

Revive Argentina's Tradition Of National Banking!

by Cynthia R. Rush

In 1891, Argentina defaulted on its foreign debt, bringing down its largest creditor, England's House of Baring Brothers. In the political and financial turbulence shaking his country at that time—not unlike Argentina's situation today—nationalist President Carlos Pellegrini, who served from 1890 to 1892, founded the state-owned Banco de la Nación Argentina, proclaiming at the time, "Today, we have created a bank [founded] with national capital."



Carlos Pellegrini

An admirer of Alexander Hamilton, Henry Carey, Friedrich List and the American System of political economy, Pellegrini, together with his Finance Minister Vicente Fidel López, saw the Banco de la Nación as a vehicle to guarantee the issuance of cheap credit for domestic companies and to promote industrial development. They did so with the knowledge that precisely this type of institution, as conceived by Hamilton, had been central to the industrial development of the young United States. In the 110 years since its founding, the bank has grown to have branches in all of the country's provinces, and has been the chief financier of regional economic activity. It has always been a source of national pride.

While founding the bank, Pellegrini and López took measures to punish the usury which Great Britain had historically felt free to practice in the country, since even before its independence from Spain. They reduced British imports into the country by almost 50%, taxed British banks and insurance firms, and refused to grant new concessions to British railroad companies. It was a time of intense anti-British ferment, which saw frequent popular demonstrations in front of British banks and insurance companies. The Argentine President's measures caused such horror in London, that the British government even contemplated a military invasion of the country to restore its looting rights.

The Banco de la Nación was inaugurated on Oct. 26, 1891, and opened its doors for business in December of that year. Because of its relevance to Argentina's crisis today, we include below excerpts of President Pellegrini's Oct. 26, 1891

speech to the new bank's board of directors:

"I wanted to attend this ceremony inaugurating the Banco de la Nación, because I have faith in its purpose, and because I want its first board of directors to know fully, the character and mission which the government has wanted to bestow on this new institution. I recognize that this bank has been created against the opinion prevalent in certain [liberal] circles from which many draw their inspiration, but the interests of the Argentine Republic are not defined by a circle, and I can assure you that the real opinion in the Republic and in its capital, is favorable to this institution. . . .

"Some think it weak, because of the time in which it is being created, and because it is founded, for the moment, with a debt to the community which, in solidarity, is guaranteeing the currency issued; but you know that almost all the great credit institutions in the world were also created at times of crisis, some on the basis of debts with far less collateral than currency issued, and which still appear on the books of those banks, without having been amortized in a century.

"This bank has not been created to attend to the needs of the public treasury; you will be the nation's treasurers, and you may judge for yourselves whether the Treasury needs the monetary resources of this bank. This bank has not been created on the basis of any political interest, as the composition of the board of directors demonstrates. The criterion which has determined the selection of each one of you, is not political connections, which you don't have; but rather, because you are men who understand the arena in which you will be operating, and the interests you are called upon to serve.

Serve Industry and Trade

"This bank is founded only to serve industry and trade, whose needs you well know, and are prepared to meet. If there were one recommendation I would make to you, it would be on behalf of a group which, to date, hasn't enjoyed great favor from credit establishments, but which is, nonetheless, deserving of greater attention. I speak of small businesses. The real industry in a new country is that which is born within, grows and develops through intelligent and persevering effort, molding itself to the environment in which it lives, and each day acquiring new experiences which invigorate it. They have a greater future than those large industries which use capital to improvise, and often lack the intelligent and active worker or industrialist who is the soul driving it. The law which creates this bank, gives you complete autonomy. . . .

"The future of this bank rests entirely in your hands, until the day you are replaced. . . . Pay attention to the interests of all the Republic, its industries and its trade, and the day will arrive in which your efforts will be repaid by the importance this institution shall acquire, and to whose destiny your names are linked, as members of this first board of directors.

"It is my hope that [the bank's] future will surpass all our hopes, and I offer whatever support you feel the national government can provide you, in your work."