

HISTORY

The Return of International Finance and the Martínez de Hoz Plan in Argentina, 1976–1978

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This article is an effort to update a discussion of Argentina's international financial relations during the late 1970s that is lagging behind recent scholarly developments on the cases of Mexico and Chile. It focuses on the early restoration of Argentine credit standing with multilateral financial institutions, as well as their loans and technical assistance, achieved by Minister Martínez de Hoz and his team during their early years in office. So far this stage had not elicited detailed analyses of its differences with the controversial and better-known monetary balance of payments approach adopted in December 1978 to finally curb inflation, and which gave international private bankers a leading role in the financing of Argentina's foreign exchange needs.

Este artículo retoma la discusión sobre las relaciones financieras internacionales de Argentina a fines de la década de 1970 para equipararla con los recientes estudios sobre los casos de México y Chile. Está centrado en la restauración del crédito y la asistencia técnica de los organismos financieros internacionales que lograron el Ministro Martínez de Hoz y su equipo durante sus primeros años en la función pública. Hasta ahora esta etapa no había sido objeto de un detallado análisis que marcara las diferencias con el período más controvertido y mucho más conocido del enfoque monetario del balance de pagos adoptado en diciembre de 1978 como herramienta anti-inflacionaria, y que dio a los banqueros privados un destacado rol en el financiamiento externo de la Argentina.

En estos momentos el problema de mayor gravedad es la crisis del sector externo, que hace temer que el país enfrente en las próximas semanas el estado de cesación de pagos.
—*Mercado* (Buenos Aires), March 4, 1976

Introduction

The economic program led by Minister of Economy José Alfredo Martínez de Hoz during the last military dictatorship in Argentina has long attracted academic, journalistic, and political interest. Key discussions have focused on Argentina's financial relations with multilateral institutions and foreign banks, and the national indebtedness and collapse that originated in these links and conditioned the future of the country and policies of the constitutional government that followed the military regime as of December 1983. Leading economists and political scientists participated in early debates mainly elicited by the foreign debt crisis of 1982 (Ferrer 1982b; Schvarzer 1983b; Bouzas and Keifman 1988; Calcagno 1987; García and Junco 1987, 1989; Feldman and Sommer 1986; and Zalduendo 1988). Further interest in these issues resurfaced when the neoliberal economic reforms of the 1990s appeared identical to the policies of Martínez de Hoz, and the International Monetary Fund (referred to here as the IMF or Fund) was blamed for the implementation and foreign debt default with which they collapsed in 2001 (Kanenguisser 2003; Galasso 2003; Minsburg 2002; Rapoport 2004; Schorr and Kulfas 2002; Zlotogwiazda 2003). Finally, as human rights abuses of the last military dictatorship became a public policy issue for the Kirchner administrations of 2003–2015, scholars, politicians, and journalists supported the government's decision to investigate

civilian involvement in those abuses, and viewed international bankers, multilateral financial institutions, key business organizations, and state institutions as allies and accomplices of the last military dictatorship and its policies (Verbitsky and Bohoslavsky 2013; Basualdo et al. 2016; Basualdo 2010). Hence, they hailed a report of Argentina's Comisión Nacional de Valores (equivalent to the US Securities and Exchange Commission) on the apparent alliance of big business, the military, and the Martínez de Hoz team to crush Peronism, state intervention in the economy, and political dissent, and to advance a devastating economic liberalization for Argentine society (Nápoli, Perosino, and Bosisio 2014).

These publications ignored the substantial inroads of historians, sociologists, and political scientists on the history of world banking, capital markets, the internal dynamics of the last military dictatorship, the international financial community, and the US government (Novaro and Palermo 2003; Heredia 2004; Canelo 2004, 2008; Avenburg 2015; Martínez de Hoz 2014; Cassis 2010; Altamura 2015). They also sidestepped relevant literature on the policies and institutional changes in multilateral lending agencies (see for example Babb 2009; Sharma 2013b, 2017; Gould 2006; Vreeland 2003; Copelovitch 2010; Chwieroth 2008, 2010). The input of these recent scholarly perspectives, as well as a closer look at other unused sources such as the recent memoirs of Martínez de Hoz, adds to our understanding of the Argentine case and catches up debates on the international financial relations of Mexico and Chile from the collapse of the Bretton Woods system to the outbreak of the foreign debt crisis of the 1980s (Kedar 2015, 2017a, 2017b, 2018a; Alvarez 2015, 2017, 2018; Kershaw 2018).

To continue filling historiographical vacuums and help understand why Martínez de Hoz praised the liberalization drive of the Menem administration in Argentina during the 1990s (Martínez de Hoz 1991), this article draws on archival materials from the IMF, the World Bank, the National Archives of Britain and the United States, the Bank of England, the military junta, and the Central Bank of Argentina (BCRA) and its former vice president Eduardo Zaldueño's private papers. Thus, it is also intended as a background case study for the worldwide debates on the Latin American free-market reforms that blossomed in the late 1980s and throughout the 1990s (see for example, in LARR, Weyland 2004; Rovira Kaltwasser 2011).

A brief review of Argentina's financial relations as of the rise of the military dictatorship in 1976 offers background to the onset of the Martínez de Hoz plan. A more detailed explanation follows of how and why, with strong support from the British and US governments, the IMF, and the World Bank, and with the qualified endorsement of a military junta that needed international prestige and quick successes, close relations with bankers and multilateral organizations were restored and consolidated along criteria of previous economic stabilization and development programs. The conclusions summarize my findings on the complexity of the behavior, political interests, goals, and decisions of the main protagonists in this story. They also suggest that, despite the high social costs of the program, for three reasons the "international dimension" of the early years of the Martínez de Hoz plan was a controversial but nonetheless understandable and successful turnaround of policies of the Peronist administration of 1973–1976. This strategy was hastily applied on the brink of an international payments default and with no alternative policy options. Between 1976 and 1978 the Martínez de Hoz team restored relations with multilateral development banks and obtained indispensable financing on a larger scale than before for basic infrastructure and key state and the private sector investment projects. Finally, these loans became effective well before the rise of the Washington Consensus, as the World Bank debated deep policy changes that would become effective and affect developing nations in the 1980s.

Peronism's International Financial Debacle, 1973–1976

In March 1976 the Peronist government, which had been in power in Argentina since May 1973, faced serious macroeconomic, institutional, and political problems long discussed in scholarly and journalistic publications (Rougier and Fiszbein 2006; Veigel 2009; Smith 1991; De Riz 1981; Kedar 2013; Canitrot 1978; Ferrer 1977). Price and exchange controls and the devaluations of the peso impaired the profitability and freedom of foreign private investors, especially West German and American, and their ability to make remittances for indispensable payments abroad. Companies suffered widespread political violence, and executives and high-ranking administrative staff were abducted or assassinated.¹ Finally, the government expropriated local subsidiaries of foreign banks, oil facilities, and plants of electronic firms such as Siemens and General Electric, and negotiations for compensation payments were stalled. This was due to a

¹ The abduction of the *Times* correspondent in Buenos Aires in December 1974, presumably by right-wing Peronist thugs who forced him to leave the country, and the sovereignty dispute over the Falkland Islands were key issues for the British government. Minute by Information Officer J. R. Cowling, Buenos Aires, December 9, 1974, National Archives, London, Foreign and Commonwealth Office (hereafter cited as NA, FCO), FCO7/2572.

radicalization of Peronism's traditional economic nationalism that reflected a widespread Latin American anti-imperialist backlash, as well as a drive to contest the current world order (Sharma 2015, 192–193; Brands 2007, 215–216; 2008, 106–108).

Despite irretrievable ideological discrepancies, the IMF and the World Bank (International Bank for Reconstruction and Development, IBRD) were prepared to have a good working relationship with Peronism.² But as of early 1976, links with institutions whose support was needed, for purposes discussed below, were in a stalemate. As a benchmark of standard transparency procedures, member nations of the IMF had to release basic national macroeconomic data for review by annual Fund missions, technically known as Article IV Consultations. Yet the Peronist government argued that past IMF missions had intruded into Argentine internal affairs, and that their “derogatory reports” had ruined the national economy and undercut all efforts to improve its situation.³ Later macroeconomic problems and a sharp deterioration in the balance of payments due to policy mistakes, the oil crisis, and a fall in international prices of commodities raised the need for foreign economic stabilization support. Hence these circumstances forced a change in policies and attitudes toward the Fund, bankers, and the US Treasury. But the unconditional Article IV reviews were never done. As in similar previous crises, international bankers and the US Treasury were prepared to be “supplementary financiers” of the current foreign exchange gap if a “standby” deal with the IMF was signed (Gould 2006, 15, 22, 201). Yet in early March 1976 the IMF abandoned negotiations for a standby agreement with Argentina because the government did not have a consistent program, and the country was immersed in political and macroeconomic chaos.⁴ Thus, after strenuous government efforts, Argentina obtained only modest IMF financing under the terms of the Oil Financing Facility (OFF) and the Compensatory Financing Facility (CFF) available for member countries affected by the rising cost of oil imports and the deterioration of their terms of trade.⁵ The IBRD did not resume lending for basic infrastructure projects under review after late 1971, because Peronist officials lacked relevant experience in international finance, and macroeconomic instability impeded long-term planning. Poor management and low rates in the main state-owned public services cast doubts about public policy creditworthiness.⁶ Finally, the IBRD did not grant loans to nations that did not appear determined to resolve foreign investment disputes.⁷

Consequently, by early 1976 key basic transportation and electric power supply projects were delayed, and some works had not even been started for lack of sound planning and financing. Without a Fund program, bankers stepped in with short-term loans that were rolled over to avoid a looming collapse.⁸ Parallel efforts to address foreign trade and balance-of-payment problems through closer relations with Cuba, Peru, Venezuela, Libya, and Eastern Europe had antagonized Washington and yielded modest results. Since early 1975 Argentina also had increasing problems to repay the emergency loans just mentioned and other stiff foreign debt payments negotiated by the previous government, in power between 1966 and 1973. In late January 1976 the Central Bank submitted to the Ministry of Economy a pessimistic

² In late March 1973 IBRD president McNamara hoped “that the economic policies of the new Government would permit the Bank to mount a substantial lending program for Argentina.” At the IMF, Western Hemisphere Department staff considered the possibility of preparing an aide-memoire to brief the Peronist government about Argentina's most pressing problems and “offer some suggestions as to possible courses of action.” Our comments draw on archival records of both institutions on staff meetings with the outgoing economic team in Washington, DC.

³ Kedar (2013, 121–134); Secretary of State to the American embassy in Argentina, Washington, DC, August 6, 1973; and American embassy to the Secretary of State, Buenos Aires, September 5, 1973, in the National Archives, Washington, DC, Record Group 59: General Records of the US Department of State: Argentina (USNA, RG59). The documents were consulted through Access to Archival Databases (AAD).

⁴ Office memorandum from Western Hemisphere Department Director Jorge del Canto to the Acting Managing Director, Washington, DC, March 10, 1976, in IMF Archives (IMFA): Argentina Box 5, Correspondence and Memos from 1976 to 1983, Folder Correspondence and Memos 1976. Kedar (2013, 133–134) examines the last stage of these negotiations.

⁵ The agreements for these facilities were signed in November and December 1975. Yet due to delays in negotiations and the disbursement of the CFF funds, in October the government had to contract short-term loans with the New York branch of the Union of Swiss Banks and Morgan Guaranty Trust Co. of New York.

⁶ In two articles published just as this article was going to press, the author maintains that World Bank criteria were neither neutral nor strictly technical, but rather justifications to account for political decisions. See Kedar (2018b, 1, 3, 4, 15; 2018c, 1–2).

⁷ See *La Opinión* (Buenos Aires), January 18, 1975, p. 12; and Office Memorandum from Gerald Alter to Robert McNamara, Washington, DC, January 15, 1975, in World Bank Group Archives (WBG), Records of President Robert S. McNamara, Argentina–Correspondence 2, Folder 1770941.

⁸ See for example a US\$30 million loan at an 8.75 percent annual interest rate granted by the Chase Manhattan Bank of New York in the Acta de la reunión de directorio del Banco Central del 3 de marzo de 1976, page 2. Argentine Central Bank records show that similar loans were contracted with other US, British, and West European banks on similar terms since mid-1975. See Acta de la reunión de directorio del Banco Central del 23 de julio de 1975, page 25; and Banco Central de la República Argentina, Memorando, Asunto: Activos disponibles para atender operaciones externas, RESERVADO y CONFIDENCIAL, Buenos Aires, 2 de octubre de 1975, in Archivo Zalduendo, Carpeta 6–7: Cafiero 1975/76.

report on the balance-of-payments situation and urged the government to seek IMF economic stabilization assistance.⁹ Furthermore, in March 1976 foreign exchange reserves of the Central Bank were almost depleted as a result of mistaken economic policies, falling export earnings, higher imported oil prices, capital flight, and the absence of compensatory financing just mentioned. The government made last-ditch efforts to improve relations with the United States and take mild corrective measures, with bankers' and multilateral agencies' support. Yet by the end of the Peronist interlude Argentina was virtually isolated, in an economic quagmire obscured by later dictatorial policies and human rights violations, and lacked essential investments to enlarge and modernize basic infrastructure. Its external debt was not high, but due to its maturity structure and the problems just recapitulated, the country headed for an irretrievable international default.¹⁰

The Onset of Argentina's Return to Full Multilateralism in the Late 1970s

The Armed Forces appointed José Alfredo Martínez de Hoz as Minister of Economy until March 1981. The new minister belonged to a traditional and prestigious cattle-ranching family and to the cadres of "old guard" liberals, who opposed Peronism and state intervention in the economy and were reliable sources of knowledgeable information and expertise for the local and international "establishment." As of March 1976 he was president of Acindar, an established national steel company, and the Consejo Empresario Argentino (CEA), a gathering of liberal-minded business associations that was the most powerful and influential opponent of Peronism and its policies. Given his social and professional background and his personal and professional relations, mainly in international business and financial circles, the military thought he was their best choice for the post and would be the most prestigious civilian image of the new regime abroad (Veigel 2009, 51–53; Yofre 2010, 375–376).

Adolfo Diz, a graduate of the University of Chicago with experience in international finance, was appointed Central Bank president. For the first time, a new economic team gathered "old guard" local establishment liberals and younger "technocratic" and "monetarist" professionals who in view of their ideology and academic qualifications came to be known as "Chicago Boys" (Fridman 2010, 278–279; Veigel 2009, 49–53; Novaro and Palermo 2003, 37–40; Heredia 2004, 314–316, 2013, 49–99).¹¹ As in previous governments, the economic team would gradually tap bilateral aid sources, the World Bank, the IMF, the Inter-American Development Bank (IDB), and collateral banking finance. Classic measures of previous crises and development bottlenecks were applied.¹² Also, due to political constraints imposed by the military and to the composition of the economic team, in terms of structural reforms, depth of economic stabilization, policy paradigm, and their socioeconomic impact, the program would be less radical than that of the more centralized contemporary Pinochet regime in Chile (Díaz-Alejandro 1985, 1–24; Kedar 2013, 137; Undurraga 2015; and Pryluka 2016, 212–220).

The early international financial relations and policies of the Martínez de Hoz team had four priorities. Officials addressed them determined to steer a new course in public policy, and with a certain degree of independent thinking and decision-making. At the same time, however, they endorsed standard international finance procedures that the Peronist government had either rejected or been unable to comply with.

Above all, to normalize relations and pave the way for economic stabilization aid, the IMF was invited to send to Buenos Aires a mission to carry out without qualifications the annual review of the Argentine economy that had been pending since 1972. To attract new foreign direct investments, stimulate those already established in the country, and underline its creditworthiness abroad, the regime forcefully eradicated personal insecurity and labor indiscipline, proactively overturned previous nationalizations and arbitrary decisions, and autonomously launched a new policy that ensured fairer treatment and respected international property rights. Two measures avoided the looming international default mentioned above: first, US\$300 million emergency loans with US and West European bankers replaced previous thirty-day banking operations regularly rolled over until then; and second, a six-month waiting period with foreign

⁹ Central Bank president Mondelli to Minister of Economy Cafiero, CONFIDENTIAL, Buenos Aires, January 30, 1976, in Archivo Privado de Eduardo Zalduendo, Buenos Aires, Carpeta Mondelli. For the profile of the foreign debt see "Deuda externa: ¿Cuanto debe la Argentina?," *Mercado*, September 22, 1977, pp. 19–20.

¹⁰ American embassy to the Secretary of State, CONFIDENTIAL, Buenos Aires, March 8, 1976, USNA, RG59.

¹¹ Secretary of Finance Juan Alemann and Central Bank executive director Santiago Soldatti were "old guard" liberals. Central Bank president Adolfo Diz and vice president Christian Zimmerman, Ricardo Arriazu, their chief advisor, and Secretary of Economic Coordination and Programming Guillermo Walter Klein Jr. were orthodox "technocratic" and "monetarist."

¹² García Heras (2008 and 2014) examines the efforts of former ministers of similar persuasion.

state creditors who were mostly bankers was promptly negotiated.¹³ Finally, on April 2, 1976, a neoliberal economic policy with distinct longer-term goals was announced.

Neither the IMF nor other foreign creditors suggested or imposed this plan. Martínez de Hoz turned down an offer of Jorge Del Canto, director of the Western Hemisphere Department of the IMF, to dispatch a technical assistance mission to Buenos Aires immediately after the coup. He also rejected traditional suggestions of an abrupt liberalization of the foreign exchange market and a strong devaluation of the peso as a way out of current exchange controls and the overvalued exchange rate, because memories remained strong that, as in January 1959, they would provoke an inflationary flare-up. The IMF was given advance notice that, as before 1973, their support and that from other creditors would be sought to restructure the national debt and consolidate economic stabilization (Martínez de Hoz 2014, 30–32). Before that, however, the new program should be under way and show positive results, the Article IV consultations should be completed, and the emergency banking loans should have fulfilled their purpose.

Martínez de Hoz knew that a radical stabilization, which might provoke further social strains or unrest and undercut the political prestige and the anti-subversive campaign of the armed forces, was unthinkable. Yet the targets of the new economic policy were to end the current chaos, a poor macroeconomic performance ascribed to state-interventionist policies applied since the 1940s, to institutionalize a market economy and a new mentality in Argentine society (Fridman 2010), to restore Argentina's international financial relations, and to inaugurate a new foreign investments climate.¹⁴ Officials blamed rising inflation and the financial collapse of the Central Bank on earlier expansive monetary and credit policies applied against the lack of genuine resources of the state and the private sector.¹⁵ Thus, an overhaul of the Central Bank charter discontinued them and anticipated a financial reform of mid-1977 that is briefly discussed below. For technical and ideological considerations, and to impose monetary and financial market conditions, the new team also sought non-inflationary financing for these purposes. Yet in the meantime, an abrupt break with past policies was not possible, and they had to implement last-minute decisions of the previous administration to tide over liquidity shortfalls of the state and the private sector aggravated by high inflation rates.¹⁶

Argentina avoided a balance of payments crisis through what in September 1976 the World Bank president praised as “a mammoth funding operation.” But additional US\$ 1,200 million was needed to restructure the foreign debt and meet pending repayments in better terms. Foreign technical and financial support for basic infrastructure works, and high-priority state and private sector industrial projects were also necessary.¹⁷ Hence the annual general meeting of the Inter-American Development Bank (IDB) of late May 1976 was an excellent forum at which to present the economic program and resume contacts with international financiers before negotiating a larger economic stabilization aid package and a flow of World Bank, IDB, and private bankers' loans. Minister Martínez de Hoz met in private with influential officials such as Jorge Del Canto from the IMF, US Secretary of the Treasury William Simon, and IDB president Antonio Ortiz Mena. As of this writing, only a detailed IMF record of the Del Canto and Martínez de Hoz meeting is available. Yet later developments attest that Martínez de Hoz's private discussion with Simon was decisive in obtaining indispensable US government support in later negotiations with the World Bank, the Fund, and American and Canadian banks. Likewise, Martínez de Hoz's meeting with Ortiz Mena and the subsequent IDB fact-finding mission to Buenos Aires to assess Argentina's financing needs paved the way for further lending from the institution until the early 1980s.¹⁸

¹³ See American embassy to the Secretary of State, CONFIDENTIAL TELEGRAM, Buenos Aires, May 3, 1976; and TELEGRAM, Buenos Aires, May 14, 1976 (USNA, RG 59); and Acta de la reunión de directorio del Banco Central del 27 de mayo de 1976.

¹⁴ The economic team paid careful attention to Argentina's declining share of world beef and grains trade, to the evolution of national gross domestic product (GDP), to rising inflation rates, and to the contrast between Argentine and Australian development record in the last decades.

¹⁵ Previous charters gave the Central Bank a lender of last resort role that deteriorated its balance sheets. This forced the government to consolidate treasury debts through long-term bonds with negative interest rates. For strong criticism against this mechanism see “Continúa la farándula de la consolidación de deudas,” *Economic Survey* (Buenos Aires), May 8, 1973, pp. 1–2.

¹⁶ In late May 1976, for example, the new authorities had to implement a decision of March 19 to transfer additional funds to the Banco de la Nación Argentina, which was Argentina's main state commercial bank, and the state commercial banks of several provinces. Like in previous years, these funds helped finance the 1975–1976 cotton harvest. See the Acta de la reunión de directorio del Banco Central del 27 de mayo de 1976, pp. 1–2.

¹⁷ See American embassy to the Secretary of State, Buenos Aires, May 14, 1976, USNA, RG 59.

¹⁸ See Martínez de Hoz (2014, 105–109); American embassy to the Secretary of State, Buenos Aires, May 7, 1976, USNA, RG 59; and Office Memorandum from Jorge Del Canto to the Managing Director and the Deputy Managing Director, CONFIDENTIAL, June 7, 1976, in IMFA, Exchange and Trade Relations Department, Immediate Office Sous-fonds, Box 5: Argentina-Correspondence and Memos 1975 to 1983.

Between June and September 1976 Minister Martínez de Hoz and Central Bank president Diz sought economic stabilization and development financing from multilateral, private, and official sources. The highlights in the United States were meetings with World Bank president McNamara, US Treasury Secretary Simon, and Eximbank president Dubruk, private bankers and Federal Reserve Bank authorities in New York, and the personal support of David Rockefeller, CEO of the Chase Manhattan Bank. All of them shared the ideological orientation of the program, and both Simon and McNamara praised it in public statements. Rockefeller was Martínez de Hoz's close friend (Veigel 2009, 36–37, 52; Martínez de Hoz 2014, 88–91). Like other foreign investors, and particularly because Chase owned a bank that the Peronist government had nationalized, he was satisfied with the new regime and their prompt reversal of Peronist policies.¹⁹ Since early 1972 the IBRD was keen on renewed lending and a steady flow of operations to recover institutional and policy-making influence.²⁰ But the staff would evaluate only loan applications for “high quality” projects addressing “unquestionable priority needs” in law-abiding member nations. A stable macroeconomic situation and a sound economic program in the borrowing country should guarantee that disbursed loans served their purpose. In brief, the IBRD viewed itself as a “development investment institution” that operated on sound banking principles, strove to have a solid loans portfolio, and was not prepared to compromise its high credit standing in international capital markets, where it raised most of its funding.²¹ Prompt World Bank support was also an indispensable “seal of approval” before approaching private bankers to float bonds in international markets or arrange “cost sharing” project financing schemes. For two additional counts IBRD loans should also be secured soon. Bank lending was shifting from middle income countries such as Brazil, Mexico and Argentina to poorer nations; and from infrastructure projects toward agriculture and rural development.²² Moreover, due to apparent failings of current project lending policies, the institution was debating a new policy that as from early 1980 would hinge on structural adjustment loans with stronger conditionality criteria (Sharma 2013b, 2017, 138–157).

Fund officials and staff advocated a less cautious approach to economic adjustment. But they commended the April 1976 program as a well-articulated and distinct break with recent Peronist policies. Subsequent breakthroughs were therefore a swift one-year standby agreement in August, and loans from foreign bankers and the US Treasury to further prop up the foreign exchange reserves of the Central Bank.²³ At first West German bankers had reservations against Argentina mainly due to the nationalization of Siemens in October 1974. Wilfried Guth and Hermann Abs, two well-known and influential executives of the Deutsche Bank who had actively participated in collateral foreign exchange financing operations since the late 1950s, helped to dispel them.²⁴

In sum, with the willingness of multilateral agencies and foreign financial officials to accommodate Argentina's return to international financial orthodoxy and the rules of the game, by the last quarter of 1976 the economic team had first avoided default. A standby agreement with the Fund evinced a full commitment to “market-appropriate” austerity measures and was a “catalyst” for indispensable collateral economic stabilization financing (Copelovitch 2010, 8; Edwards 2006, 29–30). Foreign bankers with whom relations had been rebuilt were “supplementary financiers” of foreign exchange needs again. In October 1976 Japanese banks granted a US\$75 million loan to repay previous short-term loans and signaled Argentina's opening to the rising capital market of Tokyo (Martínez de Hoz 2014, 33). Meanwhile, with the resumption of technical assistance relations with the Fund, in December 1976 Claudio Loser, from the Exchange and

¹⁹ US diplomatic dispatches discuss the new policies toward foreign investors. See for example American embassy to the Secretary of State, Buenos Aires, August 24, 1976, USNA, RG 59.

²⁰ “Mission to Argentina Back-to-Office Report,” Office Memorandum from Gunter K. Wiese to Gerald Alter, Washington, DC, February 3, 1972, in WBGA, Records of President Robert S. McNamara, Contacts with member countries–Argentina 2, Folder 1770941. This detailed report evaluated the macroeconomic situation and the recent record of the State-owned railways and Servicios Eléctricos del Gran Buenos Aires (SEGBA), which was the main electric power company in Buenos Aires and its suburbs.

²¹ During a high-level meeting held in early July 1974 to follow up on earlier discussions of long-range planning, IBRD president McNamara underlined again that “prudent financial management” was indispensable to maintain the bank's creditworthiness. Memorandum for the record dated July 10, 1974, WBGA, Records of President Robert S. McNamara, Memoranda for the Record, Folder 1771946. See also Humphrey (2016, 92–98).

²² Argentina: Visit of Minister of Economy Mr. José Martínez de Hoz, Memorandum for the Records by Gunter Wiese, Washington, DC, June 18, 1976, in WBGA, Records of President Robert S. McNamara, contacts with member countries–Argentina 2, Folder 1771496. Sharma (2013a, 2017) and Finnemore (1997, 217–219) discuss IBRD changes and conditionality.

²³ Financial support amounted to US\$1,300 million and included a one-year US\$300 million standby agreement with the Fund. For details of the negotiations see Martínez de Hoz (2014, 30–32 and 105–118); and “El alivio del sector externo,” a sympathetic cover story in *Mercado*, October 7, 1976, pp. 16–22.

²⁴ For the influence of both executives see Gall and Underwood (1999), James (2004), and “Bankers of the Year,” a cover story in the *Institutional Investor*, August 1981, 53.

Trade Relations Department, completed a three-month assignment in Buenos Aires to advise the Central Bank on foreign debt management. Washington was again considering US Eximbank loans to promote US exports to Argentina, which carried a repayment guarantee for collateral financiers of each operation. In September the World Bank granted a US\$ 115 million loan to help finance the modernization and expansion of the state-owned SEGBA until 1981. This decision followed a positive review of the program and its plans to raise matching funds and to streamline the state bureaucracy and public utilities, whose poor finances and subsidized rates had strong bearing on the fiscal deficit.²⁵ Finally, in November 1976 a foreign exchange market reform devaluated the peso, fixed a unified rate, and thereafter all transactions on current and capital account were gradually liberalized.

Furthermore, as of late 1976 the economic team had overcome three emerging political and diplomatic challenges. The first one was the early damaging social and macroeconomic impact of the new economic policies, already discussed elsewhere since the early 1980s (Palacio Deheza 1981; Schwarzer 1983a; Ferrer 1982a, 1983; Sourrouille 1983; Canitrot 1980, 1981). By mid-1976 the US Congress and the press demanded economic sanctions against Argentina to halt human rights violations in the repression against the guerrillas and their alleged sympathizers. Yet, the Ford administration supported the military dictatorship for political and ideological reasons that reflected Cold War national security concerns (Keys 2010; Schmidli 2011). Therefore, until the end of their term in office in early 1977, human rights were not a major foreign policy issue. Washington officials also realized that aid cuts based on humanitarian considerations would discipline Argentina only if they were “the first step in a gradual disappearance of public and private aid sources on a worldwide scale.”²⁶ As seen below, regardless of Washington’s policies, such as the restrictive aid policies that stopped short of an embargo, Argentina would obtain private financing and, due to the merits of the economic program and the projects submitted for consideration, multilateral agencies would continue to approve its loan applications.

Within the Argentine government, the sphere of influence and power of each service turned decision-making into a slow and cumbersome process. The army and the air force objected to the opening and deregulation of the economy, had a vested interest in Argentina’s military-industrial complex, and nursed strong hotbeds of nationalist, developmentalist, and state-interventionist ideas. With such a heterogeneous ideological imprint and an ambition to be the artificer of Argentina’s economic and political reconstruction, the military did not unanimously support the ideology and measures of the problematic current policies.²⁷ Such opposition deprived the team of full control of the state apparatus, blocked decisions, and forced the ruling junta to repeatedly cross-examine the minister and his program.²⁸ Yet so far this fragmentation and the “social cost” of the program did not outweigh overseas confidence in its achievements. To reduce tensions and meet professional aspirations, apparently all armed services were allowed a military build-up financed with foreign banking loans. Also, with their ability to wade through the balance of power and internal clashes of the regime, the Martínez de Hoz team still enjoyed full support from President Rafael Videla, Minister of the Interior Albano Harguindeguy, and General Ibérico Saint Jean, the powerful governor of the Province of Buenos Aires.²⁹

Internal Constraints and Renewed International Financial Support

As in the past, the Argentine government did not comply with all targets of the 1976 standby agreement. Yet the IMF was keen on retaining its policy-making influence and thought that Argentina was on the right track (Kedar 2013, 140–143; Manzetti 1991, 114–118). The economic team again needed a “seal

²⁵ Chargé d’Affaires Chaplin to the Secretary of State, Buenos Aires, August 13, 1976, USNA, RG 59; and International Bank for Reconstruction and Development, Report and Recommendation of the President on a proposed loan to Servicios Eléctricos del Gran Buenos Aires, S.A., Washington, DC, September 8, 1976, Report No P-1911-AR. For a different viewpoint that underlines that the situation of SEGBA and the railways was a pretext wielded as technical criteria to stop lending to Argentina between 1971 and 1976, see Kedar (2018b, 9).

²⁶ See “Argentina: Six Months of Military Government,” Department of State, Bureau of Intelligence and Research, Report no. 603, dated September 30, 1976, by J. E. Buchanan, National Security Archive, George Washington University, Washington, DC.

²⁷ General Díaz Bessone, Minister of Planning, General Urricariert, director general of the military industrial complex, and apparently the commanders of powerful army garrisons in the interior of Argentina were the main opponents. In interviews conducted by the author in November and December 2017, former secretary of finance Juan Alemann confirmed these pressures and underlined General Urricariert’s stance.

²⁸ See for example Acta Secreta no. 18, Reunión de la de la Junta Militar del 31 de marzo de 1977. This minute briefly records that Martínez de Hoz was summoned at short notice to answer several unspecified objections of the junta.

²⁹ See Ensor (1976); and American embassy to the Secretary of State, CONFIDENTIAL, Buenos Aires, November 22, 1976, USNA, RG 59. Novaro and Palermo (2003, 37–43), Veigel (2009, 58–62), Canelo (2008), and Heredia (2004) offer detailed discussions of the balance of power.

of approval” to obtain additional foreign exchange financing abroad and continued to accept a “long-standing routine of dependency” (Kedar 2013, 144) with the institution. Since March 1976 Central Bank had sharply reduced transfers to cover the fiscal deficit of the Treasury, the provinces, and public-sector firms, and as of mid-1977 had scheduled further cuts for 1978.³⁰ As a follow-up of the Central Bank charter reform of 1976, a controversial financial reform (“Reforma Financiera”) deregulated banking and financial markets, ended negative real interest rates, and past state controls that the City labeled as “a previous age of financial repression.”³¹ Moreover, this measure showed that the economic team was determined to force the state and the private sector to streamline their finances and obtain “genuine” financing for liquidity shortfalls and investment needs under free market conditions.³²

In September 1977 Argentina signed another one-year standby agreement. Since the onset of the Carter administration, Congress had increased foreign aid restrictions to Argentina for human rights reasons and demanded that multilateral banks stop financing repressive regimes. However, as in the case of Chile, which between 1974 and 1980 received six loans for US\$238.5 million, the World Bank argued that they were “an apolitical institution” that according to its charter followed technical criteria and should not interfere in internal affairs of member nations, and that loans guaranteed access to basic human economic rights to the bulk of the population.³³ The IBRD also believed that Argentina’s creditworthiness warranted further support and was evaluating additional loans for basic infrastructure, promotion of agricultural exports, and state projects, which between 1976 and 1980 would add up to ten operations for US\$886 million.³⁴ Definitely the road was now clear for further private banking loans and to float new series of public bonds. Finally, in August 1976 the IDB granted a loan for a natural gas pipeline in Southern Argentina and was reviewing others granted during the later years of the Martínez de Hoz interlude. IBRD and IDB decisions overruled abstentions and negative votes whereby US executive directors objected to Argentina’s human rights record. But Congress retaliated with bilateral aid restrictions and slashed US government appropriations to IBRD and IDB budgets, arguing that they were supporting a notorious human rights violator in the Southern Cone.³⁵

The end of the 1977 standby agreement was a turning point for the program and the international finance strategy of Martínez de Hoz. Fund staff and officials suggested another standby was necessary to meet pending targets. But the government disagreed and in September 1978 used Central Bank reserves to repay the OFF and the CFF loans of 1975 and all 1976 debts with the Fund and bankers, two years before their deadline.³⁶ Thereafter, the IMF lost all influence it wielded, because Argentina had direct access to foreign banking finance and no longer needed supplementary loans tied to standby agreements. Yet the current outlook reassured Fund staff and officials. The Central Bank had recovered its institutional and policy-making independence, and annual Article IV Consultation missions and reports were routine tasks (Kedar 2013, 143–144; Martínez de Hoz 2014, 33–34). Instead of inflationary monetary emissions, the flotation of foreign bonds financed the fiscal deficit.³⁷ Moreover, since 1976 Argentina had removed traditional controls against disruptive short-term capital inflows and outflows on the balance of payments, and maintained

³⁰ See the statement of president Adolfo Diz in the Acta de la reunión de directorio del Banco Central del 8 de junio de 1977, pp. 18–19; and “Presupuesto 1978: Adiós al déficit,” in *Mercado*, July 22, 1977, pp. 16–17.

³¹ This reform also stimulated the growth of the financial sector without a sound safety net and Central Bank supervision. Speculators benefited from tempting “spreads” that emerged between market interest rates for loans raised in Argentina and abroad to make windfall profits.

³² In 1976 and 1977, for example, Yacimientos Petrolíferos Fiscales, the state oil company, had to contract significant loans in US dollars to pay taxes owed to the national government since 1974. The loans came from the Banco de la Nación Argentina, which had to resort to international financial intermediation, and a consortium of US, Canadian, and West European banks led by Wells Fargo Bank, because Central Bank support was no longer available and the local capital market was insufficient for these purposes.

³³ For the data, criteria, and controversies on Chile and human rights in general we draw on Schoultz (1981, 295–299, 1982, 559–561); Sharma (2013a, 2017, 107–109); and IBRD archival records of Robert McNamara’s presidency.

³⁴ Between March and June 1977 the IBRD granted a US\$105 million loan for road-building, and US\$100 million for industrial development. Loans for grain storage facilities (February 1978), the railways (March 1979), the Yacyreta Hydroelectric Power Project (October 1979), and coal mining (December 1980) would follow.

³⁵ Sharma (2013a, 595–596). IDB loans were for the state and the private sector and focused on similar sectors to those of the World Bank.

³⁶ See “Banco Central: Adiós a la deuda externa,” *Mercado*, September 21, 1978, pp. 13–14.

³⁷ As of October 1978 four series of bonds for US\$264 million were floated in Frankfurt and Tokyo. Given his long-standing relations with international bankers, Central Bank executive director Francisco Soldatti was charged with these operations. Banco Central de la República Argentina (1982, 130); and the oral interviews with Alemann quoted in note 27.

exchange rate stability. In doing so it had anticipated a norm that the IMF would later endorse for balance-of-payment-management purposes.³⁸

In public the Argentine government justified the decisions, arguing that the improvement of the balance of payments, the strong foreign exchange reserves position of the Central Bank, and a rising total value of exports demonstrated that further IMF support for stabilization policies was not justified. Yet a more complex scenario of internal political constraints and clear international financial successes influenced officials as well.

As of late 1978, bilateral aid cuts and the US government stance on multilateral loans for Argentina had not forced the military regime to improve its human rights record. This policy antagonized the military and neither disciplined Argentina nor prevented the IDB and the IBRD from approving her loan applications. The suspension of about US\$600 million Eximbank credits hurt American bids for public works contracts and established commercial interests in Argentina. America's main West European allies did not endorse the Carter administration's human rights crusade. Hence, they supported their businessmen to fill in opportunities in arms sales, nuclear power development, public works contracts, and bilateral trade.³⁹ Martínez de Hoz's prestige abroad allowed Argentina to redirect financial planning.⁴⁰ Despite some concerns about human rights abuses against British citizens, and in view of the macroeconomic prospects and the profile of the economic team, by early 1977 the British government welcomed "a strong revival of interest in Britain in doing business with Argentina."⁴¹ Finally, as in Chile, increasing liquidity and an influential position emerging from the current liberalization of international finance allowed bankers to finance controversial needs that neither multilateral nor bilateral sources met.⁴² One of them was domestic state and private sector funding no longer included in the national budget or met through Central Bank expansive policies.⁴³ Another one was the purchases of arms and military supplies in Israel and Western Europe, which escalated until the South Atlantic War with Great Britain in 1982.⁴⁴

On the other hand, an industrial recession coupled with rising unemployment, a regressive income distribution, protracted inflation and fiscal deficits, and rising interest rates due to the Central Bank's monetary crunch and the financial reform offset the achievements of the international financial strategy discussed so far. These trends precluded further adjustment measures that the IMF required to sign another standby agreement.⁴⁵ Argentina's liberal establishment was more critical against the program. Some spokesmen pointedly underlined its failings and inconsistencies, as well as its reportedly dubious "liberal" imprint and lack of "true" stabilization measures, and contrasted it with the determination of the Pinochet regime to apply a successful shock therapy and institutionalize deeper and more comprehensive economic and social reforms in Chile (Pryluka 2016, 223–228; Clark 2017, 1350–1352). Finally, if insoluble problems and mounting tensions arising from them were serious, the balance of power within the military and rising criticism from military officers/cadres also beset the economic team and further undercut the program.

³⁸ Such a process came to be known as "capital account liberalization." Mainstream economists had begun to underline the administrative costs, dubious effectiveness, and macroeconomic distortions resulting from hitherto legitimate capital controls. Therefore they recommended their removal, and the IMF finally adopted a capital freedom norm in the 1990s. See Chwieroth (2008, 136–137; 2010, 10–14, 19–20).

³⁹ Ambassador Castro to the Secretary of State, CONFIDENTIAL, Buenos Aires, June 5 and July 10, 1979, USNA, RG 59; "Evolution of US Human Rights Policy in Argentina," Bureau of Intelligence and Research Draft Memorandum by J. E. Buchanan to Assistant Secretary Viron Vaky dated September 11, 1978, National Security Archive, George Washington University, Washington, DC.

⁴⁰ The cover story of a key international banking spokesman praised Martínez de Hoz's worldwide standing. See "The World's Best Finance Ministers," *Institutional Investor*, September 1978, 63–67.

⁴¹ Collins (Foreign and Commonwealth Office) to Shakespeare (British embassy in Buenos Aires), London, February 23, 1977, NA, FC07/3266; and a minute by Greville John Macgillivray dated April 1, 1976, Bank of England Archive, London, Representative Country Files: Argentina OV102/106. Macgillivray was an experienced Bank of England official acquainted with Argentine and Latin American affairs since the late 1940s.

⁴² For a recent review of these trends and the importance of bankers in world finance see Altamura (2015, 143–144, 161–162). For the case of Chile see Falcoff (1991, 280).

⁴³ See the US dollar loans of the Banco de la Nación Argentina to Yacimientos Petrolíferos Fiscales (YPF), the Dirección Nacional de Vialidad, the Banco de la Provincia de Buenos Aires, and the Banco de la Provincia de Córdoba. The BNA's New York and Panama branches raised the funds through interbank lending. Actas de las reuniones de directorio del Banco Nación del 30 de junio de 1977, 29 de junio, 31 de agosto, y 12 de octubre de 1978.

⁴⁴ Between 1976 and 1983 Argentina's military expenditures rose from an equivalent of 2.8 to 4.2 percent of the gross domestic product (GDP). Total amounts rose from US\$558 million in 1973–1975 to US\$505 million in 1978. See Dobry (2011, 403).

⁴⁵ According to an IMF preliminary report on the 1979 Article IV consultations, in 1978 the real GDP had declined by 4 percent and it was "uncertain whether the military leaders would be willing to accept a new economic recession." See "Mission to Argentina," office memorandum by Marcello Caiola, Washington, April 9, 1979 in IMFA, Central Files, Country Files: Argentina, c/Argentina 810 Caiola and Staff Mission March 1979.

Powerful nationalist, developmentalist, and state-interventionist commanders who had never supported Martínez de Hoz remained entrenched in the state bureaucracy, key garrisons, and in the military industrial complex. Additional fears that a serious economic crisis would wash away plans to retain political influence and eventually fix the terms of a democratic restoration enhanced earlier objections and obstructionist tactics.⁴⁶ The government's ruling format and procedures allowed officers to transmit political and economic concerns to the higher ranks. As early as August 1977, therefore, the military junta had to double-check again with the minister that the program met guidelines agreed on in early 1976. Finally, as of September 1978 the program's record and prospects were cross-examined more thoroughly and with greater frequency.⁴⁷

In December 1978 all other policy options were exhausted. Presumably influenced by the success of an identical experiment enforced in Chile, the economic team launched a foreign exchange reform nicknamed the "Tablita Cambiaria," which, together with lower import tariffs, would be a last-ditch anti-inflationary tool until they left office in March 1981 (Pryluka 2016, 223–227). In doing so they accepted a scheme that influential "monetarist" members of the inner circle in the Ministry of Economy and the Central Bank had designed and proposed.⁴⁸

The "Tablita" was a schedule of preannounced corrections of the free exchange rate between the peso and the US dollar, which became a focal point of criticism against Martínez de Hoz and his policies on several counts. Inflation fell but nevertheless turned out to be higher than exchange rate adjustments. It therefore sustained a free foreign exchange market at a fixed and overvalued rate that was uncompetitive for exports and conveyed a false illusion of national prosperity. Since the financial liberalization of mid-1977 there were significant "spreads" between high interest rates charged for on-lending of funds raised in the local market, and lower rates for those raised abroad. These "spreads" and the recent capital account liberalization encouraged further inflows and outflows of short term capital which fueled foreign indebtedness, financial speculation, a balance of payments crisis, and a banking crash.⁴⁹

The Tablita Cambiaria marked the end of the restoration of financial relations, which had hinged upon an established "routine of dependency" (Kedar 2013, 3, 184), and the hitherto dominant and "more traditional sources" of foreign economic development and stabilization finance (Folkerts-Landau 1985, 318; Cohen 1982, 457–458). Afterward, links with the IMF, multilateral development banks, and the US Treasury remained important. As in Chile during the Pinochet regime, however, with the Tablita foreign bankers became the main and far more controversial source of foreign exchange financing.⁵⁰ The involvement and responsibilities of the IMF, local debtors, Central Bank and Ministry of Economy monetarists, and these bankers in its record and long-term consequences warrant an updated and more detailed review that is beyond the scope of this article.

Conclusions

The "international dimension" of the Martínez de Hoz economic plan had two consecutive stages separated by the launching of the Tablita Cambiaria. As in economic stabilization aid packages since the late 1950s, the strategy started with a replay of the IMF standby agreements supported by the US Treasury, with foreign banks as "supplementary financiers." Almost at the same time, the new economic team established close relations leading to a quick resumption of World Bank and IDB loans as well. This restoration met economic stabilization needs and allowed a renewed and timely inflow of multilateral financing for basic infrastructure and public works just before these institutions changed their lending policies in the 1980s.

Mixed political considerations influenced Washington's views and policies toward Argentina between 1976 and 1978. Beginning with the Carter administration in 1977, gross human rights violations led to bilateral aid cuts and efforts to impose a multilateral financial boycott of the military regime. Access to

⁴⁶ "The Dynamics of Argentine Decision-Making," memorandum by the Bureau of Intelligence and Research of the US Department of State dated August 25, 1978, in US Department of State, Argentina Declassification Project (2016), vol. 2, pp. 34–39; Canelo (2004, 227–231; 2008).

⁴⁷ Acta Secreta no. 34, Reunión de la Junta Militar del 30 de agosto de 1977; Acta Secreta no. 75, Reunión de la de la Junta Militar del 7 de setiembre de 1978; and Acta Secreta no. 76, Reunión de la Junta Militar del 14 de setiembre de 1978.

⁴⁸ Canitrot (1983, 39–40); Novaro and Palermo (2003, 264–268); and author's interview with Manuel Solanet, Buenos Aires, December 20, 2017. Solanet was the director of the Instituto Nacional de Planificación Económica at the Ministry of Economy. Previous scholarly studies have stressed only the role of the Central Bank monetarists in this scheme. But Solanet underlined that Ministry of Economy officials of similar persuasion were also involved.

⁴⁹ For the latest analysis of these issues see Kiguel (2015, 105–111).

⁵⁰ According to US diplomatic records, by mid-1978 increasing syndicated and nonsyndicated loans of US commercial banks were Chile's main source of external credit. See for example "Chile and the U.S. banks: Update of credit flow," Landau to the Secretary of State, Santiago de Chile, July 28, 1978, USNA, RG59: Chile.

World Bank and IDB loans, however, was not blocked because Argentina built up a convincing track record, the United States had limited decision-making influence in both institutions, and US allies did not endorse such a policy. Also both the Ford and the Carter administrations, and particularly Treasury Secretaries William Simon and Michael Blumenthal, strongly disapproved of previous Peronist nationalist and state-interventionist economic policies. Moreover, as the Martínez de Hoz program unfolded and solved past disputes with private foreign investors, both administrations and US businessmen welcomed the new economic prospects and improved business climate in Argentina.

The World Bank had strong reasons to challenge US aid policies toward Argentina and congressional demands to stop supporting the Martínez de Hoz program. Argentina was the third major Latin American country, after Mexico and Brazil. Talks with the Peronist government to expedite applications for a backlog of basic infrastructure projects pending approval since 1971 were a dismal experience. The revival of alternative private banking finance also pressed World Bank staff and officials to remain as a relevant source of development funding. Not surprisingly, they welcomed the solution of foreign investment disputes of the Peronist interlude, did not want to engage in controversial political issues such as the military's human rights abuses, and viewed the rise of the military dictatorship as the end of a bilateral stalemate that "would mark a resumption of lending the Argentina after a hiatus of five years."⁵¹

The actual record of the IMF's involvement in Argentina until late 1978 suggests that the charges that the institution was a complacent endorser of gross failings in the Martínez de Hoz plan and a culprit of Argentina's mounting foreign debt are not warranted. A full picture of these years shows that as of March 1976 restrictions to annual Article IV consultations and political and macroeconomic chaos prevailing in Argentina had worn out the patience of Western Hemisphere Department staff and officials. Efforts to keep relations with Argentina on standard terms applicable to member countries had failed, and the Peronist government would never apply a comprehensive economic stabilization policy with their support. Therefore they were looking forward to a more forthcoming administration to restore old links and eventually policy-making influence. But two hitherto underestimated episodes counterbalanced personal connections and ideological affinities between the IMF and the Martínez de Hoz team. Argentina imposed her timing and terms for the early resumption of full bilateral relations. In late 1978 the economic team decided to repay the 1976 debts before they were due and not to enter into another standby agreement. In brief, despite some reservations on certain issues such as fiscal policies and the persistence of relatively high inflation rates, the staff and officials viewed Argentina's uneven macroeconomic performance under the standby agreements as a promising starting point. Local compliance with standard rules of international finance was reassuring. Finally, a limited decision-making influence and political considerations led the IMF to accommodate to the situation in Argentina and the decision of the economic team to detach itself from the institution.

In later years Martínez de Hoz tried to convince public opinion of the "reputational" importance of having complied with mainstream international finance rules, and the legitimacy and soundness of foreign loans as an economic policy tool.⁵² He also disclaimed his responsibility for Argentina's foreign indebtedness as of the early 1980s. His need to do so emerged when the foreign debt quagmire erupted due to the South Atlantic war with Britain, the outbreak of the Latin American foreign debt crisis, and policy failings that were evident when he left office. As early as mid-1982 he rightly recalled that in March 1976, Argentina was immersed in macroeconomic chaos and on the brink of a foreign debt default, Central Bank foreign exchange reserves were almost depleted, and there was a need to restore relations with the international financial community in order to obtain balance-of-payments financing. He also demonstrated that timely multilateral development loans had financed foreign exchange costs of pending and new basic infrastructure and private sector investment projects. In some cases, he added, this had paved the way for indispensable collateral aid granted by official and private banking sources.⁵³

Nevertheless, Martínez de Hoz never gave an equally candid, well-substantiated, and convincing review of the impact of the financial reform of 1977 and the *Tablita Cambiaria* of late 1978 on Argentina's macroeconomic distortions, the banking and financial crisis of 1980–1981, and rising foreign indebtedness during his later years in office. His analyses culminated with the posthumous publications of his memoirs. In all cases they vindicated the successful replay of the classic pattern of international financial relations discussed in this article and studiously ignored the post-1978 years.

⁵¹ International Bank for Reconstruction and Development, Report and Recommendation of the President on a proposed loan to Servicios Eléctricos del Gran Buenos Aires, S.A., Washington, DC, September 8, 1976, Report No P-1911-AR, p. 6.

⁵² The concept of reputational importance comes from Simmons (2000).

⁵³ His views came out in *Ámbito Financiero* (Buenos Aires) between July 16 and 20, 1982; and in *La Nación* (Buenos Aires) between August 22 and 24, 1982.

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