officers of National City Co. found themselves personally holding huge losses, National City Bank quickly came to the rescue by setting up a special "morale loan fund" from which the officers were allowed to borrow without interest or collateral.

Of course, Mitchell also indulged in such skulduggery as selling stocks he owned "at a book loss" to his wife, which loss he then wrote off his income tax. After the big price collapse, he repurchased the same stocks, but paid the price of the original sale to his wife three years before—he testified—so that she would not suffer any loss. Mitchell was later prosecuted by the government for the criminal offense of tax evasion.

Both Mitchell, and City Bank president Hugh B. Baker were forced to resign as a result of the scandals, leaving Feb. 28, 1933, one day before the conclusion of the Pecora hearings.

New administration comes in

Incoming President Franklin Delano Roosevelt called for the Senate probe to continue, despite the desire by some senators friendly to Wall Street to sidetrack the explosive inquiry. The press was filled with the hearings' revelations, which hit a nation in the depths of the economic depression triggered by the same Wall Street bankers and brokers. Pecora subpoenaed J.P. Morgan and Morgan partner Thomas Lamont. Inquiry concentrated on Morgan's creation of three super holding companies in 1929: Allegheny Corp. to control a vast railroad network; Standard Brands, to merge four large food companies; and United Corp., to cartelize the electric power industry, as Morgan had earlier done with U.S. Steel. Morgan admitted selling the stock issue of these giant holding companies to "preferred lists" of investors, revealed to be disguised forms of payoffs or polite bribery to allow favored individuals and banks to make money with almost no risk. Morgan's "preferred list" included former President Coolidge, John Nutt, Republican national chairman, and John J. Raskob, Democratic national chairman.

Then-aging Sen. Carter Glass of Virginia expressed growing anger as the investigations grew in scope, and drafted legislation to end the abuses. Glass had been an original sponsor of the Federal Reserve Act in 1913 and helped ram that unfortunate bill into law. But the public climate of hostility to the Wall Street con men, as they were seen, was such that the bill which still carries the name Glass-Steagall Act of 1933 was signed by President Roosevelt in June of that year. It outlawed "sweetheart" conflicts of interest by forbidding banks insured by the newly created Federal Deposit Insurance Corporation (also part of Glass-Steagall) to own security trading affiliates. Wall Street pressures since the 1970s have all but destroyed the intent of those restrictions.

To remove Glass-Steagall now, *after* the manifest result of those promiscuous speculative practices which led to the Reagan "John Law Bubble" of 1982-87, is somewhat difficult to justify.

Parts of Argentina close to revolt

by Cynthia R. Rush

It is no exaggeration to say that portions of Argentina, especially in the nation's bankrupt provinces, are close to institutional dissolution, and even insurrection against the central government, thanks to President Raul Alfonsín's slavish adherence to the International Monetary Fund's (IMF) "adjustment" policies.

Over the past two months, five provinces in the interior—Salta, Tucumán, La Rioja, Mendoza, and San Juan—have exploded in social unrest and dislocation, in some cases bordering on anarchy. Two others, Chaco and Jujuy, may shortly face a similar situation.

Thousands of public employees have taken to the streets to protest the fact that their governments cannot meet wage bills, or offer wages that cover the rising cost of living. Strikes are so widespread, that they have disrupted normal activity in every sector of the provincial economies. On April 14, the General Workers Confederation (CGT) will hold its eleventh general strike against the Alfonsín government's socioeconomic policy. The national teachers' federation, CTERA, has been on strike for one month over the demand for higher wages, shutting down primary and secondary schools.

For five years, the Alfonsín regime has obediently followed the IMF's dictates to "restructure" Argentina's economy. It has kept interest rates prohibitively high, now in the range of 18% to 20% monthly, forcing the shutdown of productive industrial and agricultural enterprises around the nation. Given the rising inflation rate, 16% for March, interest rates are expected to go even higher. In the last quarter of 1987 alone, manufacturing production dropped by 8.1% relative to the third quarter. For all of 1987, industrial production grew by only 0.9%.

Since October 1987, the government has continuously raised the cost of all public services and fuel, while wages remained frozen. The 15% increase in the price of gasoline, announced March 31, puts the total price increase for this commodity at 100% in just over three months. According to a recent study by the Fundación Mediterranea, a private think tank, real wages have dropped 30% since January 1984. On

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April 16, the government will officially lift all controls on wages and prices, a measure which will cause inflation to accelerate further.

Operation successful; patient dead

Allegedly designed to "cleanse" the economy, these measures are instead killing it. They have shrunk the country's tax base, and left the provinces bereft of funds, and of productive revenue-generating options. As the March 27 daily *Clarín* described it, "The provinces are falling like ripe fruit. The Tucumán crash—which for days left the province defenseless—was only the first bead on a long rosary. Salta and La Rioja quickly followed. . . . In this context, other public service strikes, the repeated rate increases, and the application of taxes upon taxes, mean that we can truly say that the State is in ostensible bankruptcy."

In the northwest province of Tucumán, policemen on strike for payment of February's wages were desperate enough to stage a commando-style raid on the government palace, demanding their pay. In neighboring Salta, whose government required 45 million australs in order to pay February's wages, 3,500 striking public employees joined with 1,500 striking teachers to shut down the provincial administration in late March, demanding their salaries.

Salta and Tucumán took steps three years ago to create their own currencies, in the form of inconvertible provincial bonds, to make up for the lack of funding from the central government, and pay suppliers and public employee wages. Now, with this current crisis, the bond system has lost credibility: Businesses won't accept them as a form of payment, and workers demand to be paid in the national currency, the austral, rather than state bonds. The cash-strapped provincial governments simply have no funds.

Mario Brodersohn, the number-two man in the finance ministry, charges that the provincial governments have created their own financial crises, because they have hired too many people to work in the public sector, and overspent their budgets. It is the case that state employment in the provinces has increased; but given the shrinkage of productive economic activity, provincial governments have been forced to hire the unemployed to keep them from starving, and to stave off social upheaval. This has become an unofficial form of unemployment insurance; but it has also swollen the ranks of the state sector, at a time when there is no money to pay employees.

A dead-end street

Luis Adolfo Prol, finance minister of the province of Formosa, told the daily *La Nación* very bluntly that "this is a dead-end street, unless national economic policy changes. The adjustment variables always end up being wages, and the provinces." In a document prepared for Alfonsín shortly after Easter, representatives from the 16 most important industrial and agricultural organizations demanded a shift in economic policy "to reverse the current deterioration in investment and production." The producers emphasized that "there is a disconcerting selection of the method of fiscal adjustment, which postpones maintenance costs, priority investments, and [causes] an exaggerated deterioration of public administration wages."

Alfonsín isn't listening. Finance Minister Juan Sourrouille is feverishly negotiating with the IMF and creditor banks, seeking at least $2.5 billion needed this year to make interest payments on its $54 billion foreign debt. Argentina is expected to generate a larger trade surplus this year, in the range of $2 billion; but in 1987, its foreign reserves plummeted by $1.5 billion, leaving no option but to contract new foreign debt in 1988.

After meeting with IMF director Michel Camdessus in Madrid two months ago, Alfonsín and Sourrouille had raised hopes that Camdessus would lobby the IMF and creditor banks on Argentina's behalf, and obtain approval for a more "political" treatment of Argentina's debt. According to this plan, creditors were to have agreed to some form of reduction in the country's overall debt, known as the "quita," or to a version of the zero-debt bond scheme Mexico worked out with its creditors.

This was not to be. During a March 25 visit to Buenos Aires, Camdessus told Alfonsín that, in the short term, the international banking community was not prepared to change the rules in its treatment of Argentina's debt crisis. Instead, Camdessus said, the government should not "lose hope," and should try to come up with "imaginative" proposals for the next creditor evaluation of the country's debt situation, within 45 days.

At this point, even factions within Alfonsín's Party are demanding that both Sourrouille and his economic program be thrown out the window. Alfonsín, however, is clinging steadfastly to both, Ronald Reagan style. The finance minister is said to be working on a new economic program, to be announced shortly. Observers say it will surpass the 1985 *Austral Plan,* in its orthodox monetarism: It intends to completely deregulate Argentina's economy, eliminating all obstacles to flooding the country with foreign imports while domestic industry languishes. Public service rates and utilities will continue to rise in cost; wages will be "de-indexed" and growth of monetary issuance will be restricted to a rate of 4% monthly.

The government claims that reduction of protectionism for national industry will remove certain excessive "privileges" enjoyed by some companies and sectors of the economy. Salvador San Martín, a former president of the Center of Steel Industrialists told the daily *Clarín* that this policy is tantamount to "economic terrorism." "These are not arbitrary privileges," he said. "They are the privileges [included] in the National Constitution, given so that one serves a useful purpose to the Nation. . . . All the countries in the world have granted and grant privileges to stimulate the development of something which is of 'national interest,' as it was previously defined by political authority."