

Argentina had also become a prime destination for European immigrants who invested their human capital in the country. It became one of the world's major trading nations with an economy that ranked in the international top ten. Towards the end of the period there was substantial investment in light industry and assembly.

2. From 1930 until 1989 the political and economic environment changed. Argentina isolated itself from the rest of the world. The interaction of successive political and economic crises produced a pendulum of transfers of power between the military and constitutionally elected governments. And until President Raúl Alfonsín, elected in 1983, transferred office to President Carlos Menem in 1989, there had not been a single transfer of power from one democratically elected president to another, during this period.

The level of government expenditures doubled and sometimes tripled, compared with the previous period. Large fiscal deficits created high inflation that finally reached the 5000 percent hyperinflation of 1989.

In an attempt to attack cyclical problems and redistribute income, marketing boards and regulatory agencies were created not just for public services, but for almost every important market in the economy. Exchange and price controls developed into permanent fixtures. Later, most public services were nationalized and many private businesses requested and obtained special subsidies and protection. Rent-seeking almost dominated the activities of most of the participants in the economy. Although investment retained its share of GDP throughout most of the period, the productivity of investment plummeted. Recurrent crises in the country's fiscal and external account produced successive stop and go business cycles.

The closing of the world's trading system and the Great Depression contributed to the beginning of import substitution, albeit more in response to declining terms of trade than to political design. In the late 1940's, import substitution was solidified into economic policy. Firms opened up shop in almost every conceivable industry, producing a wide range of products in relatively short production runs. At the same time, the problem of discrimination against traditional agricultural exports worsened.