mariano Alejandro, and Leandro Marcelo Bona. “La Fuga de Capitales En La Argentina Reciente (1976-2018).” *Revista Facultad de Ciencias Económicas*, vol. 26, no. 2, 2018, pp. 13–13, <https://doi.org/10.18359/rfce.3059>.

decision making power and caused real wages to freefall to just two thirds of pre-junta wages by the end of the regime [28].

Foreign policy played almost as big a role in scaring off investment as domestic policy. Though the Ultima Dictadura was already beginning to falter at home when it launched its 1982 invasion of the Falkland Islands, the suffocating sanctions placed on Argentina following the invasion were a deathblow. In a televised address to the nation Argentine economic minister Juan Maria Dagingino Pastor described the Argentine economy as being in “a state of destruction without precedents” saying that the financial system had devolved into “an explosive situation”⁵². Dagingino’s words were not without warrant, for more than 90 days the country could not trade or access financial accounts in all the member states of the European Economic Community, as well many Commonwealth countries. The USSR, who bought 70% of Argentina’s grain exports no longer saw Argentina as a reliable supplier and halted imports during the war and did not resume them after the conflict had ended. The Falklands War can also be seen as an important driver of the hyperinflation the junta experienced in its final years and the democratic government that succeeded it, with the junta temporarily cut off from its foreign reserves and stripped of opportunities to trade for foreign currency the junta was left with few options other than continually devaluing the peso. Persistently high trade barriers, arbitrary government action, and violence at home and abroad kept much needed investment out of the country and pushed away what investment had been made.

⁵² Daoudi, M. S., and M. S. Dajani. “Sanctions: The Falklands Episode.” *The World Today*, vol. 39, no. 4, 1983, pp. 150–60. *JSTOR*, <http://www.jstor.org/stable/40395502>. Accessed 3 July 2023.

Chile meanwhile focused heavily on opening to foreign markets and attracting foreign investment. In his seminal review of junta economic policies ex Chilean minister of finance and economy Sergio de Castro stated “it is difficult to exaggerate in this paper how our (pre-junta) policies on trade have frustrated and diminished the pace of our development⁵³.” The statistics speak for themselves, trade openness as measured by imports plus exports divided by GDP nearly doubled during the course of the junta while remaining stagnant in neighboring Argentina.⁵⁴ New foreign direct investment in Chile averaged 1.45 % of GDP per year during the junta years, and 0.92% of GDP during the years concurrent with the Argentine Junta⁵⁵. This development was no accident, in 1974 the regime “established one of the most liberal investment regimes in developing countries at the time, guaranteeing generally open and nondiscriminatory treatment for foreign investors in terms of both entry conditions and subsequent treatment of business operations”⁵⁶. The Pinochet regime stressed predictability, leasing copper fields to foreign companies like Anaconda Copper on long term contracts, and having “taxation provisions (that) offered a guaranteed tax rate for at least a decade” and offering “one of the strongest contractual guarantees with the state available in any county”. [46] That the Pinochet government was able to attract such significant foreign investment so soon after the Allende government’s campaign of seizures and nationalizations was a testament to the strength and scope of the policies instituted. While still leaning heavily on the

⁵³ De Castro, Sergio. “Politica de Comercio Exterior.” *“El Ladrillo”: Bases de La Política Económica Del Gobierno Militar Chileno*, Centro de Estudios Públicos, Santiago de Chile, 1992, pp. 72–72.

⁵⁴ “Trade Openness.” *Our World in Data*, ourworldindata.org/grapher/trade-openness?time=1991. Accessed 24 June 2023.

⁵⁵ “Chile Foreign Direct Investment 1970-2023.” *MacroTrends*, www.macrotrends.net/countries/ARG/argentina/foreign-direct-investment. Accessed 26 June 2023.

⁵⁶ Kline, John M. “Key Restructuring Decisions of the 1980s.” *Foreign Investment Strategies in Restructuring Economies: Learning from Corporate Experiences in Chile*, Quorum Books, Westport, CT, 1992, pp. 26–26.

extraction of raw materials, namely copper, Chile received the investment it needed to make effective use of its mineral wealth and glut of labor.

X. EDUCATIONAL POLICY

Military dictatorships are not known for encouraging academic freedom, and the Argentine junta was no different. More than 40% of the 30,000 individuals “disappeared” by the junta were academics, students or journalists⁵⁷. The junta’s actions to stunt academic freedom and production went further than this culling. A petri dish of left-peronist dissent, the major metropolitan universities were downsized during the junta, state universities were no longer free for those whole qualified and entrance exam were made mandatory causing enrollment numbers to fall from 90,000 students in 1975 to less than 45,000 in 1977⁵⁸. Scientific research and postgraduate education and training was moved away from universities to institutes established under the aegis of the National Council for Scientific and Technological Research or CONICET. These institutes were overseen by junta approved administrators and were generally small installations of a few dozen researchers situated far from major metropolitan areas. Junta policy towards higher education can be described as a pivot towards these state controlled institutes, with state university funding falling by 74% and CONICET funding doubling over the course of

⁵⁷ Kaleck, Wolfgang. “Argentine Dictatorship 40 Years On.” *The Argentine Dictatorship 40 Years On*, European Center for Constitutional and Human Rights, 25 Nov. 2016, www.ecchr.eu/en/publication/argentine-dictatorship-40-years-on/.

⁵⁸ Bekerman, F. (2013). The scientific field during Argentina’s latest military dictatorship (1976–1983): Contraction of public universities and expansion of the National Council for Scientific and Technological Research (CONICET). *Minerva*, 51(2), 253–269. <https://doi.org/10.1007/s11024-013-9227-9>

the junta[58]. While total funding towards higher education during the junta only fell by a marginal amount, the loss of academic freedom and the network effect of allowing academics to work at large institutions like universities likely dampened Argentine academic output. Primary and secondary education, while not budgetarily suppressed in the same manner as university education received a different set of diktats with a political and ideological education becoming a key facet of school life. Directive 504/77, enacted in the first year of the junta called for “an effective spiritual and ideological closeness with the authorities” in the sphere of education and ordered “an intense intelligence operation to separate subversive elements from the sphere”⁵⁹. Teachers were charged with being “ideological custodians” of their students. Government documents state that the objective of education is instill Christian and national values, and that education should serve the needs of the state. Acquisition of technical skills or critical thinking is not mentioned in the publication⁶⁰. Further suppression was noted by the Argentine National Institute for Teachers which in their 2010 report recorded that teaching on genetics, evolution, contemporary literature or sexual education was forbidden⁶¹.

Parts of the Pinochet regime’s slightly less repressive attitude towards education can be explained by the regime’s source of legitimacy and the support the urban middle and upper classes lent to the regime in its early stages. Following the failure of Allende’s economic program leftist sympathies were lessened and unlike Argentina Pinochet did not enter power facing an armed insurgency by leftist

⁵⁹ COMISIÓN PROVINCIAL DE LA MEMORIA. (2022, May 6). *Vigilar La Escuela*. CPM. <https://www.comisionporlamemoria.org/project/vigilar-la-escuela/>

⁶⁰ OFICINA DE EDUCACION, *Subversion en el ambito educativo (conozcamos a nuestro enemigo)* (1977). BUENOS AIRES; MINISTERIO DE CULTURA Y EDUCACIÓN .

⁶¹ Adamoli, M. C. (2010). ¿QUÉ OCURRIÓ CON LA CULTURA Y LA EDUCACIÓN DURANTE LA ÚLTIMA DICTADURA? In *Pensar la dictadura, terrorismo de Estado en Argentina: preguntas, respuestas y propuestas para su enseñanza*. essay, Ministerio de Educación de la Nación Argentina.

guerillas. Despite this the regime defaulted to the authoritarians' fear of academia and vacancies (the number of spots on offer to first year students at the nation's eight universities) declined by 30% between 1974 and 1980. Though academic freedom on college campuses increased somewhat following the reforms of 1981 as the regime entered its second stage, change was marginal until the restoration of democracy in 1991.

Based on my research it does not appear changes instituted by the Argentine and Chilean juntas towards education meaningfully differed. A contraction in the size of universities and the academic freedom they allowed was observed in both states. Some amount of political education or indoctrination in primary and secondary schools was instituted with teachers unwilling to evangelize for regime policies and worldviews forced into retirement. Both countries witnessed a slowing in the growth of primary and secondary school enrollment and graduation. While Chile did experience significant growth in the rates of primary and secondary school enrollment and graduation during this period, such trends were present from the 1930's onward and the rate at which enrollment increased slowed during the Pinochet period. I do not believe differences in education policy significantly dampened Argentina's development prospects relative to Chile's. It is possible the more active persecution of students, academics and intellectuals in Argentina could have led to a greater degree of "brain-drain", however no hard data is available on the subject other than anecdotal sources stating intellectuals trickled back into Chile as the Pinochet regime settled⁶².

⁶² Litvak, S. (1983). Survival and revival: Chilean universities under pinochet. *Nature*, 306(5938), 11–12. <https://doi.org/10.1038/306011a0>

XI. TRANSITION AND LEGACY

The influences of the Pinochet Junta and the Última Dictadura are persistent. The institutions they created, and the attitudes of elites, common citizens, and foreign investors are still important to consider today. Perhaps the most important institutional legacy of the Argentine junta was cementing the idea that the only viable alternative to military rule was the freewheeling populism of Peronism. While Peronism has mutated into strains as diverse as neoliberal Menemism and left-wing Kirschnerism, all ideological offspring share the same populism, nationalism and disregard for written law that characterized the rule of the original Perons. Juan and Isabel Peron as well as the junta that succeeded them ruled on an ad-hoc basis. An explicitly anti-legalist governance style of EJK's, government associated paramilitary groups and sudden declaration of wage freezes or price controls. This long decade poisoned an already blighted political culture and is a prime driver as to why the consultancy firm Edelman ranks Argentina as the most polarized country of the 26 surveyed in its 2023 Edelman Trust Barometer⁶³.

⁶³ Reis, Tonia E et. al. "2023 Edelman Trust Barometer." *Edelman.Com*, Daniel J. Edelman Holdings Inc., 2023, www.edelman.com/sites/g/files/aatuss191/files/2023-03/2023%20Edelman%20Trust%20Barometer%20Global%20Report%20FINAL.pdf.

Both Juntas had two distinct stages. Chile's junta entered its second stage in the early 1980s when controls of universities were relaxed, the 1981 constitution was approved in a (almost certainly fraudulent) election⁶⁴, providing a roadmap to democracy, and economic policy that moved away from the hardline neoliberalism towards a more mixed economy following the recession dubbed 'Crisis of 1982'. The Argentine junta entered its second stage not out of self reflection but under duress, following the failure of the Falklands war various members in the junta passed the buck of leadership as the economy began a freefall. This game of political hot-potato ended when Reynaldo Bigone brokered a deal to transition to civilian rule while safeguarding the lives of junta leadership.

The strength of the institutions defended and created during the Pinochet regime is revealed by their stand against Pinochet as he railed against them in the closing weeks of his rule. Sensing popular dissatisfaction with the regime and hoping to renew his mandate Pinochet staged a national plebiscite in 1990 asking the Chilean people whether they wanted continued dictatorial rule or a return to democratic elections. Personally convinced he would be reinstated in a landslide, Pinochet allowed the election to be run in a free and fair manner. The results came in with the preference for democracy winning by a 12 point margin⁶⁵. Pinochet reacted to this unexpected outcome by attempting to incite chaos in the capital and reclaim power as the steward of good order in the country. The Chilean gendarmerie flouted Pinochet's order and other junta officials sided with the newly empowered

⁶⁴ Krause, C. A. (1980, September 12). *Pinochet wins overwhelming vote on new Constitution*. The Washington Post. <https://www.washingtonpost.com/archive/politics/1980/09/12/pinochet-wins-overwhelming-vote-on-new-constitution/750660cc-4fa3-4962-8720-9c4bddb2b595/>

⁶⁵ Angell, Alan; Pollack, Benny (1990). "The Chilean Elections of 1989". *Bulletin of Latin American Research*. Society for Latin American Studies. **9** (1): 1–23. doi:10.2307/3338214

civilian leaders. Under immense stress from a man who was still de jure and de facto leader of the country, Chilean civilian and military leaders respected the outcome of a free and fair election and followed the law as written, an event that is now routine.

Authoritarian regimes do not have ending points so much as half-lives. For this reason it is crucial to understand that Argentina's hasty, if merciful transition to democracy added another turn to the centrifuge of Argentine politics and sowed future instability. Meanwhile Chile's ordered transition, and junta resistance to Pinochet's attempts at self-coup, in no small way strengthened the succeeding civilian government and its resolve to preserve democratic rule.

XII. THE ALTERNATIVE: A PRIOR DIVERGENCE

The central argument of this piece, that Argentina was surpassed by Chile in development due to events that occurred during their respective juntas, can be challenged from many angles. First among them might be that Chile already seemed to be converging with Argentina in the decades prior to their juntas' arrival in power, and that Argentine growth had stalled out since Peron's first tenure in the 1980s.

It is true that Argentina had fallen from grace economically with the collapse of commodities prices in the 1920s, with the country having per capita incomes and living standards equal to western Europe for the first quarter of the 20th century and as much foreign investment flowing in as countries like Canada or Australia.⁶⁶ But Argentina continued to lead not just Chile, but all of Latin America on the GDP per capita and average years of education until 2002 and 2014 respectively. In the 1970s Argentina's stagnation and Chile's ascendance was not preordained.

The argument could also be made that the respect for rule of law and peaceful domestic situation of the Chilean regime was inherited from its democratic predecessor, a generally successful democracy that was more than 40 years old at the time of the coup. In a somewhat sweeping generalization Chilean social scientist Genaro Arriagada has written "one of the most characteristic political realities of Chile is the importance of legality as a superior standard to which all behaviors and the resolution of conflicts between people and institutions are referred. . . . Legality is

⁶⁶ Campos, Nauro F., Menelaos G. Karanasos, and Bin Tan. "From Riches to Rags, and Back? Institutional Change, Financial Development and Economic Growth in Argentina Since 1890." *The Journal of development studies* 52.2 (2016): 206–223. Web.

the foundation of the government's legitimacy."⁶⁷ Meanwhile the period of democratic rule that preceded the Argentine Junta spanned just three years abutted by yet another period of military rule and before that democratic rule by the same Juan Peron that would take power 18 years later.

I will concede that violent or non-procedural transitions of power were something of a tradition in Argentina and somewhat alien in Chile but both countries had a history of attempting import substitution, inefficient state owned industries and policies generally hostile to foreign investment and growth. The capitalist class was generally weaker politically in Argentina than in Chile so the Ultima Dictadura would likely have faced less internal resistance in ending autarkic policies aimed at substituting imports. Though trade unions were more politicized and militant in Argentina, trade unionists were effectively treated as enemy combatants during the Dirty War and as such their desires were not incorporated into junta political calculus. Though the Falklands War later soured Western attitudes towards Argentina at the start of their respective regimes both nations were initially favored by the US due to their strong anti socialist views. While Chile may have had some support from the American intelligentsia, Argentina had close security cooperation with the US, to the point that President Reagan publicly declared the US neutral upon Argentina's assault on the United State's NATO ally⁶⁸.

In short, domestic considerations and foreign involvement did not meaningfully limit Argentina from tearing down trade barriers or adopting the pro-

⁶⁷ Pereira, Anthony W. "Wartime" Legality and Radical Adaptation in Chile." *Political (in)Justice: Authoritarianism and the Rule of Law in Brazil, Chile, and Argentina*, University of Pittsburgh Press, Pittsburgh, 2005, pp. 94.

⁶⁸ Treharne, Sally-Ann. "The Special Relationship and the Falklands War (Chapter 2) - Reagan and Thatcher's Special Relationship." *Cambridge Core*, www.cambridge.org/core/books/abs/reagan-and-thatchers-special-relationship/special-relationship-and-the-falklands-war/8F688F801791FA8E984C74356B21575A. Accessed 7 July 2023.

growth policies implemented in Chile. While some of the discrepancy between development outcomes can be explained by Argentina's history of political upheaval the Ultima Dictadura was brutal not just by the standards of Latin American juntas but by the standard of Argentine juntas specifically. Manuel Gaggero, a political prisoner arrested in the early months of the Ultima Dictadura, underestimated the brutality of the new regime, writing that when other prisoners suggested the possibility of torture "I said no, this could happen in Guatemala, but not in Argentina. Argentina has a military that is going to respect legal forms and is more civilized."⁶⁹ The Ultima Dictadura was particularly lawless and violent even within an Argentine context, pointing to the idea that even if differences existed in political culture prior to each country's respective junta, they widened during the juntas.

The great game of progress and poverty was not yet over at the beginning of Argentina's junta. It is difficult to deny that the Pinochet government made intelligent policy decisions. Steered by a nucleus of native economists trained at elite U.S. universities the Pinochet regime was able to not only implement generally successful market reforms but to accept the market's limitations and adjust accordingly following the economic pull-back witnessed in the early 80's. The extreme and sustained violence abroad and at home was a choice, not a necessity for the Argentine junta, as was its insistence on arbitrary rule and recalcitrance to implement policies already shown to be effective in neighboring Chile, such as export subsidies and low tariff rates.

⁶⁹ Pereira, Anthony W. "Antilegalism in Argentina." *Political (in)Justice: Authoritarianism and the Rule of Law in Brazil, Chile, and Argentina*, University of Pittsburgh Press, Pittsburgh, PA, 2005, pp. 128–128.

XIII. CONCLUSIONS

When each junta seized power it was not a foregone conclusion that the Argentine economy would continue to sputter and eventually be surpassed by Chile on most measures of economic well being. The varying mandates of each countries' most recent junta, and key decisions made at the highest level in each regime played a decisive role in determining the economic trajectory during and after the period of military rule. Market oriented policies favored by the Pinochet regime had a lasting positive impact on Chile's economy, and the institutions it founded during its reign preserved an existing political culture centered around rule of law. The Ultima Dictadura ran Argentina through a period of especially intense authoritarian rule with economic policies that largely mimicked the autarkic corporatism of Juan Peron. The stable legal and political framework and open, export-focused trade policy of Chile allowed the country to maintain a quick pace of growth over the decades and were the decisive factors in Chile surpassing Argentina on the basis of GDP per capita.

Further research could be done as to what shifts mandates within authoritarian regimes, and whether mandates shift due to action at the top level or whether an authoritarian system will tout whatever it can provide for its people (i.e. national / internal security or development). While this study reports that each regime started with a different mandate (development and security for Chile and Argentina respectively) numerous regimes have seemingly shifted the sources of their legitimacy while continuously holding power such as the Republic of Korea in its last years of authoritarian rule or the People's Republic of China following the ascension of Deng Xiaoping.

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