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GRIM ARGENTINE ECONOMIC SITUATION APPROACHES CRISIS PROPORTIONS

VISIT TO WASHINGTON OF ECONOMIC MINISTER MARTINEZ DE HOZ POINTS UP FAILINGS OF HIS MODEL FOR THE NATION'S ECONOMY, DETAILED IN COHA RESEARCH MEMORANDUM

The extent to which Argentina's economy has suffered as a result of the policies instituted by Finance Minister Jose Martinez de Hoz is emphasized in a research memorandum released today by the Council on Hemispheric Affairs. Summarizing the warning signs that the Argentine economy is on dangerous footing, the memorandum traces the course of government policies which, instead of guiding the nation's economy with foresight and care, were hardly more than erratic responses to the exigencies of recurring crises.

"It can be said, in fact, that rather than being a grand macro-vision of what the nation's economic design should look like, the Martinez de Hoz program for the Argentine economy has consisted mainly of a series of knee-jerk responses to the unforeseen results of misguided initial government policies, which blindly emphasized free-market competition at the expense of national self-determination," states the memorandum, which was prepared with the aid of senior economists in the public and private sectors who are knowledgeable about the Argentine economy.

Martinez de Hoz, who is expected to step down as Finance Minister when General Jorge Rafael Videla leaves the Argentine presidency next March, is in Washington, D.C. this week for a joint annual meeting of the World Bank and the International Monetary Fund. The finance minister has justified his unqualified free-market approach to Argentina's economic problems by stating, "I don't believe Argentina is a country which wants mediocrity."

However, inflation rates which passed 140% last year and are now running at roughly 100%, escalating unemployment, and a growing foreign exchange problems have demonstrated that Martinez de Hoz' program has not worked, and even foreign investors--ostensibly the beneficiaries of the economic system

he has instituted--are beginning to express concern that the shaky stability of the nation's economy may soon collapse altogether, just as six major Argentinian banks did earlier this year.

The COHA research memorandum links economics and politics, stating that it is the military regime in Argentina which makes it possible for Martinez de Hoz to maintain his near-absolute control over the course taken by the country's economy.

"In lieu of political and democratic freedom, Argentina's rulers have, in a sense, imposed economic freedom on their nation. It is a freedom that tends to force small national firms and banks to go out of business because they do not have the managerial talent or credit availability to compete with multinational institutions. With catastrophically high inflation and interest rates, this freedom makes it possible for few to profit as many wage a daily struggle to survive. But for Martinez de Hoz and the military dictatorship which installed him, this variant of economic freedom is sufficient," the memorandum states.

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