CONTRASTING HISTORIES IN THE POLITICAL ECONOMY OF PROTECTIONISM: ARGENTINA AND BRAZIL , 1880-1930[1]

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[1] This a revised version of Abreu (1944).

1. INTRODUCTION

As the largest economies in South America Argentina and Brazil have seen, since the last quarter of the nineteenth century, their relative position in terms of economic growth trends and levels change dramatically twice. It has been conjectured that income per capita levels in both countries were similar around the middle of the 19th century (Díaz Alejandro, 1985, p.96), but from the 1860s the fast expansion of exports in Argentina resulted in high rates of growth and led, in consequence, to the rapid outstripping of Brazil in a trend which was only reversed after 1913. After the war, at first slowly, then at a very rapid pace, GDP per capita levels in both countries converged. This was due to the combination of Argentina's slow growth or stagnation with Brazil's very high rates of growth from 1930 to the early 1980s. The trend continued in the 1980s as Argentina's fall in GDP per capita was still worse than in Brazil. Economic recovery in the 1990’s in Argentina, as a result of successful economic reform and stabilization, contrasted with a poor performance in Brazil, marked still another reversal of comparative growth trends.

Important elements of recent economic reform in both countries are linked with the reorientation of foreign economic policy away from protectionism and state intervention. Resistance to liberalization is likely to be explained by, among other factors, long term commitment to protectionism and by the characteristics of past economic performance under protectionist regimes. But the standard diagnosis on the ills of trade distortions entailed by import substitution and state ownership frequently takes for granted that foreign economic policies, and particularly protection regimes in both countries, have always been rather similar. The crucial related point, that economic performance in Argentina and Brazil over the fifty years following the great depression was significantly different, is also frequently missed.

While the level of protection in Argentina before 1930 was relatively low, in Brazil it was quite high at least since the early 1880s. Argentina is mentioned in some of the literature as a "high tariff" country in the 1910s only in the context of a comparison with other staple economies, such as Canada and Australia. In fact, average tariff in 1913, measured as the ratio between import duty collection and the value of imports, was around 17% for all these staple economies as well as for the United States (Díaz-Alejandro, 1975, p. 279).

The Argentinian substantial shift towards protection in the twentieth century came rather late in comparison to Brazil. Perhaps "protectionism was used as a way of rejecting the world system" (Shedvin 1990, p. 551) but surely this was preceded by developments which severely curtailed Argentinian export markets such as the re-establishment of British imperial preferences in 1932. The severe payments problems which affected Britain as well as Continental Europe after the Second World War contributed to ingrain anti-export bias. Pure wickedness, even if of the *Peronista* variety, is rarely a satisfactory explanation for the adoption of distortive economic policies (Fodor, 1975).

The aim of this paper is thus to examine the roots of protectionism and consider possible explanations for the adoption of such diverse commercial policies in Argentina and Brazil. It centers attention on the political economy of protectionism in Brazil from the 1880s to 1930 with the Argentinian case as a counterpoint.

2. AN UNEVEN MATCH

The Argentinian economy in 1880 was perhaps half the size of the Brazilian economy. At the peak of the Argentinian boom in 1913 Argentina's GDP was roughly twice the size of Brazil's. This ratio had decreased only slightly by the end of the 1920s. Argentina's population multiplied by five in 1880-1930 while Brazil's population "only" trebled. Table 1 provides basic comparative data on the two economies.

Contrasts on a per capita basis are almost impossible to believe. In the 1880s Argentinian GDP per capita was already about three times the Brazilian level. In 1900 it had reached six times the Brazilian level and in 1913 the ratio was still slightly higher (see Table 2). The gap, however, started to decrease before 1930. These differences in the level of development are also reflected by other data such as those on foreign trade and on railway mileage (of much better average quality in Argentina).

Contrasts in social indicators have also have been stressed (Díaz-Alejandro, 1985, p.104).

The period is a history of spectacular success of Argentina as a staple economy where livestock products were losing importance in relation to grain production. Most characteristics of a typical staple model economy were present there, even if linkages were rather weak if compared to paradigms such as Australia and, especially, Canada (Schedvin, 1990, passim; Armstrong, 1985, p. 91). Government policies were deficient in relation to technology and transportation (Solberg, 1987, pp. 109-26) or access to land by immigrants on a similar basis to Canada and the US was prevented. But still Argentina was a relatively high wage economy, especially if compared to Brazil.

In comparison, Brazil's not inconsiderable development, which would provide the basis for the extremely successful half century growth spurt based on protection and state intervention after 1930, was dwarfed. The core of the Brazilian economy was the new coffee growing region in São Paulo. Coffee, produced in plantations, is a permanent culture and coffee trees have a long life. Barring climatic disasters, output is to a great extent given by planted capacity. Coffee planters were keen to keep labour supply ample and maintain labour costs low. After a protracted fight to maintain slavery until the 1850s, policies shifted to subsidized immigration and obstruction of access of immigrant labour to land. On the other hand, as Brazil became the main world coffee supplier, and given the low price elasticity of demand, it became Brazilian policy to influence prices through stock administration. And, as opposed to what would become increasingly true of Argentina there was no relevant domestic consumption of the main export.

Both in Argentina and Brazil there were important regional disparities, with the Argentinian Northwest and the Northeast Brazilian playing a similar role. The Brazilian economy was undoutedly less compact than Argentina's, with the dominant core answering for a relatively smaller proportion of GDP.

Table 1: Argentina and Brazil: Basic data, 1880-1930

	Population (millions)	GDP/capita (US$ 1970)	Exports FOB (US$ mill.)	Imports CIF (US$ mill.)	Railway lines (km)
Argentina					
1880	2.5	... (470)	56.4	53.9	2,313
1901	4.7	518 (780)	162.8	110.8	17,200
1913	7.5	679 (1030)	467.0	374.2	33,478
1930	12.0	740 (1200)	1,017.0	815.0	38,600
Brazil					
1880	11.7	... (211)	103.3	80.3	3,398
1901	18.4	86 (190)	197.6	103.9	15,506
1913	24.2	106 (230)	362.8	308.2	24,614
1930	33.6	160 (340)	473.5	440.7	32,478

Notes and sources: Vásquez-Presedo, 1971 and 1976 ; Díaz-Alejandro, 1985; Tornquist, 1919; Cortés-Conde, 1985; Haddad, 1978 and FIBGE, 1990. GDP/capita data based on ECLA, 1978, Haddad, 1978, and Vásquez-Presedo, 1971, and, 1976. In brackets alternative estimates from Díaz-Alejandro, 1985. Argentinian trade data for 1881 not 1880. Brazilian trade data for 1880-81 fiscal year not 1881. Trade data for 1912 not 1913 and 1928 not 1930.

Table 2: Argentinian GDP per capita as a proportion of Brazilian GDP per capita, 1880-1930

	Díaz-Alejandro	EHV
1880	2.23 (49.8)	...
1901	4.08 (91.1)	6.02 (93.9)
1913	4.48 (100.0)	6.41 (100.0)
1928	3.53 (78.8)	4.63 (72.2)

Notes and Sources: Second column based on ECLA, 1978, Haddad, 1978 and Vásquez-Presedo, 1971, and 1976. Index numbers in brackets (1913=100).

3. TRADE STRUCTURES AND FOREIGN FINANCE

Trade and foreign finance data underline the much more advanced stage of development of Argentina as well as its deeper involvement with the world economy. The unreliability of GDP statistics makes it difficult to gauge the relative importance of the export sector in these countries but trends are less likely to be affected. In Argentina export to GDP ratios increased rapidly from around 6% at the turn of the century to 12% in the late 1920s. In the early 1880s almost 90% of total Argentinian exports were of livestock products. But by the early 1900s the share of agricultural products in total exports was already larger than that for livestock products. This trend continued so that by the late 1920s the share of agricultural exports was typically more than double that of livestock exports. France was by very far the most important market for Argentina in the 1880s, absorbing more than 30% of exports. It was only in the turn of the century, and particularly after 1907, that Great Britain became the most important export market. By the end of the 1920s, 35-40% of Argentinian exports were directed to Great Britain.

Evolution of import structure in Argentina from the 1880s entailed a rapid transition from a situation where the bulk of imports were of consumer goods to a structure where the major share was for raw materials and imports of capital goods corresponded to 20% of total exports. From 1913 onwards the import structure remained roughly stable with exception of a rapid change in the composition of consumer goods imports in favour of durable goods. Great Britain was the main supplier of goods to Argentina, its market share remaining around 30% from the 1880s to 1913. After the war Britain was overtaken by the US, so that by the end of the 1920s its market share was below 20%, compared to 25% for the US.

In contrast with Argentina, the export to GDP ratio for Brazil was already declining before 1930. After a period of stability before the great war it declined from 12-13% to around 9%. More than 60% of Brazilian exports in the 1880s were of coffee with the residual mainly accounted for by sugar and rubber. As the rubber boom developed the average share of rubber in exports rose to almost 30% in the first decade of the century. The collapse of the rubber boom and the rise in coffee prices in relation to other exports led a resumption of export concentration: In the 1920s almost 70% of Brazilian exports were of coffee. The importance of the British market declined steadily after the 1850s as coffee exports expanded. The United States became an increasingly important market for Brazilian goods: By the 1910s the US market share was around 35% while Britain's was only 15%. This trend continued in the 1920s as the US share approched 50% and the British share fell under 5%.

Raw materials had a larger share of imports in Brazil than in Argentina. Trends of change were similar to those in Argentina, with capital goods reaching 15% of total imports by the end of the 1920s. Britain supplied about 40% of Brazilian imports in the 1880s, but by 1913 this had decreased to 25%, and in the late 1920s to 20%.

Argentina attracted more foreign capital than Brazil. In both countries there was a massive inflow of foreign capital, especially after the turn of the century. By 1913 it is estimated that total foreign investments in Argentina, including direct investment and portfolio capital, were of the order of US$ 3,136 million compared to US$ 1,944 million invested in Brazil. But both in Argentina and in Brazil between 1913 and the end of the 1920s the net inflow of foreign capital was rather modest as stocks increased by only 10-20%, mostly reflecting the contraction in Continental European investment (Díaz-Alejandro, 1970, p. 30 and Abreu, 1985, p. 168).

4. REGIMES OF PROTECTION

Evidence on the Argentinian tariff suggests that in the early 1880s its level was quite high (see table 2). The significant fall in the 1880s -- to reach 13.4% on average based in official prices -- was reversed in the 1890s as additional revenues were raised in the wake of the 1890 crisis (Cortés-Conde 1984, p.347). After the turn of the century it was substantially reduced to reach a level in 1913 similar to those of other staple economies such as Canada and Australia. Solberg (1987, p.105) suggests that the Argentinian average tariff in the early 1920s was considerably below Canada's: 15% compared to 24.9%. It must be considered, however, that a high proportion of imports (about 30% of the total) were free of duty so that ad valorem equivalent tariffs were substantially higher than those included in Table 3. Instead of a level around 17% average tariff on goods paying tariff would have been around 25% in 1910-14 and 23% in 1925-29 (Díaz-Alejandro, 1985, p. 280).

Table 3: Ad valorem equivalent tariffs in Argentina and Brazil, 1880-1930,%

	Argentina	Brazil
1880	... (26.4)	37.3
1900	... (31.9)	30.3
1906	... (19.8)	49.7

1913	17.7 (20.8)	34.2
1930	16.7 (16.4)	26.7

Notes and sources: Díaz-Alejandro 1975 p. 277, Vásquez-Presedo1972, p.92 and Villela (1993). Ad valorem equivalent duties are collected import duties divided by the actual value of imports. Figures in brackets refer to collected duties divided by the official value of imports.

Agricultural implements, agricultural machinery and railway equipment entered the country free of duty and explain, for instance, the high degree of agricultural mechanization in Argentina in comparison with grain producers elsewhere. From the end of nineteenth century forward linkages were promoted by imposing high tariffs on processed or refined agricultural raw materials or products which made use of such inputs as leather goods, shoes and woolen textiles. Regional interests in Mendoza and the Northwest were placated by the introduction of high tariffs protecting domestic production of wine and sugar. Some inputs such as galvanized iron and jute bags were also protected (Solberg, 1987, pp. 105-6). Tariffs on selected goods are presented in Table 4 below.

Revenues from import duties played a crucial fiscal role in Argentina. Their contribution to the federal budget in 1913 was still near 60%, similar to what it had beeen in 1880, and remained so in the 1920s. The contrast with Brazil is striking as in late 1920s import duties corresponded to less than 40% of federal revenues, mostly a reflection of the smaller weight of trade in GDP in comparison to Argentina.

As is clear from Table 3 Brazil's tariff policy was based on tariff levels considerably above those ruling in Argentina. In the 1880s the average tariff level rose to 47% in 1888 and fell considerably in 1890s in the wake of a succession of failed attempts to stabilize Republican finances and stop exchange devaluation. It reached 27% in 1898 only to recover steadily to 50% in 1906. Afterwards it decreased continuously to reach 26% in 1930. Tariffs correspond to a lower bound of total estimates of price divergences between domestically produced and imported goods as there was a large number of additional charges which may have had a significant additional impact in raising the cost of imports. These included, at different times, statistical taxes, administrative taxes, taxes to improve harbour facilities and roads, discretionary social contributions (Nunes and Silva, 1929, pp. 1-23). Illegal state taxes on imports may have been important, especially in the poorer states.

Exemptions were also frequent in Brazil but in many cases required registration of importing firms, generally, but not exclusively railway companies and public utilities. However, after 1911, duty exemption could not benefit goods which could be produced domestically and an official register of domestic firms was kept (Nunes and Silva, 1929, pp. 252-70). After 1930 the concept of "similar domestic production" would be transformed into the most efficient nontariff barrier providing absolute protection for many industrial sectors.

Table 4: Ad valorem equivalent tariffs, Argentina, 1909 and 1927, %

	1909	1927
Wines	65.7	27.9
Spirits	85.2	26.7
Tobacco, raw and manuf.	33.4	39.9
Silk, crude & manuf.	29.7	54.1
Wool, crude and manuf.	31.9	19.6
Cotton, crude and manuf.	26.4	17.9
Iron and steel manuf.	15.2	16.3
Building materials	19.3	n.a.

Notes and sources: Díaz-Alejandro, 1975, pp. 283-5. Data for 1909 based on official prices but it is thought that divergences in relation to actual prices are not very important. Data based on official prices only for 1927 indicate tariffs of around 60% on sugar and 23.2% on cotton textiles.

Table 5 presents disaggregated information on ad valorem equivalent tariffs which would have been applied to selected goods in case duty exemptions or reductions were not applied. It is in this sense that they have been termed "theoretical". Lack of compatible data prevents the direct computation of ad valorem equivalent tariffs similar to those presented for Argentina. While there is little doubt that industrial sectors producing inputs for exempted firms suffered from negative effective protection what is striking is the very high level of protection for cotton textiles, whose import substitution provided the main stimulus for industrial growth until 1930 and beyond.

5. THE WEIGHT OF INDUSTRY

Import substitution is, of course, stimulated not only by high tariff but also by foreign exchange devaluation as the relative cost of imports to domestic substitutes is relevant to define the competitiveness of imports. In Argentina significant exchange rate fluctuations were basically restricted to period following the 1890 crisis. Tariff protection tended to move in line with these exchange developments, that is, compensating the impact of foreign exchange fluctuation on relative prices. This inverse correlation between high tariff and appreciating exchange rate was also clear in Brazil in the early 1900s. Exchange depreciation afterwards was followed by a reduction of tariffs. The crucial role of foreign exchange fluctuations in explaining import substitution has been emphasized by recent literature on the Brazilian case (Suzigan, 1986, p. 106 and Villela, 1993, pp 102-5).

Table 5: Ad valorem theoretical tariffs, Brazil, 1908, %

	1901	1913	1928
Steel bars and rods	42.9	63.0	49.5
Cement	46.9	42.4	49.8
Cotton textiles, bleached	388.0	378.8	126.4
Motorcars	...	...	21.9
Railway equip.	40.3	40.1	93.7
Rails	45.2	44.7	35.6
Wines	106.8	84.1	65.3
Wheat flour	14.9	16.4	11.9

Notes and sources: Villela, 1993, p. 181. See text for explanation of "theoretical" tariff.

It is not easy to evaluate the relative importance of the industrial sector in Argentina and Brazil before 1930. National account statistics are fragile and census data are difficult to compare as there is no chronological coincidence (1895, 1914 and 1935 in Argentina and 1919 and 1940 in Brazil) and coverage is rather dissimilar. There is some evidence that, even not taking into account that a sizeable share of Argentinian industrial output was related to export processing, Brazilian industry was relatively more important in relation to GDP already before the First World War. In

1913 the share of Argentinian industry in GDP was about 15% compared to 20% in Brazil; by the end of the 1920s respective shares had reached 19% and 24% (Vásquez-Presedo, 1976, p. 316 and Haddad, 1978, p. 161). But, especially in Argentina, definition of industry was probably too wide. This invalidates any attempt to define the size of industry in both countries based on census data. No less than 60% of persons employed in industry and still more than 60% of total industrial production in Argentina cannot be so classified (Tornquist, 1919, pp. 36-7). Based on roughly adjusted census data manufacturing industry output was probably much smaller in Argentina than in Brazil in the late 1910s.

Ratios of imports to domestic supply in any case underestimate the true importance of imports (Fishlow, 1972, pp. 322-5). Moreover, comparison of ratios of imports to domestic output added to imports can produce misleading conclusions unless exports are deducted. In the case in Brazil this is relatively unimportant but it is crucial for Argentina, especially for export sectors and, of course, aggregate measures. The available evidence suggests that net aggregate import penetration is likely to have been higher in Argentina than in Brazil around 1920, perhaps 35% compared to Brazil's 25% (Dorfman, 1970, p. 308-9 and Fishlow, 1972, p. 323). At the disaggregated level these differences could be even more significant as it was notably in the case of textiles: 45% for Argentina in 1925-29 and 13.7% in Brazil in 1919 (Díaz-Alejandro, 1975, p. 209 and Fishlow, 1972, p. 323).

6. A QUESTION OF LOBBIES

In Argentina until the end of the 1920s it is difficult to exaggerate the overwhelming support for free trade policies. With the exception of particular provincial interests, which were able to obtain substantial protection for their inefficient production, every politically relevant group of interest in Argentina favoured a low tariff, even if their stand on other issues were radically different. The political preeminence of cattlemen in Argentina, and especially of cattle fatteners, out of all proportion with the share of beef in exports, is well known. Their commitment to free trade was firmly based on their concrete interests concerning production costs and market access for their output. It was essential to have access to inputs at world prices. It was also important to maintain a low tariff so that access to the Argentinian market would serve as a quid pro quo for access to meat and grain markets, especially in Europe . In this stand the cattle interests were, for once, voicing a widely held view in every subsector of Argentinian agriculture as there was also widespread support for liberalism among grain farmers (Smith, 1983, chapters 1 and 2; Solberg, 1987, p.106; Fodor, 1985, passim, and the highly idiosyncratic Rennie, 1945, pp. 317-27).

The urban middle class, even if less influential politically than in other staple economies, was powerful enough to give victory to the Union Cívica Radical from 1916 to 1928. The coalition in favour of a quite liberal commercial policy was formidable and had no counterbalance as the import substitution industrialist lobby was really of minor importance (Solberg, 1987, p.106; Armstrong, 1985, p. 90).

The contrast with Brazil is sharp. In Brazil, actual commitment to economic liberalism, and particularly to a low tariff, was virtually non existent as the groups which would be favoured by it -- parts of the emerging but politically unorganized urban middle class -- lacked the clout to make a mark in the economic policy formulation process. Liberalism imposed by Great Britain until 1845 -- in a curiously overlooked episode in the business imperialism debate -- had, moreover, resulted in fiscal constraints during the period of political turmoil which followed independence.

Coffee planters, on other hand, could barely stress with any credibility a serious commitment to economic liberalism. From the early nineteenth century their stand had emphasized rent extraction through illegal extension of the slave trade, subsidized immigration paid by the government and restrictive land policies. This had culminated in the so called coffee "valorization" schemes after 1906, based on a freeze of productive capacity and aimed at reaping monopoly profits.

In radical contrast with Argentina, moreover, the segregation between agricultural and import substituting industrial interests was not well defined. There is in fact evidence of considerable involvement of coffee interests in the Paulista industry already in the turn of the century. About 45% of industrial workers in São Paulo in 1901 were employed in firms controlled by coffee interests (Dean, 1969, p.

37-38, based on Bandeira Jr., 1901). This confirms a trend of portfolio diversification by coffee growers which started in the 1870s and included investment in the export infrastructure, including railways, and in the processing of agricultural products. Contemporary evidence indicates that the industrial lobbies had considerably more political weight than in Argentina. Industrial interests quite early were able to gauge correctly their ability to extract concessions from the government including a very protective tariff (see Stein, 1957, pp. 96-7 for their ability to do so in the 1890s and 1900s).

Moreover, a feature of paramount importance which contributes to explain the successful adoption of a high tariff in Brazil has been overlooked in the literature. It is the link between tariff levels and the extent to which a particular commodity producing country was able to influence relevant commodity prices. The lower the market share of a given economy in a specific market, the weaker will be the influence of developments in this economy on world prices of this commodity. In such economies, and this is the case of Argentina, the scope for high protection of domestic, in particular of goods demanded by the export sector, is constrained by the need to maintain costs of production in line with those of competitors. If the political economy of protection results in higher import tariff this will entail either lower margins for exporters or loss of world market share or a combination of both.

Brazil is a special case among commodity exporters. Since quite early in the nineteenth century its share of the world markets of coffee was such that cost conditions in Brazil tended to determine world prices. The Brazilian coffee sector marginal cost curve was to a very large extent equivalent to the world coffee supply curve. In the long-run, of course, the Brazilian price “umbrella”, by making possible the survival of not so efficient competitors, ended up by undermining the Brazilian dominance. But Brazil’s dominance of the market subsisted until the 1960s. Thus, the country had degrees of freedom in its commercial policy which did not exist in commodity exporters which were price takers in world markets. There was scope for the adoption of a high import tariff as “the foreigner would pay”. This is an essential element to understand the coexistence over a long period of a very protectionist trade policy and a good growth performance.

What is argued here is not that high import tariffs were sought because it was perceived that increased production costs would be transmitted to world coffee prices. It is rather that, once the political economy of protection, as for instance lobbying by industrial interests, resulted in increased tariffs, there was no significant deterioration in the performance of exports to justify countering such tariff increases. Coffee growers were generally keen in maintaining low production costs, as exemplified by their stance on labour costs since very early in the 19th century. One cannot thus claim that a high tariff was adopted because it was perceived that the foreign consumer would bear the increased costs. It is simply that that the policy of high protection was not countered by an export lobby interested in maintaining low production costs as it was the case in most big primary commodity exporters.

The empirical relevance of this hypothesis for the period of this study was tested econometrically for 1880-1930 in Abreu and Bevilaqua (1996) where it has been shown that real coffee prices are satisfactorily explained by their own lagged values, the lag of a supply-demand balance variable, the real exchange rate lagged five years and the implicit tariff also lagged for five years to account for the time required for coffee trees to become productive. Brazil was able to pass on increased import costs to higher world coffee prices.

7. COSTS AND BENEFITS OF PROTECTIONISM

The Argentinian growth record from the 1860s to the 1920s was outstanding. A crucial element of Argentinian policies was its stress on liberal foreign trade policies and particularly on a relatively low tariff. Argentinian consumers had benefits derived from their access to imports at prices near to world levels. Argentinian producers could produce efficiently and expand exports very rapidly. There were grounds, based on past performance, to believe in the advantages of laissez faire. In contrast, Brazilian consumers paid high prices, either for imported goods or for goods produced domestically under a very substantial tariff umbrella. Similarly, exporters of other products than coffee were price takers, and faced prices for inputs much above world prices without the compensation of high export prices obtained through supply control. The Brazilian protection regime seemed an extreme example of costly government intervention. But market power in the world coffee market allowed Brazil to transfer at least partly the costs of protectionism to its coffee importers.

Moreover, an evaluation of the consequences of tariff policies in both countries in a longer time perspective would tend to further qualify the advantages of liberalism. Argentinian commitment to laissez faire would be unrewarded after 1930. Access to foreign markets could not be taken for granted, mercantilist ideas gained strength, especially in Britain, and the imperial preference regimes, following Ottawa, marked the beginning of a long term contraction of export markets. Argentina became a victim of widespread temperate agricultural protectionism in developed economies and of its adoption of strongly protectionist reactive policies, especially after 1943. Argentina also faced the disadvantages of having a relatively small industry in the end of the 1920s. In Brazil, where a much more protectionist policy had been adopted, it was possible to switch expenditure from imports to underutilized domestic industry through exchange devaluation and import controls. Fall in output in the early 1930s was lower than in Argentina, and recovery took place sooner with much higher rates of growth.

Brazilian success in basing its development boom from 1930 to 1980 on protectionism and inefficient state intervention had, however, the drawback of ingraining such policies. Rent appropriation is known to be extremely addictive. This is surely one of the factors to explain resistence to the dismantlement of protectionism. Argentina's adoption of liberal policies in the mid-1980's has been to a large extent a return to its early beliefs in laissez faire. Brazil's sharp reversal of its protectionist policies has faced more difficulties and this is to a large extent explained the long-term success in combining high tariff and high growth. The commitment of both economies to liberalism would be much eased if they are allowed to fully exploit their comparative advantages in world export markets.

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