

THE ROLE OF MILITARY EXPENDITURE IN THE DEVELOPMENT PROCESS: THE ARGENTINA CASE 1946-1980

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Argentina is a particular case of underdevelopment within the Third World.

"As early as 1895, according to Michael G Mulhall, the Argentine per capita income was about the same as those of Germany, Holland, and Belgium, and higher than those of Austria, Spain, Italy, Switzerland, Sweden and Norway"¹.

"From 1860 to 1930 Argentina grew at a rate that has few parallels in economic history, perhaps comparable only to the performance during the same years of other countries of recent settlement. The expansion was most remarkable up until the outbreak of World War I; the fifty years before 1914 in Argentina witnessed one of the highest growth rates in the world for such a prolonged period of time"².

The onset of economic troubles began with the Great Depression (1929—32).

"Between 1925—29 and 1930—34 the international terms of trade of Argentina deteriorated sharply. At the same time, the export quantum fell by more than 6 percent, and the net capital inflow decreased. *The quantum of merchandise imports dropped by nearly 40 percent*"³.

Yet the Argentine economic performance during and after the Great Depression was not very different from that of other countries of recent settlement: Australia's performance was similar to that of Argentina while the Canadian one resembled that of the United States.

¹ Carlos D Díaz Alejandro: *Essays on the Economic History of the Argentine Republic*; New Haven and London; Yale University Press; 1970; p. 1, footnote 1.

² *ibid.*, pp. 2—3. "Rural output and exports expanded pari passu with railroad network, while the immigration of labor and capital provided other required inputs."

³ *ibid.*, p. 94, emphasis added.

However, a military coup in 1930 interrupted a long period of civilian governments, starting with the "National Reorganization" after the fall of Rosas in 1852 and consolidated through the first Roca presidency in 1880—86. Yet in 1928 Argentina was a prosperous country, with exports of 200 million gold sterlings (twice as much as in 1913)⁴.

President Yrigoyen — who had been elected in 1928 — was overthrown by the military in September 6, 1930 and replaced by Gen. Uriburu⁵.

Military spending rose sharply in the 1920s, as well as the number of men under arms (from 17 743 in 1920 to 22 373 five years later and 25 079 in 1930, i.e., a 40 per cent increase over the decade⁶).

Military expenditures increased notably in the 1930s., particularly during General Justo's administration (1932—1938)⁷ and the military (as we shall see later) played an important role in the development of an iron and steel industry from the early 1940s.

The ousting of Castillo in June 1943⁸ marks an important stage in the process of politicization of the armed forces.

Since 1943 the "repressive apparatus of the state-party" contradiction becomes the core of the problem of the coup d'état⁹. Besides, the ousting of Castillo pre-announces the emergence of peronism.

1. The First Peronist Period (1946—1955)

During the first Peronist government (1946—1955) the professional demands of the armed forces were satisfied, particularly through an ambitious arms-purchases program.

"The sums assigned to defense in the post-war years seem to be unusually high, even taking into account the favorable economic situation and the willingness of replacing their equipment on the part of the armed forces". The defense/public expenditure ratio rose from 16.61 percent in 1942 to 19.40 percent in 1943, 26.15 percent in 1944 and 27.66 percent in 1945 (See Table 1).

This upward trend corresponded to an advanced stage of the process of import-substitution, in which the military industries depended on the Army's General Directorate of Military Factories created in 1941, played an important role. One of the purposes of the First Five-Year Plan was to avoid the reliance on foreign borrowing "The Perón Government was in the process of paying up the last of Argentina's foreign debt as another step toward achieving economic independence".

⁴ See Tulio Halperín Donghi: *Historia Contemporánea de América Latina* Alianza Editorial; Madrid; 1980; p. 331.

⁵ On the fall of Yrigoyen and the subsequent events, particularly the so-called "Década Infame" (1930—1943) see Alberto Ciria: *Partidos y Poder en la Argentina Moderna (1930—1946)*; 3rd. ed., Ediciones de la Flor; Bs.As. 1975, chapters I, II and III (pp. 15—108).

⁶ See Robert A Potash: *El Ejército y la Política en la Argentina (1928—1945) — De Yrigoyen a Perón*; Editorial Sudamericana; Buenos Aires; 1971.

⁷ See Robert Potash: *The Army and Politics in Argentina (1928—1945)*; Stanford University Press; Stanford; California; 1969, chapter IV: "The General President".

⁸ A good account of the post-1943 period appears in Peter Waldmann: *El Peronismo (1943—1955)*; Editorial Sudamericana; Buenos Aires; 1981.

⁹ See my book, *Fuerzas Armadas y Estado de excepción en América Latina* op.cit.; especially, chapter 1: "El proceso de politización".

¹⁰ cf. Peter Waldmann: op.cit., pp. 136/137.

Table 1
Argentina: Military Expenditures, 1935—1949

Year	Actual Defense at Con- stant 1970 Prices Millions of New Pesos	Actual <u>Defense</u> <u>Actual</u> GE*	Year	Actual Defense at Con- stant 1970 Prices Millions of New Pesos	Actual <u>Defense</u> <u>Actual</u> GE*
1935	564	18.63	1943	1 132	19.40
1936	580	20.05	1944	2 097	26.15
1937	865	26.43	1945	2 138	27.66
1938	906	26.33	1946	1 923	26.18
1939	804	20.75	1947	1 931	22.96
1940	792	23.17	1948	2 692	22.03
1941	633	18.23	1949	2 042	17.24
1942	840	16.61			

* GE: Government Expenditure

Sources: For 1935—1940, Memorias del Departamento de Hacienda; for 1941—1949, Presupuesto de la Administración Nacional; Destino de las Erogaciones (Administración Central, Cuentas Especiales, Organismos Descentralizados); Ejercicios 1941 a 1970"; Ministerio de Economía; Secretaría de Estado de Hacienda; *Superintendencia del Tesoro*; Buenos Aires 1977; pp. 7—24. Actual defense deflated by using the Cost of Living index; Federal Capital (1970:100) (See Table 3).

As early as 1936 the General Directorate of Army Equipment (Dirección General del Material del Ejército, DGME) was created, followed by the Cuartel Maestre General (CMG) in 1937 which was responsible for the planning and provision of Army supplies having "to promote the development of the industrial branches necessary to provide the needs of national defense".

The first Military Steel Factory had been created in 1935. Other military factories were created in the late 1930s:

- Fábrica Militar de Río Tercero (1936) which produced ammunition;
- Fábrica Militar de Armas Portátiles Dominge Matheu (1936);
- Fábrica Militar de Pólvoras y Explosivos Villa María (1937);

Since 1941, all these factories have been under the direction of the *Army's General Directorate of Military Factories*, (Dirección General de Fabricaciones Militares) which in this period initiated the building of a sheet-steel plant despite the scandal on the occasion of the tendering after which, "future Army purchases were removed from the jurisdiction of Miranda (then Minister of Economy) and IAPI"¹¹.

Once the war finished, the U.S.A. maintained an embargo on arms sales to Argentina from potential European as well as U.S. suppliers (The State Department was still adhering to the "hard-line" policy of former Ambassador Spruille Braden). This policy delayed, among other things, the Rio Conference, in which the Inter-American Treaty for Reciprocal Assistance (IATRA) was signed.¹²

Meanwhile the Perón administration was committed to reequipping the Army within the framework of the hemispheric defense pact anticipated by the Chapultepec

¹¹ See Robert Potash: *The Army and Politics in Argentina (1945—62)*; From Perón to Frondizi; op.cit., p. 63.

¹² See John Child: *Unequal Alliance: The Inter-American Military System, 1938—1978*; Westview Press; Boulder, Colorado; 1980; particularly pp. 95, ff.

agreement and to the standardization programme for weapons, training and organization recommended by the Inter-American Defense Board. On the other hand, Argentina opened negotiations with British firms looking forward to the purchase of 100 Meteor Jet fighters and some Lincoln bombers. "The total value of the aircraft and naval vessels ordered from Great Britain was reportedly about 20 000 000 sterling pounds"¹³.

"Nationalistic Army elements, on the other hand, unhappy with the measures insisted upon by the United States to compose relations, were presumably urging the purchase of weapons elsewhere. In the face of the continued embargo, even War Minister Sosa Molina apparently sought a reconsideration of the policy that precluded major purchases from European suppliers such as Skoda."¹⁴

The standardization programme, was accepted provided that it did not become an obstacle to domestic arms production.

In 1942—47 at least two key factories for industrial development were created: *Altos Hornos Zapla* (1943) and *Fábrica Militar de Tolueno Sintético*. Some of these factories produced goods for civilian purposes (e.g. FM Cartuchos "San Francisco"). The interrelation between military and civilian heavy/light industries is a crucial factor in the process of industrial development in Argentina (See Diagram 1).

With regard to arms imports:

"As of April 30, 1949, Argentina had acquired at cost from the U.S. government 1.4 million dollars worth of military equipment under U.S. Public Resolution 83 and an additional 6.8 million dollars worth of equipment at the surplus property price of 748 000 dollars."¹⁵ Further, important military equipment, particularly excess defense articles, was acquired in Europe in that period.

Argentina was excluded from the assistance of lend-lease during the Second World War, because of her neutrality. Meanwhile, Brazil increased its military strength and capabilities thanks to U.S. aid. However, the post-war economic boom made it possible for Argentina to substantially increase her military expenditures, which rose from 3.51 millions of New Pesos in 1942 to 10.78 millions of New Pesos in 1945 (See Table 1).

This permitted her to increase the material power of the armed forces, by modernizing their equipment and installations (e.g. massive acquisitions of civilian and military equipment in 1947—48 in the middle of the 1945—48 boom¹⁶). These decisions, together with the storing of export-commodities waiting for higher world prices, were influenced by faulty military evaluation of the international situation: the expectation of a new conflict between the Great Powers.

As Table 1 shows, military spending rose in the last three years of the Justo government¹⁷ (expressed in constant 1970 prices) reaching a peak of 906 millions of new pesos in the first year of the Ortiz administration — which goes from Feb. 20, 1938 to July 4, 1940 — with a setback in the next three years. During World War II military appropriations follow two different patterns: decreasing during Ortiz and the

¹³ See Robert Potash: *The Army and Politics in Argentina (1945—62)*; op.cit., p. 77.

¹⁴ *ibid.*, p. 78.

¹⁵ Department of State Bulletin (36), XXI, No 534, sept. 26, 1949, pp. 479/81. See Robert Potash, op.cit., p. 82, footnote 89.

¹⁶ See Alain Rouquié: *Adhesión Militar y Control Político del Ejército*; in "Aportes"; No 19; January 1970.

¹⁷ Gen. Justo's presidency was from Feb. 20, 1932 to Feb. 20, 1938.

Diagram 1
Military Factories, by branch of activity and year of foundation

General Directorate for Military Factories						
Heavy Industry				Light (Manufacturing) Industry		
Metal Industries	Heavy Chemical Products	Fertilizers	Petrochemicals	Machinery	Chemical Products	Machinery and electric articles
Steel Mil. Fact. 1935	FM Río Tercero 1936	FM Río Tercero 1936	FM Tolueno Sintético 1944	FM Río Tercero 1936	FM Río Tercero 1936	FM Vainas y Conductores Eléctricos 1944
FM Río Tercero 1936	FM Derivados del Plomo 1945			Portable Weapons Mil. Fact. "Domingo Matheu" 1936	Mil. Fact. of gunpowder and explosives "Villa María" 1937	Mil. Fact. of Materials for Transports, Communications and Equipment 1947
Altos Hornos Zapla 1943				Cartridges Mil. Fact. "San Francisco" 1942	Cartridges Mil. Fact. "San Francisco" 1942	
FM Vainas y Conductores Eléctricos 1944				Mil. Fact. of Materials for Transports Communications and Equipment 1947	Pyrotechnics Mil. Factory 1945	

Source: Marta Panaia and Ricardo Lesser: *Las Estrategias Militares frente al Proceso de Industrialización (1943—1947)* in "Estudios sobre los Orígenes del Peronismo/2"; Editorial. Siglo XXI Argentina; Buenos Aires; 1973, pp. 107.

first year of the Castillo government¹⁸ until 1941 and shooting up from 1942 onwards reaching a peak in 1945. On June 3—4, 1943 President Castillo was ousted by a military coup d'état which changed the course of Argentine history. Three years later, on February 24, 1946, president-elect Juan D Perón began his first term in office.

Military expenditures reached a peak in 1948 and then began to decline when Perón's expansive economic policies faced the first difficulties, in 1949. Table 1 shows a consistent pattern of growth of millex (data deflated using the Cost of Living Index) during 1946—48, and a sharp decline in 1949.

¹⁸ The Presidency was transferred — according to the National Constitution to Vicepresident Castillo on July 4, 1940, due to President Ortiz's sickness.

Díaz Alejandro presents data from Alexandres Ganz, which show that the real gross investment of the national government for defense purposes *decreased* during the Perón government (See Table 2).

Table 2
Real Gross Investment of the National Government
during 1945—55 (percentages of total)

	1945—46	1947—51	1952—55
National Defense.....	51	24	10
Housing, Health and other serial investments	15	18	13
Transport	26	27	29
Energy and Communications.	3	17	24
Agriculture	1	1	2
Industry	1	2	6
Others	3	11	16

Source: Condensed from A Ganz, *Problems and Uses of National Wealth Estimates in Latin America*, in R Goldsmith and C Saunders, ed., *Income and Wealth Series*, VIII, International Association for Research and Wealth, London, Bowes and Bowes, 1959, pp. 217—73 (From Carlos Díaz Alejandro, *Essays on the Economic History of the Argentine Republic*; New Haven and London, Yale University Press, 1970, p. 117, footnote 52.)

During the first Peronist government (1946—55) military spending shows the typical erratic pattern which makes Argentina a puzzle in the context of Latin America¹⁹ (See Table 3). Table 4 shows that except for slight differences for particular years depending on what deflator one uses (e.g. for 1951) military expenditures were very erratic until the fall of Perón in 1955.

A possible explanation for this erratic pattern is the existence of postwar stop-go cycles, which have been described as follows:

"The exchange bottlenecks breaking Argentina's growth since 1949 has done so, not in a smooth and steady manner, but via severe exchange crisis occurring every three or four years" (Lack of reliable GDP quarterly data makes precise dating of the cycles difficult)"²⁰.

These cycles may be summarized as follows:

- 1) Drastic fall of foreign exchange reserves and deterioration of the external terms of trade;
- 2) The government's decision to cut imports severely and raise prices paid to farmers with, however, little apparent effect in stimulating agricultural output;
- 3) Inflationary pressures (development of a wage-price spiral) — followed by the adoption of a wage freeze and of deflationary measures which produce, among other things, a drastic fall in manufacturing production;
- 4) Relaxing of those measures, granting of large wage increases, production recovery, at the expense of a new balance of payments crisis. Fall of foreign exchange

¹⁹ "Argentina remains a puzzle. Why is its military spending pattern so erratic?" (See Philippe Schmitter: *Foreign Military Assistance, National Military Spending and Military Rule in Latin America*, in "Military Rule in Latin America: Function, Consequences and Perspectives"; Sage Research Progress Series on War, Revolution and Peace-Keeping; Vol. III (1973); p. 159.

²⁰ See Carlos Díaz Alejandro, *op. cit.*, pp. 352—353.

Table 3
Argentina: Military Expenditures, 1950—1981, using the Available Deflators
(Constant Price Figures, 1970 = 100)

Actual Expenditure Data (Figures in Millions of Constant 1970 New Pesos)

Year	Deflated by the National Wholesale Price Index	Deflated by the Con- sumer Price Index	Deflated by the GDP Implicit Price Index	Deflated by the Central Government Consumption Implicit Price Index	Current Defense Expenditure Central Government Expenditure (%)
1950	1,492	1,507	1,288	1,801	13.89
1951	1,341	1,555	1,318	1,961	14.91
1952	1,400	1,522	1,470	2,074	18.83
1953	1,241	1,449	1,331	1,762	17.67
1954	1,357	1,581	1,413	1,757	17.43
1955	1,325	1,496	1,362	1,675	16.77
1956	1,489	1,819	1,475	2,038	18.91
1957	1,354	1,660	1,378	2,041	18.23
1958	1,239	1,515	1,243	1,527	12.38
1959	1,021	1,353	1,162	1,759	14.05
1960	1,219	1,470	1,315	1,941	16.97
1961	1,389	1,605	1,464	1,886	15.86
1962	1,348	1,584	1,478	1,768	17.23
1963	1,074	1,313	1,182	1,548	15.38
1964	1,050	1,331	1,158	1,420	12.37
1965	1,159	1,414	1,235	1,364	14.96
1966	1,385	1,537	1,428	1,489	14.01
1967	1,557	1,671	1,568	1,688	14.83
1968	1,604	1,625	1,603	1,783	14.75
1969	1,772	1,766	1,727	1,821	15.52
1970	1,692	1,692	1,692	1,692	14.22
1971	1,672	1,741	1,705	1,715	13.54
1972	1,552	1,795	1,710	1,824	13.32
1973	1,754	1,892	1,756	1,545	10.99
1974	1,849	1,913	1,704	1,307	8.72
1975	2,299	2,428	2,043	1,659	9.55
1976	2,424	2,754	2,410	2,774	11.88
1977	2,723	2,822	2,626	3,090	14.88
1978	3,010	2,854	2,835	2,893	15.32
1979	3,056	2,822	2,909	2,895	18.19
1980	3,463	2,795	2,883	2,450	16.65
1981	3,624	2,966	3,037	2,581	17.15

GDP and GC implicit prices estimated to have increased at the same rate between 1980 and 1981. GDP and GC implicit prices for 1981 obtained from FIDE worksheets. For 1950—1970: "Presupuesto de la Administración Nacional — Destino de las Erogaciones; Administración Central — Cuentas Especiales y Organismos Descentralizados — Ejercicios 1941 a 1970" (Ministerio de Economía; Secretaría de Hacienda; *Superintendencia del Tesoro*, Buenos Aires; 1977); Expenditure at Current Values; pp 25—65. Fiscal Year 1957 ran from January through October; fiscal years 1957—58 through 1962—63 ran from November through October and fiscal year 1963—64 ran from November 1963 through December 1964; remaining

(cont. in next page)

Table 4
*Argentina: Actual Defense at Constant 1970 Prices, 1950—55, Corrected for
 Inflation using the available deflators (Millions of New Pesos).*

Year	National Wholesale- Price Index	Consumer- Price Index	GDP Implicit Prices	Government Consumption Implicit Price
1950	1 492	1 507	1 288	1 801
1951	1 341	1 555	1 318	1 961
1952	1 400	1 522	1 470	2 074
1953	1 241	1 449	1 331	1 762
1954	1 357	1 581	1 413	1 757
1955	1 325	1 496	1 362	1 675

Source: Table 3.

reserves and reinitiation of the cycle.

As Table 3 shows, notwithstanding its erratic pattern of growth milex increased — in the long term — together with inflation although milex was not the only source of inflationary pressures (See below). As Table 5 shows, the persistent rise of the price level has also been erratic by whatever index one uses. *This phenomenon strongly suggests that inflationary pressures have arisen primarily from cost-push elements and/or sectorial imbalances, rather than demand-pull forces*²¹.

Military expenditure has played a role in the emergence and dynamics of these cost-push elements and/or sectorial imbalances, although it is very difficult to determine, without resorting to regression analysis, the exact weight of such an influence.

One may assume that "military expenditure acts most directly on the economy as an item of public expenditure and as an item of public expenditure it is potentially inflationary, although various economic measures can be taken or at least attempted to mitigate this effect"²².

Tables 1 and 3 present the evolution of milex as an item of public expenditure during 1935—81²³.

²¹ Carlos Díaz Alejandro, *op. cit.*, p. 354 (Emphasis added).

²² Letter from Nicole Ball, commenting a draft version of this report. I am very indebted for her patience in dealing with my manuscript and her very useful comments and suggestions.

²³ It should be noted that some secondary sources use a definition of "Central Government Expenditures" which differs from the one adopted in this report. For example, for 1945 Gertrude Heare and other secondary sources, e.g. Robert Potash, report that "43.3 percent of all government expenditures went to the armed forces" (See Gertrude Heare: *Trends in Latin American Military Expenditures, 1940—1970 (Argentina, Brazil, Chile, Colombia, Peru and Venezuela)*; (Washington, D.C., 1971) Table 1. p. 11; Robert Potash; *op. cit.*, p. 4). This figure differs from the one presented in Table 1. On the other hand, according to ACDA, Argentina was "one of the ten nations which spent the largest percent of their central government expenditures for military purposes in 1978 (30 percent). This figure differs from the one presented in Table 3. The Budget laws allocate funds for different purposes: Defense, Justice, Health, Education, etc.

fiscal years were on a calendar year basis. Data for fiscal years 1957 and 1963—64 were estimated on a 12-month basis. For 1971—75: "Presupuesto de la Administración Nacional — Destino de las Erogaciones — Administración Central — Cuentas Especiales y Organismos Descentralizados — Ejercicios 1971 a 1975" (Min. de Economía; Secr. de Hacienda; *Superintendencia del Tesoro*; Buenos Aires; August 1978); Expenditure at Current Values; pp. 11—19. For 1976—78: Secretaría de Estado de Hacienda; *Memoria*; for the respective years. For 1979, 1980 and 1981 data were obtained from the budget laws for fiscal years 1980, 1981 and 1982 respectively.

Table 5
Argentina: Annual Rates of Inflation and Military Expenditures 1936—66
(Percentage changes from average of previous year)

Year	Buenos Aires cost of living	Overall wholesale prices	Gross National Product implicit prices	Milex at Constant 1970 Prices (Consumer Price Index)
1936	8.5	2.3	1.6	+ 2.8
1937	2.6	13.5	2.4	+ 19.1
1938	-0.7	-6.3	3.5	+ 4.7
1939	1.6	2.6	2.2	-11.2
1940	2.2	6.6	1.8	-1.4
1941	2.6	9.6	2.9	-20
1942	5.7	25.5	10.4	+ 32.7
1943	1.1	10.1	5.3	+ 34.7
1944	-0.3	8.2	2.1	+ 85.2
1945	19.7	9.0	14.9	+ 1.9
1946	17.7	15.8	20.6	-10.0
1947	13.5	3.5	20.0	+ 0.4
1948	13.1	15.5	16.7	+ 39.4
1949	31.1	23.0	26.1	-24.1
1950	25.5	20.2	19.5	-26.1
1951	36.7	49.1	36.6	+ 3.1
1952	38.7	31.2	28.3	-2.1
1953	4.0	11.6	6.1	-4.7
1954	3.8	3.2	8.7	+ 9.1
1955	12.3	8.9	10.1	-5.3
1956	13.4	26.0	27.1	+ 21.5
1957	24.7	24.1	19.0	-8.7
1958	31.6	31.0	32.0	-8.7
1959	113.7	133.5	101.9	-10.6
1960	27.3	15.7	19.6	+ 8.6
1961	13.5	8.3	11.5	+ 9.1
1962	28.1	30.4	27.3	-1.3
1963	24.1	28.7	26.0	-17.1
1964	22.1	26.2	24.8	+ 1.3
1965	28.6	23.9	28.5	+ 6.2
1966	32.3	20.0	-	+ 8.6
Average: "good years"	19.1	18.2	19.6	
Average: "bad years"	38.4	41.9	36.6	
Average 1946—66	26.5	26.5	25.5	

- Dash indicates data not available.

Source: Carlos F Díaz Alejandro, *op. cit.*, Table 124, p. 528 (Annual rates of inflation percentage changes). Annual *milex* percentage changes calculated from Table 3.

The total constitutes Total Public Expenditures. In this report, the Defense/Public Expenditure ratio is calculated using these actual expenditure data, as provided by Superintendencia del Tesoro and Secretaría de Hacienda (Memorias). This breakdown, however, must be distinguished from the *jurisdictional* one, in which the Ministry of Defense is usually allotted a higher percentage than Defense *as an end in itself* (Finalidad Defensa).

It has been said that the decreasing allocation of funds to military purposes during the Perón era was one of the main sources of discontent in the armed forces. The tables show that military expenditure as a percentage of public expenditure reached a peak in 1945 (the year before Perón took office) and then persistently declined until 1950; rising in the years 1950—1952 and declining again in 1952—1955 though less sharply than in 1945—1950²⁴.

On the other hand, the higher rates of inflation, by whatever index one uses, correspond to the years 1949—52 (See Table 5); and military expenditure actually rose in the years 1950—52 at least according to three of our four time-series of actual miles at constant 1970 prices (See Table 3). It may be assumed — by way of hypothesis — that military expenditure played a role — as a portion of public expenditure — in the persistent rise of the price level at least during 1950—52²⁵, although inflation was also caused by stock and import price increases, which provoked important wage increases²⁶.

The policy of freezing wages and prices initiated in February 1952 together with other measures tending to restrict demand resulted in a drastic fall of the rate of inflation in 1953 (See Table 5) and, after an excellent harvest and better balance of payments conditions in the same year, imports were allowed to go up in 1954 and 1955. After September 1953 credit policies were relaxed and when the collective contracts signed in 1952 were renewed in 1954 important wage increases were granted.

The rise in demand and in imports resulted in output and employment increases in 1954 and 1955. This development helped to put the brake on inflation; in both years the cost of living rose by less than 10 percent-a-year, while between 1949—52, when demand was stagnant or decreasing, the cost of living rose at about 50 percent-a-year.²⁷

²⁴ As far as service shares are concerned, army shares were higher during the war than afterwards. During 1946—55 average service shares were as follows:

Army	Navy	Air Force	Defense Non-Discriminated
46	30	30	2

²⁵ The annual rates of inflation (percentage changes from previous year) significantly shot up in 1950—52:

Year	Buenos Aires Cost of Living	Overall Whole- sale Prices	GNP Implicit Prices
1950	25.5	20.2	19.5
1951	36.7	49.1	36.6
1952	38.7	31.2	28.3

(See Table 5). The negative role military expenditure plays at the level of prices (with a one-year time lag) has been proved in the case of Morocco by doing regression analysis. See Jacques Fontanel (Grenoble Centre for Security and Defence Studies): *Formalized Studies and Econometric Analyses of the Relationship between Military Expenditure and Economic Development — The examples of a developed country, France, and an under-developed country, Morocco*; Report submitted to the United Nations, March 1980, p. 39.

²⁶ See E Eshag and Rosemary Thorp: *Las Políticas Económicas Ortodoxas de Perón a Guido (1953—1963)*; *Consecuencias Económicas y Sociales*; in *Los Planes de Estabilización en la Argentina*; Editorial Paidós; Buenos Aires 1969; pp. 81-82.

²⁷ See E Eshag and Rosemary Thorp, *op. cit.*, p. 82. See also Table 5. This confirms that the excess of demand is not a major source of inflation in Argentina although military expenditure as an item of public expenditure is potentially inflationary via supply-and-demand imbalances within the public sector. It should be noted that — as a source of inflation — "excess of demand" does not necessarily refer to an imbalance between supply-and-demand within the public sector, but to an imbalance between *aggregate* supply-and-demand. In other words, inflation can be generated through both excess of demand through the public sec-

The second Five-Year Plan was issued in December 1952. "Top priority was now to be given to the development of the agrarian sector, energy resources, and mining and heavy industries, followed by improving the infrastructure (transportation, highways, sewer and water works). Of a projected 33.5 billion pesos to be spent over the five-year period, 42 percent was to go into public works and services and 33 percent into economic promotion activity with only 4 percent into social action. *The remainder was to be distributed between the military (4 billion, or 12 percent of the total) and contributions to provincial plans (3 billion, or 9 percent).* The largest single areas of projected investment were transportation (5 billion), fuels (4.6 billion), highways (3.5 billion), and electric energy (2.5 billion)²⁸.

Argentina is one of the countries with a decline in defense burden (miles/GDP ratio) during 1950–65 in Benoit's sample²⁹. However, to start the analysis in 1950 is arbitrary and misleading since the Peronist period *must* be studied as a whole.

Table 6
Argentina: Defense Burden, 1935–1949

Year	Actual Defense*	Actual GDP*	Defense- GDP Ratio
	(1)	(2)	% (3)
1935	1.89	93	2.03
1936	2.11	98	2.15
1937	3.23	113	2.85
1938	3.36	110	3.05
1939	3.03	116	2.61
1940	3.05	120	2.54
1941	2.50	129	1.93
1942	3.51	146	2.40
1943	4.78	153	3.12
1944	8.83	175	5.04
1945	10.78	193	5.58
1946	11.41	262	4.35
1947	13.01	359	3.62
1948	20.51	438	4.68
1949	20.39	526	3.87

* Millions of New Pesos

Sources: Col. (1), Table 1; Col. (2), Poder Ejecutivo Nacional, Secretaría de Asuntos Económicos; *Producto e Ingreso de la República Argentina en el Período 1935–54* (Buenos Aires, 1955) as reproduced in Carlos Díaz Alejandro, *op.cit.*, Statistical Appendix; Table 3; pp. 398–399.

tor (by increasing the quantity of money) and through the private sector, by increasing the quantity of money through the banking system (See Juan Carlos de Pablo: *Ensayos sobre Economía Argentina*; Ediciones Nacchi; Buenos Aires; 1980, p. 193 (my translation).

Other factors contributing to inflation in Argentina may be listed: 1) Cost increases; 2) Structural inflation (See J H G Olivera, 1964, *On Structural Inflation and Latin American Structuralism*; Oxford Economic Papers; XVI (November) pp. 321–332; 3) The expectancy of price increases; 4) Before 1950, "a large part of the price increases registered in Argentina could be said to have been induced by worldwide inflation" (Carlos Díaz Alejandro; *op.cit.*, p. 367, footnote 20).

²⁸ See Robert Potash, *op.cit.*, p. 144 (Emphasis added).

²⁹ See Emile Benoit: *Defense and Economic Growth in Developing Countries*; Lexington Books, Mass. USA, 1973, page 81.

Tables 6 and 7 present the millex/GDP ratio for a longer period: 1935—1981. As can be seen, the average defense burden for 1935—1949 (3.32 percent) is higher than the average defense burden for 1950—1981 (2.24 percent) (See Table 8).

Authors agree that there was a deliberate attempt to control the armed forces on the part of Perón though it seems to me exaggerated to talk about a "peronization" of the army in that period³⁰.

Table 7
Argentina: Defense Burden, 1950—1981

Year	Current Defense* (1)	Current GDP* (2)	Defense- GDP Ratio (B) % (3)
1950	18.90	676.8	2.79
1951	26.65	969.8	2.74
1952	36.19	1,122.2	3.22
1953	35.81	1,295.4	2.76
1954	40.56	1,435.2	2.82
1955	43.10	1,696.2	2.54
1956	59.43	2,220.7	2.67
1957	67.64	2,847.7	2.37
1958	81.27	4,019.4	2.02
1959	155.03	7,674.3	2.02
1960	214.42	10,124.0	2.11
1961	265.78	12,071.8	2.20
1962	335.83	14,928.7	2.24
1963	345.42	18,670.9	1.85
1964	427.68	26,021.1	1.64
1965	584.13	36,393.9	1.60
1966	837.61	45,410.7	1.84
1967	1,176.45	59,602.1	1.97
1968	1,329.47	68,727.5	1.93
1969	1,554.80	80,983.9	1.91
1970	1,691.65	87,970	1.92
1971	2,344.7	125,544	1.86
1972	3,831.5	208,714	1.83
1973	6,473.1	355,853	1.81
1974	8,131.4	488,359	1.66
1975	29,185.9	1,451,742	2.01
1976	180,101.1	7,545,823	2.38
1977	509,297.7	20,839,763	2.44
1978	1,419,407.4	51,797,863	2.74
1979	3,642,529	139,106,176	2.61
1980	7,242,031	281,700,027	2.57
1981	15,714,400	507,745,489	3.09

* Millions of New Pesos

Sources: Col. (1) as in Table 3. Col (2): For 1950—69, from BCRA, *Sistema de Cuentas del Producto e Ingreso de la Argentina*, Vol. II, 1975, p. 24; For 1970—80 from BCRA: *Oferta y Demanda Global a Precios Corrientes*, No. 20, Buenos Aires, June 1982, p.47. GDP for 1981 obtained from FIDE worksheets.

³⁰ cf Alain Rouquié: *Adhesión Militar y Control Político del Ejército en el Régimen Peronista (1946—1955)* in "Aportes"; No 19; January 1971; pp. 74 ff.

Table 8

Argentina: Defense Burden (Averages) = Miley/GDP (%)

Last three years of Justo (1935—37)	2.34 %
First two years of Ortiz (1938—39)	2.83 %
Ortiz plus Castillo (1940)	2.54 %
Castillo (1941—42)	2.16 %
Castillo (Jan. 1, 1943—June 4, 1943); Gen. Rawson (June 4—6, 1943); Gen. Ramírez (June 7, 1943—Dec. 31, 1943)	3.12 %
Gen. Ramírez (Jan. 1, 1944—Feb. 24, 1944); Gen. Farrell (Feb. 24, 1944—Dec 31, 1945)	5.31 %
Gen. Farrell (Jan. 1, 1946—June 4, 1946); Gen. Perón (June 4, 1946—Sept. 16, 1955)	3.33 %

Source: Tables 6 and 7.

Budgetary allocations were also influenced by foreign policy considerations³¹. Argentina adopted an independent foreign policy in the post-war period: she was the Great Absentee at the Chapultepec Conference (March 1945) which had established an interim defensive alliance for the duration of the war, and she was "L'enfant terrible" at the Rio Conference (August 1947) which sanctioned the Inter-American Treaty for Reciprocal Assistance.

In Rio de Janeiro, Argentina was able to considerably weaken the U.S. desire of an all-inclusive military alliance:

"□ Argentina opposed the inclusion of U.S. bases outside the Hemisphere in the provisions of the IATRA. The compromise was to require a weaker provision (consultation only) in the event of attack on bases outside of the geographic limits of the Rio Treaty.

□ Argentina fought to exclude intra-Hemispheric aggression from the Treaty. She lost, but was able to limit the punitive provisions in such cases.

□ Argentina wanted unanimous voting for imposition of sanctions (i.e., a veto); the United States wanted a simple majority. The compromise was the resulting two thirds requirement.

□ Argentina wanted the *economic question* to be addressed at Rio.

She lost, but was able to force the U.S. to consider it at Bogotá."³²

During the 1952 economic crisis Army Secretary Gen. Lucero designed a policy aimed at reducing the defense burden through the exploitation of land owned by the Army (*autoabastecimiento agropecuario*)³³.

"This program had its origins in the idea that the Army, with the vast acres of land that it owned, could produce its own requirements for food and forage, and thus reduce its demands on the public budget."

³¹ See Alain Rouquié: *Pouvoir Militaire et Société Politique en République Argentine*; Presses de la Fondation Nationale des Sciences Politiques; Paris; 1978; Chapter 7: "L'Argentine face à la guerre mondiale — L'armée en marche vers le pouvoir"; especially "La politique internationale et l'armée; pp. 293—300.

³² See John Child: *Unequal Alliance: The Inter-American Military System 1938—78*; Westview Press; Boulder, Colorado, 1980; p. 97.

³³ A similar program of "economic self-sufficiency" was implemented by the Indian Army (See Emile Benoit: op.cit.).

As early as 1951, General Lucero had committed himself enthusiastically to this goal, directing unit commanders throughout the country to organize and set up farms, making official inspections of such establishments, and eventually creating an overall command to administer the entire nationwide operation".³⁴

In spite of its "economic logic" the program was one of the main motives of discontent in the Army, according to Robert Potash.

2. The Post-Peronist Period (1955—1966)

1) *The "Liberating revolution"*

As table 3 shows, military expenditures rose in the first year of the "Liberating Revolution" and then declined, more or less sharply, until the inauguration of Dr. Arturo Frondizi as constitutional president in 1958 (GC Deflator) or until 1959 (National Wholesale-Price Index; Consumer—Price Index and GDP Deflator).

The sharp increase in 1956 dismisses the hypothesis that governments that are brought into power through military coups (like the "Liberating Revolution" in September 1955) do not increase governmental allocations to the defense function³⁵.

As for the *milex*/public expenditure ratio, it also increased in 1956 (the year in which the orthodox *Plan Prebisch* began to be implemented) declining slightly in 1957 and sharply in 1958. The defense burden also rose in the first year of the military government and then declined following the *milex*/public expenditure pattern (see Table 7).

Military expenditure may have exerted inflationary pressures in 1956 (whole-sale prices and GNP implicit prices rose threefold in that year, see above, but not in 1957—1958. Our four deflators show *milex* declines in 1957—1958 and, although whole-sale prices and GNP implicit prices also declined in 1957, they rose again in 1958 (See table 5). At least, it can be said that the rate of inflation is as erratic as the rate of growth of military expenditure.

After 1955 interservice rivalry arose from differing approaches to the problem of Peronism. After Perón's fall in September 1955, the Argentine armed forces were divided in two fractions: peronists and anti-peronists. The first were all passed into retirement or executed, as Gen. Valle in June 1956. The second, took over the government, proscribed the Peronist Party and failed in their attempted pseudo-democratic "ways-out" in 1958 and 1963.

Between September 1955 and the military coup in March 24, 1976, eleven political regimes may be distinguished: (1) the Provisional Government of September 1955—May 1958 (a military government); (2) the constitutional regime of President Arturo Frondizi from May 1958 to March 1962; (3) After the March 28, 1962 coup, the Provisional government was finally assumed by Dr. Guido, President of the Senate, until October 1963; (4) the constitutional regime of President Arturo Illia, from October 1963 until June 1966; (5) the military regime headed by General Juan Carlos Onganía who was ousted in June 1970; (6) Gen. Levingston's interregnum (June 1970 — March 1971); (7) General Lanusses's government (March 1971 — May 1973); (8)

³⁴ See Robert Potash: *The Army and Politics in Argentina (1945—1962); Perón to Frondizi*, Stanford University Press, 1980, p. 167.

³⁵ See Gary Zuk and William R. Thompson: *The Post-Coup Military Spending Question*; *op.cit.*; see also Alain Rouquie: "...les fluctuations budgétaire ne sont liées à la place de l'armée dans le système du pouvoir à un moment donné"; *op.cit.*; p. 623.

the constitutional presidency of Dr. Héctor J. Cámpora (May 1973 — July 1973); (9) Dr. Lastiri's interregnum (July 1973 — October 1973); (10) Perón's third constitutional government (October 1973 — July 1974); (11) Isabel Perón's constitutional government (July 1974 — March 1976).

As table 9 shows, annual percentage changes by service branches during the "Liberating Revolution" were as follows (percentage changes from previous year):

Year	Army	Navy	Air Force	Defense Non-Discriminated
1956	38.8	37.8	34.9	350
1957	11.1	13.1	20.6	-11.1
1958	26.7	11.3	18.1	243.7

The Army's slightly higher share of the military budget corresponded to its major political role in the post-Peronist era.

2) *Economic development and military expenditure during the Frondizi era (1958—1962)*

Dr. Frondizi's presidency is characterized by increasing economic troubles and social unrest.

As far as the military are concerned, Frondizi finally opted for a policy of not interfering with them, endorsing their budgetary requests: "the apparent premise of his military policy, at least in the early months of the administration, was that the bulk of the officer corps were supporters of constitutional government and that the way to strengthen that support while isolating the diehard opponents was to respect the autonomy of the armed forces. Recalling perhaps the unfortunate consequences of President Yrigoyen's military meddling, Frondizi decided to follow an opposite course, not interfering with his military ministers, endorsing their budgetary requests, and giving them a free hand in personnel decisions".³⁶ Yet he faced a *very complex* "military problem". His presidency was characterized by a great number of military *planteos* (sets of demands)³⁷. Finally, he was overthrown in March, 1962.

The pattern of change of military expenditure during the Frondizi period is a puzzle. The National Whole-Sale Price Index and the GDP Implicit Prices show a very similar pattern of erratic growth, with a more or less pronounced decline in 1959 — which fits with the reduction of public expenditure and budgetary deficits usually prescribed by the IMF — and then a sharp increase until 1961 and even 1962 in the case of the GDP deflator (See table 3). The rise starts one year earlier — in 1958 — in the case of the GC deflator³⁸.

On the other hand, military expenditure rose — as a percent of public expenditure — from 1958 until 1960 (See table 3). The defense burden also rose slightly until the fall of Frondizi in 1962 (See table 7)

³⁶ Robert Potash: *op.cit.*, p. 287.

³⁷ See Robert Potash: *op.cit.*, p. 362. As Philip B. Springer puts it: "The military leadership was constantly issuing *planteos* to make Frondizi change the policies or personnel of his government." Philip B. Springer, *Disunity and Disorder: Factional politics in the Argentine Military*; in Henry Bienen (ed.), "The Military Intervenes" Case Studies in Political Development, Russell Sage Foundation, New York, 1968, p.146.

³⁸ The percentage increase from 1958 to 1959 is 15.1 % in our time-series (Constant 1970 prices) and 16.4 % in Benoit's Constant 1958 Prices Serie (See Emile Benoit: *Defense and Economic Growth in Developing Countries*; *op.cit.*, p. 267).

Table 9

Argentina: Military Expenditures by Service Branches at Current Prices (1941—1978)

Year	Army Expenditures % of total	Navy Expenditures % of total	Air Force* Expenditures % of total	Defense Non-Discriminated Expenditures % of total	Total Miles in Millions of Current New Pesos
1941	64	34	2	0	2.50
1942	64	35	1	0	3.51
1943	42	24	1	33	4.78
1944	24	17	1	57	8.83
1945	65	22	13	0	10.78
1946	49	24	26	0	11.41
1947	47	33	19	0	13.01
1948	44	30	26	0	20.51
1949	51	28	21	0	20.39
1950	45	28	21	6	18.90
1951	44	31	22	3	26.65
1952	46	29	21	5	36.19
1953	44	31	21	3	35.81
1954	46	33	21	0	40.56
1955	44	33	22	0	43.10
1956	44	33	22	0	59.43
1957	43	33	23	0	67.64
1958	46	31	23	1	81.27
1959	42	31	26	1	155.03
1960	43	31	25	1	214.42
1961	41	33	26	1	265.78
1962	42	32	25	1	335.83
1963	43	31	25	1	345.42
1964	42	32	25	1	427.68
1965	42	34	23	1	584.13
1966	41	36	23	0	837.61
1967	40	34	25	1	1,176.45
1968	41	31	26	1	1,329.47
1969	41	31	26	1	1,554.80
1970	44	32	21	2	1,691.65
1971	41	31	26	3	2,344.7
1972	39	32	26	3	3,831.5
1973	42	33	24	2	6,473.1
1974	44	29	22	4	8,131.4
1975	36	32	23	9	29,185.9
1976	38	29	23	10	180,101.1
1977	35	24	18	23	509,297.7
1978	36	25	24	14	1,419,407.4

* As an independent service branch, the Air Force was created in 1945.

Sources: As in Tables 1 and 3.

The great number of coups attempts³⁹ and the sharpening of interservice rivalry characterized the Frondizi administration. The Navy, for example, adamantly opposed the idea of creating the post of Minister of Defense,⁴⁰ fearful that the Defense Ministry in the hands of a general would result in the Navy's loss of independence⁴⁰.

Moreover, interservice rivalry became more virulent between 1958 and 1963:

"Until 1955 the Navy's role in politics was a minor one. That year, with the Army divided, the Navy's solidly anti-Peronist officer corps brought in the fleet to turn the balance of power in September's successful revolt against Perón. The Navy gained enormous prestige and the Vice-Presidency, which went to Admiral Isaac F Rojas."

"The latecomer Air Force has had less chance to build a tradition of political action. It gained prestige through the adhesion of important sectors to the successful Azul revolt of September 1962, but it lost some of this when its Commander in Chief, Brigadier Cayo Alvarez undertook an ill-starred, one-man rebellion the following December. Thus far, the Air Force has not been the successful initiator of political-military action; the evidence tentatively suggests that its officers have been somewhat more concerned with balance-of-power considerations vis-à-vis the other services than with "ideological alignments".

"It is the more numerous and historically more "interventionist" Army that has provided the bulk of the military forays into political action. And it is the Army that has produced the jungle of fissioning factions and cliques of recent years"⁴¹.

This phenomenon is closely connected with the social and political environment:

"The Argentine military is not monolithic, nor is it a caste. The notion of the Army as a caste implies that the military is an autonomous stratum acting in terms of a self-generated interest. *In reality*, the military is linked at many points to a variety of social and political groups and is particularly responsive to its social environment"⁴².

The politicization of the three services⁴³ is outstanding in this period⁴⁴. Particularly the Air Force became an important political force, while slightly increasing the share of total military appropriations:

³⁹ The Cuban problem was a key policy-issue during the Frondizi administration, and a constant source of military demands (*planteos*) cf. Robert Potash, *op.cit.*, pp. 343—350. "While the armed forces' leaders saw the Cuban problem essentially as a military threat to be countered by collectively endorsed sanctions, including Cuba's expulsion from the inter-American system, Frondizi saw the problem in a different light. To him, the real issue confronting the nations assembled at the Punta del Este Conference was not Castro, but attacking the problems of underdevelopment". (Robert Potash, *op.cit.*, p.343) A detailed account of internal political events connected with the Conference of Foreign Ministers in Punta del Este, Uruguay, January 1962, appears in Rouquie, *op.cit.*, pp.498—499.

⁴⁰ See Robert Potash, *op.cit.*, p.275.

⁴¹ James W. Rowe; *The Argentine Military - Argentina's Restless Military*; in Robert D. Tomasek (ed.): "Latin American Politics - Studies of the Contemporary Scene"; Second edition, revised and updated, Anchor Books, Garden City, New York, 1970, pp. 460—461.

⁴² Philip B. Springer, *op.cit.*, p.145 (my stress)

⁴³ On the *Repressive Apparatus of the State/Political Party contradiction*, see my book *Fuerzas Armadas y Estado de excepción en América Latina*; Editorial Siglo XXI, Mexico, 1978, p. 52 (Chapter 1: "El proceso de politización de las fuerzas armadas", pp. 1—52).

⁴⁴ See Robert Potash: *op.cit.*, Chapter 8: "The Shadowed Presidency: Frondizi and the Military, 1958—1961", pp. 272—331.

Table 10
Argentina: Air Force Military Expenditures, 1958—1962 (Millions of New Pesos)

Year	Current Prices	% of total Military Expenditures	Constant 1970 Prices (GDP Deflator)	Annual Percentage Change from previous Year
1958	18.65	23	285.2	
1959	40.05	26	300.2	5.2
1960	54.65	25	335.1	11.6
1961	69.36	26	382.1	14
1962	84.23	25	370.7	-2.9

Source: Table 9. Data deflated by using the GDP Deflator Implicit Prices.

A good example of the correspondence between sharp output declines and substantial falls of military expenditures⁴⁵ is 1959 which shows a sharp decline in the annual growth rate of real GDP combined with a fall in military spending, according to three of our four deflators (See table 3).

By 1963, when a constitutional government took office, military appropriations fell sharply, as did other government expenditure and the millex/public expenditure ratio (See Table 3), reflecting a very difficult economic situation (negative annual rates of growth of real GDP factor costs in 1962 and 1963).

In order to deal with the 1962 — 63 economic crisis, the government signed agreements with the IMF stabilization programs, the belief in the mechanism of prices and the adoption of a restrictive monetary fiscal policy would lead to internal prices stability and a more relaxed situation in the foreign accounts⁴⁶.

The economic crisis coincided with the fall of President Frondizi in March 1962 and the Azul vs. Colorado conflict in 1962/63⁴⁷.

During the Frondizi government the military as an institution — and in spite of interservice rivalry and the Azules-Colorados struggle — reinforced their position at the "epicentre of power". The distinction between *azules*/(*legalists*) and "colorados" dates from 1955. Both were anti-peronist, but "in a different way"⁴⁸:

- 1) The *Colorados* did not make any distinction: peronism as such was a class movement opening the doors to communism;
- 2) The *Azules*, instead, wanted to rescue the "good" peronists and to proscribe the "bad" ones (that is, those loyal to Perón). But the fundamental fact is that *both* sec-

⁴⁵ It has been said that there is "a tight, highly significant relationship between total and per capita GDP and total and per capita domestic defense expenditure" (cf. Philippe Schmitter: *Foreign Military Assistance, National Military Spending and Military Rule in Latin America*, op.cit., p.161). It is also possible that, due to the jerky nature of growth, "military policy-makers in Argentina do respond by raising or lowering their expenditures with one-year lag" (ibid).

⁴⁶ See E. Eshag and R. Thorp: *Las políticas económicas ortodoxas de Perón a Guido (1953 — 1963) Consecuencias Económicas y Sociales*, in "Los Planes de estabilización en la Argentina", op.cit., p. 121 (my translation).

⁴⁷ On the Azul vs. Colorado struggle in 1962/63 see my book, chapter 3: *Los golpes militares de nuevo tipo* (Brazil, 1964, Argentina, 1966) pp. 82—3. James W. Rowe correctly asserts that "since the Liberating Revolution of 1955, the political divisions variously dubbed *legalista* vs. *golpista* and Colorado vs. Azul have at times obscured institutional rivalries lying underneath". (James W. Rowe, op.cit., p. 460).

⁴⁸ See Alain Rouquié, op.cit., p. 528, and my book, p. 83. A good account of the August-September 1962 crisis and the subsequent "mini-war" between Azules and colorados appears in Rouquié, op.cit., pp. 519—539.

tors were anti-peronists. Besides, as Rouquié points out, the *Azules* — who finally won the 1962 — 63 mini-civil war — were mainly "professionals" (Rouquié speaks of a "professional anti-peronism") and as such permitted the "institutional continuity" though remaining at the epicentre of power and proscribing the *Peronist Party* in the July 1963 elections.

Although the economic situation improved a bit in 1960 — 61, due mainly to foreign investment in heavy industry (e.g. oil and petrochemicals) as above mentioned, the situation in the foreign accounts worsened during 1958 — 63.

The first year of civilian government (Dr. Illia was elected in July 7, 1963) witnesses a significant increase in the rate of growth of GDP (1963: 4.6 %; 1964 8.5 %) ⁴⁹ after the economic recession and politico-military struggles in 1962 — 63. Real GDP at factor costs rose by about 8.6 % in 1965 while in 1966 real milex rose significantly, by whatever deflator one uses (See above, Table 3). This seems to confirm Schmitter's hypothesis that output increases give the means for a rise in military appropriations, but with one-year lag.

Significantly, the defense burden went down in the first two years of Dr. Illia's civilian administration (See Table 7) while the milex/public expenditure ratio decreased from 15.3 % in 1963 to 12.3 % in 1964 coming back to its 1963 level in 1965 (14.9 %) and decreasing again in 1966 (14 %) when Illia was ousted. The 1965 increase may be related to the signature of a military agreement with the U.S.A in 1964, under the Military Assistance Program (M.A.P.) ⁵⁰.

Illia's Army Commander-in-Chief was Gen. Onganía, the leader of the *Azules*, professionalist fraction within the armed forces. Onganía represented both the reinforcement of the Argentine armed forces' integration within the Pentagon-controlled Inter-American Defense System ⁵¹ and the ideologue of "national security doctrine" ⁵² — in the sense of "internal war against communism" — in domestic affairs. The pattern of growth of military expenditure during Illia may be summarized as follows:

Table 11
Military expenditures during Illia (1963—1966)
(Constant 1970 Prices, Millions of New Pesos, Annual Percentage Changes
from Previous Year)

Year	National Wholesale Price Index	Consumer Price Index	GDP Implicit Prices	GC Implicit Prices
1963	1 074	1 313	1 182	1 548
1964	1 050	-2.2 1 331	1.3 1 158	-2.0 1 420
1965	1 159	10.3 1 414	6.2 1 235	6.6 1 364
1966	1 385	19.4 1 537	8.6 1 428	15.6 1 489

Source: Table 3.

⁴⁹ See Carlos Díaz Alejandro; op.cit., p.343.

⁵⁰ Sous la pression de l'armée, le gouvernement signe avec les Etats-Unis en mai 1964, un Traité d'assistance militaire qui permet à l'Argentine de recevoir pour 18 millions de dollars de matériels en 1964 et 1965 (See Alain Rouquié op.cit., p. 547; emphasis added).

⁵¹ See John Child: *Unequal Alliance: the Inter-American Military System, 1938—1978* Westview Press; Boulder, Colorado; 1980, especially chapters 5 and 6.

⁵² See Joseph Comblin: *Le Pouvoir Militaire en Amérique Latine; L'ideologie de la securité nationale*; ed. J.P. Delarge; Paris 1977;

Table 12: Argentina: Defense Expenditures: Functional Breakdown (1941—1981)

Year	Current Expenditure					
	Operating Costs		Debt Interest Payments	Transferences for Financing		TOTAL CURRENT EXPEN- DITURE
	Personnel	Operations and Maintenance		Current Expen- diture	Capital Expen- diture	
1941	1.198	0.744	-	0.008	-	1.950
1942	1.371	1.266	-	0.013	-	2.650
1943	1.434	1.217	-	0.004	-	2.655
1944	1.736	6.374	-	-	-	8.110
1945	2.204	1.990	-	-	-	4.194
1946	3.125	2.929	-	-	-	6.054
1947	4.280	3.236	-	-	-	7.516
1948	6.376	3.382	-	0.105	-	9.863
1949	7.284	3.835	-	0.052	-	11.171
1950	8.475	3.919	-	0.057	-	12.451
1951	12.776	5.190	-	0.044	-	18.010
1952	19.186	7.336	-	0.038	-	26.560
1953	18.377	4.580	-	0.039	-	22.996
1954	20.912	4.970	-	0.069	-	25.951
1955	22.967	5.554	-	0.043	-	28.564
1956	30.767	15.027	-	0.007	-	45.801
1957	35.227	17.074	-	0.021	-	52.322
1958	46.978	20.913	-	0.129	-	68.020
1959	78.999	52.227	-	0.153	-	131.379
1960	102.571	74.458	-	0.077	-	177.106
1961	134.827	82.362	-	1.130	0.025	218.344
1962	181.613	98.384	-	0.225	-	280.222
1963	192.577	107.189	-	0.077	-	299.843
1964	261.715	116.236	-	0.470	-	378.421
1965	369.990	141.999	-	0.607	-	512.596
1966	496.286	250.912	-	1.761	-	748.959
1967	669.958	315.017	-	7.992	1.720	994.687
1968	766.221	328.277	-	15.592	-	1,110.090
1969	946.185	342.891	-	6.781	0.050	1,295.907
1970	1,030.814	374.480	-	20.316	-	1,425.610
1971	1,311.6	493.1	2.2	45.9	-	1,852.8
1972	1,958.0	940.8	2.1	15.8	-	2,916.7
1973	3,763.1	1,541.3	4.5	9.1	-	5,318.0
1974	4,983	1,572.7	-	5.8	-	6,561.5
1975	12,728.1	7,052.2	-	23.1	-	19,803.4
1976	56,352.6	60,822.0	-	91.2	-	117,265.8
1977	155,579.3	129,248.7	-	359.7	16.5	285,204.2
1978	550,539.8	374,820.0	-	1,267.6	-	926,627.4
1979	1,382,893.8	1,072,451.3	125,910.8	3,325.5	-	2,584,581.4
1980	3,797,416.2	2,080,181.3	50,218.8	11,196.4	2,254	5,941,266.7
1981	8,458,652.6	3,698,601.9	68,847.4	15,779.9	-	12,241,880

(Figures are in Millions of current New Pesos)

		Capital Expenditure			TOTAL CAPITAL EXPEN- DITURE	TOTAL DEFENSE EXPEN- DITURE
Physical or 'Real' Investment		Invest- ment on Pre- existing Goods	Financial Invest- ment	Debt Amor- tiza- tion		
Capital Goods	Construc- tion					
0.160	0.396	-	-	-	0.566	2.506
0.156	0.709	-	-	-	0.865	3.515
0.090	2.041	-	-	-	2.131	4.786
0.106	0.615	-	-	-	0.721	8.831
0.089	6.502	-	-	-	6.591	10.785
-	5.357	-	-	-	5.357	11.411
0.025	5.472	-	-	-	5.497	13.013
0.822	9.831	-	-	-	10.653	20.516
0.310	8.915	-	-	-	9.225	20.396
0.329	6.124	-	-	-	6.454	18.905
0.468	8.170	-	0.004	-	8.642	26.652
0.607	9.024	-	0.001	-	9.632	36.192
0.443	12.372	-	-	-	12.815	35.811
0.427	14.185	-	-	-	14.612	40.563
0.437	14.103	-	-	-	14.540	43.104
1.125	12.507	-	-	-	13.632	59.433
0.948	14.377	-	-	-	15.325	67.647
1.640	11.613	-	-	-	13.253	81.237
1.802	21.857	-	-	-	23.659	155.038
4.895	32.422	-	-	-	37.317	214.423
4.875	42.564	-	-	-	47.439	265.783
5.557	50.053	-	-	-	55.610	335.832
6.799	38.778	-	-	-	45.577	345.420
9.525	39.737	-	-	-	49.262	427.683
16.452	55.084	-	-	-	71.536	584.132
17.261	71.396	-	-	-	88.657	837.616
23.422	158.342	-	-	-	181.764	1,176.451
39.034	176.965	-	3.385	-	219.384	1,329.474
62.499	196.399	-	-	-	258.898	1,554.805
79.354	186.086	-	0.603	-	266.043	1,691.653
105.6	378.4	-	7.9	-	491.9	2,344.7
164.5	750.2	-	0.1	-	914.8	3,831.5
191.5	959.6	-	-	4.0	1,155.1	6,473.1
1,397.1	172.8	-	-	-	1,569.9	8,131.4
8,557.4	765.1	-	60.0	-	9,382.5	29,185.9
57,997.1	4,748.3	-	89.9	-	62,835.3	180,101.1
214,649.9	8,491.8	-	951.8	-	224,093.5	509,297.7
434,182.7	54,990.7	-	3,606.6	-	492,780.0	1,419,407.4
981,741.4	74,364.8	-	1,841.4	-	1,057,947.6	3,642,529
1,042,573.8	223,154.6	31,071.4	3,964.5*	-	1,300,764.3	7,242,031
2,951,546.3	481,329.5	39,644.9	-	-	3,472,520.7	15,714,400.7

* Inversión Financiera: Aporte de capital y préstamos.

In spite of the 1964 setback (rather pronounced if one uses the GC deflator) *military expenditure followed an upward trend during the Illia government*, particularly in 1963—65, when the capital goods component of military expenditures rose significantly⁵³:

Table 13
Military Expenditure during the Illia Government; Capital Expenditure;
Physical or "Real" Investment; Capital Goods
(Figures in Millions of New Pesos)

Year	Current	Constant 1970 Prices
1963	6.79	23.26
1964	9.52	25.78
1965	16.45	34.77
1966	17.26	29.42

Source: Table 12. Data deflated by using the GDP deflator.

Table 14
Military Expenditure in Argentina, Service Shares, 1962—1966
(Constant 1970 Prices)
(Figures in Millions of New Pesos). Percentage changes from previous year.

Year	Total	Army	Navy	Air Force	Defense Non-Discriminated
1962	1,478	622	478	371	8
1963	1,182	512 -17.6	365 -23.6	381 2.6	7 -12.5
1964	1,158	485 -5.2	374 2.4	290 -23.8	8 14.2
1965	1,235	524 8	414 10.6	288 -0.6	8 0
1966	1,428	580 10.6	510 23.1	332 15.2	6 -25

Source: Tables 3 and 9. Data deflated by using the GDP implicit prices.

Sources: (Table 12) For 1941—1970: "*Presupuesto de la Administración Nacional — Destino de las Erogaciones — Administración Central — Cuentas Especiales y Organismos Descentralizados — Ejercicios 1941 a 1970*" (Ministerio de Economía, Secretaría de Hacienda, *Superintendencia del Tesoro*, Buenos Aires, 1977; Expenditure at Current Values (*Erogaciones a Valores Corrientes*), pp. 7—65. Fiscal Year 1957 ran from January through October; fiscal years 1957—58 through 1962—63 ran from November through October and fiscal year 1963—64 ran from November 1963 through December 1964; remaining fiscal years were on a calendar year basis. Data for fiscal years 1957 and 1963—64 were estimated on a 12-month basis. Data for 1971—1975 were obtained from "*Presupuesto de la Administración Nacional — Destino de las Erogaciones — Administración Central — Cuentas Especiales y Organismos Descentralizados — Ejercicios 1971 a 1975*" (Ministerio de Economía, Secretaría de Hacienda, *Superintendencia del Tesoro*, Buenos Aires, August 1978; Expenditure at Current Values, pp. 11—19. For 1976—78 data obtained from Secretaría de Estado de Hacienda, *Memoria*, for the respective years. For 1979—81 it is presumed that the different functional-economic categories were increased — on the average — at the same rate as the total approved appropriations. Total actual expenditure for 1979, 1980 and 1981 obtained from the budget laws for fiscal years 1980, 1981 and 1982 respectively.

In this table actual defense expenditures have been broken down into functional-economic categories by using the 1975 nomenclature. Both the 1941—70 and the 1971—75 series were linked by using the equivalences between the 1970 and the 1975 nomenclatures, provided by *Superintendencia del Tesoro*. For 1976—78 the same nomenclature has been used. The budget laws for 1979, 1980 and 1981 only introduce minor changes: "Real" instead of "Physical" investment; "Investment on Pre-existing Goods" as a new category and *aportaciones de capital y préstamos* as a sub-category of Financial Investment. Arms purchases is a subcategory of supply of equipment, equipamiento, which is a subcategory of Capital Goods (Inversión Real-Bienes de Capital).

If one uses the GDP deflator military spending went suddenly down in 1963 and this affected service shares: only Air Force expenditures slightly rose between 1962 and 1963. However, the Army and the Navy recovered their previous levels before the Air Force.

3. The "Argentine Revolution" (1966—1973)

President Illia was ousted in June 28, 1966 — Argentina's fifth military coup in thirty-five years.

Noteworthy features of the coup included the following:

1) It was a "clean" coup and swiftly executed; without shots, government resistance or a state of siege;

2) Compared with previous Argentine coups, the formal attributes claimed by the June 28 movement were pretentious and the institutional changes were drastic (it was an "institutional" coup d'état). The term *bureaucratic—authoritarianism* has been used to refer to this new type of political system⁵⁴.

3) A classic military-junta composed of the commanders of the three services executed the coup, decreed the Statute of the Revolution, and "elected" Lieutenant General Juan Carlos Onganía president. In contrast to previous coups, however, this junta was to dissolve itself within twenty-four hours, in accordance with a "basic plan" for the "Revolution" and the well-known insistence of Onganía that the military not dissipate its unity and professionalization through prolonged political involvement.⁵⁵

However, from 1966 onwards the "junta level"⁵⁶ was a basic feature of military governments and it was a three-man military junta, *junta de comandantes en jefe*, who ousted Onganía on June 8, 1970. Military expenditure during Onganía was as follows:

Table 15
Military Expenditure in Argentina, 1966—1970

(Millions of New Pesos, Constant 1970 Prices) (Percentage change from previous year)

Year	National	Whole-	Consumer-Price		GDP		GC	
	sale	Price	Index		Deflator		Deflator	
1966	1,385		1,537		1,428		1,489	
1967	1,557	12.4	1,671	8.7	1,568	9.8	1,688	13.3
1968	1,604	3	1,625	-2.7	1,603	2.2	1,783	5.6
1969	1,772	10.4	1,766	8.6	1,727	7.7	1,821	2.1
1970	1,692	-4.5	1,692	-4.1	1,692	-2	1,692	-7

Source: Table 3.

The constant rise of defence-non-discriminated expenditures reflects the process of modernization of the armed forces which began under Illia. The Air Force, for

⁵⁴ See Guillermo O'Donnell: *Modernización y Autoritarismo*; Editorial Paidós; Buenos Aires, 1972; p. 108 et ff. (*Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics 2*; Berkeley; Institute of International Studies; University of California; 1973). See also David Collier: *The Bureaucratic-Authoritarian Model: Synthesis and Priorities for Future Research*; in David Collier (ed.): *The New Authoritarianism in Latin America*; op.cit.; p. 364.

⁵⁵ See James W Rowe: *Argentina's Restless Military*, in "Latin American Politics, Studies of the Contemporary Scene", op.cit.; p. 472.

⁵⁶ On the "junta level", see Virgilio Rafael Beltrán: *The Junta Level in Military Governments: The Argentine Case*. The important distinction between the "junta level" and the presidency is referred to in my book as the "repressive apparatus of the state/party" contradiction (See my book, *Fuerzas Armadas y Estado de excepción en América Latina*, Editorial Siglo XXI, México, 1978, p. 52).

Table 16

*Argentina, Military Expenditures by Service Branches during the Government
of the "Argentine Revolution" (1966—72)*

(Constant 1970 Prices). (Figures in Millions of New Pesos). (Annual % changes).

Year	Total Milex	Army Expenditures		Navy Expenditures		Air Force Expenditures		Defence Non- Discriminated Expenditures	
1966	1,428	580		510		332		6	
1967	1,568	624	7.5	529	3.7	399	20.1	16	166.6
1968	1,603	657	2.2	501	-5.2	423	6	22	37.5
1969	1,727	713	8.5	544	8.5	447	5.6	22	0
1970	1,692	736	3.2	548	0.7	364	-18.5	42	90.9
1971	1,705	692	-5.9	527	-3.8	440	20.8	46	9.5
1972	1,710	662	-4.3	542	2.8	446	1.3	59	28.2

Source: Tables 3 and 9. Data deflated by the GDP implicit prices index.

example, was supplied under the Military Assistance Program (MAP) with 12 Douglas A-4B Skyhawk in 1966 and other 13 in 1967 (value of 25: 8.7 mn dollar., incl. spares). Also Military Capital Expenditure rose in this period (See above, Table 12).

Beginning in 1968 — the year of the "Europe Plan" — arms imports rose sharply (See Tables 12 and 20) while international reserves rose sharply in 1967 and then declined.

During Onganía (1966—1970) the milex/public expenditure ratio moved between 14.01 % in 1966 and 15.52 % in 1969 (See Table 3) while the defence burden was very uniform (See Table 7). Military spending reached a peak in 1969 and then declined more or less pronouncedly.

The first serious attempt at defence planning in Argentina was made during the Onganía administration. The relationship between *security* and *development* was a key element of the government's ideology. In this connection, the National Security Council (*Consejo Nacional de Seguridad, CONASE*) was supposed to collaborate with the National Council for Development (*Consejo Nacional de Desarrollo, CONADE*).

In the words of Alain Rouquié, the concept of "national defence" served to legitimate, during Onganía "le maintien d'un Etat d'exception à domination militaire"⁵⁷. The laws of national defence and civilian service for defence, *servicio civil de defensa*, issued in that context, implied the hypertrophy of the concept of "security" and the militarization of civilian life.

The interrelation between *security* and *development* was emphasized by President Onganía at the Conference of Presidents in Punta del Este:

"In the same was as we need security to reach development, we would then benefit from development in order to preserve our security."

The need to achieve industrial independence in order to ensure national defence was always an important goal for the armed forces: "In March 1964...Gen. Juan E Guglielmelli, Director of the Superior War School, suggested that 'a third way' between political intromission and professional abstention could be found in the notion of the Army at the service of economic development"⁵⁸.

⁵⁷ cf. Alain Rouquié: *Pouvoir Militaire et Société Politique en République Argentine*, op.cit., p. 585.

⁵⁸ *Comentarios*; Buenos Aires; March 25, 1964; reproduced from James W Rowe; op.cit.; p. 466, footnote 29.

Table 17
Argentina: Value of Arms Trade, by Major Suppliers, cumulative 1961—71
 (Millions of current dollars)

	Latin America	Argentina	<u>Argentina</u> Latin America %
<i>Total</i>	<i>1,965</i>	<i>139</i>	<i>7.0</i>
United States	664	67	10.0
Soviet Union	-	-	-
France	80	26	32.5
United Kingdom	107	13	12.1
Canada	91	4	4.3
Federal Republic of Germany	47	1	2.1
All others	149	28	18.7

Source: "The International Transfer of Conventional Arms"; ACDA, April 12, 1974, Washington, 1974, Table III. p.A-12.

Table 18
Argentina: Value of Arms Transfers, cumulative 1973—1977, by Major Supplier
 (Millions of current dollars)

	Latin America	Argentina	<u>Argentina</u> Latin America %
<i>Total</i>	<i>3,558</i>	<i>216</i>	<i>6</i>
United States	653	66	10
France	475	30	6.3
United Kingdom	565	40	7
F.R. of Germany	325	30	9.2
Italy	130	30	23
Others	355	20	5.6

Source: ACDA, "World Military Expenditures and Arms Transfers, 1968—1977 Washington, D.C. 1979, p. 158.

Table 19
Argentina: Value of Arms Transfers, cumulative 1974—1978, by Major Supplier
 (Millions of current dollars)

	Latin America	Argentina	<u>Argentina</u> Latin America %
<i>Total</i>	<i>4,100</i>	<i>380</i>	<i>9.2</i>
United States	700	70	10
France	430	100	23.2
United Kingdom	625	50	8
F.R. of Germany	360	30	8.3
Italy	190	30	15.7
Others	500	100	20

Source: ACDA, "World Military Expenditures and Arms Transfers"; 1969—1978; Washington, D.C. 1980; p. 162.

Table 20
Argentina: Value of Arms Transfers and Total Imports and Exports, 1963—1980
(Figures in Millions of Constant 1970 Dollars)

Year	Arms Imports	Total Imports	(1):(2) % Imports	Arms Exports	Total Exports	(4):(5) % Exports
	(1)	(2)	(3)	(4)	(5)	(6)
1963	5.8	1,146	0.5	1.1	1,594	0.07
1964	4.6	1,255	0.3	0	1,643	0
1965	8	1,370	0.5	0	1,706	0
1966	7.7	1,243	0.6	0	1,762	0
1967	6.6	1,209	0.5	0	1,616	0
1968	21.5	1,259	1.7	0	1,474	0
1969	51.8	1,633	3.1	1	1,670	0.06
1970	20	1,694	1.1	0	1,773	0
1971	9.6	1,808	0.5	0.9	1,684	0.05
1972	55.6	1,765	3.1	9.2	1,798	0.5
1973	40.9	1,827	2.2	8.2	2,677	0.3
1974	27.5	2,506	1.1	0	2,711	0
1975	18.9	2,491	0.7	0	1,870	0
1976	30.1	1,830	1.6	0	2,363	0
1977	22.7	2,366	0.9	2.8	3,213	0.08
1978	189.8	2,022	9.4	0	3,375	0
1979	224.9	3,145	7.1	n.a.	3,659	-
1980	n.a.	4,330	-	n.a.	3,295	-

Sources: Col. (1) as follows: 1963—67 from ACDA: "World Military Expenditures and Arms Trade (1963—1973)"; Washington, D.C., 1975, p. 79; ACDA: "World Military Expenditures and Arms Transfers, 1965—1974, Washington, D.C., 1976, p. 56; and ACDA: WMEAT, 1967—76, Washington D.C., 1978, p. 121; 1968 from ACDA: WMEAT, 1968—77, Washington, D.C., 1979, p. 119; 1969—77 from ACDA: WMEAT, 1969—78, Washington, D.C., 1980, p. 123 and 1978—79 from Agency of International Development (AID), Dept. of State, Implementation of Section 620(s) of the Foreign Assistance Act of 1961, as Amended (A Report to Congress), October 1981, p. 57.

Col (2): Imports data for 1963—1978 obtained from AID, Economic and Social Data Bank (ESDB); selected AID Official Data, as of 02/20/81 (ALL DATA Report on Argentina); 1979—80 from FIDE-Coyuntura y Desarrollo, No. 40, December 1981; Statistical Appendix X, p. 41.

Col. (4): 1963—68: ACDA: "World Military Expenditures and Arms Trade (1963—73), Washington, D.C., 1975, p. 79; 1969—71 from ACDA: World Military Expenditures and Arms Transfers (1967—76), Washington, D.C., 1978, p. 121; 1972—78 from ACDA: WMEAT, 1969—78, Washington, D.C., 1980, p. 123.

Col. (5): Exports data for 1963—1978 from AID, Economic and Social Data Bank (ESDB); selected AID Official Data as of 02/20/81 (ALL DATA Report on Argentina); 1979—1980: obtained from FIDE-Coyuntura y Desarrollo, No. 40, December 1981, Statistical Appendix X, p. 41.

Current dollars converted to constant 1970 dollars by using the U.S. Wholesale-Price index (1970=100) obtained from IMF: *International Financial Statistics*; Supplement, 1977, Annual data for 1952—1976, Washington, D.C., May 1977, pp. 168—169 and from IMF: *International Financial Statistics*; Yearbook (English Edition) (1981); Volyme XXXIV; Washington, D.C., 1981, p.441.

At the VIIth Conference of American Armies, the Argentine delgation maintained that "security is Utopía without development, both at the national and international levels"⁵⁹.

⁵⁹ *Confirmado*; Buenos Aires; 20 April 1967; p. 24

Ten years later, under the influence of French military thought which had ascendancy over the Army during the "Europe Plan", "security", in the sense of *antisubversive war*, replaced "development" as a fundamental goal for the military establishment although "security" and "development" are still closely linked in the military's thought⁶⁰.

The French mission arrived in Buenos Aires in May 1968⁶¹. It is well known that military training embodies a great deal of ideological leverage⁶². Military speeches of 1976—81 are saturated with the French ideology (e.g. the speech by Army commander-in-chief Gen. Roberto Viola at the University of Belgrano in 1979)⁶³.

Table 21
Argentina: Military Expenditure by Service Branches, 1941 and 1978
(Constant 1970 Prices) (Millions of New Pesos)

Year	Total	Army	%	Navy	%	Air Force	%	Defense Non-Discriminated	
1941	633	405	64	215	34	12	2	0	0
1978	2,854	1,031	36	717	25	700	24	406	14

Sources: Tables 1, 3 and 9. Data deflated by the Consumer-Price Index.

3.1. *The emergence of a military-industrial complex*

Early in 1967 the "Europe Plan" was aimed at emancipating the country from U.S. military aid⁶⁴. The plan arose to offset Army discontent with regard to the Military Assistance Treaty signed with the U.S.A. in 1964 as part of the U.S. Military Assistance Program (M.A.P.), and was aimed at reaching "complete self sufficiency" in order to put Argentina in the road of "complete sovereignty".

The three fundamental goals of the Plan were:

- 1) Ensuring the permanent supply of equipment;
- 2) developing domestic arms production;
- 3) Improving Argentina's arms exports capacity.

According to Gen. Uriburu, the plan was scheduled for a 9-year period and valued at about 80 million dollars⁶⁵. The press first reported that, in the words of Gen. Uriburu, 23 contracts had been signed with French industrial firms in 1968. However, the day after Gen. Uriburu *rectified* his previous statement, saying that an important part of the 23 contracts had been made with local firms, including state-owned enterprises, while others were with European — not only French — industries; that the contracts

⁶⁰ "As the title of the State Department's Policy Planning paper indicated, the major thrust of the innovative change was the linking of "defence" and "development" in the IDAD concept (IDAD: Counter-insurgency Plus Civic Action)". (John Child: *The proposed solution. Internal Defense and Development IDAD*) op.cit., pp. 146—154.

⁶¹ See *El Plan Europa y la adquisición de armas modernas*; in "La Nación"; 10 May 1968, p. 7. (Gen. Uriburu's declarations).

⁶² See, among others, Miles Wolpin: *Military Aid and Counterrevolution in the Third World*, Lexington Books, 1973; Michael Klare: *War without End: American Planning for the Next Vietnam*; Vintage Books, New York, 1972.

⁶³ See *La Estrategia y el Futuro Nacional*, por S.E. el Comandante en Jefe del Ejército, Teniente General D Roberto Eduardo Viola, Universidad de Belgrano, Buenos Aires, 1979.

⁶⁴ "On Jan. 1, 1967, the Army Commander-in-Chief commissioned a study on the basis of which the Army reequipment would be planned. So the "Europe Plan" was born." See Gen. Eduardo Juan Uriburu: *El Plan Europa: el ejército y su contribución a la estrategia del desarrollo*; in *Estrategia* No. 2; July—August 1969; p. 16.

⁶⁵ See *Nuestra Industria es capaz de reequipar a las Fuerzas militares; La razón*; 13 December, 1969.

contained clauses on the transfer of royalties and that some communication equipment would be purchased in the U.S.A.⁶⁶.

Two outstanding features of the Europe Plan were the interlocking between Argentine entrepreneurs and the military establishment on one hand and the "training effects" on the other: Argentine military personnel were sent to France and the French mission became the most important foreign military mission in Buenos Aires.

The Plan was then scheduled until 1974, assigning an important role to private firms, most of them branches of big European corporations:

"The industrial core of the Europe Plan is *Astillero Río de la Plata*, ASTARSA, where coal-ships and gold-storage ships are constructed. Since 1967 an important share-holder of ASTARSA was *Société des Forges et Ateliers du Creusot* (Groupe Schneider-Banque Union Europeene Industrielle et Financière). The French planned to involve this troubled enterprise in arms production (...). Not surprisingly, the French big capital decide to invest in that area, in the same way as Renault decided to invest in one of the largest plants of the automobile industry in Latin America: IKA-Renault in the province of Córdoba⁶⁷.

The other European based firms involved with the construction of the French tank were:

"The future manufactures of engines and propeller-shafts, IKA-Renault (French) and Fiat-Concord (Italian) respectively; Philips Argentina (Dutch), standard Electric (U.S.) and Siemens Argentina (German) for the manufacturing of high-technology radioelectric and telephonic systems whose national shares go from 35.6 % to 100 %; Mercedes Benz Argentina (German) for the manufacturing of military trucks, "todo terreno", the *General Directorate for Military Factories* (DGFM) for the supply of artillery to be manufactured in Río Tercero, Córdoba, and different types of ammunition to be manufactured in Río Tercero and San Lorenzo, (Santa Fe) as well as tens of minor Argentine contractors and sub-contractors who will collaborate with the Plan"⁶⁸.

"This understanding, I would even say, "ensemble" between industrialists and military officers is a major feature of national defense in modern countries (...). Entrepreneurs and military men must support and promote scientific and technological research if they want to be in tune with the pace of the century"⁶⁹.

Research and Development activities are mainly carried out at:

1) CITEFA (Centro de Investigaciones Tecnológicas de las Fuerzas Armadas); 2) The General Directorate for Military Factories, *Dirección General de Fabricaciones Militares* (DGFM) and 3) *Escuela Superior Técnica*⁷⁰.

⁶⁶ See *La Nación*; 11 May 1968. "...parte importante de los 23 contratos eran con industrias argentinas, incluso del Estado, otra parte con industrias europeas, no sólo francesas, y que incluyen en mayor o menor grado cláusulas de cesión de patentes y una orden de compra por ciertos equipos de comunicaciones en los Estados Unidos".

⁶⁷ See Rogelio García Lupo: "El Pentágono quiere vender", chapter XIII of his book *Mercenarios y Monopolios en la Argentina (De Onganía a Lanusse, 1966 — 1971)*; Achával Solo, Buenos Aires, 1971, pp. 126 — 127.

⁶⁸ Significantly, except the General Directorate for Military Factories (DGFM) all the other firms involved in the manufacture of the French tank are branches of mainly European MNCs., except Standard Electric (cf. *El Plan Europa: Una Prueba definitiva de la capacidad industrial argentina*", interview with General Eduardo Juan Uriburu; *Clarín* Bs.As). (Gen. Uriburu was military attaché in the U.S. and presided the Army Commission for arms purchases in the U.S. in 1959. His background includes an academic degree in *Economía de la Seguridad* at the Industrial college of the Armed Forces, Washington, D.C.

⁶⁹ General Uriburu, interview.

⁷⁰ This part is based on press accounts. See *Fuerzas Armadas: Economía y Estrategia*; in "Confirmando"; 20 April 1967; pp. 24/26; *El Plan Europa*; in "La Razón"; 16 October 1968.

Beginning in 1968, Argentina searched intensively for new suppliers in Europe. According to press accounts, Gen. Uriburu visited Swiss and German factories in 1968: for example, the Spanish-Swiss factory, which manufactures machine-guns and *cañones de tiro rápido, de 20 y 30 milímetros*, which supplies ammunition and air-land missiles for combat aircraft. The Army was equipped with an anti-tank missile (directed by remote control through an electronic computer) produced by Bolkow, a West German-based firm⁷¹. The French tank, in turn, would be assembled in Argentina and its components would be manufactured by the Argentine automobile industry.

The "Europe Plan" also intended to reduce the opportunity costs of defense by way of the transfer of technology from military to civilian industries, taking advantage of the industrial military complex already installed (Argentine military factories were created in the 1930s and 1940s.).

Some researchers are critical as to the existence of "spin off" effects (i.e. the possibility of the transfer of technology from "military" to "civil" industry) in less developed countries. (Others are critical as to the existence of spin-off in *any* country).

As for the more advanced countries of Latin America (Argentina, Brazil) the problem must be discussed taking into account the specificities of Latin American dependent development. Roughly speaking, the Latin American countries' model of development⁷² was based on agricultural exports from the XIX century and during the three first decades of this century. During the thirties and 1940s, import-substituting industrialization and the rise of "populist" regimes and finally in the 1950s "industrialized underdevelopment"⁷³ characterized by increasing foreign investment (Brazil, Argentina) and the emergence of multinational corporations in the process of "internationalization of the internal market".

During import-substituting industrialization the military played a key role in the emergence of a modern public sector, particularly in Chile, Argentina and Brazil. The structural situation of dependence and the conditions of underdevelopment in which industrialization took place inhibited the private sector from undertaking this task⁷⁴.

For example, in the economic conditions prevailing in Argentina in 1943, only the military were able to undertake the setting up of critical industries such as *Altos Hornos Zapla*, although Diagram 1 shows the factories dependent on *Fabricaciones Militares* covered a wide range of activities. Many of them produced general consumption

⁷¹ "A battery of the new weapon acquired cost less than 800 dollars, permitting the replacement of a battery of 12 anti-tank cannons which cost 50 000 dollars each" (Gen. Eduardo J. Uriburu; in "La Razón", 16 October 1968; my translation).

⁷² See Luiz C. Bresser Pereira: *Le Sous-Développement Industrialisé*; in *Revue Tiers Monde*; t. XVIII; No. 68; October—December 1976; p. 891; footnote 1.

⁷³ This very schematic synthesis has been fairly discussed in a number of studies: e.g. Ferdando H. Cardoso: "Dependency and Development in Latin America"; and Albert Hirschman in his classic "The Strategy of Economic Development". A good account of the crucial role played by the State during import-substitution may be found in Luiz C Bresser Pereira, op.cit. p. 31: "L'Etat s'engage alors dans un processus d'expansion de ses pouvoirs et de modernisation. Ses fonctions s'étendent non seulement: a) en direction des secteurs de services caractéristiques des gouvernements modernes, tels que l'éducation, la santé, la sécurité sociale, mais aussi b) vers des activités de planification et de coordination économique, au moyen d'organismes nouveaux de planification et de contrôle qui sont créés à tous les niveaux gouvernementaux ainsi que c) vers les secteurs directement productifs et les secteurs financiers". With different shades and differences, the State played this role in Argentina, Brazil, Chile, Uruguay, during import-substituting industrialization.

⁷⁴ In Chile, for example, as early as in 1939 CORFO was created, in order to impulse industrialization (See, for example, *Anibal Pinto et al*: "Chile Hoy"; Editorial Siglo XXI; Mexico).

goods; signed contracts with private firms and formed mixed societies with the private sector.

To sum up, as in Brazil⁷⁵ the State — particularly the military — played a key role in the process of import-substituting industrialization, undertaking the setting up of key industries for economic development. For example, an iron and steel industry and other heavy manufacturing industries could only be installed with the involvement of the military. On this point there is general agreement among scholars in Argentina and it is admitted even by the most severe critics of the military establishment.

On the other hand, the possible existence of *spin-off* is reinforced by the similarities between Argentina and other countries of recent settlement⁷⁶ in which "heavy investment in the defense sector and, in particular in those industries producing military requirements, has been partially justified in terms of the existence of "spin-off"⁷⁷

It should not be surprising, therefore, that since arms purchases are expensive, "for a country which has attained a fair degree of industrialization, as Argentina has, the economic costs of local production might not be prohibitive. This was realized by the Argentine military leadership, i.e. Peron and other nationalist officers, early in the 1940s during World War II in view of the foreign exchange savings and the boost given to sectoral development by military/civil composite demand. Indeed, a study undertaken by Kennedy appears to support this view, for he concludes: "There is no evidence that domestic military production wastes resources or holds back growth of the manufacturing sector...The defense sector is associated with and integrated into the metal and engineering sector, and there appears to be some positive association between the expansion of both sectors"⁷⁸.

3.2. *Military Expenditure and Other Economic Variables during 1970—73*

Military expenditure as a percent of public expenditure decreased during the Levingston-Lanusse interregnum (1970—73). International reserves declined in 1971 and then sharply increased in 1972 and 1973 as well as arms imports (See Table 20); the balance of merchandise traded showing a positive balance of 36 million dollars in 1972 and of 1,036 million dollars in 1973.

The defense burden (miles/GDP) slightly declined in that period while military expenditure does not show a clear line of growth (See Tables 3 and 7)⁷⁹.

⁷⁵ See, for example, Luciano Martins: *Pouvoir et Développement Economique—Formation et évolution des structures politiques au Brésil*; Editions Anthropos; Paris, 1976; esp. Second Part: *La Politique du Développement*; chapter 5: *La Sidérurgie et l'Etatisme* (pp. 165 ff); chapter VI: *La Politique du Pétrole et le Nationalisme* (pp. 267 ff); chapter VIII: *L'Industrie Automobile et le "Desenvolvimentismo"* (pp. 407 ff).

⁷⁶ "Although at 1960 prices, distorted by greater post-war protection, the share of manufacturing value added is nearly twice that of the rural sector for 1963—65, when measured at 1937 prices both are roughly equal. Expressed at 1960 prices, the Argentine manufacturing share in GDP is higher than that of the United States for 1963—65!" (See Carlos Díaz Alejandro, op.cit., p. 72)

⁷⁷ See David K Whynes: *The Economics of Third World Military Expenditure*; The Mac Millan Press; London; 1979; chapter 3: *Defense and the Economy*; p. 43.

⁷⁸ See David K Whynes: op.cit., pp 48/49. The reference is from Gavin Kennedy (1974), *The Military in the Third World*; London; Duckworth; p. 301.

⁷⁹ If *miles* is deflated by the Consumer-Price Index it constantly rose since 1970 while the Wholesale-Price Index shows decreases in 1971 and 1972 and a sharp increase in 1973 and the GDP deflator shows a very soft upward trend. On the contrary, if *miles* is deflated by Government Consumption, it suddenly declines in 1973, due to a sharp increase in the GC implicit prices (from 1 900 in 1972 to 3 273,5 in 1973 taking 1960 as base-year; from 210.2 to 419.2 taking 1970 as base-year) while the GDP Implicit Prices only rose from 1 316 in 1972 to 2 056.7 in 1973 (1960:100) or from 224.2 in 1972 to 368.9 in 1973 (1970:100) (See Banco Central de la República Argentina: *Oferta y Demanda Global a Precios Corrientes* (June 1982).

By 1969 the U.S. attempted to recover the monopoly of arms sales to Argentina. In that connection, Gen. Chester L Johnson, commander of the SOUTHCOM, was sent to Buenos Aires:

"Gen. Johnson's trip is a new and decided attempt to persuade Argentines that arms imports from Europe must be phased out. In exchange, Argentina would be eligible to U.S. foreign military sales credits at convenient conditions and low prices"⁸⁰.

According to press accounts, based on "responsible sources" 53 armoured transports were ordered from the U.S. in 1972:

"The acquisition was made through the Army General Staff and involves an important deal with the U.S., suggesting that the Europe Plan has been post-poned"⁸¹

Important political changes took place in that period: Minister of Economy Krieger Vasena was replaced by Dr. Dagnino Pastore (4 June 1969) after the social outbreak on May 1969 (*el "Cordobazo"*). President Onganía was dismissed on June 8, 1970, and the military junta re-assumed, for a week, political power. During the Levingston interlude⁸² (June 1970—March 1971) economic policies significantly drifted as soon as Dr. Aldo Ferrer was appointed at the Ministry of Economy. On March 22, 1971, Gen. Levingston was replaced by Army commander-in-chief General Alejandro Lanusse who transferred the power to a civilian government in 1973.⁸³

Table 22
Argentina: Military Expenditures, Growth Rate, Rate of Inflation
and Rate of Unemployment, 1969—1972. Figures in Millions of New Pesos

Year	MILITARY EXPENDITURES (Constant 1970 Prices)				Growth Rate*	Rate of Infl.	Rate of Unemployment**
	National Whole-sale Price Index	Consumer Price Index	GDP Impl. Prices	GCI Impl. Prices			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
					%	%	%
1969	1,772	1,766	1,727	1,821	6.9	7.6	4.0
1970	1,692	1,692	1,692	1,692	4.8	21.7	4.8
1971	1,672	1,741	1,705	1,715	3.8	39.1	5.7
1972	1,552	1,795	1,710	1,824	4.1	64.1	7.4

* Rate of growth of GDP (percentages)

** Rate of unemployment in the month of April (percentages of active population).

Sources: Cols. (1), (2), (3) and (4) obtained from Table 3; Dirección Nacional de Estadísticas y Censos.

⁸⁰ See Rogelio García Lupo, op.cit., p. 125.

⁸¹ cf. *Clarín*; Buenos Aires, 8 November 1972: *Recientes Compras de Equipos Militares indican que se ha optado por postergar el Plan Europa*.

⁸² General de Brigada Roberto Marcelo Levingston, Argentine representative at the *Junta interamericana de Defensa* (J.I.D) in Washington was asked to replace General Onganía.

⁸³ "Since he took over, Gen. Lanusse did his best in order to negotiate a political agreement embracing the major political parties and interest groups". See Richard Mallon and Juan V Sourrouille: *La Política Económica en una Sociedad Conflictiva. El Caso Argentino*; Amorrortu Editores, Buenos Aires, 1973; p. 41 (*Economic Policy-Making in a Conflict Society: The Argentine Case*; Harvard University Press, 1975).

On the other hand, arms imports rose sharply in 1972 (See Table 20) representing 3.1 percent of the total value of imports (same table). Accordingly, the capital expenditure portion of defense expenditures rose by 34 percent in 1971 and by 14 percent in 1972, decreasing together with arms imports in 1973:

Table 23
Argentina: Defence Expenditures, Functional Breakdown, 1970—73
(Figures in Millions of New Pesos, Constant 1970 Prices)

Year	Total	Annual percentage changes		Current Expenditure	Annual % Change	Capital Expenditure	Annual % Change
		Annual % Change					
1970	1,691.6			1,425.6		266	
1971	1,705.3	0.8		1,347.5	-5.4	357.7	34.4
1972	1,709.5	0.2		1,301.4	-3.4	408.1	14
1973	1,755.7	2.7		1,442.4	10.8	313.3	-23.2

Source: Table 12. Data deflated by the GDP implicit prices.

4. Military Expenditure during the Recent Peronist Governments (1973—1976)

Since 1973 the pattern of growth of military expenditure significantly changed. Military appropriations show an upward trend all over the Peronist administration (See Table 25).

Beginning in 1975 Argentina's military expenditures rise sharply⁸⁴. This sharp increase coincides with the beginning of antsubversive internal war on a major scale (The *Operativo Tucumán* began in January 1975).

Table 24
Argentina: Arms Imports, 1969—1979 (Millions of dollars)

Year	Current	Constant 1970	Percentage change from previous year
1969	50	52	
1970	20	20	-61.5
1971	10	10	-50
1972	60	56	460
1973	50	41	-26.7
1974	40	27	-34.1
1975	30	19	-29.6
1976	50	30	57.8
1977	40	23	-23.3
1978	360	190	726
1979	480	225	18.4

Source: As in Table 20.

⁸⁴ It should be noted that as a result of the economic earthquake of June 1975 (The Consumer-Price Index shots up from June 1975 onwards, see Table 3), the Budget Law for this year suffered several adjustments. The actual figure at current prices is *three times* higher than the original budgetary figure.

Table 25
Military Expenditure during the Peronist Government (1973—76)
 (Figures in Millions of New Pesos. Constant 1970 Prices)

Year	National Wholesale- Price Index	Annual % change	Consumer- Price Index	Annual % change	GDP Impl. Prices	Annual % change
1973	1,754		1,892		1,756	
1974	1,849	5.4	1,913	1.1	1,704	-2.9
1975	2,299	24.3	2,428	26.9	2,043	19.8
1976	2,424	5.4	2,754	13.4	2,410	17.9

Year	GC Impl. Prices	Annual % change
1973	1,545	
1974	1,307	-15.4
1975	1,659	26.9
1976	2,774	67.2

Source: Table 3.

The rise begins either *in 1970* (if *milex* is deflated by consumer prices; *in 1972* if it is deflated by wholesale prices or *in 1974* GDP and GC implicit prices). In any case, there is a sharp increase in 1975 and a very sharp increase in 1976 in the case of *milex*-deflated by government consumption (See Tables 3 and 24).

As Table 26 shows, military expenditure increases are associated with output increases; but with a one-year time-lag:

Table 26
Argentina: Military Expenditures and Annual Growth Rates of GDP at Factor Costs
and Change in International Reserves, 1973—1981
 (Percentage Changes from Previous Years)

Year	Milex deflated by Whole- sale Pr.	Consu- mer Pr.	GDP Impl. Pr.	GC Impl. Pr.	Annual Growth Rates of GDP at Factor Costs	Change in Inter- national Reserves	Balance of Mer- chandise Trade
1973	13	5.4	2.6	-15.2	3.5	853	1,036
1974	5.4	1.1	-2.9	-15.4	6.1	-3	296
1975	24.3	26.9	19.8	26.9	-0.8	-863	-986
1976*	5.4	13.4	17.9	67.2	-0.4	1,156	883
1977	12.3	2.4	8.9	11.3	6.4	1,717	1,490
1978	10.5	1.1	7.9	-6.3	-3.4	1,816	2,566
1979	1.5	-1.1	2.6	0	7.1	4,425	1,098
1980	13.3	-0.9	-0.8	-15.3	1	n.a.	-2,519
1981	4.6	6.1	5.3	5.3	n.a.	n.a.	n.a.

* According to the Budget Law of 1976, credits were allocated "in order to maintain the operational capacity of the three services, improving their infrastructure and equipment needed for the accomplishment of their functions, particularly the anti-subversive struggle" (Ley No. 21.395; *Presupuesto General para el Ejercicio del Año 1976*; Min. of Economy; Bs.As. 1976, p. XIX).

Source: Tables 2 and 4.

Until his death on July 1, 1974, Perón played a very important role in the socio-political process, being the unifying element in a political party as heterogeneous as the Peronist Party⁸⁵. Besides, Perón was a "military-politician" who took advantage of his military condition, as Justo did, in the 1930s., in order to professionalize the armed forces. The process entailed, as we have seen, significant increases in the military share of the budgetary pie.

On May 25, 1973, the military withdrew from the political scene. A few weeks later, on the occasion of the Perón-Cámpora crisis, the military intervened again in politics, as a result of the "Carcagno-Perón" meeting in which were discussed not only Perón's military status but also violence within the Peronist movement, *foreign policy* — considered excessively aggressive by the military — and *economic policy*. The pact between Perón and the armed forces⁸⁶ paved the way for a "constitutional" coup d'état in July 13, 1973. The military would not raise any objection to the leaving of Cámpora provided that constitutional rules would be respected. However, the overthrow of Cámpora was the beginning of an increasing deterioration of the bourgeois-democratic legality, until the September-October 1974 crisis when the "state of emergency" favoured by Perón was definitely established.

After July, the armed forces gave their opinion on important foreign policy and economic issues. However, they were only a "pressure group" like many others trying to exert influence upon Perón.

Shortly after taking office in May 1973, the Campora administration made important changes in the Army (Nine major generals were forced into retirement). From May to December 1973, under General Carcagno's command, the Army was somewhat politicized, though not directly engaged with the civilian government. In these months the Army collaborated with the Peronist Youth in the so-called *Operativo Dorrego*, in the Province of Buenos Aires.

Gen. Carcagno was dismissed as soon as Perón assumed the Presidency in October 1973 being replaced by General Anaya⁸⁷, who made an attempt to professionalize the Army. On May 1975 Gen. Alberto Numa Laplane replaced Gen. Anaya, proclaiming the concept of "integrated professionalism", *profesionalismo integrado*, against the concept of "aseptic professionalism", *profesionalismo aséptico*⁸⁸.

⁸⁵ Since Perón was exiled in 1955, the distinction between "Peronism as a party" and a larger "Peronist Movement" became frequent in the sociopolitical literature.

⁸⁶ For a good analysis of the secret goings-on during the 12–13 July crisis, see the interesting articles by Ramiro de Casabellas in "La Opinión", Buenos Aires: "Antecedents de las 48 horas que modificaron un gobierno. El pacto de Peron resucito un esquema político que antes parecía hipotético"; 18 July 1973, p. 10. Casabellas makes reference to the "*Gran Acuerdo Nacional*" (GAN) promoted by President Lanusse at the stage prior to the 1973 election.

⁸⁷ Lieut. Gen. Carcagno was named commander-in-chief by President Campora, after cutting off the top of the "Lanussist" Army in May 1973. Perón came back to Argentina on 20 June 1973, putting an end to 18 years of exile in Spain. The violent confrontations at Ezeiza airport, the day of his arrival, pre-announced the sort of right-wing repression which some people call "state terrorism".

⁸⁸ "There is talk about 'aseptic professionalism' 'engaged' professionalism. The first is a sort of imaginary conception of the military profession, foreign to its national intrinsic character because conceived in that way it could be applied to any country. The second is nearer the truth, whenever it infers, at the institutional level, professional performance through experiencing the reality of the country (...) (and) by attempting to do the best in its area, respecting the Constitution and the Law. At the individual level engaged professionalism means a great freedom of conscience, 'esprit de corps' and respect for discipline, subordination and loyalty" (Speech by Gen. Alberto Numa Laplane, Army commander in-chief, in the Day of the Army (29 May 1975). (See "La Nación"; 30 May 1975, p. 1.)

However, as a result of the August 1975 crisis, Numa Laplane was forced into retirement, being replaced by General Videla — leader of the "aseptic professionals" fraction — who led the ouster of Isabel Perón in March 1976⁸⁹.

5. Military expenditures during the Military Government (1976—1981)

During 1976—81 the above-mentioned upward trend continued (see Table 26). Particularly arms imports, partially justified in terms of the dispute with Chile over the Beagle Channel, rose sharply from 1978 (see Tables 20 and 24)⁹⁰.

Table 27
Argentina, Defence Expenditures during 1973—81, by Functional Categories
(Percentage Changes from Previous Year) (Constant 1970 Prices)

Year	Total (GDP Defl)	Annual % Change	Current Expenditure	Annual % Change	Capital Expenditure	Annual % Change
1973	1,755.7	2.7	1,442.4	10.8	313.3	-23.2
1974	1,704	-3	1,375.3	-4.6	328.8	4.9
1975	2,043	19.8	1,386.4	0.8	656.8	99.7
1976	2,410	17.9	1,569.4	13.1	840.9	28
1977	2,626	8.9	1,470.3	-6.3	1,155.3	37.3
1978	2,835	7.9	1,850.9	25	984.3	-14.8
1979	2,909	2.6	2,064.2	11.5	844.9	-14.1
1980	2,883	-0.8	2,365.4	14.5	517.8	-38.7
1981	3,037	5.3	2,366	0	671.1	29.6

Sources: Tables 3 and 12. Data deflated by the GDP implicit prices.

As Table 3 shows, the increases began before the military took power in 1976; all the four deflators showing substantial increases between 1975 and 1977. As David K Whynes puts it, "On the basis of the fundamental assumptions of contemporary economic theory, the idea that the allocation of resources in favour of the military sector must increase after a coup has a certain intuitive appeal.

In that men should prefer more economic goods to less, on being given the power to extract more they should naturally do so"⁹¹.

Milex uninterruptedly rose from 1972 if deflated by wholesale Prices, (See Table 3) suffering very minor setbacks in 1979 and 1980 if deflated by Consumer Prices (See Table 26) and a very small setback in 1980 if deflated by the GDP implicit prices.

The HGC deflator, which shows the sharpest increase (67.2 % in 1976) also shows the sharpest declines in 1978 and 1980 (See Tables 3 and 26). It should be noted that the defense burden rose from 1.66 percent in 1974 to 3.09 percent in 1981 (See Table

⁸⁹ This part is based on my paper "Political Processes with Military Parties: The Argentine Case", presented at the Round Table on "Les Processus Politiques dans les Partis Militaires: Clivages et Consensus au sein des Forces Armées"; organized by Centre d'Etudes et de Recherches Internationales, CERI, Fondation Nationale des Sciences Politiques, Paris, 17—19 May 1979.

⁹⁰ This was reflected by the daily and periodical press: "Argentina is on the point of arranging an unannounced 180 million dollars contract to buy 57 tanks from Austria, according to sources close to the negotiations" (See Edward Schumacher: *Argentina turns to Austria for 180 Million dollars in arms*; in "The New York Times"; 15 June 1981.

⁹¹ See David K. Whynes, op.cit., p.101.

7); the millex/public expenditure ratio also showing an upward trend since 1974 (See Table 3).

As for the functional breakdown, Table 27 shows annual percentage changes of both current expenditure and capital expenditure since 1973. Particularly *capital goods* significantly rose between 1974 and 1977⁹².

As far as service shares are concerned, "defense non-discriminated" which represented 4 percent of all defense expenditures in 1974 rose to 9 percent in 1975, reaching a peak of 23 percent in 1977 (See Table 9)⁹³.

Arms imports played an important role, together with the revaluation of the peso and tariff reductions, in the increase of the foreign debt after 1976. By 1979 it was estimated that arms imports accounted for approximately a third part of an outstanding 27 thousand million dollars foreign debt. Martínez de Hoz' policies of economic and financial opening implied a great deal of "enforced indebtness"⁹⁴.

The economic policies implemented during the military administrations of Generals Videla (1976—81) and Viola (1981) led to an increasingly unmanageable socio-economic crisis⁹⁵ whose social consequences, particularly unemployment are now widely recognized.

Although the declared objective of the program was "to go from an economy based on speculation towards one based on production" in practice Martínez de Hoz and his team did exactly the opposite, and today it is a common-place to say that the productive structure — constructed since import-substitution in the 1930s — was largely destroyed during 1976—81.

Table 28
Argentina: Defense Non-Discriminated in 1978, Functional Breakdown
(Figures in Millions of New Pesos) (Current Price Figures)

Management and Administration	3,388.9
Defence Planning	683.6
Antarctic Plan: Administrative Support	909
Military System of Research and Development. Military Projects.....	2,166.9
Military System of Research and Development. Civic-Military Projects.....	264
Joint Military Planning.....	1,718.2
Projects and Research for Defence (<i>Investigaciones y proyectos para la defensa</i>).....	4,603.6
Training in Security and Defense	406.4
Equipment (<i>Equipamiento</i>)	187,355.4
Administration, General Directorate for Research and Development	266.4
Cumplimiento Ley No. 21586 Homenaje al Almirante Guillermo Brown	165
Total Defence Non-Discriminated (<i>Defensa sin Discriminar</i>).....	201,927.4

Source: *Memoria de la Secretaría de Estado de Hacienda correspondiente al Ejercicio 1978*; Buenos Aires, 1981; p. 42.

⁹² Arms purchases is a subcategory of *supply of equipment*, which is a subcategory of Capital Goods.

⁹³ Arms purchases are budgeted under "defense non-discriminated", as "*obligaciones a cargo del Tesoro*".

⁹⁴ See Aldo Ferrer: *Repercusiones de la Apertura Financiera Externa y la Crisis* (Segunda Nota). 2) *El Modelo de Apertura Financiera Externa con Endeudamiento Forzado*, in "Ambito Financiero"; Wednesday 21 October 1981; pp. 8—9.

⁹⁵ An excellent analysis of the economic crisis appears in Aldo Ferrer: *Nacionalismo y Orden Constitucional*; Fondo de Cultura Económica; México; 1981; chapter III: "El Monetarismo en Argentina y Chile"; particularly pp.150 et ff.

The economic policy inaugurated in 1976 has been characterized as an important attempt to transform the scheme of functioning of the Argentine economy prevailing since 1930⁹⁶. "The main strategy adopted by the economic team in order to set up a free market economy was the opening of the internal market to foreign competence"⁹⁷.

This was done in two stages: 1) From April 1976 to May 1978 the dominant policy instrument was the reduction of import-duties to make imports of industrial products competitive with local production. The first important reduction was made from November 1976 until the implementation of the *tariff programme* in December 1978. Import-duties for capital goods were eliminated and it was envisaged that import-duties would gradually level-out until reaching an average 20 percent in 1984.

2) The re-valuation of the local currency (the new peso, *el peso nuevo*) measured in terms of its dollar parity. This process extended from May 1978 until December 1980.

The programme assigned priority to infrastructure and public investment, especially in the energy sector including hydroelectricity and nuclear energy.

As Aldo Ferrer points out, there is a contradiction between the strategy of shrinking the economy, and the policy of expanding the infrastructure which only makes sense when the economy is growing at a higher rate. According to Ferrer, "the contrast between a decreasing production of goods and the continuous expansion of infrastructure investments is a significant feature of current economic policies, reflecting, to some extent, the inertia of state actions connected with decisions made before 1975 and some important goals for the military, like investment in infrastructure. This seems particularly clear in the case of nuclear energy and is consistent with a policy which, on the other hand, shrinks the local market, weakens the settlement of an immense territory and impedes industrial development"⁹⁸.

The analysis of the presentation of the budget laws during 1976—1981 shows that decisions on military spending are not made at random but rather as part of a deliberate policy of public spending⁹⁹ defense planning seeming more integrated with economic planning than in the past. This has not contributed, however, to economic growth or to improving the socio-economic conditions prevailing in Argentina.

On the other hand, arms purchases¹⁰⁰ are not included in the balance of merchandise trade and it is difficult to find them in the balance of payments, because only the money paid as "interests" (*intereses*) is recorded, corresponding to obligations higher than the ones recognized in the balance of payments (e.g. in 1980)¹⁰¹. Moreover, *the loan is not recorded* (foreign exchange required for arms imports should be recorded as "*servicios reales y financieros*").

⁹⁶ See Adolfo Canitrot: *Teoría y Práctica del Liberalismo. Política Antiinflacionaria y Apertura Económica en la Argentina, 1976—1981*; Estudios CEDES, Vol.3, No. 10; Buenos Aires; 1980; p.5.

⁹⁷ *ibid*, p.7 (my translation).

⁹⁸ Aldo Ferrer: *Argentina: Viabilidad del modelo*, in chapter III, "El Monetarismo en la Argentina and Chile" ("Nacionalismo y Orden Constitucional", op.cit., p.150) (Comment on nuclear energy added).

⁹⁹ According to press accounts, Argentina expected — after the fall of Gen. Viola, in December 1981 — "to save 420 million dollars (in 1982) following the military government's decision to cut these expenses by 10 percent in 1982 (this decision was made *before* the fall of Viola). The savings were to be made in "building maintenance, phone calls, hiring of personnel, travel expenses and official cars" (Buenos Aires Herald, Feb. 14, 1982). These decisions have certainly been reviewed after the defeat in the *Malvinas war*. On the relationship between economic planning and defense planning, see Emile Benoit: *Growth Effects of Defense in Developing Countries*; in "*International Development Review*", No. 1, 1972, p.10. See also David Wood: *Defense Planning in Argentina*; unpublished study prepared for Browne and Shaw Research Corporation.

¹⁰⁰ Arms imports represented 9.4 percent of total imports in 1978 and 7.1 percent in 1979.

¹⁰¹ Interview with Adolfo Canitrot, CEDES, Buenos Aires; 1981.

6. Economic aid, military assistance, military training and advice to Argentina

Reflecting a tradition of independence from U.S. hemispheric leadership, Argentina did not accept the early Mutual Defense Assistance Agreements Negotiations (MDAA) and in fact did not sign one until 1964.¹⁰² The agreement was labelled "*Memorandum de Entendimiento*" and was signed on May 10, 1964 as part of the Military Assistance Program (MAP).

Argentina was the first Latin American country which attempted to become independent from the U.S.A. as far as arms supplies are concerned (See above chapter 3, "The Europe Plan").

"When the military agreement expired at the end of 1966, it had only involved the re-equipment of some Army divisions (particularly with anti-subversive weapons) and the acquisition of radioelectric and wire materials, sets of tools, workshops, handbooks and training courses"¹⁰³.

"Moreover, in many cases very complicated materials were delivered, according to U.S. specifications for the equipment of U.S. units and without delivering the whole package of armaments. In other cases, unnecessary materials of difficult service were delivered. In addition to these technical aspects, the implementation of the MAP involved the acceptance of implicit and explicit requirements which provoked deep dissatisfaction within the officer corps"¹⁰⁴.

"The more resisted restrictions which were lately allged in defense of the "*Europe Plan*" were:

- 1) The control exerted by the personnel of the U.S. mission with regard to the location of units, operational issues and the service of the supplied materials;
- 2) The conditions imposed to the use of the new equipment which was expressly assigned to *internal* security or for missions of importance for continental security; and
- 3) The logistical dependence arising from the delivery of complex equipment difficult to operate and expensive to maintain.

Likewise, once the pact was implemented, defense policy-makers found that it implied acquisitions and investments which would only produce foreign exchange shortages and deficit in the foreign accounts with the U.S.A.. Moreover, it was an obstacle to the development of local arms production¹⁰⁵.

By 1964 the U.S. mission in Argentina consisted of 64 persons (55 officers and nine civilians), their activities including training, the coherent planning of military assistance in accordance with Argentine requests and, in some cases, the promotion of U.S. military equipment¹⁰⁶. By 31 December 1966 the U.S. mission consisted of 59 officers and two civilians¹⁰⁷.

¹⁰² See John Child: *Unequal Alliance: The Inter-American Military System, 1938—1978*, Westview Press; Boulder, Colorado; 1980; p.123. On military assistance to Latin America, see U.S. Dept. of State, Treaty Affairs Staff, *Treaties in Force*, (Washington D.C., 1970) as cited in Michael Klare: "The Latin American Military — Mercenary Statesmen"; in "War without End — American Planning for the next Vietnams"; Vintage Books; New York; 1972; pp. 276—7 and footnote.

¹⁰³ cf. Miles Wolpin: *Military Aid and Counterrevolution in the Third World*; Lexington Books; Mass., 1973.

¹⁰⁴ Veneroni says that "according to reports from highrank Army officers, the signature of the MAP agreement was fundamentally encouraged by Generals Onganía (who assumed the presidency in June 1966) and Lanusse, who took over in March 1971 (See Horacio Veneroni: *Estados Unidos y las Fuerzas Armadas de America Latina*; Buenos Aires, 1972).

¹⁰⁵ *ibid.*, pp.131/133, my translation.

¹⁰⁶ *Hearings before a Subcommittee of the committee on Appropriations*, House of Representatives, Part I, 88th Congress, 2nd Session. Washington 1964, pp.530, 385 and 516.

¹⁰⁷ Survey of the Alliance for Progress, p.128.

As early as the beginning of the sixties, military publications paid serious attention to projects of training and civic action¹⁰⁸ revealing the reinforcement of military linkages with the U.S.A. However, the attendance of Argentine military personnel at courses in the U.S.A. has been lower than that of other Latin American countries. This was influenced by the *relative* cooling of ties with the U.S.A. during the "Europe Plan" (1968—72). During 1950—1980 Argentina received 12,807 thousand dollars under the International Military Education and Training Program (IMET, Military Assistance Service Funded) that is, only 6.63 percent of the total allotted to Latin America which amounted to 192,946 thousand dollars¹⁰⁹.

In the period 1950—1970 only 2,875 Argentine students were trained under the IMET Program (i.e. only 5.2 % of the total for Latin America) while between 1978 and 1980 Argentine military personnel did not receive training at all in the U.S.A.

Between 1962—1976 Argentina received 17 % of all U.S. military assistance to Latin America (only Brazil received more in this period, 27 % of the total)¹¹⁰.

According to U.S. sources (Foreign Assistance Legislation for Fiscal Year 1981) in 1976 Argentina still received 24.7 % of all U.S. military assistance to Latin America. Foreign Military Credit Sales were particularly high in the period 1974—76.

According to other sources, on the other hand, the percentage of Argentine military personnel trained under the U.S. Program for International Military Education in the period 1975—77 was low; 19 out of a total of 3,760 in 1975; 192 out of a total of 3,356 in 1976 and 243 out of a total of 3,796 in 1977 (See Table 6).

U.S. military aid to Argentina was first suspended in 1974, as a reaction against the Argentine commercial agreement with Cuba but it was soon resumed¹¹¹.

Table 29
U.S. Military Aid to Argentina and Latin America (Totals, 1946—75)
(Fiscal Years, in U.S. Million Dollars)

	MAP Grants	Exim- bank Credits, FMS	Excess Defence Articles	PL 480 and other grants	Ayuda de Apoyo a la Seguridad	Total
Latin America	843.1	714.5	81.5	247.6	675.3	2,562.0
Argentina	45.9	143.6	1.5	37.9	19.9	248.8
Argentina/ L. America %	5.4	20	1.8	15.3	2.9	9.7

Source: Michael T Klare and Nancy Stein: "*Armas y Poder en America Latina*", Editorial Era, Mexico, 1978, pp. 154/155.

¹⁰⁸ A lengthy article entitled "the Role of the Army in Education, Scientific Investigation, Industry and Civic Action", *Revista del Circulo Militar*, No. 670, October—December 1963, p.21 ff. emphasizes high-way construction and literacy statistics. In the *Revista de la Escuela Superior de Guerra*, XLII, No. 352 (January—March 1964), 151 ff. appears the outline of the course of studies for the higher military institutes, showing the attention devoted to civic action" (Willard F. Barber, C. Neale Ronning: *Internal Security and Military Power-Counterinsurgency and Civic Action in Latin America* (Ohio state University Press, 1966, p.139, note 15.)

¹⁰⁹ Foreign Military Sales and Military Assistance Facts, December 1980, Published by Data Management Division Comptroller, DSAA.

¹¹⁰ See U.S. Overseas Loans and Grants and Assistance from International Organizations. Obligations and Loan Authorizations, July 1, 1945—September 30, 1979, USAID, Washington D.C. 1980, p.35.

¹¹¹ DMS Market, Intelligence Report, Foreign Military Markets, *Argentina Summary*, p. 1. I am indebted to Alexander de Souza Costa Barros (IUPERJ, Rio de Janeiro) who gave me a copy of this report.

On March 24, 1976, President Isabel Perón was overthrown in an "institutional" coup d'état and replaced by General Jorge Rafael Videla, the Commander-in-chief of the Army and a member of a three-man military junta (representing the Army, Navy and Air Force) who has governed the country since then.

Violent repression as "state terrorism" followed the coup. Thousands of people disappeared and systematic violations of human rights in Argentina were denounced, particularly in an Amnesty International report, dated November 1976 and in a report of the Argentine Commission for Human Rights sent to President Carter on June 3, 1977. The first attempt to suspend all forms of military aid to Argentina was defeated in the House of Representatives on May 23, 1977 (200—187 votes). In a few weeks, however, senators Edward Kennedy, Frank Church and Hubert Humphrey propounded an amendment the International Security Assistance Act of 1977¹¹² (Public Law 95—92, 91 Stat.619) which was finally approved:

"Sec. 620 B. Prohibition Against assistance and Sales to Argentina. After September 30, 1978:

1) no assistance may be furnished under chapter 2, 4, 5 or 6 of part II of this Act to Argentina (chapter 2 = Military Assistance; chapter 4 = Economic Support fund; chapter 5 = International Military Education and Training; chapter 6 = Peace Keeping Operations). (The reference to chapter 6 was added by Sec.12 (c) (1) of the International Security Assistance Act of 1978).

2) no credits (including participation in credits) may be extended and no loan may be guaranteed under the Arms Export Control Act with respect to Argentina;

3) no sales of defense articles or services may be made under the Arms Export Control Act to Argentina and

4) no export licences may be issued under section 38 of the Arms Export Control Act to or for the Government of Argentina" (Sec.210 of Public Law 95—240 provides that any export licences referred to in this section which were "issued initially on or before September 30, 1978 may from time to time thereafter be renewed, reissued or modified (or in the event of lapse of such licence, replacement licences may be issued), provided that any such renewal, reissuance or modification (or any such replacement licence) does not change significantly any such licence as initially issued¹¹³.

As Table 46 shows, Argentina received a significant portion of all U.S. *military* assistance to Latin America, particularly loans (23.4 percent for the period 1962—76). However, *economic* assistance¹¹⁴ to Argentina was insignificant over the same period when compared with other countries of Benoit's sample¹¹⁵. The picture is roughly the same for 1965—80. Moreover, Argentina has only received loan-aid. Grant-aid has been insignificant (less than 1 %) over the whole period.

The insignificant proportion of grant-aid received by Argentina is in deep contrast with the experience of South East Asian countries like Korea, Laos, Philippines,

¹¹² See the debates in Congressional Record, United States, Proceedings and Debates of the 95th Congress, First Session, Vol.123; Washington, June 15, 1977, No.103, pp.9888/9894.

¹¹³ U.S.Senate/House of Representatives (Committee on Foreign Relations/Committee on Foreign Affairs): *Legislation on Foreign Relations Through 1980*, January 1981, p.127 and footnotes.

¹¹⁴ i.e. bilateral economic aid.

¹¹⁵ As far as bilateral economic aid is concerned, it is Israel, South Korea, India, and the U.A.R. that have received the most, with Mexico and Argentina getting hardly any " (Emile Benoit: *Defense and Economic Growth in Developing Countries*, op.cit., p.221). On the one hand, Argentina received only 1.9 % of all the economic aid received by the Latin American countries between 1962 and 1976, according to AID sources. On the other hand, however, she received 17 percent of all U.S. *military* assistance to Latin America in the same period.

Thailand and Vietnam. 67.2 percent of all military assistance received by Argentina in 1962—76 was in loans and only 32.7 percent was grant-aid (about 10.9 % of all the grant-aid delivered to Latin America between 1962 and 1976).

In summary, the data show that:

1) Argentina *did not* receive significant amounts of bilateral economic aid like India¹¹⁶, Israel and other Third World countries, helping them to maintain heavy defense burdens without diminishing their growth rates;

2) The defense burden on the Argentine economy was not a heavy one during 1950—75 (See Table 7);

3) The defense burden rose sharply during the military government (1976—1981) (See Table 32).

Between 1950 and 1965 Argentina shows a "medium"¹¹⁷ defense burden having spent three times as much on defense as Mexico, in relation to GDP, notwithstanding the lack of any serious external security threat to Argentina in that period.

Table 30
Military Personnel Trained under U.S. Program for International Military Education,
Argentina and Latin America
(Fiscal Years)

	1975			1976			1977		
	in USA	Abroad	Total	in USA	Abroad	Total	in USA	Abroad	Total
Argentina	8	11	19	129	63	192	118	125	243
Latin America	899	2,861	3,760	1,352	2,004	3,356	1,608	1,188	3,796
Arg./L.Am.									
(%)	0.8	0.3	0.5	9.5	3.1	5.7	7.3	10.5	6.4

Source: United States, House of Representatives; *Hearings before a Subcommittee of the Committee on Appropriations, 94th Congress, 2nd Session: "Foreign Assistance and Related Agencies, Appropriations for 1977"*. p. 739.

4) In the Argentine case U.S. *economic* aid (loans and grants) was insignificant over the whole period 1946—79 (See table 31 and 32). Moreover, the rate of growth of GDP was modest in the period 1960—74 (4.4 % per annum) and declined at a rate of 1.0 % per annum under the present military administration¹¹⁸. Hence it is not relevant to the problem of determining which variable (defense burden or bilateral economic aid) was more closely associated with economic growth. This problem is fairly

¹¹⁶ "In the period of 1951—65, India received over 8 billion dollars of foreign resources, far more than any other LDC. Seven billion dollars was from non-Communist sources, and over 90 percent of the total was *economic rather than military* in character" (this is also in contrast with the Argentine case). See Emile Benoit: *op.cit.*, p. 177.

¹¹⁷ See Emile Benoit, *op.cit.*, Chapter 5; "Other Country Studies"; p. 221. According to Benoit, Argentina illustrates "a decline in defense expenditures with a medium defense burden" (p. 221). "Argentina is one of the countries in our sample which has had a fairly substantial decline in real defense expenditures (by more than 1 % per annum over the whole period of (his study) and in its defense burden as well (from 2.9 % to 1.7 %) (p. 261). In that connection, he assumes that excessive military expenditures *are not* the main reason why Argentina's growth rates are lower than those of other industrialized Third World countries (e.g. Mexico) although he recognizes that "a more austere defense program might still make a useful contribution" (p. 263).

¹¹⁸ cf Aldo Ferrer: *Nacionalismo y Orden Constitucional*; *op.cit.* Besides the lack of bilateral economic flows, the Argentine economic growth rate is not comparable to that of the countries which received large amounts of economic aid (e.g. India, Israel). Significantly Argentina has not received aid from AID for several years on the grounds that she is a "developed" country in the Latin American context.

Table 31
U.S. Economic and Military Assistance to Argentina, 1946—1979
(U.S. Fiscal Years — Millions of Dollars)

<i>U.S. Overseas Loans and Grants-Obligations and Loan Authorizations</i>				
	Post-War Relief Period 1946—48	Marshall Plan Period 1949—52	Mutual Se- curity Act Period 1953—61	----- 1962—76
<i>I. Econ. assist. -Total</i>	*	-	51.3	186.2
Loans	-	-	49.0	169.1
Grants	*	-	2.3	17.1
A.Aid and Predecessor	-	-	33.1	142.6
Loans	-	-	30.8	125.6
Grants	-	-	2.3	17.0
(Sec.Supp.Assist.)	-	-	-	20.0
B.Food for Peace	-	-	18.2	-
Loans	-	-	18.2	-
Grants	-	-	-	-
<i>Title I-Total</i>	-	-	18.2	-
Repay. in Dollar-Loans	-	-	-	-
Pay. in For. Curr.	-	-	18.2	-
<i>Title II-Total</i>	-	-	-	-
E.Relief,Ec.Dev&Wfp	-	-	-	-
Vol.Relief Agency	-	-	-	-
C.Other Econ. Assist.	*	-	-	43.6
Loans	-	-	-	43.5
Grants	*	-	-	0.1
Peace Corps	-	-	-	-
Other	*	-	-	0.1
<i>II. Mil. Assist. -Total</i>	-	-	4.2	260.7
Loans	-	-	2.3	175.3
Grants	-	-	1.9	85.4
A.Map Grants	-	-	-	34.0
B.Credit Financing	-	-	2.3	175.3
C.Intl Mil.Ed.Trng	-	-	1.6	10.6
D.Tran-Excess Stock	-	-	0.3	4.1
E.Other Grants	-	-	-	36.7
<i>III. Total Econ.&Mil.</i>	*	-	55.5	446.9
Loans	-	-	51.3	344.4
Grants	*	-	4.2	102.5
<hr/>				
Other US Loans	0.2	101.5	304.2	402.9
Ex-Im Bank Loans	0.2	101.5	304.2	402.9
All Other	-	-	-	-

* Less than 50,000 Dollars.

** Values in these columns are net of deobligations. See General Notes-Reporting Concepts

TQ — Transitional Quarter

See comments in Country Notes Section.

Foreign Assistance Act ----- Period -----				Total FAA Period 1962—79	Total Loans and Grants 1946—79**	Repayments and Interest 1946—79	Total Less Repayments and Interest 1946—79**
TQ	1977	1978	1979				
-	0.1	-	0.1	186.4	199.1	131.4	67.7
-	-	-	0.1	169.2	181.3	131.4	49.9
-	0.1	-	*	17.2	17.8	-	17.8
-	-	-	-	142.6	137.3	98.6	38.7
-	-	-	-	125.6	119.5	98.6	20.9
-	-	-	-	17.0	17.8	-	17.8
-	-	-	-	20.0	19.9	-	-
-	-	-	-	-	18.2	0.3	17.9
-	-	-	-	-	18.2	0.3	17.9
-	-	-	-	-	-	-	-
-	-	-	-	-	18.2	0.3	17.9
-	-	-	-	-	-	-	-
-	-	-	-	-	18.2	0.3	17.9
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	0.1	-	0.1	43.8	43.6	32.5	11.1
-	-	-	0.1	43.6	43.6	32.5	11.1
-	0.1	-	*	0.2	*	-	-
-	-	-	-	-	-	-	-
-	0.1	-	*	0.2	*	-	-
0.1	0.7	-	-	261.5	263.6	118.7	144.5
-	-	-	-	175.3	175.9	118.7	57.2
0.1	0.7	-	-	86.2	87.7	-	87.7
0.1	-	-	-	34.1	34.0	-	34.0
-	-	-	-	175.3	175.9	118.7	57.2
-	0.7	-	-	11.3	12.8	-	12.8
-	-	-	-	4.1	4.4	-	4.4
-	-	-	-	36.7	36.5	-	36.5
0.1	0.8	-	0.1	447.9	462.7	250.1	212.6
-	-	-	0.1	344.5	357.2	250.1	107.1
0.1	0.8	-	*	103.4	105.5	-	105.5
<hr/>							
-	15.5	27.4	32.7	478.4	857.7	866.8	-9.1
-	15.5	27.4	32.7	478.4	857.7	866.8	-9.1
-	-	-	-	-	-	-	-

Source: "U.S. Overseas Loans and Grants and Assistance from International Organizations — Obligations and Loan Authorizations, July 1, 1945 — September 30, 1979", Office of Planning and Budgeting, AID, 1980, p. 36 (The "green book").

discussed in the Benoit study with regard to other Third World countries (India, Israel).

5) The question is relevant, however, if a wider definition of the foreign resources variable is adopted, including not only bilateral U.S. economic aid but also *military* aid, assistance from international agencies and foreign private investment.

In accordance with the important role assigned by the military government to public and infrastructure investment, particularly hydroelectricity and nuclear energy, Argentina received an important flow of assistance from international agencies after 1977.

An investment of approximately 48 thousand million pesos was made in 1978 for the construction of the Yaciretá dam. Moreover 227 thousand million pesos were invested in the construction of the Salto Grande hydroelectrical complex (which has not yet been finished)¹¹⁹.

On the other hand, important resources have been devoted to energy supplies, particularly oil, including the setting up of about 700 new oil fields in 1978 (state and privately-owned).

An important role has been assigned to private activity, according to the philosophy of the "process".

The country produces about 90 % of its oil needs and will be self-sufficient in 1982¹²⁰.

The policy of public investments, on the other hand, has been implemented within the framework of a programme of *privatizaciones* which also includes national defense:

"The State should only keep control of those military factories producing weapons immediately applicable to military operations or supplying essential public services which are not attractive to private enterprises"¹²¹.

The implementation of the principle that "private enterprises are more efficient than state-owned enterprises" gave place to vigorous polemics in 1980 about the possible *privatization* of some enterprises owned by the *General Directorate for Military Factories (Direccion General de Fabricaciones Militares, DGFM)*. According to press-accounts, the project was resisted within the Army. However, the possible transfer to private firms of some military factories was admitted by the head of *Fabricaciones Militares*, Gen. Oscar Gallino, who said that the policy of *privatizaciones* might embrace activities in the fields of mining, petrochemicals, chemicals, machine industry and iron & steel all of which are now controlled by *Fabricaciones Militares*. The size of state-owned enterprises may be reduced by increasing orders to the private sector as has been planned for some components of the TAM's engine (TAM: *Tanque Argentino Mediano*) or in the supply of steel tubes, aluminium and plastic components for the production of missiles. Even the military-industrial phase might be open to local or foreign private firms: "One may have activities totally assigned to the private sector or associations with other state-owned enterprises"¹²².

¹¹⁹ The whole complex is known as the Yaciretá-Salto Grande.

¹²⁰ About 900 oil fields were to be perforated in 1981, 550 by state-owned YPF (*Yacimientos Petroliferos Fiscales*) and the rest by private enterprises.

¹²¹ Public Law No. 22451, Presupuesto General de la Administracion Nacional para el Ejercicio del Año 1981; Mensaje de Ley, p. XLV. "The main purpose of the process of *privatizaciones* is to optimize the allocation of resources between the public and private sectors, on grounds that private enterprises are more efficient than state-owned enterprises" (ibid., pp. XLV, XLVI).

¹²² See *Fabricaciones Militares: Los límites de la privatización* interview with Gen. Oscar P Gallino, Director of DGFM, in "Mercado"; Buenos Aires; 5 June 1980; pp. 18/22.

Table 32
Military and Economic Aid and Credits to Argentina Allocated by
U.S. and Multilateral Agencies¹
 (in millions US dollars)

	1962—1970	1971	1972	1973
<i>TOTAL:</i>	<i>1,294.2</i>	<i>265.2</i>	<i>202.6</i>	<i>151.1</i>
US economic assistance	185.6	.5	0	0
US military assistance	122.6	16.4	20.2	12.1
EximBank loans	178.5	38.5	44.7	30.1
Multilateral agencies ³	807.5	209.8	137.7	108.9

	1974	1975	1976	1977 ²	1978 ³
<i>TOTAL:</i>	<i>76.9</i>	<i>312.5</i>	<i>150.3</i>	<i>602.8</i>	<i>425.0</i>
US economic assistance *	*	.1	*	.1	0
US military assistance	23.0	30.1	34.3	.8	0
EximBank loans	41.2	64.7	5.2	15.5	n.a.
Multilateral agencies ³	12.7	217.6	110.8	586.4	425.0 ⁴

* Under 50,000 dollars.

¹ Includes Inter-American Development Bank, International Finance Corp., United Nations Development Program and other UN projects and World Bank.

² Includes July-September 1976 (transition to new U.S. fiscal year designation).

³ U.S. figures are projected. Figures for multilateral agencies are final, but include only Inter American Development Bank and World Bank.

⁴ Includes 210 million dollars IDB loan for hydroelectric project shared with Paraguay.

Sources: U.S. Aid for International Development, U.S. Overseas Loans and Grant-Obligations and Loan Authorizations; Department of Commerce, Bureau of Census, Statistical Abstract of the United States, 1978; Center for International Policy; included in "NACLA Report on the Americas"; Vol. XIII; No 2. March/April 1979; p. 37.

The Argentine case strongly differs from that of countries which have had high defense burdens in 1950—65:

Israel = 5.1 % in 1950, 6.8 % in 1965; U.A.R. = 4.6 % in 1950, 8.3 % in 1965; South Vietnam = 6.7 % in 1950, 16.6 % in 1965) where "the rise in defense expenditures was thus a necessary condition, and partial cause of the additional aid, and of the growth benefits of that aid¹²³.

None of these things were experienced by Argentina: neither sharp military expenditure increases nor massive flows of external aid and Argentina never experienced a sharp upturn in the growth rate like India after 1962.

Benoit's restrained definition of foreign aid is somewhat arbitrary. A more comprehensive definition should include not only bilateral economic aid but also multilateral economic aid and foreign private investment¹²⁴.

One may suspect, in this connection, that both *military aid* and the flows of foreign investment, particularly petroleum and petrochemicals during the Frondizi administration (1958—1962) played an important role in maintaining an annual average growth rate of 4.4 % until 1974. Even more, notwithstanding the recession of 1980—81 and the lack of economic growth in the period 1976—1981 (See Table 33) the economy

¹²³ Emile Benoit: *Defense and Economic Growth in Developing Countries*; op.cit., p. 178.

¹²⁴ *Foreign Aid* = bilateral economic aid + military aid + multilateral aid (assistance from international organizations) + private aid (foreign private investment).

Table 33
Argentina: Real and Potential Gross Domestic Product, 1976—1980
 (In Millions of 1970 U.S. Dollars)

Year	Real GDP (1)	Potential GDP* (2)	GAP (3) = (2-1)
1976	56,067	62,844	6,777
1977	58,818	65,761	6,943
1978	56,913	68,724	11,811
1979	61,728	71,811	10,083
1980	61,728	75,720	13,992
Total: 1976—80	295,473	345,062	49,589

* Potential GDP is that which would have been reached if the economy would have maintained the rate of growth of the period 1960—74 (4.5 % annual).

Data in millions of 1980 U.S. dollars were converted into millions of 1970 U.S. dollars by the U.S. Wholesale Price Index, obtained from I.M.F.: International Financial Statistics. Considering that the Argentine peso was 50 % overvalued in 1980, the cumulative gap for the period 1976—80 may be estimated in about 32,859 millions of 1970 U.S. dollars.

Source: Prepared on the basis of Aldo Ferrer: *Nacionalismo y Orden Constitucional. Respuesta a la Crisis Económica de la Argentina Contemporánea*; Fondo de Cultura Económica; México; 1981; p. 240.

might have been even more shaken in the absence of the flows of multilateral aid above-mentioned and of a significant trade relationship with the Soviet Union.

Argentina refused to support the U.S. embargo on grain sales to the Soviet Union which was imposed in January 1980 and "not only did the Argentines immediately begin to increase their grain shipments to the Soviets, but 6 months after General Goodpastor's visit, Argentina and the Soviet Union signed a 5-year bilateral grain supply agreement, beginning January 1, 1981, through December 1985, whereby the Argentines agree to supply the Soviets with 4.5 million metric tons of grain annually, 3 million tons of corn, 1 million tons of sorghum, and 0.5 million tons of soybeans"¹²⁵.

Moreover, there has been a significant flow of "direct investment and other long-term capital" in the last few years, as table 34 reveals.

Certainly, Dr. Martinez de Hoz' economic policies (March 1976—March 1981) were primarily aimed at attracting *short-term* capital willing to take advantage of the over-valuation of the peso¹²⁶. Although it is difficult to distinguish foreign private "aid" from multinational aid in the balance of payments¹²⁷, it is worth noting the importance acquired since 1977 by "Other *long-term* capital of *other sectors*" (cf. table 34). As a matter of fact, the whole of Dr. Martinez de Hoz' economic policies were primarily aimed at favouring this flow of private external economic resources: e.g. the negotiation with foreign creditors in order to postpone debt payments and obtain new credits, the stand-by agreement with the IMF, etc.

¹²⁵ See *Review of United States Policy on Military Assistance to Argentina*; Hearing before the Subcommittees on Human Rights and International Organizations and on Inter-American Affairs of the Committee on Foreign Affairs, House of Representatives; 97th Congress; First Session; April 1, 1981; p.8.

¹²⁶ "After May an important change was made in the foreign exchange policy which became a central instrument of the economic strategy in December of the same year. The rate of exchange was de-indexed and in 1978 it was already 30 percent lower than the level of wholesale prices" (Aldo Ferrer: *op.cit.*, p.83).

¹²⁷ The "aid" supplied by private capitals is in the same item as IDB, IBRD, etc., loans.

Table 34
Economic and Military Aid to Argentina, Brazil, Chile and Peru, 1951—1965
 (as % of GNP)

	Argentina	Brazil	Chile	Peru
Bilateral Economic Aid Receipts (1951-65)	0.01	0.53	0.83	0.21
Bilateral (government to government) Economic Assistance (grants and net loans) (1960-65)	0.12	1.41	3.21	0.45
<i>External Resources:</i> Dollar value of receipts of total official grants and net loans and private foreign investment <i>plus military aid</i> and receipts from military transactions (1950-65)	0.80	1.82	2.76	2.41

Source: Emile Benoit: "Defense and Economic Growth in Developing Countries"; Lexington Books, Mass, 1973. Tables 2-2 (p. 28); 2-4 and 2-6 (p. 44).

Therefore, one may suspect that the Private External (long-term) economic resources which have been available to the military government since 1976 have been at least as important as the multilateral economic aid from international agencies. This is an important point to be stressed, since these (multilateral and private) flows permitted the military government to invest large amounts of money for *military* purposes, particularly arms purchases. Military expenditures rose significantly after December 1978, when the conflict with Chile became more acute¹²⁸.

To what extent the 4.5 % annual average growth rate between 1960 and 1974 was made possible, among other factors, by U.S. military assistance (Argentina received 17 % of all U.S. military assistance to Latin America between 1962—1976.

As far as economic and military aid *during 1951—1965* is concerned, the difference between Argentina and other industrialized Latin American countries is particularly significant, as table 34 shows.

As tables 34 and 36 show, Argentina is a typical also with regard to the foreign resources variable and its influence on the relationship "defense burden—economic growth". Thus, between 1951 and 1965 Argentina's bilateral economic aid receipts represented only 0.012 % of her GNP, against 0.53 % (Brazil); 0.83 % (Chile); and 0.21 % (Peru).

On the other hand, Argentina's total net inflow of *all* external resources was higher than that of Chile and Peru, but much lower than that of Brazil (See table 35) while the net inflow of external *military* resources was only 19.5 millions of U.S. dollars for the whole period 1950—1965. Therefore, most of the military aid received by Argentina in the period 1962—76 (260.7 millions of dollars mainly foreign Military Sales (see table 31) came *after* the military takeover of 1966.

Moreover, these 19.5 millions of dollars of the period 1951—65 show a striking contrast with much larger amounts received by Brazil (258.8 million dollars); Chile (99.0 million dollars) and Peru (85.9 million dollars).

¹²⁸ These increases were decided notwithstanding 1) the suspension of U.S. economic aid (which was insignificant before 1977, and 2) the ban since September 30, 1978, of all U.S. military sales and assistance to the Government of Argentina.

As table 36 shows, 85.6 % of all military resources received by Argentina in the period 1950—65 corresponds to MAP aid, that is, 16.70 millions of dollars. Again, this figure is much lower than the MAP aid received by the other three countries (Brazil = 180.60; Chile = 74.50; Peru = 66.60). The same is true of grants from excess stocks.

It should also be noted that, as table 31 shows, between 1946 and 1961 Argentina received only 4.2 millions of dollars from the U.S.A. (2.3 millions as loans and 1.9. millions as grants) and, as the same table shows, most of the military aid was received *after 1965*.

7. By way of a conclusion

Argentina shows the highest defense/GDP ratio of all Latin American countries in the period 1940—71¹²⁹: 5.04 % in 1944; 5.58 % in 1945 when 27.66 % of all public expenditures went to the armed forces (See tables 1 and 6). Both the defense burden and the millex/public expenditure ratio show an upward trend *since 1974* (See table 7). Some of the conclusions of this report may be summarized as follows:

- 1) Argentina has kept showing a poor rate of economic growth and her socio-economic and political problems have become more acute in recent years;
- 2) The pattern of growth of military expenditures is still jerky (See table 3) although less jerky than in the past;
- 3) Military expenditure policies in the period following the 1976 coup have been consistent with other economic policies;
- 4) Military expenditures have become an important factor in Argentina's poor growth performance: the rate of growth of GDP declined by 1 percent per annum during the first five years of military government (March 1976—March 1981)¹³⁰.
- 5) Both the decision, in September 1977, to permit an economic recession through a severe contraction of liquidity and demand and the policy of increasing military expenditures and arms purchases have been consistent with the rest of Martinez de Hoz' economic programme.

Moreover, the upward trend of military expenditures during the military government (See chapter 5) took place in a context of economic recession at least since 1978:

"As one might expect, fiscal and monetary contraction delayed economic recovery and reversed the trends towards recovery. By the end of 1977, GDP began to decline, and in the first quarter of 1978 it was 3.6 % and 5.5 % lower than in the same quarters 1977 and 1975 respectively. Industrial GDP declined over the periods by 12 % and 18 % respectively. *All the indicators went down*, Inventories fell rapidly and even exports declined due to a bad wheat harvest in 1977. The rate of unemployment rose only slightly from 2.2 % (October 1977) to 3.9 % (April 1978) but continued below the level of 1974, the last year of full activity.¹³¹

Even more:

"The consequences of the shock of the third stage kept up all over 1978. GDP fell by 3.4 % between 1977 and 1978"¹³². Military spending, however, rose in 1978

¹²⁹ cf. Gertrude E. Heare: *Trends in Latin American Military Expenditures, 1940—1970 (Argentina, Brazil, Chile, Colombia, Peru and Venezuela)*; Report prepared for the State Department, Washington D.C., 1971.

¹³⁰ See Aldo Ferrer: *Nacionalismo y Orden Constitucional*; op.cit., pp. 143—4.

¹³¹ See Aldo Ferrer, op.cit., p.81.

¹³² *ibid.*

Table 35
Argentina, Brazil, Chile and Peru
Total net Inflow of all External Resources: 1951—1965
(Mill. U.S. dollar)

Country	(1) Grand Total R	(2) Economic Total R	(3) Military Total R	(4) Average Annual R	(5) R/ ¹ GNP	(6) R/ ² IMP
Argentina	1,606.29	1,586.79	19.5	107.09	0.80	9.13
Brazil	3,542.00	3,283.20	258.8	236.13	1.82	16.12
Chile	1,284.95	1,185.95	99.0	85.66	2.76	19.06
Peru	864.90	779.00	85.9	57.66	2.41	14.32

Notes: ¹ Average R relative to average GNP (at factor cost) for 1951—1965, expressed in 1964 U.S. dollars.

² Average relative to average commodity imports (c.i.f.) 1951—1965.

Source: Emile Benoit: "Defense and Economic Growth in Developing Countries"; *op.cit.* Table 3-12. p. 128.

according to all our deflators except Government Consumption (Tables 3 and 26). This may be related to the prospects of war with Chile.

Apart from a modest 4 % exports recovery, *all the other indicators declined*: e.g., consumption and private investment were at the same levels as in 1972. In 1978 industrial GDP was 11 % lower than in 1974. The rate of unemployment, however, kept low and by October 1978 it was only 1.8 %. Between the second quarters of 1977 and 1978 real salaries declined by 9 % and the share of wage-earners in the national income declined from 47 % in 1975 to 30 % in 1976¹³³.

6) It should be noted that:

Military expenditures clearly shot up during the military governments (See table 3).

7) Having the GDP remain stagnant and economic activity restrained after 1975 (See table 26)¹³⁴ the upward trends of *milex*; *milex*/GDP and *milex*/public expenditure have certainly played a much more negative role than during 1960—1974, when the annual rate of growth of GDP averaged 4.4 %¹³⁵.

8) This increasing burden of defense expenditures on the rest of the economy is reflected in table 33. As table 7 shows, the defense burden goes up to 3.09 % in 1981, averaging 2.63 % for 1976—81 a higher percentage than in earlier years (e.g. 1.90 % in 1966—71). This upward trend contradicts Benoit's assumption that "overspending on defense is clearly not a major source of Argentina's growth problem". On the contrary, the data presented in this report suggest that defense expenditures now have a severely depressing effect. Even Benoit admitted that to adopt a Mexican level of defense burden might be advantageous for Argentina and one may assume that *it would be more advantageous now than at the time when Benoit study was written (1971)*.

¹³³ See Aldo Ferrer: *op.cit.*, p.84, 76.

¹³⁴ Notwithstanding the slight recovery of the 2nd quarter of 1977, real GDP was still 14 % lower than potential GDP, the economy having only just returned to its 1974 level of activity (Aldo Ferrer: *op.cit.*, p.81).

¹³⁵ "Entre 1960 y 1974 la tasa de crecimiento del PBI fue del 4.4 % anual" (Aldo Ferrer: *op.cit.*, p.143).

Table 36
Argentina, Brazil, Chile and Peru,
Net Inflow of External Military Resources, 1950—65
(Millions of U.S. dollars)

I. All military resources				
Countries	Total	% of all Resources	MAP	<i>United States</i>
				Grants from Excess Stocks
	(1)	(2)	(3)	(4)
Argentina	19.50	1.22	16.70	1.5
Brazil	258.80	7.31	180.60	76.6
Chile	99.00	7.71	74.50	23.3
Peru	85.90	9.94	66.60	17.4

II. Military transactions				
Countries	Total	<i>Payments</i>		
		U.S.	Annual Av.Mil.R	Military R as % of GNP
	(5)	(6)	(7)	(8)
Argentina	1.30	1.30	1.300	0.010
Brazil	2.60	2.60	17.250	0.130
Chile	1.20	1.20	6.600	0.210
Peru	1.90	1.90	5.730	0.240

Source: Emile Benoit: "Defense and Economic Growth in Developing Countries"; *op.cit.* Table 3-14, p. 130.

It is likely that in the Argentine case the interplay of the three "adverse growth effects of defense"¹³⁶ has had an important role in the declining rate of growth of the Argentine economy in the last few years.

The investment ratio (calculated by dividing gross domestic investment, which is in reality a portion of GDP, by the current GDP) rose significantly from an average 19.21 % in 1950—74 to an average 25.7 % in 1975—80. Taking into account that "to the extent that defense increases involve increases in defense investment they compete

¹³⁶ These are: 1) the "investment effect", that is, the fact that military expenditures absorb resources which would have been otherwise channelized towards instrument. "This may be done either *directly* by purchasing domestic construction or domestically produced equipment or stocks, or *indirectly*, by using foreign exchange that would otherwise have been used to import such equipment or stocks, or to pay for imported construction and technical services, for dividends, interest payments or other remuneration required to motivate or finance an inflow of foreign investment. Moreover, since investment is the primary engine of growth, it may be assumed that this decline in investment will result in a lower growth rate in future" (Emile Benoit: *op.cit.*, p.8) 2) "The productivity effect, as we conceive it, arises from the fact that the government sector in general, and the defense sector in particular, show little or no measurable productivity increases. Thus any enlargement of the defense sector increases the part of the economy which fails to bring about further growth. Shifts of resources from non-governmental activities over to defense would therefore tend to reduce the rate of productivity increase and of growth" (*ibid.*, p. 11), 3) *Income shift effect* or *reallocation effect* is "the implied reduction in the size of the civilian product when a part of GDP is shifted or reallocated to the defense sector" (Emile Benoit: *op.cit.*, p. 14).

Table 37
Argentina: Physical Military Investment (Capital Goods and Construction)
and Total Investment, 1950—1980

(Figures in Millions of current New Pesos)

Year	Physical Military Investment (Capital Goods + Construction)	Total Investment	Physical Military Investment Total Investment
	(1)	(2)	(3)
1950	6.4	123.1	5.2
1951	8.6	204.7	4.2
1952	9.6	212	4.5
1953	12.8	245.8	5.2
1954	14.6	254.6	5.7
1955	14.5	301.1	4.8
1956	13.6	380.7	3.5
1957	15.3	536.7	2.8
1958	13.2	774.2	1.7
1959	23.6	1,327.2	1.7
1960	37.3	2,176.2	1.7
1961	47.4	2,625.1	1.8
1962	55.6	3,181.5	1.7
1963	45.5	3,148.1	1.4
1964	49.2	4,821.5	1
1965	71.5	6,984.6	1
1966	88.6	7,990.3	1.1
1967	181.7	10,706.4	1.6
1968	215.9	12,931.7	1.6
1969	258.8	12,455.4	2
1970	265.4	18,605	1.4
1971	484	27,310	1.7
1972	914.7	44,408	2
1973	1,151.1	68,037	1.6
1974	1,569.9	95,122	1.6
1975	9,322.5	376,594	2.4
1976	62,745.4	2,044,011	3
1977	223,141.7	5,695,504	3.9
1978	489,173.4	12,843,566	3.8
1979	1,056,106.2	33,502,046	3.1
1980	1,265,728.4	72,433,158	1.7

Sources: Col. (1): Table 12.

particularly for the industrial type resources required by civilian investment”¹³⁷, the rising trend of the investment ratio which the table shows can only have sharpened such competition and is in reality expressing the *negative* effect which military expenditures have had upon the rate of economic growth, involving a higher use of

¹³⁷ See Emile Benoit, *op.cit.*, p. 10; David K. Whynes; *op.cit.*, p. 70.

industrial type resources which would have been otherwise devoted to civilian investments¹³⁸.

Table 37 presents the evolution of Physical Military Investment and Total Investment from 1950—80; showing how military physical investment rose, as a proportion of total investment, since 1975, reaching a 3.9 % peak in 1977.

9) Given the rising trend of the Argentine defense burden (See table 7) the interplay of the three adverse growth effects above mentioned is probably stronger than in the past as well as the *opportunity costs* of the Argentine defense programme.

Although military expenditure is not mechanically associated with military coups in Argentina (i.e. high defense expenditures during the civilian government in 1973—1977 the *main conclusion* of this report is that military coups have accelerated the growth rate of military expenditures. Even when the erratic pattern of growth of military expenditure remains a puzzle, we found a positive answer to the "Post-Coup Military Spending question" at least for 1941—1981. Milex shot up after the 1943 coup; there was a high milex/public expenditure ratio during the Justo Presidency (1932—38) and *milex* rose sharply in the first year of the "Liberating Revolution" (1956) as well as during the last military government.

It may be maintained therefore, that higher military expenditures are more or less closely associated with military coups, having had a strong structural impact¹³⁹ (*milex* did not return to their pre-1974 levels), and having played an important role in both the rise of inflation and the negative growth rates of recent years (e.g. 1975, 1976, 1978; see table 26). To sum up, the Argentine case confirms the hypothesis that "since the military's share of the government pie is both an important symbol *as well as a basic material resource for maintaining if not advancing such interests*, it may be deduced that one way in which military rulers will behave differently is by giving higher budgetary priority to the state's defense function. As Whyntes (1979, p.101) puts it "In that men should prefer more economic goods to less, on being given the power to extract more, they should naturally do so"¹⁴⁰.

Buenos Aires, September 1982

¹³⁸ The "Analytic Plan of Public Works" (usually an appendix of the budgetary laws) includes important sums devoted to "secret operations" ("*realizaciones secretas*") of the three service branches. To what extent these secret operations (mainly military constructions and equipment, see, for example, Public Law No.21981, *Plan Analítico de Trabajos Públicos*, 1979, pp. 286/288) might have some positive growth effects is very difficult to determine.

¹³⁹ As in India; See P. Terhal: *Guns or Grain: Macro-Economic Costs of Indian Defense, 1960—70*; in "Economic and Political Weekly"; Vol. XVI; No. 49; 5 Dec. 1981; p. 2001.

¹⁴⁰ Gary Zuk and William R Thompson: *The Post-Coup Military Spending Question* op.cit., p.61 (Emphasis added).