

# Friedmanite de Hoz is placed on trial

by Cynthia Rush

Anti-monetarist forces in Argentina are setting a precedent for dealing with Milton Friedman's leading domestic follower, whose policies they charge have violated national interests and undermined national sovereignty.

In early September, a lawyer from Argentina's Justicialista Peronist Party, Jorge Eduardo Solá, filed criminal charges for "fraudulent administration of the foreign debt" against José Alfredo Martínez de Hoz, the virulent monetarist who served as Finance Minister in Argentina from 1976 to 1981. It was under Martínez de Hoz, whose closest friends include Henry Kissinger and David Rockefeller, that the country's industrial capacity plummeted by 25 percent, and Argentina became notorious as a center for "hot money" speculation.

When Martínez de Hoz took up his post at the Finance Ministry in March of 1976, Argentina's total foreign debt amounted to \$7.8 billion. At the end of 1981, it had grown to \$35.7 billion, and today it is close to \$40 billion.

The federal judge handling the case in Buenos Aires, Martín Anzoategui, is charged with investigating the "impressive growth of the Argentine foreign debt," and determining whether it was the "product of a general economic policy which demanded the increase of the foreign debt to maintain a continuous dollar flow . . . or if there were specific crimes committed" in relation to this astronomical growth.

Anzoategui has announced that he will examine the "reasons for the [debt's] growth, from the time that Martínez de Hoz assumed his duties until he ended them; the destination of the funds obtained; the servicing of interest and amortization; the possible granting of commissions to third parties who might have acted as agents in the obtaining of new credits or the refinancing of existing ones, the amounts of said commissions and the names of those who would have stipulated their payment."

According to Jorge Solá, payment of commissions to individuals who helped obtain loans amounted to as much as \$4 billion dollars during the 1976-1981 period. He also charges the de Hoz economics team with having carried out fictitious operations—"loans to themselves"—in amounts as high as \$15 billion, in order to benefit from insurance on exchange and other monetary transactions.

Speaking in his own defense, Martínez de Hoz claims

that the close to \$25 billion in foreign loans contracted during his term in office were "for the benefit of the country," and were directed toward financing the growth of national industry and expanding productive capacity.

## Interest rates at 200 percent

The facts say otherwise. De Hoz's "free market" quackery dramatically slashed credit available for productive investment, forcing annual domestic interest rates up to levels of 200 percent and more. His policy of guaranteeing a monthly peso devaluation at a rate below the peso interest-rate permitted foreign speculators to make a killing on short-term investments with annual net profits in dollars of between 30 to 50 percent. Six billion dollars in "hot money" flowed into Argentina's speculative whirlpool from abroad during that period. Domestic capital also found speculation to be more profitable than investment in industry.

Aside from joining in the speculative binge, Wall Street banks provided loans that allowed Argentina's middle-class to indulge in an orgy of foreign trips and consumer spending, giving the illusion of prosperity in a nation whose productive apparatus was being systematically gutted. The bubble finally burst in 1980 when large numbers of industrial and agricultural concerns began to collapse under the weight of their debt burdens, and brought banks down with them. The new infusions of credit that de Hoz brought in at the end of his term could not prop up the economy for long once the speculative apparatus began to fall apart.

Were it true, as Martínez de Hoz asserts, that the \$25 billion in foreign debt contracted during his term was for the "benefit of the country," then Argentina would not have suffered a 25 percent decline in industrial production between 1976 and 1981, particularly affecting such critical areas as metallurgy, machine-tools and petrochemicals.

The financial and speculative banking sector would not have grown at the extraordinary rate of 34.5 percent during the same period, as compared to a 7.15 percent increase for the first five years of the decade. Nor would Argentina's highly-skilled and literate working population have been pauperized by wage levels that permitted annual increases in consumption of no more than 1.1 percent, as compared to increases of 19 percent for the period of 1970-1975. Had industrial production expanded as de Hoz claims, the nation would not have lost some of its most talented and highly skilled professionals to other countries.

If handled properly, the case against Martínez de Hoz could not only land him in jail, but implicate the entire gaggle of pro-British oligarchs who have transformed Argentina from a promising industrializing nation into an underdeveloped one. Nor is the Solá suit the only one targeting the former minister. Sources close to the military have confirmed that similar investigations into the performance of de Hoz and his "team" are being conducted to determine whether he owes allegiance to "anti-national" rather than "national" interests.