Much has been written on the Argentine dictatorship and the transitional justice movement that brought its members to justice. However, there has been no study to date of the economic accomplices to this dictatorship and the recent advancements in Argentina toward holding these actors accountable. What was the role of banks, companies, and individuals in perpetuating a murderous regime? To what extent should they be held responsible?

As the first academic study on economic complicity in Argentina, this book attempts to answer these questions. Renowned human rights scholars investigate the role played by such actors as Ford, Mercedes Benz, the press, foreign banks, and even the Catholic Church. Across numerous case studies, the authors make a compelling argument for the legal responsibility of economic accomplices. A groundbreaking interdisciplinary study, this book will be essential to anyone interested in transitional justice, business, and human rights.

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The Economic Accomplices to the Argentine Dictatorship

OUTSTANDING DEBTS

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PART III. THE MACROECONOMICS OF THE DICTATORSHIP

5 The Legacy of the Dictatorship: The New Pattern of Capital Accumulation, Deindustrialization, and the Decline of the Working Class
   Eduardo M. Basualdo
   75

6 Public Finances
   Alfredo Fernando Calcagno
   90

7 Complicity of the Lenders
   Juan Pablo Bohoslavsky
   105

PART IV. COMPILICITY AND THE LAW

8 Corporate Complicity and Legal Accountability: Report of the International Commission of Jurists
   International Commission of Jurists Expert Panel
   119

9 Corporate Responsibility for Complicity: International and Local Perspectives
   Juan Pablo Bohoslavsky
   130

10 Statute of Limitations in Actions for Complicity
    Juan Pablo Bohoslavsky, Agustín Cavana, and Leonardo Filippini
    143

PART V. COMPANY-ORDERED DISAPPEARANCES

11 The Cases of Ford and Mercedes Benz
    Victoria Basualdo, Teomís Ojea Quintana, and Carolina Varsky
    159

12 Acindar and Techint: Extreme Militarization of Labor Relations
    Victoria Paulón
    174

13 Between Historical Analysis and Legal Responsibility: The Ledesma Case
    Alejandra Dandán and Hannah Franzki
    186

14 Contributions to the Analysis of the Role of Labor Leadership in Worker Repression in the 1970s
    Victoria Basualdo
    201

15 Suppression of Workers Rights
    Héctor Recalde
    217

PART VI. INDUSTRIAL AND AGRICULTURAL BUSINESS ASSOCIATIONS: COMPLICITY AND BENEFITS

16 Industrial Economic Power as Promoter and Beneficiary of Argentina’s Refounding Project (1976–1983)
    Martín Schorr
    235

17 The Complicity of Agricultural Business Chambers
    Mario Rapoport and Alfredo Zaïat
    253

PART VII. ILLEGAL APPROPRIATION OF COMPANIES

18 Organized Pillaging
    Federico Delgado
    262

19 The National Securities Commission and the Assault on “Economic Subversion”
    Alejandra Dandán
    277

20 The Papel Premsa Case: Notes for a Study
    Andrea Cualde
    292

PART VIII. A RANGE OF GENEROUS AND INTERESTED SUPPORTERS

21 The Media: Unified Discourse and Business Deals under Cover of State Terrorism
    Damián Loreti
    307

22 The Price of the Church’s Blessing
    Horacio Verbitsky
    323

23 The Hidden Italy Connection
    Claudio Tognonato
    339

24 The Lawyers: From Repression to Neoliberalism
    Horacio Verbitsky
    Conclusion: Outstanding Debts to Settle: Work Agenda
    Horacio Verbitsky and Juan Pablo Bohoslavsky

Index
    373
The Legacy of the Dictatorship: The New Pattern of Capital Accumulation, Deindustrialization, and the Decline of the Working Class

Eduardo M. Banaldo

INTRODUCTION

This chapter analyzes the last military dictatorship, which—despite having ended thirty years ago—still enjoys a notable presence today. One of the reasons for its continued presence is the culmination of the trials of the perpetrators of repression, which only as of 2003 found an institutional course to move firmly forward. Another reason is that since 2008 the government of Cristina Fernández de Kirchner did not only have to stand up to international credit institutions and financial capital but also to local economic groups, which controlled politics during those tragic years.

The approach proposed in this chapter is based on an examination of the economic aspects of the dictatorship, linking them to certain political and social elements. Establishing such connections is inevitable as the main hypothesis of this study is that the military dictatorship set in motion a specific pattern of capital accumulation. In other words, the dictatorship promoted an economic, political, and social process comparable in magnitude to the agro-export model of the early twentieth century headed by the Pampas-based oligarchy; or to the initial stage of the subsequent import substitution model, which came to a close during the early half of the 1950s with the first governments of President Perón; or the second stage of import substitution with the introduction of heavy industry in the country and its expansion as of 1958, in the framework of the transnational economic growth of the postwar.

This study focuses on two key issues. After introducing the subject, it provides a brief analysis of the second stage of import substitution. Analyzing this stage is

This study was conducted in the framework of a CONICET project (12-2008-01-01953) on the behavior of big business in Argentina, in FLACSO's Economy and Technology Area.

On this issue, see E. M. Banaldo, “Concepto de patrón de acumulación y conformación estructural de la economía,” Documento ná, M. Program in Argentine Political Economy, Economy and Technology Area, FLACSO, Buenos Aires (2009).
relevant because it was during that period that the context in which the March 1976 military coup and subsequent dictatorship took shape. The relation of forces between the working class and the sectors in power was altered and a new role was assumed by the armed forces, as they established themselves as a military party that expressed the interests of the ruling classes. During this stage two domestic military factions were also formed (known as the Azules, or Blues, and the Colorados, or Reds), which went up against each other in the framework of the popular resistance to the dictatorship.

Exploring this stage is also significant because of the belief that by the mid-1970s industrialization had been exhausted and the country’s economic course had to be redirected, a view held by both conventional wisdom and certain academic conceptions. According to this view, a radical change of direction in the country’s economic policy was imperative, a change that would introduce structural changes toward recovering the growth that had been lost. This challenge had supposedly been taken up by the military dictatorship.

The second issue deals with the economic and social processes under the dictatorship, which gave way to a new pattern of capital accumulation. The genesis of the class-based struggle launched with the military coup, which eliminated by fire and sword the gains achieved by workers and imposed an unprecedented regressive redistribution that would become from then on a structural characteristic, is no doubt at all, one of the crucial elements of that analysis. Another is the central importance acquired by external debt and capital flight, as well as their relation with the power bloc that emerged under these new circumstances.

BACKGROUND: THE SECOND STAGE OF IMPORT SUBSTITUTION

The Peronist governments stretched light industrialization out unnecessarily, which is why one of the leading unsettled accounts of these governments is having failed to take the country’s industrialization to a higher level — although they did try and even had some success in metallurgy, which expanded beyond the average growth of manufacture in the country. Heavy industry began to be implemented after the coup that interrupted Perón’s second term, even though in very different conceptions and under very different circumstances, in the context of the transnationalization that prevailed in the postwar world. The second stage of import substitution began in that framework, supported by the inflow of foreign capital, which came to dominate the country’s industry through the activities that were incorporated during those years (automobile, chemical and petrochemical, steel, etc.) and which were the most dynamic sectors in an industry that led the economy as a whole.

Without going into detail here regarding that pattern of accumulation, on which there is a significant and extensive body of literature, it should be noted that between 1956 and 1974 the country’s gross domestic product (GDP) grew considerably (at a cumulative annual growth rate of 4.2 percent) but without using all of its potential production capacity owing to periodic foreign exchange bottlenecks, which determined typical short-term cycles based on the stop-and-go pattern.

As some studies indicate, the second import substitution period was divided into two stages with differences that are critical for the issues analyzed here. The first stage stretched from 1956 to 1963, a period in which GDP grew at an annual rate of 21 percent and production fell in absolute terms (negative rates) during the down phase of short-term cycles. The other stage extended from 1964 to 1974, with GDP growing at an annual 5.4 percent, resulting in a rapid expansion in the up-phase of short-term cycles and lower but still positive annual rates (slowdown) in the down-phase. The passage from an absolute drop to a slowdown in the down-phase is even more significant as it occurred in spite of an industry that works with “short
to have the largest debt, together with a growing private external debt. It should be emphasized that, because of the process that began with the military dictatorship, the evolution of both public and private indebtedness was tied to industrial growth. 24

The combination of these phenomena—export growth and foreign indebtedness—caused an upward trend in the reserves available in Argentina's Central Bank (Banco Central de la República Argentina, BCRA) that indicates a significant advance in the sustainability of the process of industrialization. This fact undoubtedly contradicts the established commonsense conviction that assesses, as noted previously, this process of import substitution as definitively exhausted by the mid-1970s.

The differences between the two stages of the second import substitution period were not only economic but also political and social. This is so because throughout this period substantial changes occurred in the prevailing relation of forces between popular sectors and the dominant power bloc.

There is a general belief that International Monetary Fund (IMF) adjustment policies were applied for the first time after the coup that deposed the Peronist government 25 and that this fact was the beginning of the hardest stage of Peronist resistance owing to the dictatorship's repression of popular sectors. This situation continued throughout the developmental government as, after winning the elections because Peronist support, it implemented the State Internal Unrest Plan (Convocatoria Interna del Estado, CONINTES) with the aim of repressing the numerous strikes and labor actions that were being staged, especially in the metallurgy and textile industries.

In 1976, during the government of Arturo Frondizi, there was also an attempt to implement a railroad restructuring plan that triggered bitter labor conflicts, as it involved the elimination of 50 percent of the railway system, selling lands, dismissing 75,000 workers, privatizing equipment maintenance and manufacture, and modifying employment conditions. Among the leading beneficiaries of the privatization proposed were the companies from the automotive sector—Faet, General Motors, and General Electric—and the economic group Acorh, whose majority shareholder, Arturo Acuña, was the Labor Minister.

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24 There are several quantitative estimates from international agencies and academic and political authors, including: World Bank, World Debt Table, 1976-1977; ECLAC, "Estadísticas de corto plazo de la Argentina"; G. O'Donnell, El estado banquero autoritario 1966-1973 (Buenos Aires: Editorial de Belgrano, 1982); and A. Calmés, De la economía social-patriótica al régimen liberal-capitalista (Buenos Aires: Exedra, 1974).

25 One of the first measures of the dictatorship that toppled Perón was Argentina's incorporation into the IMF and the World Bank. In that respect, the BCRA's 1950 Annual Report (Memoria) notes: "Ending the country's isolation in the field of international financial cooperation, it was decided by Decree-Ordinance 6, April 21, 1956, that...the necessary steps would be taken for the Republic of Argentina to join the International Monetary Fund and the International Bank for Reconstruction and Development" (Memoria, p. 40). Membership was formalized on August 31, with the adoption of the Articles of Agreement of the IMF and the IBRD by Decree-Law 15,570.
As popular sectors and the dominant power bloc faced each other in a heightened and uneven conflict, their respective representations changed, in a reconfiguration that is key for understanding the accommodation pattern and the nature of the March 1976 military coup.

In 1975 and 1976, as part of popular resistance, the La Fulda and Huerta Grande programs were launched. Both were critical milestones in the process of differentiation between combative unionism and labor bureaucracy led by Augusto T. Vandor. This rift deepened in 1976 with the founding of an offshoot of the General Confederation of Labor (Confederación General del Trabajo, CGT), the CGTA (CGT de los Argentinos), when the popular offensive began. It was consolidated in 1976 during the Córdobaazo uprising and, once the cycle of military dictatorships was defeated, it was furthered during the third Peronist government, which began in 1973, with the irrigation of the Peronist Working Youth (Juventud Trabajadora Peronista, JTP).

Following the defeat of Peronism, the armed forces became the party that expressed the interests of the ruling classes. In the late 1970s and early 1980s, in the context of the cold war and the Alliance for Progress launched by John F. Kennedy, the National Security Doctrine prevailed, based on the argument of the "war on communism," the equivalent to the fight against "internal subversion." This came to the conception of the "nation in arms" that had been predominant in the 1940s and 1950s, which understood that the duty of the armed forces was to defend national borders from foreign enemies, and that this required an economic self-sufficiency based on national control over a domestic economy built on the country's own industrial development.

One of the main lines of this new doctrine was to ensure economic growth to address social contradictions and defeat the internal enemy. Foreign capital was essential for achieving economic growth. The other line was the repression of that subversive enemy, although—as often happens with the application of transnational doctrines—counterrevolutionary war was understood all'uso nostro, as for the Argentine ruling classes and, consequently, for the military party Peronism was a real or potential variant of communism.

While the military party agreed on the content of this doctrine, in its political practice it split into two opposing factions: Azules and Colorados. The core of the Azules was in a way concentrated in the cavalry division, constituted to a great extent by descendants of the provincial and Pampas-based oligarchy that had opposed Juan Domingo Perón in his first governments. Militarily, it had close ties with the high commands of the air force and, politically, with the Intransigent Radical Civic Union (Unión Cívica Radical Intusigente, UCRI). The Colorados instead were mainly formed by mid-ranking officers of the infantry and artillery divisions, and had provided the military support for the first Peronist administrations. This faction's allies included most notably the navy and, among political parties, the Radical Civic Union (Unión Cívica Radical, UCRI) and conservative sectors.

The most significant difference between the two factions was in their approach of how to deal with the popular movement and particularly with Peronism. The Colorados believed it was necessary to wipe out Peronism, as it meant the penetration of communism in the country; the Azules, instead, understood that it had to be politically neutralized, a goal that could be achieved by breaking it. Except for brief intervals, the military party was controlled by the Azules, who acted organically, both in consolidating their project—during the government of General Juan Carlos Onganía and its alliance with labor bureaucracy— and in reattributing, once that attempt failed—under the leadership of General Alejandro Lanusse, who had to hand the government over to the Peronists in the midst of widespread popular unrest.

The Colorados, who during that time lacked a project comparable to that of the cavalry division, had their historical opportunity—in terms of doctrine but also of personal chances in many cases—when the armed forces were defeated by popular action and by the return of Perón to Argentina. As of that moment, the National Security Doctrine was subjected to a thorough review within the armed forces, which would lead to the war hypotheses that would be applied during the dictatorships that began on March 24, 1976. This new doctrine, inspired by the ideas of the Colorado faction and the French experience in the Algerian War (1954-1962), would rest on an unprecedented repression to achieve the annihilation of the popular movement through what could be known as the "dirty war" (the disappearance, torture, and murder of popular activists). In this way, the previous goal of economic growth was replaced by an economic restructure that would interrupt industrialization as a way

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* In this respect, the words spoken by Division General J. I. Vanzolini at the Seventh Conference of American Armies, held in Buenos Aires in October 1966, are eloquent: "Development can be defined as the expression of a number of changes in structures and in the social behavior of a people that puts people in a state of permanently increasing its general real product. Development is to security what came is to effect, origin to consequence, principal to secondary. Without development, security is utopian, both at the individual or national level and at the general or international level." (Cifuentes, November 3, 1966; quoted in Postales, "Clases dominantes.")

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12 In respect of the French influence in repression, it is interesting to recall the words of the then army commander, General Carlos Severo Toro Maestro: "Close ties between the armies of Argentina and France would be beneficial. If the French doctrines cannot be adopted purely and simply, they at least demand a more in-depth study to... adapt them to our particular case, considering our possibilities and needs." (La Nación, June 23, 1966; quoted in Rougé, Poder militar.)
of eliminating the structural conditions that gave way to social alliances and enabled the emergence of national and popular governments.\(^5\)

**The Income Redistribution and Economic Policies of the Military Dictatorship**

In the framework of the application of the new repressive doctrine, the dictatorship installed an unprecedented harsh redistribution of income to the detriment of workers, with a monetarist economic policy that cut short the process of industrialization and put financial valorization at the center of the country’s structure and macro- and microeconomic behavior. The combination of these processes defined a new pattern of accumulation that can be viewed as a homogenized variant of the neoliberal position that prevailed in the global economy as of the late 1970s, when class-based revenge reached its culminating point. As was to be expected, with the emergence of this model a new power bloc was formed, and the one corresponding to the second import substitution stage, formed by productive transnational capital and fractions of the Pampas-based oligarchy, was dissolved. The foreign industrial capital that had prevailed during the period of industrialization was fractured, and some transnational companies aligned themselves with the new power bloc while others repatriated their capitals. This new alliance was composed of local economic groups (the diversified fraction of the Pampas-based oligarchy) and international financial capital, which included private banks and international bodies (the political representatives of financial capital).\(^6\)

The diversified fraction of the Pampas-based oligarchy took the helm of the state and, as to ensure its hegemony, appointed its own organic intellectuals to key positions in the government. It was a capital fraction formed by, among others, economic groups such as Pérez Companc, Bridas, Acinard, Techint, Arcor, Loma Negra, Clarín, Macri, Benberg, Brude & Born, which had control of the state throughout the application of this accumulation model and succeeded in prevailing economically during its development (1976–2001).\(^7\)

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\(^5\) For a rigorous analysis of this doctrine, see H. Verbinsky, Malvinas, la última batalla de la tercera estructuralizada (Buenos Aires: Sudamericana, 2001).

\(^6\) About the dominant power bloc during the dictatorship and in particular on the diversified oligarchy, see D. Arazo, R. M. Basaldo, and M. Navia, *El nuevo poder económico en la Argentina de los otros ochenta* (Buenos Aires, Siglo XXI, 2004).

\(^7\) The following quote by Nicos Poulantzas on ruling alliances, hegemony, and their relationship with economic control is of interest here: “In talking of the bourgeoisie as the dominant class, it must not be forgotten that we are really dealing with an alliance between several dominant fractions of the bourgeoisie in political domination. ... This alliance between several classes and fractions which are all dominant can only function regularly under the leadership of one of these classes or fractions. This is the hegemonic fraction which unifies the power alliance under its leadership. The hegemonic fraction is the one that guarantees the general interest of the alliance and whose specific interests are particularly guaranteed by the state. While the dominant fractions’ internal contradictions and their internal struggle to occupy the hegemonic place have a secondary role vis-à-vis the principal contradiction (bourgeois/peasantry) their role is still important ... the various forces of state and forms of regime are marked by the changes in hegemony between the various bourgeois fractions. Still less can economic domination and political hegemony be identified in a necessary and mechanical fashion.” (N. Poulantzas, *Las clases sociales,* in *Las clases sociales en América Latina, Problemas de conceptualización, México: FCE, Vol. A, Siglo XVI, 1970; quoted in E. Calzado, *Crítica, economía y hegemonía en Argentina, 1932-1933*, PhD diss., Buenos Aires: FLACSO, and Paris: EHESS, 2008).


The Legacy of the Dictatorship

interest rates, which enabled these fractions to be the main recipients of the income derived from the reduced participation of wage earners and of the weaker business sectors.

FINANCIAL VALORIZATION: THE NEW CAPITAL ACCUMULATION PATTERN IMPOSED BY THE MILITARY DICTATORSHIP

In the new functioning of the Argentine economy, both foreign and public debt played an instrumental role. The local oligopolistic capital (mainly the large economic groups, but also foreign capital) contracted external debt, used those funds to purchase financial assets in the domestic market (securities, bonds, deposits, etc.) valorizing them through the positive differential of the domestic interest rate over the foreign interest rate, and finally sold them out of the country. External debt ceased to be an instrument for financing productive investments or working capital to become a means for obtaining financial returns. The flip side to this indebtedness was capital flight and, consequently, there was a high correlation between the two.

The importance of the state in this stage, in which the economy was controlled by a diversified oligarchy, was decisive and it was expressed in at least three critical aspects. One aspect was public indebtedness in the domestic financial market—the state was the national economy's largest borrower—which put the interest rate in that market systematically above the cost of indebtedness in the international market. Another aspect was the external debt contracted by the state, which supplied oligopolistic capital with the foreign currency it needed to take local capital outside the country. The last aspect consisted in the nationalization (abortion by the state) of the private external debt through the various exchange rate insurance regimes that were implemented as of 1979.

A factor that cannot be ignored is that the strategic leadership of the dictatorship—the economy cabinet—imposed a restructure of state-owned companies that served the interests of local economic groups. The so-called “peripheral privatization” allowed this capital fraction to seize a significant portion of the income of state-owned companies. It was a specific form of privatization that is not an antecedent to the privatization imposed by foreign creditors in the 1990s, but a different form, because it did not involve transferring the ownership of state companies but only their profitable operations through contracts. It was inspired in the modus operandi introduced by Krieger Vainieri for public works during the Ongania dictatorship, which was the origin of the “contractor nation.”

The oil and gas company Yacimientos Petrolíferos Fiscales (YPF), which during those years was the country's highest grossing company, constitutes an emblematic case, as between 1977 and 1980 the state awarded private contracts for twenty-one areas
of oil extraction, paying contractors an oil price that greatly exceeded the original costs of the state-owned company. Under these contracts, various local economic groups took over production in those areas, while the participation of foreign companies made that strategy viable within the dominant sectors. Among the economic groups that most benefited were Pérez Companc, Bridas, Astsa, Soldati, and Macri (SOCMA). Another line of action imposed on state companies was the obligation of contracting debt abroad to supply the foreign currency that would enable capital flight. This entailed a heavy load for state companies and for the post-dictatorship constitutional government. YPF is once again an emblematic case in that process. According to available data, the US$775 million debt it had at the end of 1975 ballooned into a US$56 billion debt toward the end of the dictatorship, thus showing that the company’s external debt was equal to the sum of all of its assets.

An analysis of the evolution of key variables of the new accumulation pattern reveals a significant expansion in all of them, most intensively as of 1970, following...

On the specific characteristics of this process, see M. Barraza, *La entrega de YPF. El proceso de fragmentación y privatización* (Buenos Aires: Caza y Ceniza, in press, 2014).

The Pérez Companc group, a senior member, along with the Telnet group, of the contractors nation (la patria contratista), was one of the leading YPF contractors. Oscar Vicente, an executive of the group, said in an interview: “The year 1967 is when in the company decided to go into oil. Pérez Companc, at that time, had a turnover of less than US$1 million. 1976 sales increased threefold when the company began operating in oil drilling and production, that’s when the Entre Lomas contract was secured. 1975, 1977, 1978: these are the years of the great privatization of oil contracts, when we bought Sade-General Electric. By then we were growing with above US$300 million. 1976, 1977, and 1978 were in full operation. And we were growing US$300 million to US$400 million.” L. Malón, *Los secretos del vendador poder* (Buenos Aires: Sudamericana, 1999).

In 1976, with Reynaldo Bignone as dictatorial president and Alfonso Guadagni as energy secretary, the original contracts were renegotiated. The journalist Marcelo Benelli analyzed this renegotiation and among other issues noted: “The power group of the three Argentine sisters, formed by the influential economic conglomerates that make up the Itaipu group, the Pérez Companc consortium, and Arts concessionary, had no qualms about placing its men in government positions, using the media, and even buying opinions to overcome the legal, technical, and economic resistance that prevented the amendment of the agreements stipulated by YPF. . . . These three sisters also operated with a few cousins, the SOCOMA group and Soldati holding. . . . From 1977 to 1978, period in which all the areas renegotiated by the military dictatorship were awarded, twelve of the twenty-one contracts in question were awarded to the three sisters, there went to conran SOCOMA and one to the Soldati group. In sum, the family obtained 76 percent of the areas awarded, including some of the most important contracts, such as the 25 de Mayo-Mediterranean contract, which is jointly operated by the two concessionaires: Bridas and Pérez Compan.…” M. Benelli, *Un vendador en la imagen. Las contratas petroleras* (Buenos Aires: Corregidor, 1984).

It should be noted that José A. Cuestas, former president of YPF, declared in court that the company “was forced to contract, or it was determined that it would contract new loans in foreign currency . . . but YPF received pesos instead of dollars. The order to increase its debt was given over the telephone by finance ministry officials, usually Juan Almario.” J. Ballestero, Legal decision by Judge Ballestero on court case n° 1977: “Olmos, Alejandro v. democ.” Buenos Aires, 2005, quoted in Barraza, *La entrega de YPF*.

See Barraza, *La entrega de YPF*.

which will all find transitory reconciliation with the repeated adjustments that were implemented against workers and the transferring of state assets to the private sectors.

The final major step taken by the dictatorship to further the economic dominance of the hegemonic fraction was the nationalization of the private external debt. With the exhaustion of the monetary approach to the balance of payments, the resignation of Martinez de Hoz as economy minister, and the change of dictators (with Roberto Viola replacing Jorge Rafael Videla) in early 1981, a cycle of devaluations was triggered by the shortage of foreign currency.

It was under these circumstances that the absorption of the private external debt by the state began. It was not that the economic groups, as the leading private external debtors, were facing a critical economic or financial situation and tried to solve it through an economic policy. On the contrary, their debt was clearly less than the resources that had been drained from the country, so that their intention was to further increase their assets by transferring their debt to the state, while the resources transferred abroad were left untouched.

The transfer of private external debt to the state was done through a system of exchange rate insurance: these were contracts between private debtors and the BCRA that guaranteed the debtors a fixed exchange rate and repayment of the debt in pesos at the end of the contract, provided they extended the maturity with the creditor bank. The modification of relative prices produced the transfer over time, while the exchange rate would be the most dynamic price in Argentine economy because of the exchange rate lag. According to World Bank estimates, the subsidy that the indebted companies received until 1985 amounted to US$8.353 billion, equivalent to 57 percent of the total private external debt and 57 percent of the private external debt with exchange rate insurance. Its effect was even greater given that the exchange insurance were valid until 1985 and 1986, with the implementation of the first external debt capitalization regime with that insurance.

**FINAL CONSIDERATIONS**

The imposition of financial valorization entailed deep long-term transformations both in the country’s economic structure and in social and political relations. The first such transformation was the great deindustrialization that began during the dictatorship and continued into the constitutional governments up until 2001. It was not only driven by capital flight, as such transfers are fed primarily with resources intended for investments in production, but also by the acute liberalization that was implemented as part of the monetarist policies. That was how the radical downgrading of the national bourgeoisie occurred, and even of the foreign capital invested in manufacture, which in the 1980s saw the largest repatriation of capital in history.

It should be noted, however, that this process was not the result of a contradiction between the financial and industrial sectors. On the contrary, the hegemonic fraction that led and was benefited by this new accumulation pattern was a major sector in industrial production, which significantly increased its influence in production by displacing other business fractions and boosted its fixed assets by centralizing capital.

Financial valorization not only redefined capital relations favoring large economic groups to the detriment of the national bourgeoisie and broad sectors of industrial foreign capital. It also affected the relationship between capital and labor, in favor of the former naturally, like never before in the history of Argentina, through the redistribution of income away from workers, the reduction of employment, the deterioration of working conditions, and, in general, the loss of basic rights, which gave way to a vast unprecedented class-based revenge.

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11 For a detailed analysis on how the exchange rate insurance operated, see Basualdo, “El nuevo funcionamiento.”