

position that, since the Convertibility Plan was launched in 1991, is without precedent. Even sectors which had unconditionally supported the Menem government in its denationalization programs, have made public their vehement opposition to the privatization of BNA.

On Nov. 7 of last year, Enrique Crotto, president of the Argentine Rural Society, which represents the country's 10,000 most powerful agricultural producers, declared that "there is no need" for the privatization. "I may be liberal, but I'm not stupid. . . . The first reflex would be a several-point rise in the interest rate." Crotto said that "the countryside would be without aid," because "there does not exist another structure in the entire country that contributes to the regional and demographic balance, as does BNA."

Another unconditional backer of Convertibility, the General Economic Confederation of the Argentine Republic, also issued a communiqué last Nov. 12, in "opposition to the initiative to privatize the Banco de la Nación, since its role is to encourage productive activities and to support the business class in various regions of the country."

At the same time, the Banking Association (which represents all employees of the Argentine financial system) has begun a national campaign to gather 1 million signatures in opposition to BNA's privatization.

In the first week of April of this year, a group of Congressmen from the Justicialist Party presented the National Congress with a resolution calling on the Executive branch "to abstain from any procedure tending to privatize the Banco de la Nación."

The point of no return

Should the Banco de la Nación be privatized, the very next day would see the passage into foreign hands of 11,573,956 hectares of highly productive land which had been mortgaged by BNA and whose debts were overdue. As an internal report of the BNA confirms, this represents 6.56% of the total land suitable for agricultural production. It does not include all the small and medium-sized businesses which are indebted to BNA throughout the country.

In an article for the March edition of the magazine *Coyuntura y Desarrollo*, of the Foundation for Development Studies, Horacio Delguy accurately described this process, when he wrote that agricultural Argentina is "submerged in a process of bankruptcies, rural exodus, hyper-unemployment, vast foreign and internal indebtedness in foreign currencies, and, above all, [is] a victim of the denationalization of the public and private patrimony of all Argentines."

He said, "This means a violent transfer of assets that places us on a still more difficult path than the one already travelled. Not only because of material losses suffered, but because of distorted . . . ethical and moral values throughout society . . . [which] have enabled a minority of Argentines to apply the current economic model with social and political impunity."

Argentina's BNA: a symbol of hope

by Cynthia R. Rush

If the great patriot Carlos Pellegrini were alive in today's Argentina, he would, in his characteristically polemical style, have a thing or two to say to President Carlos Menem about the latter's plans to privatize the Banco de la Nación Argentina (BNA, the Bank of the Argentine Nation), not to mention what Menem has already handed over to British-controlled financial interests, in pursuit of the alleged benefits of globalization.

As President (1890-92), economic nationalist Pellegrini founded BNA as a *national* bank, to finance internal development and guarantee issuance of cheap credit to productive enterprises of all types and sizes. He did so with the knowledge that precisely this type of institution, as conceived by Alexander Hamilton in the United States, had been central to U.S. industrial development. As he proudly told one of his collaborators, "Today we have founded a bank with Argentine capital!"

The BNA opened its doors in December 1891, during a period of intense anti-British ferment in Argentina, encouraged by Pellegrini's decision to defend national sovereignty and put an end to British control of the country's finances and internal politics which dated back to before Argentina's independence from Spain. Pellegrini's actions during his Presidency caused such apoplexy in London, that the British considered military intervention to protect their usurious activities.

At the bank's inaugural ceremony, Pellegrini told its new directors: "This bank was founded solely to serve industry and trade, and you well know their needs and are capable of meeting them. If there were any recommendation I would make to you, it would be to favor a group which to date hasn't received much attention from banking establishments but is nonetheless, worthy of greater interest. I'm speaking of the small industrialists. The real industry of a new country is what is born within it, grows and develops through intelligence and perseverance, adapts to the environment in which it lives, and each day acquires new experiences which invigorate it."

Who was Carlos Pellegrini? Where did he come from? What allowed him to challenge the iron grip which Britain had had on every aspect of Argentina's economy? With only a few exceptions, almost all historians who have studied

this period of Argentine history insist that there never was “a protectionist school” in Argentina, which conspired to apply the same policies which had allowed the United States to become a great industrial power.

Not simple nationalism

Not true. Pellegrini functioned as part of a group organized and led by Vicente Fidel López, the historian and economist who served as his Finance Minister during 1890-91, but whose career dates back to the early 1850s when he was Foreign Minister of the Argentine Confederation led by the anti-British Juan Manuel de Rosas. During the 1860s, López taught economics, first in exile in Montevideo and later in Buenos Aires, to students who would become prominent advocates of American System economics. His group was steeped in the writings of Abraham Lincoln’s economic adviser Henry C. Carey, the German-American Friedrich List, and France’s Jean Baptiste Colbert. Its members saw the United States as the model Argentina must follow to attain national economic independence and guarantee the well-being of its people.

One of López’s students, Aditardo Heredia, later wrote his doctoral thesis on “The Protectionist System of Political Economy” (1878). In his work *Carlos Pellegrini, Industrialist*, former President of Argentina (1958-62) the late Dr. Arturo Frondizi described Heredia’s thesis as “one of the most detailed studies on the economic development of the United States.” Heredia concluded that “the only way to create the capital a country needs to attain a high level of economic development is through protection of national industry.”

The López group was particularly active in the mid-1870s, coinciding with the efforts of the Carey-led nationalists in the United States and their allies internationally to consolidate the institution of the sovereign nation-state *across the globe*, through industrial and infrastructural, especially railroad development (see *EIR*, May 2, 1997).

In August 1876, López and his students, among them 27-year-old Congressmen Carlos Pellegrini, Miguel Cané, Figueroa Alcorta, and others of the group, led the fight in Argentina’s Congress on behalf of a customs law to protect national production. In the Aug. 21 session, López said: “I know of no doctrine more hateful and merciless than free trade, applied in new countries which, like ours, are agricultural and possessed of only rudimentary labor. [Free trade] is merciless and hateful, and its own distinguished defenders arrive at terrible, if not wicked, conclusions against those nations at a lower level of production relative to European ones, which have been strengthened by centuries of protection for their labor and industry.”

In the same sessions, Pellegrini argued:

“Where is the country in the world which has become great and powerful, being only agricultural? I think it would be very difficult to find. . . . Today, America is nothing but

England’s farm; England is the factory of the world. . . . Studying the Republic of Argentina’s economic situation, and concerned for its future, I sincerely believe it is mandatory that we change our customs system and try to protect our industry.”

During his Presidency, which was a time of great financial turbulence in which Argentina’s biggest creditor, Barings Bank, went under, Pellegrini vigorously protected national production. He encouraged the development of regional industries, and by the end of 1891, had reduced British imports by 48%. He restricted luxury imports, but lowered tariffs on machinery and capital goods required for the incipient industrialization process. He had frequent run-ins with Britain’s Foreign Secretary, Lord Salisbury, over his policy of taxing British banks, utilities, and insurance companies, and his refusal to grant new concessions to British railroad companies. Popular hatred of British usury was such that rowdy demonstrations in front of British banks and companies were commonplace.

An international conspiracy

Ongoing research by *EIR* suggests that the López-Pellegrini group was part of the international republican effort to smash the bestial system of British free trade once and for all—although by the time of Pellegrini’s Presidency, and definitely by the turn of the century, these forces had been greatly weakened. What remains to be discovered is how pro-American-System groupings which existed during this period in Brazil, Chile, Colombia, Peru, Mexico, and elsewhere, coordinated or corresponded with each other, and with Carey and his followers directly.

That they did correspond is seen in Pellegrini’s defense of his “old friend” José Manuel Balmaceda, President of Chile (1886-91), who was overthrown in the 1891 British-orchestrated “civil war” because he defied London’s control of the economy, and proposed nation-building instead. While U.S. Secretary of State James G. Blaine backed Balmaceda, Pellegrini provided weapons and supplies to the beleaguered Chilean President’s troops. There is also evidence which suggests that Pellegrini considered a U.S.-Argentine alliance, not only to defend Balmaceda, but to lead Ibero-America into an era of industrial prosperity under a republican system.

In the years after 1892, Pellegrini’s understanding of the American System of political economy matured. In a 1904 trip to the United States, he marvelled at the “healthy, vigorous and robust” state of U.S. industry, especially the railroads. In his “Letters from North America,” he wrote that industry, “like everything that is born and grows, is born weak and helpless unable to defend itself against powerful competitors. But then comes protection, and under its saving shield, new industries develop, and in a favorable environment, they acquire that colossal importance which is today the power and pride of the United States.”