

What Argentina's Menem could learn from Gen. Juan Guglielmelli

by Cynthia R. Rush

If Gen. Juan Enrique Guglielmelli (ret.) were alive today, he would be angry that the supposedly nationalist, Peronist government of President Carlos Menem had so willingly embraced the policies of Peronism's historic enemy: British economic liberalism.

There's no question that, if General Guglielmelli were witnessing the disaster of today's Argentina, he'd have a few choice words to direct to President Menem. A career officer who for years promoted the protectionist policies of American System economists Friedrich List and Henry Carey, Guglielmelli was a fighter. During some of the darker periods of Argentina's recent history, when unbridled monetarism wreaked havoc in the country's economy and its industry, the general's voice could always be heard. He demanded the adoption of dirigist economic policies, a defense of wages and living standards, and the protectionist approach needed to serve the national interest. His untimely death in June 1983 deprived Argentina of a great patriot, whose presence is missed, especially in today's crisis.

One of the general's fights was with the military junta which took power in March 1976, on behalf of the policies of Henry Kissinger and David Rockefeller. Some months after taking over, the junta's economics team imposed a decree substantially lowering protectionist tariff barriers, allegedly to make Argentine industry "more competitive" internationally. Finance Minister José Martínez de Hoz rammed through the tariff reduction plan as part of the international bankers' plan to transform Argentina into the "fourth leg" of the Trilateral Commission; that is, to destroy any capability for the development of national industry, creating the agriculture-based pastoral society so admired by Martínez de Hoz's British friends.

General Guglielmelli spoke his mind about the Martínez de Hoz policies. In an article published in the July 10, 1977 issue of the Buenos Aires daily *Clarín*, he characterized them as a plan to "insert Argentina into an external order based on Nelson Rockefeller's formula: that each country is singled out 'according to its greatest selective and relative efficiency.' "

He added: "The role of agro-exporter to which the lack of industrial protection ineluctably leads, condemns us to foreign dependency, cuts off national decision-making capability, and prohibits fulfillment of the needs of well-being

and prosperity to which our society is entitled. And, as for national security, it restricts freedom of strategic action, creates grave vulnerabilities in the relation of forces of the countries of the Southern Cone, and, domestically, confronts us with a scenario of permanent social dissatisfaction and agitation."

Protectionism vs. free trade

Lest anyone miss the historical issue here, the general's article, published in the March-April 1977 issue of his magazine *Estrategia*, got right to the point. Entitled "Carlos Pellegrini: Protectionism for National Industry," the work used the occasion of Martínez de Hoz's tariff reduction law, to review the late 19th-century battle in Argentina between the followers of List and Carey, on the one side, and the promoters of British free trade, who wished Argentina to remain a producer and exporter of agricultural goods. A member of the political grouping led by Vicente F. López, Carlos Pellegrini led the fight for a protectionist policy during the congressional debates of 1875-76. As President from 1890-92, he and his finance minister, Vicente López, tried with limited success to implement the protectionist policies advocated by List and Carey.

As General Guglielmelli noted in the *Estrategia* article, "Knowledge of a substantial portion of Pellegrini's thinking on the matter, not only has historical value, given his role in Argentine politics, but also because his ideas take on a particular timeliness, in view of the tariff reductions carried out at the end of last year [1976], which can have the gravest consequences for national industry and labor." The general emphasized that not only the example of the United States, "but also the new currents of economic thought," especially the ideas of Friedrich List, Henry C. Carey, and the traditional German school, greatly influenced the López and Pellegrini group.

Noting the influence on List of Alexander Hamilton's *Report on Manufactures*, Guglielmelli summarized List's thinking as follows: "Principles of economics shouldn't be applied in a general way, but rather according to particular situations; the nation, which is the link between man and humanity, is the object of political economy. Counterposed to free trade as an absolute value, are the interests of the nation, subordinating economic policy to general politics

. . . [List] establishes stages through which nations must pass successively. That is, savage, pastoral, agricultural, agricultural-manufacturing, manufacturing, commercial. . . . To attain these goals, and accelerate the stages, protection for new industries is indispensable, guarding them against foreign competition. This protection will be of a limited and selective nature.

“Depending on the degree to which it gains an ability to compete with foreign industry, the latter should never be prematurely unprotected. Rather, protective tariffs should be rigorously observed. Customs barriers are the best tool for industrial protection; the national market should be preserved for national producers.”

“A country which does not have basic industry is a castrated country, because basic industry—if you gentlemen will forgive me—is to nations what its virile elements are to a bull.”—General Guglielmelli

General Guglielmelli’s selection of Carlos Pellegrini’s arguments against free trade, covering the period from 1875 to 1904, was in fact directed at Martínez de Hoz and like-minded friends of Adam Smith. He took, for example, Pellegrini’s statements from the 1876 congressional debate: “It is evident . . . that today we are simply a pastoral people, and that our only resource is reduced to shepherding, and to a very small degree, agriculture. Where is the nation that has become great and powerful, being only a pastoral nation? I think it would be difficult to find. . . . Or the free trader, who wants us to continue being what we have been, and who says that industry is an exotic plant, and says that for the Republic of Argentina, there is only the cow or the sheep. [For him], there are only two sources of wealth which depend on a whim from the heavens. I say, that a nation whose sole and only wealth depends on this whim, is condemned, from one moment to the next, to be reduced to penury.”

And from the debate of 1875: “Every country should aspire to develop its national industry; that is the basis of its wealth, its power, and its prosperity; and to obtain it, it should encourage its development, removing as much as possible, any difficulties standing in its way. . . . Free trade is industry’s final aspiration, in which it can only attain its full development, just as the plant seeks fresh air so as to acquire great height and a luxuriant crown . . . but if free trade develops industry which has acquired a certain vigor, and permits it to obtain all possible splendor, free trade kills

nascent industry.”

In a letter written to F. Costa in 1902, Pellegrini says: “This idea of attacking protectionism and affecting principles of free trade is a mania of all dilettantes, of the aficionados of economic digressions, information, and adornments, and of all those among us who entertain themselves by discussing theories without the slightest concern for the results or their practical applications.”

And, as for the necessity of protecting the internal market, Pellegrini said in 1902 that “all nations protect their national labor; it cannot be otherwise, because labor is wealth, and wealth is power and greatness in every sense, and in universal competition it is lawful that each country would try, in the first place, to guarantee for its industry its own internal market before seeking a foreign market.”

How to save the nation

General Guglielmelli’s writings were no mere academic exercise. He knew in 1977 that Argentina’s future depended on throwing out the monetarist, free-trade policies which British financial interests had imposed on Argentina since before its independence from Spain, and on adopting a program that would serve the national interest and protect Argentine sovereignty. “In line with these ideas,” he said, “it is imperative that Argentina adopt an integral sectoral and spatial economic program which will forever break apart its current agro-export structure, which, in summary, condemns it to foreign dependency and permanent social agitation.” But “equally important,” he said, “in light of our experience, will be to definitively neutralize the intermediary interests and financial circles which do their big business by maintaining the status quo.”

Seven years earlier, as secretary of the National Development Council (CONADE) in the government of Gen. Roberto Levingston (1970-71), Guglielmelli had the opportunity to elaborate precisely the type of economic program required to “forever break apart” Argentina’s status as an agro-exporter. He held that post for only four months, from June until early November of 1970, during which time he confronted the monetarist approach of Finance Minister Moyano Llerena and his associate Adalbert Krieger Vasena—the same Krieger Vasena who has been hired as an economic adviser to the Menem government today. When it became clear that the military government intended to implement policies contrary to the national interest, Guglielmelli resigned.

On Aug. 4, 1970, the general outlined in a memorandum the key points he thought should be included in the 1970-74 national development plan. He proposed that the plan must “devise a coherent package of emergency economic measures tending to promote general economic activity, and in particular in the agricultural and industrial sectors, and which, at the same time, adjust wages affected by the deterioration of the real wage, *or complement the resolution adopted on this measure* for the purpose of creating the conditions for

the country's definitive sectoral and geo-economic integration at an accelerated rate."

As for monetary measures, Guglielmelli emphasized: "We're talking about concretizing those measures which will tend to wage an effective battle against usury; reduce business costs (both agricultural and industrial) and stimulate and increase productive investment."

Priorities for national development were as follows: "*Sectorally*, for basic areas (steel, cellulose and paper, mining, petrochemical, aluminum, heavy chemicals, etc.); *in infrastructure*, energy, a road construction and transportation plan, as well as the rapid construction of large projects. Finally, *regionally*, in particular, to make effective the economic expansion of the interior of the country."

In a second memorandum, in which the general elaborated emergency economic measures "for immediate application," he proposed the adoption of a dirigist credit system, to give priority to the development of basic industry. It is necessary, he said, "to guarantee the introduction of capital applied to development according to the priorities and conditions established by the national leadership." In a subsequent document, Guglielmelli proposed adopting the system first elaborated by Gen. Juan Perón, the "nationalization of bank deposits." Here, the central bank rather than the entire banking system was effectively nationalized, and measures taken "tending to redirect toward nationally capitalized companies the mass of bank deposits in national currency found in foreign banks; and immediate measures to obtain an effective reduction in real interest rates."

Other proposals included a 30% reduction in tax levels, suppression of special taxes on rural properties, and tax incentives for investment in national companies. As for protection of industry, Guglielmelli proposed to "raise all customs tariffs so as to eventually prohibit [the entry] of all products produced in the country, particularly taking into account the geoeconomic point of view; . . . and readjustment of the system of unrestricted imports."

A national revolution

On June 15, 1970, General Guglielmelli participated in a roundtable discussion organized by the government with a group of economists, including a number of well-known monetarists, to thrash out proposals for Argentina's future. He told the group: "We have to seek the country's economic and sectoral integration, industrialize it, take advantage to the maximum of the internal market, and, furthermore, in the long term, fundamentally change—and I insist, underscore—the current foreign trade structure of the Argentine Republic.

"A country which does not have basic industry is a castrated country, because basic industry—if you gentlemen will forgive me—is to nations what its virile elements are to a bull. We cannot in the long term purport to resolve economic or security problems, or the problems of our relative value

in our natural environment here in the Southern Cone of Latin America, if we do not have that type of country."

General Guglielmelli understood what Britain's Margaret Thatcher will never understand: "We have to invest in the public sector; order that investment, as someone has said, but within the public sector never lose sight of which areas must, as a priority, be developed, so that our industry and our productive sectors have the best conditions, including so as to compete with international prices."

Guglielmelli also warned Argentina's rulers to take up the challenge issued by Pope Paul VI in his 1967 encyclical *Populorum Progressio*, whose principal theme was "Development Is the New Name of Peace." The government's economic policies, Guglielmelli said, "will have to be undertaken with new and imaginative criteria, as even the Holy Father indicates to those charged with the task of development, outlining the measures which can resolve those problems."

When it became clear that the program that he designed for the nation would not be adopted, General Guglielmelli resigned from CONADE. As a military officer and a patriot, however, he never stopped fighting to make a nationalist revolution in Argentina, and trying to ensure that the Armed Forces as an institution would play their proper role in that process. In his letter of resignation written to General Levingston on Nov. 3, 1970, he stated: "Making the Revolution is the task of all sectors, but particularly of the Armed Forces. But if these are not properly aligned, if they do not fulfill their historic mission, they may be responsible for the cruelest of confrontations. . . . The enemy of the developing nation is our lack of development; the monopolies devise their strategies based on this condition. As this is a case of trying to defeat an enemy, the vanguard role belongs to the armed forces. Its battle, which is the nation's battle, must be waged by building the material and spiritual bases of development and promoting a better distribution of wealth. . . . The historic role of the Armed Forces is to preside over and promote change. To do so, they must adjust to the country's own conditions, on the basis of an accelerated development program which gives priority to basic industry, to economic infrastructure, and to regional development."

The general ended his letter with this statement: "I arrived at this post, which I am leaving today, from the battlefield of the National Revolution, and I return to it fully identified with its principal protagonists: the Armed Forces, the workers, the Church, and the national businessmen and intellectuals."

It is precisely this alliance of forces which has been the target of today's monetarists, in Buenos Aires and in Washington, whose greatest fear is that, even with everything they have done to Argentina, a nationalist upsurge may still come into being. If he were alive today, General Guglielmelli would be fighting for that revolution, with toughness, a wonderful sense of humor, and total commitment, as he did up until the very moment he died, in the offices of *Estrategia*. He is sorely missed.