

Debt issue inflames Argentine politics

by Cynthia Rush

The announcement by the Argentine Air Force of a new lower figure for the country's foreign debt—\$37.8 billion rather than the \$43 billion previously specified by Finance Minister Jorge Wehbe—was characterized by some observers as “dropping a political Exocet,” the missile Argentina employed so effectively in the Malvinas war. The report's release on Feb. 16 did not produce any sense of relief about the debt burden; on the contrary, it focused the country's attention on former Finance Minister José Martínez de Hoz and the monetarist policies that led to the quadrupling of Argentina's foreign debt and the destruction of its national economy during his 1976-81 term in office.

The political storm began on Feb. 20, when Finance Minister Wehbe and central bank president Julio González del Solar responded to the Air Force announcement.

Speaking from the United States, where he was attending the IMF Interim Committee meeting, Wehbe admitted that due to a “poor interpretation in the reading of the numbers” from the central bank, he had indeed “committed an error” in calculating the amount of the foreign debt by double-counting an amount of insurance issued against devaluation for certain foreign currency transactions.

González del Solar chimed in that “it's possible that there was an error or some discrepancy between one and another figure,” but added, “the central bank is not a laboratory for medical studies, where a millimeter one way or the other can cause problems.”

Back in Buenos Aires a few days later, Wehbe attempted a feeble defense by reporting on his discussions with U.S. Federal Reserve Chairman Paul Volcker, who Wehbe said was “pleased with the progress of the Argentine economy” and considers the government's management of its debt crisis “an example for the West.”

These explanations were hardly satisfactory, especially since the IMF had used the higher debt level to demand additional austerity. Political leaders drew the correct conclusion that Wehbe and González del Solar were simply covering up for Martínez de Hoz, whose policies had caused the increase in the debt. Agricultural producers attacked

Wehbe as a “liar,” and the Argentine Industrial Union (UIA) sent him a harsh ultimatum demanding an immediate lowering of interest rates and re-industrialization of the economy. Wehbe's resignation was expected at any moment.

‘Jail the monetarists’

The Air Force had undoubtedly intended to use its report on the debt to unleash this debate. And it had bigger fish in mind than Jorge Wehbe.

On Feb. 17, the Buenos Aires daily *Tiempo Argentino* reported that the Air Force would request that José Martínez de Hoz and members of his former economics team be placed at “the disposition of the executive power while presumed illegal actions that could constitute crimes of economic subversion are investigated.”

Spokesmen for the Air Force explain that the investigation and punishment of the Martínez de Hoz group and other individuals who managed the country's finances during the 1976-81 period is required to “definitively re-establish the reign of justice and truth, and return to the people the necessary moral force required to rescue the country from the profound crisis in which it finds itself. . . .” Of 33 cases dealing with illegalities committed during the 1976-81 period, a half-dozen directly involve Martínez de Hoz and his former staff members.

For the moment, Jorge Wehbe remains at his post, although his political future hinges on compliance with the military junta's dictates for controlling inflation and prices and for making available full information on the status of the foreign debt. There has been no official junta response to the Air Force call for the jailing of Martínez de Hoz, probably because the junta is not prepared to take action that would involve removing the current president, Reynaldo Bignone, whose career is closely linked to Martínez de Hoz and the latter's military associates.

The courts

But even if the national executive remains passive, the courts are moving ahead with several investigations that could land the former minister in jail.

Four former members of the de Hoz team have already been fined and sentenced to “preventive prison” for “non-fulfillment of the duties of public officials” while in office. De Hoz's name also figures prominently in the court investigation of the inordinate growth of Argentina's foreign debt, the indebtedness of the state oil company YPF, and the activities of the Argentine members of the Propaganda-2 Freemasonic lodge—particularly their involvement in financial sabotage and capital flight operations during the 1976-81 period. As seen in court testimony at the end of February, when Chase Manhattan Bank was cited in connection with “irregular” financial operations inside the country, these investigations could extend considerably beyond Argentina's borders.