

ister were paralyzed and unable to take counter-measures. They were driven out of office by the military.

On Dec. 11, 1981, Army Commander Leopoldo Galtieri seized Argentina's presidency in a bloodless coup. According to an Argentinian diplomat, Galtieri had been encouraged to make this move by the public endorsement given him by such figures as Gen. Vernon Walters, U.S. Secretary of Defense Caspar Weinberger, and former National Security Adviser Richard Allen during the last of Galtieri's three 1981 visits to Washington.

The coup was not so much directed against the ailing General Viola, who had already practically withdrawn from the presidency. Its primary target was the anti-speculation measures issued by Interior Minister Gen. Horacio Liendo in the early days of December. Such controls were intolerable to the City of London. As was explained to *EIR* by a senior official of a Wall Street bank, London's banking interests offered Galtieri the presidency, and six months of peace, if he appointed Swiss banker Roberto Alemann to the finance ministry once he had seized it. In London's eyes, Alemann was the perfect candidate to finish off the deindustrialization that de Hoz had begun.

'War economy' for Argentina?

But as the military nationalists have made manifestly clear to Galtieri, the Malvinas crisis has transformed Alemann from an asset to a liability for an Argentinian president who wishes to stay in power. Alemann's many enemies are calling for a sweeping series of measures to salvage the industrial and agricultural sectors, including debt moratoria, tariff protection, export assistance, and sharp penalties against speculators and currency-flight operators. They characterize such a program as a "war economy" for Argentina.

Alemann has conceded that his opponents want "a war economy, but it is a war against me." American bankers also fear that this war economy may be put into place. Belated U.S. banking efforts to aid Alemann include the April 23 decision of an American banking consortium which had previously suspended all new loans to Argentina in the wake of the Malvinas crisis to release a \$60 million 180-day credit. But this may not save Alemann. His boss President Galtieri is the son of a poor Italo-Argentine artisan. Galtieri did not fight his way up to the presidency in order to lose it in the service of British free-trade economics.

If the Argentine leader does chart a course for economic revival and national unity, his success will be in large part determined by America's willingness to help finance the reconstruction of Argentina's ravaged industrial economy. This kind of cooperation, in the spirit of hemispheric alliance, would create jobs from Buenos Aires to Milwaukee.

The free-market record

The comparison of Argentina's productive sector, Gross National Product, and consumption figures for the 1970-75 period with the 1976-81 period (see Figure 3) demonstrates the economic disaster created by the application of the monetarist "free enterprise" system in that nation. The first period was one of extreme political turbulence until the widely welcomed military coup of early 1976. But even under these conditions, Argentina's economy fared better than during the reigns the British-allied finance ministers Roberto Alemann and José Martínez de Hoz, which began in April 1976. Since then, substantial growth has been achieved only in the wasteful "financial services" sector, which expanded by 34.5 percent, and in mining, which increased by 27.1 percent, largely in response to incentives for private oil production. Agriculture, which was supposed to be favored by the elimination of export taxes and of tariffs on inputs, grew less than during the preceding period. The tractor industry disappeared entirely.

Industrial production had shown respectable growth during the high-wage period previous to 1976, but collapsed by 25 percent during the recent professedly pro-business period. As one banker told *EIR*, "Whatever progress Argentina made in industry has taken a great step backwards over the last half-decade."

A telling indication of the level of investment in modernization of production facilities is the level of machinery and equipment output, which was down 39.5 percent in the fourth quarter of 1981 from a year earlier. The exceptions were aluminum and oil refining, which were protected by the military. By February 1982 most industries were using only 30 to 60 percent of the capacity (see Figure 40).

The impact of the economic collapse on labor has been equally dramatic. The FIEL think tank has produced statistics showing that from 1974 to 1981, the number of productive workers employed in industry fell by 29.7 percent. Since industrial production has continued to fall, the decline is probably close to 35 percent now. "Free enterprise" has been equally painful for workers who have remained employed. *Ambito Financiero*, an Argentine business daily, reported March 19 that during the year 1981 real wages for skilled workers fell by 15.9 percent, and those of unskilled by 18 percent. Malnutrition is now rampant in a population that until recently had the highest standards of living, and education, in Latin America.