

BRAZIL x ARGENTINA:
POLITICAL INSTABILITY AND ECONOMIC PERFORMANCE
AS SEEN FROM BRASÍLIA AND BUENOS AIRES*

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Introduction

This essay uses a comparative look at the economic performance and the evolution of political instability in Brazil and Argentina, over the last half-century or so, to shed light on an overlooked institutional aspect of recent Brazilian development: the remarkable increase in political stability over the last four decades. It also proposes a candidate explanation that might have contributed to that institutional shift: the transfer of the capital from Rio de Janeiro to Brasília.

Over the last sixty years, Brazil has substantially caught up with its wealthier southern neighbor in terms of income per capita. It has done so with much less volatility in its economic performance. Perhaps more intriguingly, I will show that most of the catch-up has taken place after 1970 and through the 1990s, a period that is not usually thought of as a golden age for Brazil, but over which the Argentine economy displayed an extremely volatile performance. This relative volatility, plus the differences in terms of physical capital accumulation and resilience to external shocks and price instability, suggests that the instability of political institutions can be an important factor in understanding the different relative performances.

A brief look at the political history of both countries reveals a pattern of high instability in the decades after 1930. From 1970 onwards, however, the two countries decouple: Argentina stays along the same unstable path, while Brazil shifts to a completely different equilibrium. Since 1969, all Brazilian presidents have reached the end of their terms, with one single exception that followed the prescribed constitutional impeachment procedure. This performance – essentially the same as that of the United States over the same period – is in stark contrast with the twists and turns that removed many an Argentine president over the same period. The timing of this decoupling, of course, nicely matches the story told by the relative performance of the two economies.

Now what could lie behind this institutional shift? There are bound to be many factors, but I argue that Brasília is a compelling candidate among them. A closer look at the instability that plagued both countries reveals the crucial role played by turmoil in the respective capital cities, Buenos Aires and Rio de Janeiro. Even the quite substantial political upheaval in Brazil during the 1960s – that is, after the transfer of the capital –

* I am grateful to Quoc-Anh Do for help with part of the data and for many helpful discussions on the topics addressed here, which draw heavily on our joint research.

takes place in a transition period in which most of the action still happens in the old capital. Brasília marks a clear break with this pattern.

In order to explain why this would be the case, I make use of previous research that has uncovered links between the distribution of population and political outcomes (Ades and Glaeser 1995, Campante and Do 2007). First, there is an empirical connection between the concentration of population in and around the capital city and the occurrence of political upheaval, which is likely due to the role of scale in the success of insurrections. In fact, a simple theory of insurrections, whereby political turmoil is more threatening to incumbent governments if it takes place close to the political center of power, can make sense of this connection (Campante and Do 2007). As such, an isolated capital such as Brasília is more insulated from this kind of instability-inducing turbulence.

This theory, and the empirical evidence, also shows that this mechanism should be in operation precisely in the kind of weakly institutionalized polity that both Brazil and Argentina were in the mid-20th century (Campante and Do 2009). On the other hand, they also suggest that low levels of concentration around the capital are associated with worse governance and more inequality. The extent to which this might have been the case in Brazil is an entirely open question, but the caveat should certainly be kept in mind.

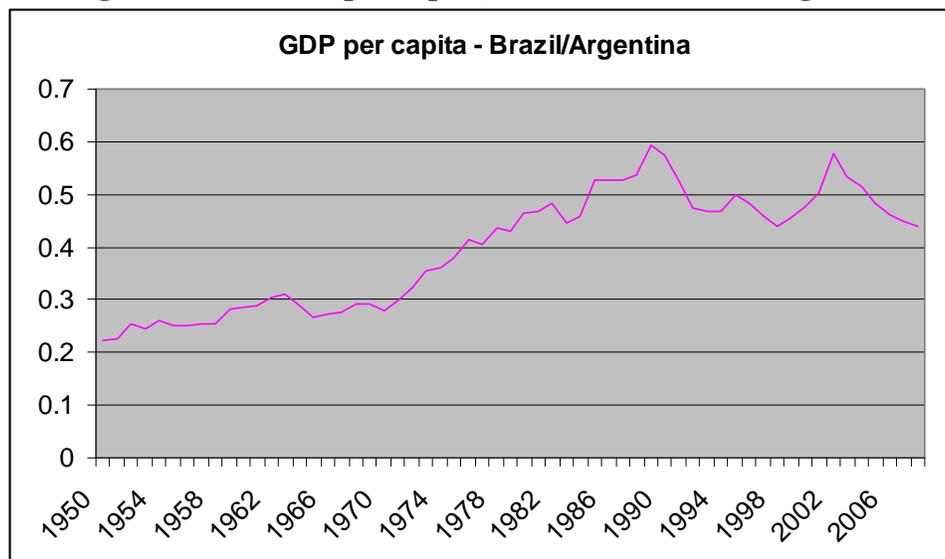
Given the paucity of data and the nature of the “experiment”, the evidence I am able to provide is certainly no more than circumstantial. Nothing close to causality claims or even direct quantitative evidence will be forthcoming in this essay, which is more about raising what I think are interesting questions and hypotheses than about providing definitive answers. That said, I believe the idea that Brazil has shifted to a more stable political equilibrium which has laid the ground for better and less volatile economic performance – and that this shift was importantly helped by Brasília – is not only persuasive, but also has a number of significant implications. It means that we should re-evaluate the role of the capital transfer, which may have had an oft-overlooked (though, as we will see, not totally unanticipated) benefit in terms of institutional development. It also draws attention to the remarkable transition that the country has undergone, towards a level of stability that is also often overlooked. This should play a more central role in our understanding of recent Brazilian economic and political history. Last but not least, it calls into question the view according to which most of the last two decades of the 20th century were “lost” in terms of economic performance. Growth was certainly disappointing, but the institutional groundwork of a maturing political system was laid out in that period.

The rest of the essay is organized as follows: Section I provides a brief comparative overview of the economic performance of Brazil and Argentina; Section II contrasts the evolution of political instability; Section III addresses the role played by turmoil in the respective capital cities; Section IV sketches the argument for why the concentration of population around the capital matters for instability; and Section V takes stock of the main lessons.

I- Brazil x Argentina: Economic Performance

The obvious starting point for our comparison is to look at the data on the evolution of relative GDP per capita. The first word that comes to mind when looking at the relative performance depicted in Figure 1 is probably “catch-up”. Brazil starts off, in the aftermath of World War II, at less than one fourth of the per capita GDP of its southern neighbor. By the end, Brazilian GDP hovers around one-half that of Argentina: the average Brazilian is still considerably poorer than her Argentine counterpart, but considerably less so than sixty years ago. This is, of course, fairly unsurprising, as anyone familiar with the neoclassical growth model and its implications for convergence would certainly be willing to testify.

Figure 1. Real GDP per capita, 1950-2008: Brazil / Argentina



Real GDP per capita (2000 \$)

Source: Cepal

What might be less expected to Brazilian eyes is what happens between the two end points in Figure 1. The Brazilian economy catches up relatively slowly until the early 1970s, and then accelerates until the 1990s, where the line plateaus at around one half. For this relative gain – and perhaps some bragging rights that may accompany it – the average Brazilian has mostly the 1970s and 1980s to thank. This average Brazilian, it goes without saying for anyone remotely familiar with the country’s history, is not used to thinking about the 1980s, in particular, as a fondly remembered golden age of economic growth.

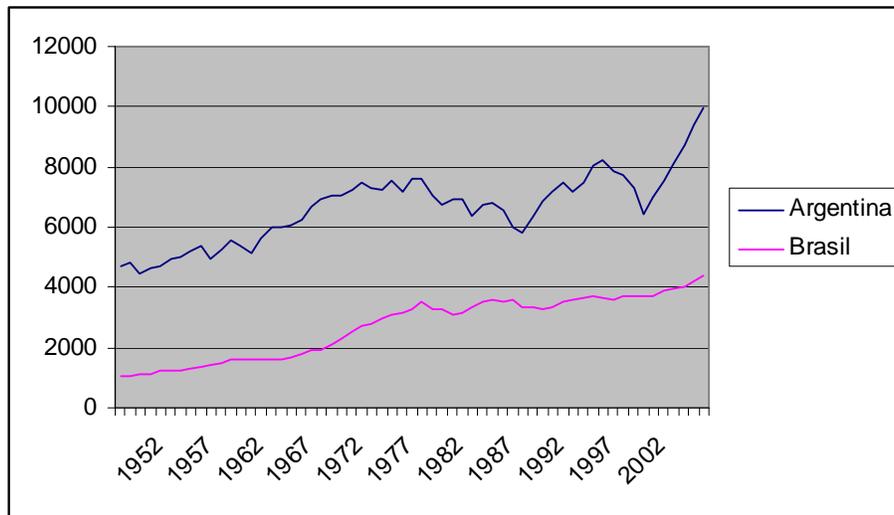
The second word that Figure 1 brings to mind is likely to be “volatility”. Particularly starting in the 1990s, what we see is a line that seems to jerk violently up and down, a rollercoaster ride that has Brazilians flirting with the heights of the 60% mark only to be brought down, then up, then down again.¹ Brazilian observers might once again be

¹ A plot using PPP-adjusted data (from the Penn World Tables) would convey a very similar message in terms of trends, timing, and volatility; if only, the catch-up is more impressive: from similar beginnings,

puzzled: in spite of all the monetary and exchange rate instability of the last two decades, in terms of output they would probably think mostly of stagnation as the defining characteristic of the period.

It doesn't take a lot of imagination to figure out that the answer to these apparent puzzles must come from looking at the Argentine denominator. Figure 2 shows Brazil growing fast until the late 1970s – particularly in the “miracle” years of the late 1960s and early 1970s – with a relatively sluggish, stagnating morass until very recently. Argentina's performance, in contrast, makes Brazil look positively boring. Its earthquake-like pattern of sudden peaks and troughs is punctuated by the remarkable collapse of 2001, and the sharp rebound that followed along with the commodity boom, but throughout the decades we see a pattern of consistent inconsistency.

Figure 2. Real GDP per capita, 1950-2008



Real GDP per capita (2000 \$)
Source: Cepal

We thus have a couple of stylized facts to wrap our minds around, as far as the comparison between Brazil and Argentina over the last half-century or so is concerned: *Brazil's performance was on average much better (mostly between the late 1960s and 1990), and much less volatile throughout the period.*

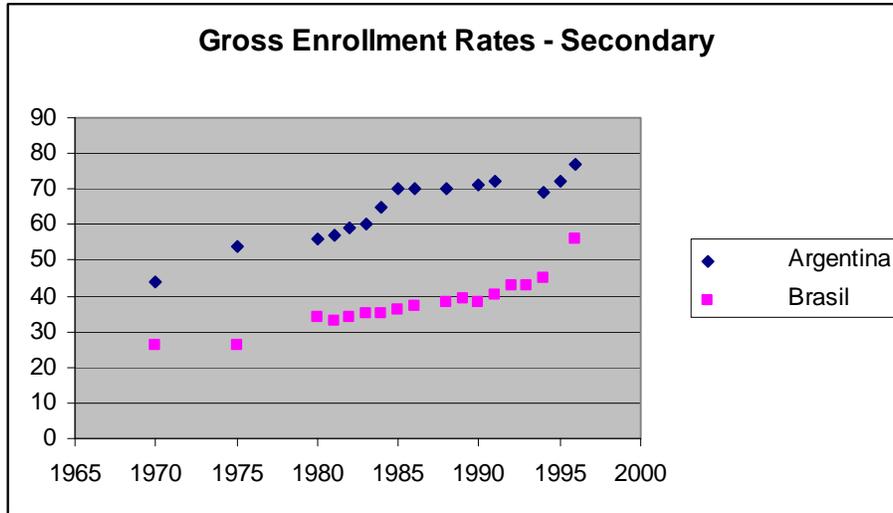
How are we to make sense of these facts? An in-depth analysis of the underpinnings of the economic trajectories of Brazil and Argentina is far beyond the scope of this essay, and has been done elsewhere – for instance in Abreu (1990), for Brazil, and in Della Paolera and Taylor (2003), for Argentina. Nevertheless, a brief look at the data can help us point at some interesting patterns.

Since, as we have mentioned, the fact that Brazil has outpaced Argentina is clearly consistent with a neoclassical story of convergence, it makes sense to start out by looking

Brazilian GDP reaches just under 90% of Argentina's in the late 1980s, before fluctuating around 70% afterwards.

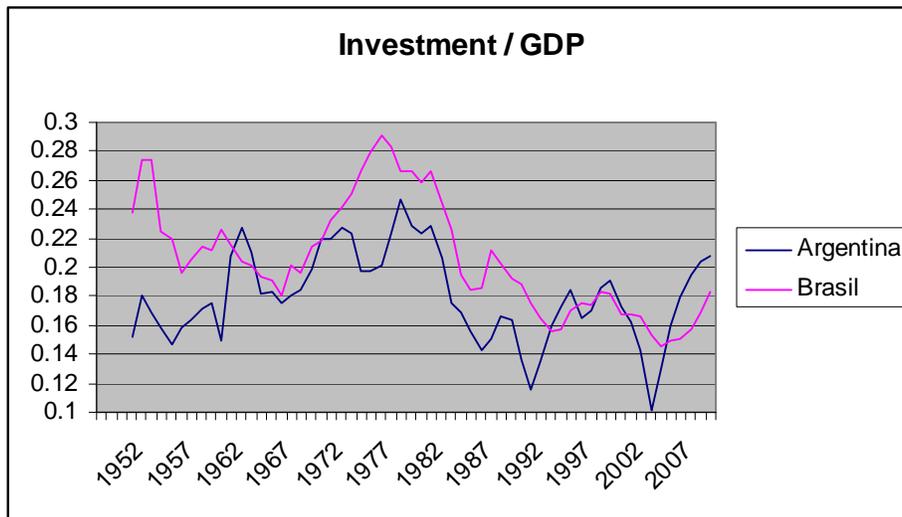
at factor accumulation.² In fact, if we look at the behavior of investment rates and some measures of human capital investment, we can easily convince ourselves that Brazilian catch-up was driven mostly by faster physical capital accumulation. Figure 3 shows Brazil's dismal performance in terms of human capital, failing to catch up, even slightly, until very late in the period. In contrast, Figure 4 shows that it has typically invested more in physical capital. This is particularly true before 1990, consistent with the pattern revealed by the GDP data. In sum, Brazil's better performance seems to have been associated with higher levels of investment in physical capital, if not human capital.

Figure 3. Gross Enrollment Rates in Secondary Schooling, 1950-2008



Source: Cepal

Figure 4. Investment as a Share of Total GDP, 1950-2008

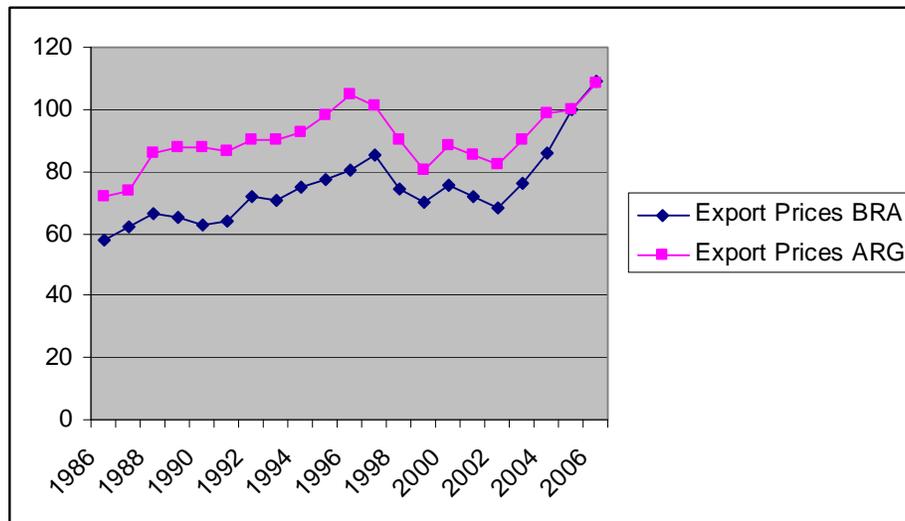


Source: Cepal

² See Blyde and Fernandez-Arias (2004) for a growth accounting exercise involving Brazil and Argentina (plus Chile, Paraguay, and Uruguay). They point out that most of the long-run growth in both countries over these decades was driven by factor accumulation rather than TFP growth.

How about external factors? We may want to look at the possibility that performance is linked to external shocks. Figure 5 shows a pattern for Argentina that remarkably mirrors the behavior of GDP. Both the expansions in the 1990s and after 2002 are associated with rising export prices, while the crisis follows a period of falling prices. This might suggest that the country's volatility is associated with volatility in the terms of trade. On the other hand, of course, the same figure shows that Brazil's export prices followed a very similar trajectory. (In fact, the post-2002 increase was considerably steeper for Brazil than for Argentina.) We may conclude that external factors were an important part of the Argentinean story – needless to say, without making any causality claims – while Brazil seemed to be more insulated from them, for better or worse, likely because of its more diversified economy.³

Figure 5. Export Prices, 1986-2006



2005=100

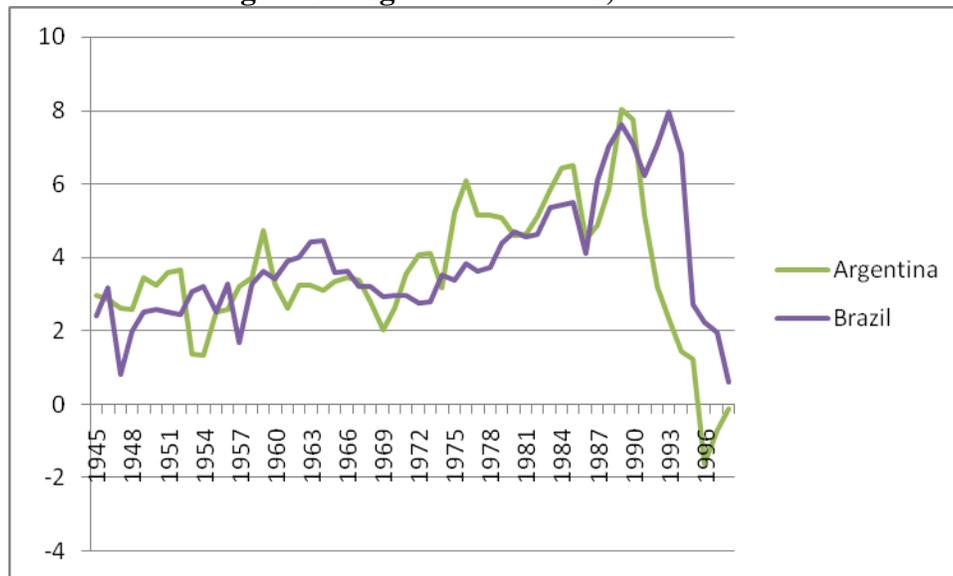
Source: IMF, International Financial Statistics. The table is limited to the period for which there is data for both Brazil and Argentina.

Finally, this being about Argentina and Brazil in the second half of the 20th century, one cannot avoid talking about inflation, the paramount indicator of the dysfunctionality that plagued both economies through most of the period. The data on annual inflation rates are summarized in Figure 6, in logarithmic form due to the remarkable price instability in both countries. The volatility in inflation rates is huge in both countries, but particularly so for Argentina, and particularly so after 1970. While the countries alternated in their peaks before then, Argentina's are typically more impressive afterwards, before both countries dramatically reduced inflation in the early 1990s. These were the days, of course, when commentators talked about the "Orloff effect" (after an old 1980s vodka advertising slogan), implying that Brazil was bound to repeat Argentina's experiences

³ It is interesting to note that Argentina was not a notably more open economy compared to Brazil, until very recently (after the 2001 crisis), as indicated by the World Bank's World Development Indicators. Both countries were, of course, fairly closed economies throughout the whole period.

with a few years' difference. But we can add, however, that it did so in relatively milder fashion.

Figure 6. Log Inflation Rates, 1944-1998



Source: IPEA (IGP-DI geral centrado, from FGV) for Brazil, and INDEC (IPC en el Gran Buenos Aires) for Argentina.

Note: The data are restricted to the period before 1998 to avoid negative rates in Argentina.

In sum, Brazil's better and less volatile performance seems to be associated with greater levels of investment in physical capital, and with less exposure to the destabilizing effects of the external shocks and price instability that were constant features for both countries during most of the period. Of course, these observations are not enough to really understand why the economic performances of Brazil and Argentina have differed so much. After all, factor accumulation is part of what we might designate as "proximate" causes of economic growth (as per Acemoglu 2009). Similarly, the issues of external shocks and price instability beg the question of why Brazil would have developed a more resilient economy. For this we need to look into the "fundamental" causes that underlie those outcomes.

II- Brazil x Argentina: Political Instability

The candidate fundamental explanation that I want to explore is of an institutional nature – namely, the state of political institutions and their stability or lack thereof. The focus on instability is a natural consequence of the picture that emerges from the previous section. The fact that an important difference between the two countries was in the level of investment in physical capital naturally points in that direction, since it is evidently affected by an unstable economic environment. Similarly, the peculiarly high levels of volatility that plagued Argentina have been closely associated with economic and institutional instability: as put by Della Paolera and Gallo (2003, p. 371), "the lack of

respect for institutional and political economy rules appeared (...) as an endemic variable that severely handicapped the economic behavior of the Argentine nation.” Since economic instability is obviously affected by political instability, it is worth inquiring how we can compare Brazil and Argentina in terms of the latter.

To use Acemoglu et al.’s (2005) distinction, we can contrast the *de facto* institutional environment with the *de jure* institutions. As it turns out, the *de jure* environments are mostly similar – presidential, federal systems with bicameral legislatures elected by proportional representation. If anything, *de jure* institutions are more stable in Argentina than in Brazil: in spite of a number of important constitutional reforms (the most recent of which in 1994), the Argentine Constitution is still the one promulgated in 1853; Brazil has had six new constitutions in the intervening period, not counting the many additional interventions and so-called “institutional acts”. This greater *de jure* stability is apparent in the longevity of the major Argentine political parties, which have by far outlasted any comparable political party in modern Brazilian history.⁴

But how about *de facto* institutional stability? At first blush, both Brazil and Argentina seem to be illustrative of the depiction of Latin America as “a region of unusual political phenomena, ... [that] in contrast to the Anglo-American democracies, which pride themselves on their orderly, representative governments where elections are held on schedule and constitutional rules generally obeyed, ... seemed quite different, with its military coups, riots, demonstrations, and frequent unscheduled changes of government.” (Wynia, 1978, p. 23) We will see that a closer look reveals similarities, but also important differences.

For both countries, it is possible to take 1930 as the starting point of their “modern” political history. In the early years of the Great Depression and its tremendous impact on two commodity-exporting economies, coups remove constitutionally elected governments – in the case of Argentina, nipping a budding democracy based on free and universal suffrage. What followed over the next four decades was remarkable instability, which we can gauge by looking at the realized changes in government.

Up to 1966, Argentina faced a succession of coups in 1943 (followed by Perón’s election in 1946), 1955, 1962, and 1966. The relatively short intervals with civilian presidents also display remarkable instability, as illustrated in Table 1.⁵ This instability is best illustrated by the number of “unscheduled changes of government”. Between 1930 and 1966, Argentina had no fewer than five presidents deposed by coups or otherwise removed from office, in addition to the two who resigned, and one interim junta. Out of a total of fifteen presidents, we have a 53% rate of “abnormalities”, not including the one instance of presidential death.

⁴ The Unión Cívica Radical was founded in 1891, and the Partido Justicialista (Peronist) in 1947. The Partido Comunista Brasileiro was founded in 1922, but was proscribed for many of the intervening years, and has generally played a very different role within the Brazilian system from the UCR and PJ in Argentina.

⁵ Note that this table does not get into the debate of who was to be considered legitimate holders of the presidential office, which is a sensitive topic particularly when it comes to the many instances of military rule in Argentina. It rather intends to be a *de facto* description.

Table 1. List of Presidents of Argentina, 1930-2009

Uriburu	Sep 6, 1930 - Feb 20, 1932	De facto
Justo	Feb 20, 1932 - Feb 20, 1938	
Ortiz	Feb 20, 1938 - Jun 27, 1942	Died in office
Castillo	Jun 27, 1942 - Jun 4, 1943	Removed from office
Rawson	Jun 4, 1943 - Jun 7, 1943	Removed from office
Ramírez	Jun 7, 1943 - Feb 24, 1944	Resigned
Farrell	Feb 24, 1944 - Jun 4, 1946	
J. Perón	Jun 4, 1946 - Jun 4, 1952	
	Jun 4, 1952 - Sep 21, 1955	Removed from office
<i>Junta</i>	Sep 21, 1955 - Sep 23, 1955	Interim
Lonardi	Sep 23, 1955 - Nov 13, 1955	Resigned
Aramburu	Nov, 13 1955 - May1, 1958	
Fronzizi	May 1, 1958 - Mar 29, 1962	Removed from office
Guido	Mar 29, 1962 - Oct 12, 1963	Acting
Illia	Oct 12, 1963 - Jun 28, 1966	Removed from office
<i>Junta</i>	Jun 28, 1966 - Jun 29, 1966	Interim
Onganía	Jun 29, 1966 - Jun 8, 1970	Interim, Removed from office
<i>Junta</i>	Jun 8, 1970 - Jun 18, 1970	Interim
Levingston	Jun 18, 1970 - Mar 22, 1971	Removed from office
Lanusse	Mar 22, 1971 - May 25, 1973	
Campora	May 25, 1973 - Jul 13, 1973	Resigned
Lastiri	Jul 14, 1973 - Oct 12, 1973	Interim
J. Perón	Oct 12, 1973 - Jul 1, 1974	Died in office
I. Perón	Jul 1, 1974 - Mar 24, 1976	Removed from office
<i>Junta</i>	Mar 24, 1976 - Mar 29, 1976	Interim
Videla	Mar 29, 1976 - Mar 29, 1980	
Viola	Mar 29, 1980 - Dec 22, 1981	Resigned
Galtieri	Dec 22, 1981 - Jul 1, 1982	Interim
Bignone	Jul 1, 1982 - Dec 10, 1983	
Alfonsín	Dec 10, 1983 - Jul 8, 1989	Resigned
Menem	Jul 8, 1989 - Jul 8, 1995	
	Jul 8, 1995 - Dec 10, 1999	
De la Rúa	Dec 10, 1999 - Dec 21, 2001	Resigned
Puerta	Dec 21, 2001 - Dec 23, 2001	Interim
Rodríguez Saa	Dec 23, 2001 - Dec 31, 2001	Resigned
Camano	Dec 31, 2001 - Jan 2, 2002	Interim
Duhalde	Jan 2, 2002 - May 25, 2003	Resigned
Kirchner	May 25, 2003 - Dec 10, 2007	
Fernández de Kirchner	Dec 10, 2007 -	

Source: Wikipedia.

Brazil produces a very similar picture for the four decades after 1930. Table 2 shows that, until 1969, we have three presidents removed by coups, two resignations, three interim periods, plus one politically motivated suicide, and one junta. Out of fifteen presidential periods, this yields a 67% rate that is even higher than that of Argentina. (This excludes the removal of Costa e Silva due to serious health reasons – he died shortly thereafter.)

This is not to mention, of course, the four new constitutions that came to life during this period, the many “institutional acts”, and institutional innovations (such as the brief experiment with a parliamentary system) that resulted from continuous instability and attempted coups.

Table 2. List of Presidents of Brazil, 1930-2009

Vargas	Nov 3, 1930 - Oct 29, 1945	Removed from office
Linhares	Oct 29, 1945 - Jan 31, 1946	Interim
Dutra	Jan 31, 1946 - Jan 31, 1951	
Vargas	Jan 31, 1951 - Aug 24, 1954	Committed suicide
Café Filho	Aug 24, 1954 - Nov 9, 1955	Resigned
Luz	Nov 9, 1955 - Nov 11, 1955	Removed from office
Ramos	Nov 11, 1955 - Jan 31, 1956	
Kubitschek	Jan 31, 1956 - Jan 31, 1961	
Quadros	Jan 31, 1961 - Aug 25, 1961	Resigned
Mazzilli	Aug 25, 1961 - Sep 7, 1961	Interim
Goulart	Sep 7, 1961 - Apr 1, 1964	Removed from office
Mazzilli	Apr 2, 1964 - Apr 15, 1964	Interim
Castelo Branco	Apr 15, 1964 - Mar 15, 1967	
Costa e Silva	Mar 15, 1967 - Aug 31, 1969	Removed (health reasons)
<i>Junta</i>	Aug 31, 1969 - Oct 30, 1969	Interim
Medici	Oct 30, 1969 - Mar 15, 1974	
Geisel	Mar 15, 1974 - Mar 15, 1979	
Figueiredo	Mar 15, 1979 - Mar 15, 1985	
Neves	Mar 15, 1985 - Apr 21, 1985	Died in office
Sarney	Apr 21, 1985 - Mar 15, 1990	
Collor de Mello	Mar 15, 1990 - Oct 2, 1992	Resigned (Impeached)
Franco	Oct 2, 1992 - Jan 1, 1995	
Cardoso	Jan 1, 1995 - Jan 1, 1999	
	Jan 1, 1999 - Jan 1, 2003	
Lula da Silva	Jan 1, 2003 - Jan 1, 2007	
	Jan 1, 2007 -	

Source: Wikipedia.

We thus conclude that instability was pervasive in both countries in the decades between 1930 and 1970.

The story becomes more interesting after 1970. Political turmoil proceeded unabated in Argentina. Not only was the brief restoration of democracy in 1973 swiftly deposed by the 1976 military coup, but instability within the post-redemocratization regime after 1983 has also been pervasive. In the end, for the period after 1966 we can count to a total of three deposed presidents, six resignations, and four interim rulers, not to mention three short-lived military juntas. This is out of twenty-four listed presidents, for an astounding “abnormality” rate of 67%. This extreme instability is also captured by the Banks (1994)

data set on coups and revolutions, which (for the years between 1960 and 1985) has Argentina as the country with the third largest number of episodes, among 133 countries.⁶

Brazil, in contrast, falls silent. I believe it remains somewhat unappreciated the extent to which Brazilian politics switched to a much more stable equilibrium starting in the 1970s, when compared to the previous decades. Out of eleven presidential periods (and nine presidents) – relatively small numbers that testify to that increased stability – there was a single case of a president who was forced from office (Collor de Mello), and this took place entirely within the constitutional parameters. This 9% “abnormality” rate is starkly lower than previously – and, incidentally, it exactly matches the record that the United States has for the same period. Of course, three of these presidents were not democratically elected, within the military regime that lasted until 1985.⁷ But even the transition from military to democratic rule followed this remarkably stable pattern. After 1970, there have been precisely zero attempted coups or revolutions in Brazil, as recorded by the Banks data set.

The reader by now already recognizes that the timing of this decoupling between the two countries, in terms of political instability, coincides with the period over which Brazil attained most of its economic catch-up with Argentina. None of this discussion establishes any claim of causality, of course – it could well be that such causality runs both ways, and that some of the correlation between the two phenomena is due to underlying, unobserved variables. But the differences in volatility and in the investment patterns across the two countries also indicate that the connection is more than mere coincidence.

III- Political Instability as Seen from Buenos Aires, Rio de Janeiro, and Brasília

Por que JK fez Brasília? (...) Era fundamental livrar o governo da vulnerabilidade presente no Rio de Janeiro, da instabilidade política, dos evidentes indicadores de ingovernabilidade, fugir dali, sair o mais depressa possível.”

(Costa Couto 2001, p. 195)

It is thus indisputable that Brazil and Argentina in the mid-20th century were weakly institutionalized, unstable polities. A full explanation for that is certainly complex and beyond the scope of this essay. What I want to do here is, motivated by the discussion in the previous section, to identify a factor that can explain why Brazil moved towards a much more stable path after the 1960s. What changed in Brazil at that time, relative to Argentina, that can help us understand the different paths?

⁶ The incidents recorded are defined as the “number of extra-constitutional or forced changes in the top government elite and/or its effective control of the nation’s power structure in a given year, including successful revolutions.” For the record, the two countries ahead of Argentina in the sample are Bolivia and Mozambique.

⁷ Indeed, the fact that the Brazilian military regime was much longer-lasting, and left fewer victims, might be considered *prima facie* evidence of this greater stability.

I will argue that one such crucial change was Brasília. The move of the capital city from Rio de Janeiro happened in 1960, and there was plenty of instability throughout the subsequent decade. But the sharp drop in episodes of political instability coincided with the consolidation of the transition to Brasília, a capital that is much more isolated from the main centers of population and economic activity in the country than Rio de Janeiro, and even more so if compared to the role of Buenos Aires in Argentina. My argument is that this reduced concentration of population and economic activity around the political center has favored political stability.

To understand why this matters, it is useful to start with a closer look at the political events in each of the two countries.

III.1. Buenos Aires and Political Turmoil in Argentina

I have argued elsewhere (Campante and Glaeser 2009) that, although 1930 represents the first “typical” coup in Argentine history, pre-1930 Buenos Aires had seen a lot of political turmoil and rebellions that threatened the established governments at the federal level. In 1880, 1890, 1893, and 1905, major uprisings started or reached Buenos Aires, managing to topple one president (in 1890) and take over the Casa Rosada in another occasion (1893) before being eventually defeated. Being the very center of political power, and with one-sixth of the country’s population concentrated there as early as 1914 (not to mention the surrounding province of Buenos Aires), turmoil in the capital was bound to have disproportionate consequences for national political developments.

The central role of Buenos Aires persisted in the post-1930s episodes. The “Revolución del 43”, started by troops concentrated at the huge Campo de Mayo base 30km from the capital and with dozens of deaths and casualties from fighting between rival military factions within the city (Ferrero 1976); the pro- and anti-Peronist demonstrations of hundreds of thousands in 1944-45, which generated the political stalemate that forced the vote that brought Perón to the presidency in 1946;⁸ the “Bombardeo de la Plaza de Mayo”, with hundreds of dead and open fighting in the streets of downtown Buenos Aires, leading up to the final coup that brought down Perón in 1955; the many insurrections and demonstrations surrounding the return from exile and subsequent death of Perón in 1973-74; the thousands of people in the *cacerolazos* that helped bring down De la Rúa in December 2001. These are all examples of the disproportionate impact of Porteño turmoil throughout the political history of Argentina.

The oft-boiling cauldron in the streets of Buenos Aires has imposed throughout the years a remarkable degree of direct pressure on incumbent governments and on the Argentine political class in general. To illustrate this, there is no better example than the “*estallido*”, the crisis that led to the resignation of De la Rúa in 2001. A series of protests following the *corralito* that had restricted bank withdrawals culminated on December 19 and 20,

⁸ On this, see the description by Scenna (1974) of the anti-Peronist “*Marcha de la Constitución y la Libertad*” (Sep 1945), and the pro-Peronist demonstrations that marked the “*Día de la Lealtad Peronista*” (Oct 1945).

with widespread looting and thousands of demonstrators on the streets of the capital defying the martial law (*estado de sitio*) declared by the government. Among the most important demonstrations were the events in front of the Casa Rosada – where the President was essentially under siege as the Plaza de Mayo was turned into a “battlefield”, in the words of the daily *Clarín* – and the protests in front of the home of the outgoing all-powerful minister Domingo Cavallo.^{9,10} This degree of personal harassment was felt by the political class as a whole, and beyond (Silletta 2005).¹¹

Another important destabilizing factor, of course, is the concentration of economic activity in Buenos Aires. About a third of the Argentinean economy is concentrated in the province of Buenos Aires surrounding the capital, and an extra quarter is in the capital alone (which is not part of the province). This means that any political disruption that threatens the area has a tremendous impact on the national economy – as fully recognized by the many instances of *bloqueos* and *piquetes* trying to block road traffic, particularly to the capital, to garner visibility for political causes.

III.2. Rio de Janeiro, Brasília, and Political Turmoil in Brazil

A not-too-dissimilar story, though much less bloody than in Argentina, can be told about the role played by Rio de Janeiro in Brazilian episodes of political instability in the post-war period. In 1945, pro-Vargas *queremistas* promoted “mass demonstrations [in Rio] on a scale never seen before in Brazil” (Bethell 2008a, p. 82), which were a huge force behind the conservative backlash that soon deposed Vargas. In 1954, upon Vargas’s suicide in response to increased political pressure, “hundreds of thousands of Brazilians went onto the streets of Rio de Janeiro [and other large cities]” (Bethell 2008b, p. 118), the US embassy was stoned, and the huge crowds following the deceased President’s body to the airport represented a *coup de grace* to the opposition’s intents. In 1955, the troops under Gen. Lott occupied Rio to depose interim president Luz, and a few days later once again surrounded the presidential palace (Palácio do Catete) and the home of former Pres. Café Filho, both times to guarantee the accession of the elected Pres. Kubitschek.

Few people were as convinced of the danger posed by the presence of the capital in the politically combustible environment of Rio as Juscelino Kubitschek. As related by Costa Couto (2001, p. 20) in his extremely JK-friendly account of the construction of Brasília,

⁹ *La Nación*, 12/20/01: “Los tres principales focos de protesta durante la madrugada fueron la quinta presidencial de Olivos, el Congreso y la Casa Rosada (...), aunque también hubo una importante manifestación frente a la vivienda del ex ministro Cavallo, en el barrio de Palermo Chico.”

¹⁰ Another striking example of harassment of politicians was at the wedding of Cavallo’s daughter, in July 2001, which was disrupted by demonstrators: “[De la Rúa] [p]odía intuir, además, el grado de rechazo social a su programa en la reacción de la multitud desbordada que insultó con gritos, huevos y pancartas a los asistentes al casamiento de la hija de Domingo Cavallo, entre ellos, el canciller Adalberto Rodríguez Giavarini.” (*La Nación*, 07/15/01)

¹¹ Silletta’s (2005) description is striking: “Eran jornadas en que los vecinos rodeaban al Congreso de la Nación en busca de políticos, y en la locura más de una vez fue atacado algún empleado, al ser confundido simplemente porque usaba saco y corbata.” (p. 112)

the President wanted to move his government away from Rio as soon as possible.¹² During the campaign, he stated explicitly his discomfort with the outsized influence of Rio.¹³ The pressure exerted by the military and the population concentrated in the capital was too dangerous.¹⁴ In fact, the idea that Brasília was explicitly created and planned with an eye on fostering the isolation of government from political pressures has been often argued by Brazilian sociologists and political scientists (e.g. Chaia and Chaia 2008).

At first blush, one may conclude that, if the idea was to promote political stability, it failed miserably – after all, there was plenty of turmoil in the years following the transfer.¹⁵ But this view is belied by a closer look at the episodes of turmoil that followed. Most of the important action leading up to the coup that deposed Goulart in 1964 took place in the main population centers of Rio or São Paulo: the “Comício da Central do Brasil”, the “Marcha da Família com Deus e pela Liberdade”. Most crucially, the center of power was not yet in Brasília, and was hence vulnerable to this pressure. It is telling that the main action on March 31/ April 1 1964 took place in Rio: that is where President Goulart was, that is where the troops and tanks rolled to (Skidmore 1988, Bethell 2008b). Goulart fled to Brasília, and found out it was irrelevant. The same was true in the turmoil of 1968, leading up to the “coup within the coup” of the Institutional Act #5 (AI-5): the main confrontations with students and the “Passeata dos Cem Mil” occurred in Rio; the cabinet meeting that decided on the AI-5 itself took place in that same city (Gaspari 2002).¹⁶

The fact is that the government keeps a foothold in Rio for the better part of the 1960s, and as a result the city retained, to a decreasing but still large extent, the mantle of political center of the country. Costa Couto (2001, p. 289-91) cites Pres. Castello Branco’s press secretary, Carlos Chagas, in saying that the president spent about 75% of his time in Rio. Pres. Costa e Silva spends more time in Brasília, but likes to stay in Rio as much as possible. The first president to rule exclusively from Brasília is Médici, starting in 1969 – the foreign embassies only follow in 1970. In 1974, the Palácio Laranjeiras used throughout the 1960s by the presidents while in Rio, is finally ceded to the state government, providing a final milestone for the transition. The transition to

¹² “Ele queria seu governo bem longe do Rio o mais depressa possível. (...) Precisava fugir daquela atmosfera de agitação e golpismo.” (p. 20)

¹³ “Desabafo em Belém, na campanha eleitoral: ‘Não é possível que cinquenta cidadãos na capital da República estejam a inquietar e ameaçar cinquenta milhões de brasileiros.’” (p. 199)

¹⁴ The quotes are many, for instance: “[Kubitschek] estava muito impressionado com os problemas do Rio de Janeiro. Qualquer coisa ali balançava o governo. Bastava jogar o povo na rua ali em frente ao Palácio do Catete. E tanques iam para a rua e era aquele negócio perigosíssimo.” (Costa Couto 2001, p. 198) “[Kubitschek] sempre (...) dizia o seguinte: ‘Uma greve de bonde no Rio de Janeiro pode derrubar um presidente da República.’” (p. 199)

¹⁵ Chaia and Chaia (2008, p. 171-2) state that explicitly: “Paradoxalmente, a estratégia de transferir a capital da agitada Rio de Janeiro para o isolado Planalto Central não surtiu o efeito de anteparo de golpes, como imaginava Juscelino. Quatro anos depois da sua inauguração, um golpe militar rompe com a legalidade institucional.”

¹⁶ Even the most spectacular feat of the armed opposition to the regime at the time – the kidnapping of the US ambassador – took place in Rio.

Brasília is thus concluded by the Medici administration in the early 1970s – a remarkable coincidence with the timeline sketched in our previous section.

IV- Political Instability and the Concentration of Population around the Capital

In sum, I have noted a remarkable match in terms of the timing of the catch-up of the Brazilian economy relative to Argentina, the Brazilian transition from high levels of political instability towards a much less unstable equilibrium (unaccompanied by any similar transition by Argentina), and the move of the Brazilian capital from Rio de Janeiro to Brasília. Based on the historical evidence, this is unlikely to be mere coincidence.

How can we make sense of that in more general terms? As it turns out, there is a strong connection, in the cross-country evidence, between urban concentration in and around the capital city and political instability (Ades and Glaeser 1995, Campante and Do 2007). A simple way to see this in the data is in Table 3 below, which I reproduce from Campante and Do (2007) (data sources are available in that paper). This table shows that countries whose population is more concentrated in the capital city have more instances of coups and revolutions (as defined in the aforementioned Banks data set). I have discussed extensively elsewhere (Campante and Do 2007, Campante and Glaeser 2009) the role of scale and density in determining the success of insurrections (see also DiPasquale and Glaeser 1997).

Table 3. Revolutions and the Size of Capital Cities

Dependent variable: Average Number of Revolutions	(1)	(2)	(3)	(4)	(5)	(6)
Log Population of Capital	0.032 [0.024]	0.052 [0.023]**	0.055 [0.027]**	0.07 [0.027]**	0.072 [0.028]**	0.069 [0.027]**
Log Population	0.002 [0.018]	-0.013 [0.017]	-0.016 [0.020]	-0.02 [0.018]	-0.034 [0.029]	-0.041 [0.032]
Log GDP per capita		-0.072 [0.019]***	-0.065 [0.018]***	-0.125 [0.036]***	-0.127 [0.036]***	-0.119 [0.039]***
ELF in 1985			0.098 [0.081]	0.068 [0.062]	0.049 [0.059]	0.057 [0.060]
Polity2				0.015 [0.006]**	0.015 [0.006]**	0.014 [0.007]**
Log Land Area					0.015 [0.017]	0.011 [0.018]
Openness						-0.001 [0.001]
Observations	72	71	70	69	69	68
R-squared	0.063	0.211	0.234	0.276	0.276	0.276

OLS regressions. Robust standard errors in brackets. Intercepts are omitted.

This obviously makes use of crude measures of political instability and of the concentration of population around the capital, which essentially leaves aside the spatial distribution of the population that lives outside of the arbitrarily defined capital. In Campante and Do (2009), we have developed an axiomatically-grounded measure of concentration that lets us incorporate all of that previously discarded information.¹⁷ Using this centered index of spatial concentration, which measures the expected influence exerted by the capital city over all other points in the country, we confirm the robustness of this result, with a broader measure of instability (Kaufman, Kraay, and Mastruzzi 2007, henceforth KKM) as our dependent variable. Countries where the population is more concentrated around the capital city tend to be more unstable.

Brazil happens to be one of the countries whose population is least concentrated around its capital, using the measure developed in Campante and Do (2009) with data for 1990.¹⁸ The first two lines in Table 4 show, controlling for territorial size (which would naturally lead to large countries being less concentrated), that Brazil ranks as the 12th least concentrated country in the world (out of a total of 156 countries), and that Argentina, in contrast, ranks 140th. This difference is consistent with the different recent levels of political instability between the two countries, as described in the previous sections. Political turmoil and mobilization could be expected to be more threatening and more consequential in Argentina than in post-Brasília Brazil, as consistent with the evidence.

Table 4. Concentration of Population around Capital Cities, 1990

<u>Country</u>	<u>Capital</u>	<u>Concentration</u>	<u>Rank (out of 156)</u>
Argentina	Buenos Aires	0.337	140
Brazil	Brasília	0.147	12
“Brazil”	Rio de Janeiro	0.213	47

Note: Concentration is measured using the Gravity-based Centered Index of Spatial Concentration, controlling for territorial size (G-CISC₂). The measure is on a 0-to-1 scale in which zero means that the entire population is as far away from the capital as possible in that specific country, and one means the entire population is in the capital. See Campante and Do (2009).

How about the Brazilian trajectory over time? Unfortunately, we do not have data to compute the measure of concentration of Brazilian population around Rio de Janeiro before the capital change, but we can nevertheless compare both Rio de Janeiro and Brasília at a more recent point in time, such as 1990. This is what the third line in Table 4 lets us do. Controlling for territorial size, the concentration index for Brazil if Rio de Janeiro were the capital would jump by about one entire standard deviation in the cross-

¹⁷ Please refer to that paper for an extensive discussion and comparison with alternative measures of concentration.

¹⁸ I use 1990 because the data, from the *Gridded Population of the World (GPW)*, Version 3 data set from the Socio-Economic Data Center at Columbia University, is judged by the SEDC as being of highest quality for that year, as compared to 1995 and 2000 which are also available. See Campante and Do (2009).

country distribution, compared to the actual number.¹⁹ This would mean that Brazil would move from the aforementioned 12th rank to 47th in the list of least concentrated countries. This is certainly an understatement of the difference in 1960 – since the capital transfer would have naturally implied that the concentration around Rio had decreased by 1990 – but the numbers give us an idea of the magnitude of the change. Political turmoil and mobilization could be expected to be more threatening and more consequential in pre-Brasília Brazil than in the post-Brasília country, again as consistent with the evidence.

What could explain this link between the distribution of population and instability? One such link is formalized in Campante and Do (2007), with a simple model of insurrections. Insurgents are more effective in posing a threat to incumbent government, *ceteris paribus*, if they gather closer to the capital city – demonstrations or turmoil are much more threatening if they happen across the street from the presidential palace than if they take place hundreds of kilometers away. It is in turn easier for them to do so if they are already close to the capital to begin with. As a result, the incumbent will face a greater threat from insurrections if the population happens to be more concentrated around the capital.

One important lesson of this framework is that the institutional development of a polity matters a great deal in translating the link between population and insurrections into a link between population and political instability. If the removal of an incumbent government can go through institutionalized means such as regular elections, the role of insurrections is likely to be less pronounced. Because of that, the concentration of population around the capital should matter exactly in the kind of weakly institutionalized polities that Argentina and Brazil have been shown to be in the mid-20th century.

A second important lesson emphasized in Campante and Do (2007) is that the fact that incumbent governments are threatened is not necessarily a bad thing. In fact, this pressure can operate as a form of checks and balances, which may be otherwise lacking in such weakly institutionalized regimes. When subject to such threats, governments may react by improving governance or by redistributing resources in such a way that makes insurrections less likely.²⁰ Campante and Do (2009) provide extensive evidence that (non-democratic) countries whose population is more concentrated display better indicators of governance in a number of dimensions (again from KKM). Campante and Do (2007) show that these countries will also display greater levels of redistribution.

What does that mean in our context? It is hard to tell. The governance indicators are typically better for Argentina, with the interesting exception of “Control of Corruption”. This should be interpreted with caution, however – first, of course, because the indices themselves are but a coarse proxy for what we have in mind when thinking about

¹⁹ The standard deviation of the cross-country distribution is 0.074. (See Campante and Do 2009 for more on descriptive statistics.)

²⁰ Other governments, of course, may simply move their capital city! A broader discussion of that phenomenon, beyond the Brazilian case, can be found in Campante and Do (2007) and Campante and Do (2009).

governance. Second, a simple regression analysis shows that when we control for the level of GDP per capita, which is highly correlated with those indicators, the difference in the residual components is largely dissipated. In other words, governance does not seem to be discernibly better in Argentina – relative to what we could expect it to be given its income level – than what is the case in Brazil. In terms of redistribution, it is clearly the case that Brazil is much more unequal than Argentina, but we are very far from being able to test to which extent this difference might be affected by the distribution of population. Reliable data on inequality do not go far back enough in time even to check whether moving the capital to Brasília coincided with an increase in inequality in Brazil.

V- Taking Stock

Our brief comparative look at the economic performance and political developments in Brazil and Argentina over the second half of the 20th century has left us with an overlooked candidate for an institutional breaking point in Brazilian economic history: the move of the capital city from Rio de Janeiro to Brasília, in 1960. The argument goes like this: in weakly institutionalized polities such as Brazil and Argentina unquestionably were by the mid-20th century, the distribution of population matters for political outcomes. In particular, the concentration of the population around the capital city increases the threat from insurrections, which are more effective and less costly to organize. This means additional instability. That being the case, the move to Brasília, by isolating the political center of the country, may well have acted as a stabilizing force, and the additional stability has translated over time into less volatile and, potentially, better economic performance.

While no causality claim is possible from the kind of evidence we have, I have argued that the timing of the relative political and economic trajectories of the two countries is consistent with that hypothesis. Both countries had extremely unstable politics in the four decades until 1970; after that, coinciding with the consolidation of the capital transfer, Brazil becomes remarkably stable while Argentina remains along the previous pattern. The extreme volatility of Argentine economic performance is the hallmark of the post-1970 period, which is when Brazil achieves most of its catch-up with the southern neighbor.

If this view is accepted, I believe we must re-evaluate three pieces of conventional wisdom that are perhaps not unanimous, but certainly widespread. First and most direct is the role of Brasília. Leaving aside the controversies regarding the costs of its construction and its architectonic and urbanistic merits (as chronicled for instance in Costa Couto 2001), we would be led to rethink the negative view of the city as an “authoritarian utopia” (Chaia and Chaia 2008).²¹ Even accepting that its conception was tinted with a

²¹ The costs involved in building Brasilia are hard to estimate precisely, but certainly very high. Orenstein and Sochaczewski (1990, p. 195) mention a figure of 250-300 billion cruzeiros (1961) for the expenditures up until June 1962. To give us a benchmark, we can consider that the same authors (p. 189) indicate that the entire revenue in the federal budget in 1960 was 233 billion cruzeiros (1960) – with an inflation rate

desire for political isolation, as again illustrated by the view of Chaia and Chaia (2008), we should recognize at least the possibility that this isolation has contributed to increased political stability. In other words, the evidence suggests that Kubitschek might have been onto something when he was quoted as saying that “by building Brasília (...) one will be protecting democracy, because there will no longer be the turmoil to which Rio de Janeiro, with its overpopulation, gives rise.”²²

This brings us to the second re-evaluation: I believe that the extent to which Brazil has transitioned into a stable political regime is often overlooked. Most people would probably be surprised, without having thought about it at first, to learn that presidential turnover in Brazil over the last four decades has mirrored that of the United States. This underlying stability is often lost amidst the many important turning points in Brazilian politics over the period – the redemocratization process (1984-5), the new constitution (1988), the impeachment of a president (1992), the stabilization of the currency (1994), the reelection amendment (1997), etc. – but is nevertheless in the background, and increasingly consolidated. This *de facto* institutional transition, even if one disagrees about the role played by the capital transfer in the process, is quite remarkable, and should play a much more central role in understanding recent Brazilian history.

The third element to be reconsidered is the idea of the “lost decades” of the 1980s and perhaps 1990s. It is an undeniable fact, apparent from Figure 2 in this essay, that economic performance was sluggish, and it is just as true that persistently high inflation and the recurrence of exchange rate crises were a hallmark of the period. But the realization of the aforementioned institutional transition requires that we recognize that these decades were by no means “lost” when it comes to institutional development. In light of the increasingly established impact of the latter for long-run economic performance, we may come to realize that the seeds of the currently brighter economic prospects were planted to an important extent during those years.

We should also keep in mind some of the lessons that the theory has to offer. I have argued that the concentration of population around capital cities is associated with better governance and less inequality (through more redistribution), as incumbent governments react to the heightened threat of insurrection. In particular, this logic leads us to hypothesize, without being able to test it, that the transfer of the capital to Brasília may have contributed to increased inequality in Brazil. Conditional on the level of stability, it may also have led to poorer governance, as a result of insulation, though I would conjecture that this effect might have been second order when contrasted with the benefits of increased stability.

The theory also suggests that these mechanisms would probably become less important over time, as the consolidation of democracy reduces the scope of the extra-institutional

around 50% in 1961 enabling us to convert cruzeiros between the two years. See Costa Couto (2001, p. 246-253) for an anecdotal discussion.

²² The literal quote, as given by Costa Couto (2001, p. 199): “Você construindo Brasília (...) estará protegendo a democracia, porque não terá mais as turbulências que o Rio de Janeiro, com sua superpopulação, gera.” The translation is mine.

checks and balances imposed by the threat of insurrections. Nevertheless, my research has now turned to the ways in which the distribution of population matters in democratic regimes. I have found some initial evidence, across US states, that the concentration of population around the capital city leads to better governance – which, I conjecture, could be due to reduced insulation from the watchful eyes of the press. If this logic holds, we may well conclude that what was helpful in the process of institutional consolidation can turn out to be hindering once a certain level of consolidation has been attained.

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