



Dirty War/Dirty Loans: Bank Lending and Human Rights Violations during the 1976 -1983 Argentine Military Dictatorship

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Dirty War/Dirty Loans: Bank Lending and Human Rights Violations during the 1976 -1983

Argentine Military Dictatorship

David Spector

A Thesis in the Field of History
for the Degree of Master of Liberal Arts

Harvard University Extension School

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Abstract

This thesis explores the relationship between international bank lending and human rights violations during the 1976-1983 Argentine military dictatorship, commonly known as the Dirty War. It describes the roots of the dictatorship and the regime's successful efforts to establish relationships with U.S., European and Asian commercial banks, as well as the World Bank and International Monetary Fund. The regime fought a self-described war against domestic insurgents and engaged in widespread repression, including institutionalized torture and murder. The thesis demonstrates that lenders were aware of the repression while they were providing financing and that they focused on other factors to justify loan decisions, including avowed political neutrality. The thesis also investigates the impact of various U.S. presidential administrations on the regime's behavior and its ability to borrow from the international banking community. Despite differing U.S. approaches to human rights during the dictatorship, bank lending continued without disruption as the dictatorship's neoliberal economic policies facilitated productive relationships with foreign lenders. An analysis of primary sources, scholarly research and supporting data connects bank lending with the regime's ability to remain in power. There is substantial scholarship available on the Dirty War period, but limited research on the impact of bank lending. The thesis offers insights into the complicity of lenders on the perpetuation of human rights violations during the Dirty War.

Frontispiece



“Where are the hundreds of babies born in captivity?” The Grandmothers of the Plaza de Mayo protesting the Argentine Dirty War military dictatorship, Buenos Aires, Argentina, 1978. Source: History.com

Author's Biographical Sketch

David Spector's four-decade banking career includes executive roles at major U.S. and international banks. He spent five years in South America, with one year in Brazil and four in Argentina, traveling extensively to Chile and other countries. His thesis topic reflects his interest in Cold War history and time living in Latin America, along with his banking experience.

David and his wife live in Boston.

Dedication

To KB, Sophie, and Stephanie. Thanks for your support during this thesis journey.

Acknowledgments

During my five-year graduate program, I had the privilege of learning from outstanding professors. Among them, I am especially grateful to professors Doug Bond and Danilo Mandic. Professor Bond, who taught my proseminar and serves as my Research Advisor, provided expertise, feedback, and advice in both roles. Professor Mandic, my Thesis Director, has been instrumental in my work, and I had the pleasure of taking two courses with him during my program. I deeply appreciate his genuine interest in this thesis, along with his remarkable engagement and guidance. I would also like to recognize my Academic Advisor Daniel Mongeon for his help throughout my program, and Trudi Goldberg Pires for her frequent assistance with my formatting questions. Thanks as well to friends Genevieve Bachrach and Rob Megan for providing a fresh perspective and excellent feedback. And a final special thanks to my wife KB for reading my drafts from the start and always having constructive advice.

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Chapter I

Introduction

"Dictators borrow; the people pay."

Joseph Hanlon

This introductory chapter describes the underpinnings of the coup that brought the Dirty War regime to power in 1976. It summarizes the economic, social, and political factors that precipitated the coup, outlines three key research questions, and states the author's hypothesis. The research questions and hypotheses are then explored throughout the remainder of the thesis.

Background and Research Questions

From the mid-1960s through the early 1990s, military dictatorships ruled numerous South American countries. Beginning with Ecuador in 1963 and ending with Chile in 1990, dictatorial regimes controlled not only those two nations but also Argentina, Bolivia, Brazil, Columbia, Paraguay, and Uruguay.¹ The factors that led to these dictatorships varied by country, but economic conditions were a common thread that eased the pivot from struggling democracy to right wing military control. In most

¹ <https://www.oxfordbibliographies.com/display/document/obo-9780199766581/obo-9780199766581-0015.xml>

cases, periods of high inflation and high unemployment preceded the military takeovers, leading to civil unrest.

In addition, Cold War politics created an easier path of entry for these dictatorships due to U.S. backing. In its zeal to resist any threat of communism in the western hemisphere, the U.S. supported the dictatorships given their anti-communist leanings and willingness to act against communist threats. During the 1980s, various Central American nations, including Nicaragua, Guatemala, and Honduras, also endured dictatorial rule, along with relationships with the U.S.² It is clear from the historical record that the anti-communist Cold War strategy influenced these situations as well, particularly during the Reagan administration.

Most of the South American military regimes were not benevolent. The two most well-known and well-documented, Augusto Pinochet's Chile and Jorge Videla's Argentina, engaged in campaigns of domestic terror and repression that left tens of thousands kidnapped, tortured, and often, murdered. In Argentina alone, the 'Dirty War' period from 1976 – 1983 resulted in what many believe was up to 30,000 'disappeared' citizens.

The Argentine dictatorship has been one of the most researched and chronicled dictatorial regimes in recent decades. Dozens of books and thousands of articles have been written about it. As well, the period has been the focus of numerous fiction novels and films. One such film, *The Official Story*, won an Academy Award in 1985 as best international feature film. The film dramatized one of the darker components of the

² Julieta Carla Rostica, "The Collaboration of the Argentine Military Dictatorship with the Governments of Guatemala and Honduras in Their 'Fight against Subversion' (1980–3)," *Journal of Latin American Studies* 54, no. 3 (June 30, 2022): 431–56, <https://doi.org/10.1017/s0022216x22000475>.

dictatorship, the placement of children of murdered citizens into military families and others friendly to the regime. Despite the volume of coverage, much less research is available on the financial aspects of the Dirty War.

The ruling junta described the March 1976 Argentine coup d'état as a necessary civil war, and it viewed itself as a military combatant fighting domestic insurgents. These insurgencies deployed strategies of violence, kidnappings, and bombings to confront the government, blaming it for social and economic turmoil.³ Prior to the coup, the country suffered from weak leadership under the presidency of Isabel Peron, widow of long-time leader Juan Peron. In the latter's first term as President, from 1946 – 1955, the former general governed with a unique blend of socially oriented populism and a pro-military, authoritarian stance. Many have attributed this unusual paradigm to the dual philosophies of the militaristic Peron and his populist and charismatic first wife Eva (popularly known as Evita, the inspiration for the long-running musical stage production).

His brand of governance, labeled Peronism, has been a mainstay of Argentine politics through the present decade, when libertarian Javier Milei became President in 2023. In addition to its inherent political conflicts (strong social support alongside authoritarianism), a larger consequence of Peronism has been economic. Throughout its history, Peronism has maintained popular backing by printing currency to support social programs, restricting open trade, nationalizing large businesses, and backing unions. This redistribution often led to short-term gains for the population, but the resulting economic impact has often been severe, inclusive of high inflation (at times world leading), currency crises, and deep recessions. It is in the context of this turmoil that Argentina has

³ Guy Gugliotta, "Argentina's Dirty War" Alicia Patterson Foundation, July 10, 2023, <https://aliciapatterson.org/guy-gugliotta/argentinas-dirty-war/>.

endured bouts of right-wing dictatorial control dating back to the 1950s, along with resistance by domestic insurgencies.⁴

General Videla and the other coup leaders inherited a weak economy. In the first quarter of 1976, inflation exceeded a debilitating 300% per annum. Between 1945 and 1974, Gross Domestic Product (GDP) grew by only 3.5% per year, far below the 6% Latin American average. And the relative importance of the Argentine economy declined rapidly during the same period. In 1945, Argentina generated 25% of the region's GDP; by 1974 it had dropped to 15%.⁵ The country's 26 million citizens enjoyed far less prosperity than their fellow Argentines did earlier in the 20th century, when the quality of life was among the best in the world. Argentina has world class agricultural resources and physical beauty, a literate populace, excellent weather, and a capital city long considered the Paris of South America, including beautiful architecture and a vibrant café culture. Regrettably, the country's political and economic history has been far less fortunate.

From the beginning of its tenure, the regime required external financing to not only stabilize the economy, but also to fund its political goals, which included eliminating domestic uprisings. It embarked on a foreign loan binge that persisted throughout its time in power and left Argentina with a debt burden that has plagued it for decades. From 1975, when external borrowings totaled \$7.9 billion (in U.S. dollar equivalents), the dictatorship borrowed another \$37.6 billion through 1983, resulting in a \$45.5 billion debt balance.⁶ On an inflation adjusted basis, that debt level equates to

⁴ The author's description in this and earlier paragraphs is based on his personal knowledge of Argentina and its political history following time living in the country, and study of it over many years.

⁵ Aldo Ferrer, "The Argentine Economy, 1976-1979," *Journal of Interamerican Studies and World Affairs* 22, no. 2 (May 1980): 131–62, <https://doi.org/10.2307/165590>.

⁶ Horacio Verbitsky and Juan Pablo Bohoslavsky, *The Economic Accomplices to the Argentine Dictatorship: Outstanding Debts* (New York: Cambridge University Press, 2015), 97.

almost \$150 billion U.S. dollars in 2025 equivalents. For a country with a gross domestic product of less than \$80 billion at that time, this was a suffocating level of external debt.

In a region populated by other dictatorships, Argentina was not alone in its debt spree. Brazil, Mexico, Peru, and other countries borrowed during the same period and debt owed to external creditors from the region grew from \$29 billion in 1970 to \$159 billion by the end of 1980, roughly the same period as the dictatorship. Along with Argentina, Brazil and Mexico became the most heavily indebted regional countries, and each suffered during a global debt crisis in the early 1980s.⁷ But Argentina had a higher level of debt to GDP than the other two (at 60%) and a smaller economy, less able to withstand economic pressure.

Deploying a combination of financial diplomacy and aggressive neoliberal reforms to improve the economy after assuming power, the Argentine dictatorship borrowed from western commercial banks and multilateral lenders within months of assuming control. Throughout its eight years in office, the government received loans from U.S., European, and Asian banks (often working together in loan syndicates), and large multilaterals including the World Bank and International Monetary Fund (IMF).

For purposes of this thesis, commercial banks are defined as for-profit financial institutions which provide loan, deposit and other services to consumers and businesses. Multilateral development banks are non-profit financial institutions funded by more than one-hundred-member governments and which serve to provide financing and related advice to countries requiring monetary assistance, for the main purpose of eradicating poverty.

⁷ Jocelyn Sims, "Latin American Debt Crisis of the 1980s," Federal Reserve History, November 22, 2013, <https://www.federalreservehistory.org/essays>"

While the world's largest banks and multilateral lenders were extending loans, the dictatorship engaged in brutal human rights violations. The junta's self-described counterinsurgency actions quickly moved beyond confrontations with armed guerrillas and extended to the kidnapping and imprisonment of innocent citizens. More than three hundred clandestine detention and torture centers were set up throughout the country.⁸ These activities were visible to the public; captures of real and perceived insurgents occurred in broad daylight, and word spread among the population about disappearances and torture sites. By 1977, the soon to be globally acclaimed protest group 'Mothers of the Plaza de Mayo' began its weekly demonstrations in Buenos Aires demanding the return of their kidnapped children. When Argentina hosted the World Cup event in 1978, a key moment for the junta, the world press covered the protests by the Mothers and raised questions about domestic repression. It would have been exceedingly difficult for any bank doing business in Argentina to be unaware of the environment in which they extended credit to the regime.

In the backdrop of these human rights violations, several important research questions emerge about bank lending and the dictatorship, including: How did the relationship between the dictatorship and banks contribute to the perpetuation of human rights abuses by the regime? Why did large and credible lending institutions, including the world's premier multilateral lenders, finance the dictatorship despite the human rights violations? And from a Cold War political perspective, how did U.S. support of loans to the dictatorship change during different presidential administrations, including the transition from the Ford to the Carter administration, and then from Carter to Reagan?

⁸ Jose Moyano, "The Dirty War in Argentina: Was It a War and How Dirty Was It?" essay, in *Staatliche Und Parastaatliche Gewalt in Lateinamerika* (Iberoamericana Vervuert, 2019), 45–73.

My hypothesis consists of three key points: lenders were aware of the human rights abuses while providing financing, the regime would not have survived until 1983 without foreign bank loans, and the three U.S. presidential administrations during that period either supported the loans to the regime or were ineffective in preventing them.

Primary source documentation, particularly from the World Bank and IMF, make it clear that human rights and political considerations were not key factors in decisions to provide financing to Argentina and other dictatorships. The banking community ignored the dictatorship's human rights violations and made loan decisions based on economic and quantitative factors. These factors are varied but include neoliberal market reforms, fiscal spending, inflation, and employment, among others.

The regime's adoption of neoliberal policies to open and stabilize the economy almost immediately improved the country's relationships with international financial institutions. Despite evidence that the regime was engaged in violent and illegal activities against fellow Argentines, lenders focused on the promise of greater economic stability and not the human rights issues tied to it. It is also likely that the regime could not have survived until 1983 without the funds provided by bank loans. Domestic lenders did not have the capacity to provide the \$37 billion borrowed. As a result, there is a direct linkage between the foreign banks and the ability of the dictatorship to remain in power until 1983.

These questions are important for several reasons. First, despite available documents on the debts incurred by the dictatorship, there is little research exploring why the banks provided such financing when they were aware of ongoing human rights violations, and during the Carter administration specifically, of U.S. concerns. Second,

the role of the U.S. in supporting or resisting loans to the regime (particularly from the multilateral lenders) during the Ford, Carter, and Reagan administrations requires more study. The respective approaches of these administrations to human rights issues in Latin America varied and may have affected loan decisions. And third, these questions have broader relevance as they can add to the body of scholarly research on the financing of dictatorships in general and the motivation of otherwise respected lenders who may be aware that they are providing financing to human rights abusers. Scholars and journalists have examined the Dirty War period, but few have studied the impact of bank lending on the junta's tenure and human rights violations.

The Post-Coup Economy and Initial Discussions with Banks

While the regime was waging its civil war, it had to contend with a deeply troubled economy. At the end of 1975, not only was inflation above 300%, but the aggregate level of government expenses exceeded its revenues by more than \$10 billion, necessitating large levels of debt financing.⁹ Coup leader Videla entrusted the economy to Oxford educated economist Jose Martinez de Hoz, and he and his team quickly embarked on a mission to improve economic conditions.¹⁰ Among key measures deployed were a breakup of unions, wage freezes, reduced social expenditures and adjustments to the tax structure. In the short term at least, these steps produced improvements in inflation, investment, and the fiscal deficit. However, the deficit

⁹ Horacio Verbitsky and Juan Pablo Bohoslavsky, *The Economic Accomplices to the Argentine Dictatorship: Outstanding Debts*, 93.

¹⁰ Claudia Kedar, "Human Rights and Multilateral Lending: The World Bank, Argentina, and the United States, 1976–1978," *The International History Review* 41, no. 6 (October 25, 2018): 1256–75, <https://doi.org/10.1080/07075332.2018.1508052>.

persisted and the regime's zeal to arm itself against domestic enemies required ongoing financial support. Hence the increase in commercial bank and multilateral loans during each year the regime was in power.¹¹

The regime embraced neoliberal market reforms, easing its ability to borrow from foreign lenders. According to neoliberal studies scholar David Harvey, neoliberalism is “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.”¹²

By breaking down unions, reversing the nationalization of industries, deregulating large sections of the economy, and opening it to foreign investment, the regime's economic team embodied neoliberal ideals and earned the respect of the global finance community. However, and as is shown in this thesis, market-based liberalization efforts implemented in the first year of the dictatorship were short-lived. The primary critique of neo-liberalism, that it has caused the epidemic of income inequality, rang true in Argentina during the Dirty War period. Common laborers saw wages and benefits reduced, while elite members of society benefited, at least partly from their ability to convert pesos to dollars and deposit them offshore for higher returns and more safety.

Within weeks of the coup, lenders were favorably reassessing Argentina, focused on stability measures deployed by the regime. Following a mission to Europe by

¹¹ Horacio Verbitsky and Juan Pablo Bohoslavsky, *The Economic Accomplices to the Argentine Dictatorship: Outstanding Debts*, 93.

¹² David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2020).

Martinez de Hoz in mid-1976, a Lloyds Bank executive stated that the new “highly qualified economic team” had to balance “the need for firmness and the danger of being branded as repressive – a charge very much a la mode in certain quarters only too ready to pass superficial judgment on Latin American countries where forms of government do not fit into the mold of social democracy”.¹³ This opinion proved to be the rule rather than the exception.

During the same period, the IMF and World Bank warmed to the regime. In August 1976, only five months after the coup, the IMF signed a \$260 million ‘Standby Agreement’, authorizing loans to the government.¹⁴ In September, the World Bank published a supportive 99-page report on the country, with many positive comments on actions taken by the regime, including an overall assessment that “Argentina should be able to service the estimated external capital requirements essential for her economic rehabilitation.”¹⁵ The lengthy document had no mention of human rights issues. Commercial banks began to arrange loan syndicates and extend credit within the regime’s first year.

While the dictatorship was engaged in repressive tactics and banks were beginning to lend to it, it became increasingly difficult for anyone exposed to the country to deny the human rights violations. Even before the Mothers of the Plaza de Mayo began protesting in 1977 and organizations such as Amnesty International began producing reports on the disappearances, it was hard to escape the situation. Beyond armed

¹³ Carlo Edoardo Altamura, “Global Banks and Latin American Dictators, 1974–1982,” *Business History Review* 95, no. 2 (July 9, 2020): 301–32, <https://doi.org/10.1017/s0007680519001260>, 312.

¹⁴ “IMF Standby Agreement with Argentina 1976,” International Monetary Fund, accessed September 14, 2024, <https://archivescatalog.imf.org/details/archive/125005941>.

¹⁵ “Argentina - Economic Memorandum,” World Bank Economic Memorandum on Argentina, September 30, 1976, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/758811468002646761/argentina-economic-memorandum>.

skirmishes in the streets of Buenos Aires, there were violent arrests, large numbers of missing persons, a strong military presence, and news stories. Liberal newspaper *La Opinion* and the English language daily *Buenos Aires Herald* published articles in 1976, shortly after the coup.¹⁶ Within weeks of taking power, the regime notified the local press that “as of today, April 22, 1976, it is forbidden to inform, comment or make reference to the death of subversive elements and/or the armed and security forces in these incidents, unless they are reported by a responsible official source”.¹⁷ In response, the *Buenos Aires Herald* courageously displayed the notice on its front page.¹⁸

There were other early indications of human rights violations, increasingly made known to the U.S. government. For example, a declassified State Department document contains the verbatim statement of a Buenos Aires resident, taken at the U.S. embassy and describing the details of the individual’s April 1976 capture and torture by authorities. At least nine State Department and embassy officials received the statement.¹⁹ This was an early example of what would become large numbers of testimonials provided to U.S. authorities and human rights organizations. U.S. media outlets began to cover the story as well. As one of many examples, a four-page article in the *Atlantic Monthly* from 1977 titled “Argentina: A State of Fear” described the disappearances, torture, and overall environment in Buenos Aires in the early months of the dictatorship.²⁰ Global media coverage of the situation increased throughout the regime’s tenure.

¹⁶ Jerry W. Knudson, “Veil of Silence,” *Latin American Perspectives* 24, no. 6 (November 1997): 93–112, <https://doi.org/10.1177/0094582x9702400605>, 101.

¹⁷ Knudson, “Veil of Silence,” 99.

¹⁸ Knudson, “Veil of Silence,” 101.

¹⁹ Michael Evans, “Statement by Anonymous U.S. Citizen on Being Subjected to Atrocious Torture, October 4, 1976,” Argentina: Secret U.S. documents declassified on Dirty War Atrocities, accessed September 20, 2024, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB73/index.htm#docs>.

²⁰ Joseph Treaster, “Argentina: State of Fear,” *The Atlantic*, 1977, <https://www.theatlantic.com/magazine/toc/1977/06/>.

Various social and economic factors precipitated the Dirty War, and many citizens welcomed the expected stability that a military regime might guarantee. Unknown at the time of the coup was the extent to which the coup planners would perpetrate egregious human rights abuses and embark on a multi-billion dollar borrowing binge.

The economic and social factors that led to the 1976 coup are detailed in the next chapter.

Chapter II

The Roots of the Dirty War

“As many people as necessary must die in Argentina so that the country will be secure.”

Argentine junta leader Jorge Videla, 1976.

This chapter describes the political and economic environment which resulted in the 1976 Argentine coup. The historical background and root causes of the coup are critical to an understanding of how and why the regime required external bank loans once it held power. The information provided within the chapter also explains the complex social atmosphere that existed in Argentina during the years leading up to the coup.

In a 1995 Foreign Affairs essay, author Tina Rosenberg noted that “dictatorship falls periodically to democracy in most Latin nations, but it never stays dead”.²¹ This is particularly correct in Argentina, which endured a recurring cycle of six different military dictatorships and weak democratic governance during much of the 20th century, until the termination of the ‘Dirty War’ in 1983.²² Underlying many of the dictatorships, and particularly the one that ruled the country from 1976 – 1983, was a belief that occasional dictatorial rule was essential to economic and social stability, and to the elimination of domestic terrorists.

The most prominent of these insurgent organizations in the period leading up to the 1976 coup were the Montoneros and the Ejercito Revolucionario del Pueblo (the

²¹ Tina Rosenberg, “Overcoming the Legacies of Dictatorship,” *Foreign Affairs* 74, no. 3 (July 1995): 134, <https://doi.org/10.2307/20047129>.

²² Rut Diamint, “Truth, Justice and Declassification: Secret Archives Show US Helped Argentine Military Wage ‘Dirty War’ That Killed 30,000,” *Theconversation.com*, February 4, 2025.

People's Revolutionary Army, or ERP). The ERP had less penetration in Buenos Aires, the country's capital, and was ideologically Trotskyite, espousing perpetual revolution.²³ The Montoneros were larger, geographically dispersed, and more problematic for the government.

Through the Montoneros increasingly violent actions, it became a destabilizing force, creating significant domestic security concerns. The junta that assumed power in 1976 viewed itself as a military force engaged in a civil war against left wing opponents. Deploying state power and abandoning human rights considerations, the dictatorship succeeded in ending the insurgent threat, but at an exceedingly high cost.

The state of Argentina during the period of alternating coups and elected governments through 1983 has been characterized as a "hegemonic stalemate".²⁴ The country experienced unique and countervailing factors including a powerful working class (thanks to the patrimonial legacy of Peronism), generational shifts creating youth movements, and competing authoritarian elements among government leadership, corporate executives, and societal elites. Importantly, while Peronism itself was a uniquely Argentine phenomena, similar tensions have existed in Latin America for decades. In his book *The Politics of Terrorism*, George Lopez notes that throughout the region,

In the face of declining purchasing power, amidst a greater presence of foreign domination of their economies and considering the unwillingness of national elites to preside over the redistribution of wealth and resources, several groups armed themselves to take the action that would begin the

²³ R. Eidt and P. Calvert, "Argentina, Military Government," *Encyclopædia Britannica*, December 23, 2024, <https://www.britannica.com/place/Argentina/Military-government-1966-73>.

²⁴ J.C. Portantiero, "Economía y Política En La Crisis Argentina: 1958-1973," *Revista mexicana de sociología*, January 1, 1977, <https://biblat.unam.mx/es/revista/revista-mexicana-de-sociologia/articulo/economia-y-politica-en-la-crisis-argentina-1958-1973>.

‘real revolution’. The structures that manage the economy – banks, businesses, and foreign business elites – became targets.²⁵

It is in the backdrop of the political bipolarity and economic turmoil triggered by Peronism that Argentina has endured recurrent bouts of right-wing dictatorial control dating back to the 1950s, along with anarchic resistance by domestic insurgents. The main insurgent organization and their role in triggering the coup is described in the next section.

The Montoneros

Since Peron’s exile in 1955, three years after the death of Evita and pressured by the military to leave the country, Argentina suffered from economic disorder. By the late 1960’s, “various left, right, and military groups became increasingly willing to resort to arms to settle differences of political and economic philosophy”.²⁶ Naming themselves after 19th century gauchos who fought in civil wars, and adopting the symbol of a spear and rifle, the Montoneros formed during the 1960’s by a small group of youths, most of them middle and upper class, but attracted to Peronist ideals. Early leaders adopted a view that Peronism was an incomplete revolution that required guerrilla tactics and political violence against the ruling authorities.²⁷

Influenced by intellectuals and external revolutionaries (including the well-known Argentine revolutionary Ernesto ‘Che’ Guevara) the Montoneros began to escalate their activities in the late 1960’s. Evita Peron was another influence, and they named their

²⁵ G. Lopez, “Terrorism in Latin America,” essay, in *The Politics of Terrorism* (CRC Press, n.d.), 497–524, 505.

²⁶ G. Lopez, “Terrorism in Latin America,” 508.

²⁷ “History of the Montoneros in Argentina,” Central Intelligence Agency, April 3, 2019, <https://www.cia.gov/readingroom/document/06627579>.

newsletter, *Evita Montenera*, after her. Focused on “constructing a clandestine military structure undetectable to the authorities”²⁸, they engaged in such activities as pilfering weapons deposits, assaulting police stations, and bank robbery. They adopted a type of radical Peronism, seeking an end to foreign influence, and an elimination of the police and military.²⁹

The group’s presence escalated materially in 1970. In May of that year, two guerrillas used false identities to enter the residence of a former senior official, Pedro Aramburu, kidnap him, and with other group members, hold a mock trial, convicting, sentencing, and executing him.³⁰ Later that year, police shot and killed two key Montoneros leaders in a Buenos Aires suburb, an event that attracted wide attention and established the two as martyrs.³¹

Further contributing to the group’s influence and visibility was its short-lived alliance with Juan Peron himself, during his exile in Spain from the late 1950s until the early 1970’s. Under public and political pressure, the military allowed him to return at the end of 1972 and upon doing so, he hand-picked a proxy to run for the presidency. His candidate Hector Campora won, and in one of his early acts, he declared an amnesty which provided legitimacy to the Montoneros and certain other domestic guerrilla groups, including the ERP.³² During this period, Montoneros’ members achieved an

²⁸ Esteban Campos, “Montoneros: The Rise and Fall of the Argentine Guerrilla,” Oxford Research Encyclopedia of Latin American History, May 24, 2023, <https://oxfordre.com/latinamericanhistory/display/10.1093/acrefore/9780199366439.001.0001/acrefore-9780199366439-e-1167>.

²⁹ G. Lopez, “Terrorism in Latin America,” essay, in *The Politics of Terrorism* (CRC Press, n.d.), 497–524, 508.

³⁰ Esteban Campos, “Montoneros: The Rise and Fall of the Argentine Guerrilla”

³¹ Esteban Campos, “Montoneros: The Rise and Fall of the Argentine Guerrilla”

³² Iain Guest, *Behind the Disappearances: Argentina’s Dirty War against Human Rights and the United Nations* (Philadelphia, Pa: University of Pennsylvania Press, 1999).

unprecedented level of political influence, with some members serving in government positions and provincial roles.³³

The close alliance with Peron was brief and it is likely that he used the organization while in exile to advance his goal of returning to power. Once back in Argentina, he abandoned support for the Montoneros, denounced them, and reverted to his right-wing origins. And following a victorious election in 1973 returning him to the presidency, he appointed his unprepared second wife Isabel, a former dancer, as Vice-President.³⁴ Upon his death in July 1974, Isabel ascended to the Presidency, in a tenure universally viewed as exceptionally weak and ineffective.

Peron's death paved the way for a more aggressive Montoneros movement. In late 1974, they pledged to undertake an anti-government campaign and wage war on Mrs. Peron's administration.³⁵ By that time, the organization had grown significantly and included various factions, both violent and moderate. There were an estimated 15,000 active members, of which 2,500 were armed combatants. Montoneros leaders estimated that they could mobilize up to 200,000 supporters if needed and attract 50,000 for demonstrations in Buenos Aires.³⁶

In the years leading up to the 1976 coup, the Montoneros engaged in high volumes of terrorist and money raising activities. They perpetrated numerous bombings throughout the country, assassinated police and military officers, assaulted military facilities, and engaged in highly visible kidnappings. In the most prominent, they

³³ Guest, *Behind the Disappearances*.

³⁴ Guest, *Behind the Disappearances*.

³⁵ "History of the Montoneros in Argentina," Central Intelligence Agency, April 3, 2019, <https://www.cia.gov/readingroom/document/06627579>.

³⁶ History of the Montoneros.

abducted Juan and Jorge Born of the well-established Bunge and Born Company, successfully extracting an estimated \$30 million in ransom. They also captured and killed John Patrick Egan, the Honorary Consul for the U.S. in Cordoba.³⁷

As noted by Paul Lewis in his book about the Dirty War “Guerrillas and Generals,” “most kidnappings were about money,” and this proved to be the primary fundraising mechanism for the Montoneros. Among others, kidnap for ransom victims included the honorary British Consul in Rosario, the manager of Phillips Argentina, and executives with ITT, Coca-Cola, Kodak, Esso, Bank of Boston, Mercedes Benz, and many other international corporations.³⁸ These kidnappings were usually successful, and when they were not, the Montoneros were not averse to killing their captives. An example of this being the kidnap and murder of the editor of local daily newspaper El Dia. So epidemic were the kidnappings in the early 1970’s that they numbered in the hundreds and at peak, they occurred multiple times per week.³⁹

The organization also resorted to mafia style protection tactics. After intentionally killing one Ford Auto employee and wounding two others, they demanded and obtained one million dollars in protection money from the company to prevent further such attacks. Called ‘apriete’ or ‘the squeeze,’ the group tried this tactic with other companies, but many of them lost their patience and began aggressively moving executives out of the country. So lucrative were the money-making operations that some estimate that the Montoneros generated up to \$100 million in cash proceeds from these activities.⁴⁰ The

³⁷ History of the Montoneros.

³⁸ Paul H. Lewis, “*Guerrillas and Generals: The Dirty War in Argentina*” (Westport, Conn: Praeger, 2011), 56.

³⁹ Time, “Argentina: Crime Does Pay,” Time, April 23, 1973, <https://time.com/archive/6878356/argentina-crime-does-pay/>.

⁴⁰ Paul H. Lewis, *Guerrillas and Generals*, 58.

chaotic civil atmosphere that permeated Argentina in 1974 and 1975 made a military coup all but inevitable.

The 1976 Coup, the Dirty War and Suppression of the Montoneros

Against the backdrop of this domestic terrorism and an ineffective government under Peron's widow, the environment was ripe for the coup that took place in 1976. Per John Bushnell, Deputy Chief of Mission at the U.S. Embassy, "the coup was supported by 95 percent of the people".⁴¹ At first, Montoneros leadership, including top leader Mario Firmenich, acknowledged the inevitability of the coup while believing that it would serve to benefit the guerrillas. He later said "we knew that a coup would occur. We did nothing to stop it."⁴²

Led by senior military official Jorge Videla, the coup leaders characterized the conflict with the guerrillas as a war. Despite the repressive turn the regime was about to take, the coup itself was bloodless. The junta labeled the thousands of 'subversives' as adversaries, viewing them as enemy combatants, and correctly pointed out that elected governments were unable to contain terrorist activities.⁴³ It established a 'national reorganization process', a framework focused on the subjugation of domestic terror organizations and economic improvements. From its earliest days in power in March 1976, the dictatorship intended to eliminate the guerrilla threat. In the first days of the coup, Videla stated that "we Argentines should not be ashamed, because what happened

⁴¹ "Argentina's Dirty War and the Transition to Democracy," Association for Diplomatic Studies and Training, accessed December 23, 2024, <https://adst.org/2014/10/argentinas-dirty-war-and-the-transition-to-democracy/>.

⁴² Maria José Moyano, "The 'Dirty War' in Argentina: Was It a War and How Dirty Was It?" *Staatliche Und Parastaatliche Gewalt in Lateinamerika*, December 31, 1991, 45–74, <https://doi.org/10.31819/9783964562203-004>, 54.

⁴³ Maria Jose Moyano, *The Dirty War in Argentina*.

was a defense of human rights, threatened by terrorism”, later stating that the coup “came at a high cost, but the people agreed that we had to do it in order to achieve peace”.⁴⁴

The regime deployed various state sponsored ‘Directives,’ many with the general description “fight against subversion.” The Directives created geographic defense zones within the country, each under the direction of the military.⁴⁵ Directive 404/75 called for a counterinsurgency offensive to “achieve permanent instability and progressive deterioration” of the guerrillas, with the goal of “a significant decline in subversive activity by the end of 1976; transformation of subversion into a police problem by the end of 1977; and annihilation of residual elements beginning in 1978”.⁴⁶ The regime achieved these goals.

The geographic defense zones played a prominent role in the evolution of the human rights violations and war crimes committed by the dictatorship. Assigned officers oversaw each zone, with control over not only military activities but also local law enforcement, prisons, and methods of apprehension, detention, and punishment.⁴⁷ While the directives did not reference or specifically allow the use of illegal activities, the nature of the operations quickly led to human rights violations and cemented the legacy of the dictatorship as one of the most excessive of all the Latin American dictatorships during the latter half of the twentieth century.⁴⁸

⁴⁴ Lucía Cholakian Herrera, “Jorge Rafael Videla: The Dictator Who Died in Jail,” Buenos Aires Herald, May 17, 2023, <https://buenosairesherald.com/human-rights/jorge-rafael-videla-the-dictator-who-died-in-jail>.

⁴⁵ María José Moyano, *The Dirty War in Argentina*.

⁴⁶ Guy Gugliotta, “Argentina’s Dirty War,” Alicia Patterson.org, accessed December 24, 2024, <https://aliciapatterson.org/guy-gugliotta/argentinas-dirty-war/>.

⁴⁷ Gugliotta, Argentina’s Dirty War.

⁴⁸ Gugliotta, Argentina’s Dirty War.

Ostensibly designed as counterinsurgency measures, the directives spread beyond the domestic guerrilla organizations and into various other sectors of Argentine society. In fact, Videla said that insurgents were “not only persons who plant bombs but also those whose ideas are contrary to Western, Christian civilization.”⁴⁹ The primary techniques used by the dictatorship were not open warfare, but rather capture, torture, and often, kill missions. Clandestine detention centers were opened and used as torture and interrogation sites.

While captors released some detainees following periods of detention that at times lasted years, murder was a more frequent outcome, often by being ‘disappeared’ using a technique of sedation followed by expulsion from airplanes over the wide Rio de la Plata between Argentina and Uruguay. The treatment of those detained was vicious and inhumane. Prisoner torture often began within minutes of detention (and sometimes in their homes immediately after being detained) and included brutal beatings, electrocution, and rape.⁵⁰ The largest of the torture sites, known as ESMA, processed thousands of victims and was located within a naval training facility in Buenos Aires, proximate to attractive residential neighborhoods and a large park.

The abuses peaked in the 1976 – 1978 period but continued throughout the course of the regime. While many estimate that 30,000 people disappeared, official estimates are lower, at less than 10,000, most in 1976 and 1977.⁵¹ To perpetuate the notion of an armed struggle against insurgents, the dictatorship sometimes described fictitious battles in

⁴⁹ Francisco Goldman, “Children of the Dirty War,” *The New Yorker*, March 12, 2012, <https://www.newyorker.com/magazine/2012/03/19/children-of-the-dirty-war>.

⁵⁰ Maria José Moyano, “*The ‘Dirty War’ in Argentina*, 59.

⁵¹ Maria José Moyano, “*The ‘Dirty War’ in Argentina*, 59.

which it vanquished well-armed guerrillas.⁵² The focus on defeating the threat of domestic guerrillas began to metastasize and encroach on other components of society.

To unearth suspected Marxists and insurgents, the military targeted unions, schools, universities, and even certain neighborhoods. The regime encouraged citizens to inform on suspected antagonists. Armed officers removed victims from restaurants, shops, and school buses. In one instance, sixty students from Manuel Belgrano High School, in Buenos Aires, were abducted simply for having joined their student council.⁵³ Through these actions, the targets of the dictatorship expanded beyond members of the Montoneros and other guerrilla organizations and into non-affiliated citizens, most of whom were innocent of any revolutionary or insurgent leanings.⁵⁴

The 485-page official report of the Argentine National Commission on the Disappeared was published in 1986. Titled *Nunca Mas* (Never Again), it is a detailed and harrowing chronicle of the repressive tactics of the junta, including testimonials from dozens of detention survivors and/or their families. The opening line notes that it is a “report from Hell.”⁵⁵ The report confirms that citizens disappeared in large numbers, most never to be heard from or seen again. It also reiterated that few of the abducted had connections to insurgent groups.

Victims included innocent people appearing in address books or who were targeted for no apparent reason. Some torture victims provided random lists of names, all innocent, in acts of desperation. These named individuals were then captured and tortured

⁵² Maria José Moyano, “*The ‘Dirty War’ in Argentina*,” 60.

⁵³ Francisco Goldman, “*Children of The Dirty War*.”

⁵⁴ Guy Gugliotta, “Argentina’s Dirty War,”

⁵⁵ *Nunca Mas: Report of the Argentine National Commission on the Disappeared* (New York: Farrar Straus Giroux, 1986).

as well. Once the captors realized that they had ultimate power over their captives, widespread torture became a pastime for them, often with no political objective.⁵⁶ There were no checks and balances and no accountability. The legacy of these activities has resonated for decades. It was brought to global infamy by the Mothers of the Plaza de Mayo,” peaceful protesters marching regularly in front of the Presidential office building, all wearing white headscarves, and demanding answers to the whereabouts of their disappeared children. While the organization eventually received a Nobel Peace Prize nomination, three of the organization’s founding members themselves were abducted and murdered.

By deploying an aggressive approach towards defeating guerrillas by any means necessary, up to large-scale murder, the dictatorship effectively neutralized this threat. Its arrest and detention of thousands of guerrillas (along with innocents) and the use of torture to convince captives to name other members, resulted in a substantial reduction in terrorist activities. Montoneros led kidnappings and other terrorist tactics ceased during the first few years of the dictatorship.⁵⁷

Group leaders fled Argentina and settled elsewhere, including Mexico and Spain. Some took advantage of their exile and political savvy to denounce the human rights violations of the dictatorship. Certain European leaders such as Willy Brandt in Germany were sympathetic and met with exiled leaders.⁵⁸ Within Argentina, economic problems and worker unrest eroded public support for the dictatorship. The treatment of the

⁵⁶ Nunca Mas.

⁵⁷ Esteban Campos, “Montoneros: The Rise and Fall of the Argentine Guerrilla,”

⁵⁸ Felix A. Botta, “The Foreign Policy of State Terrorism: West Germany, the Military Juntas in Chile and Argentina and the Latin American Refugee Crisis of the 1970s,” *Contemporary European History* 27, no. 4 (February 27, 2018): 627–50, <https://doi.org/10.1017/s0960777318000024>.

domestic guerrilla threat as a war concluded, and by 1983, the country resumed democratic elections. Newly elected President Raul Alfonsin ordered legal proceedings against both the senior members of the junta and the detention of the remaining leaders of key guerrilla groups, including the Montoneros. The group faded into the background and ceased to operate as an influential force.⁵⁹

Scholarship on domestic terrorism in Latin America helps to explain the phenomena of groups such as the Montoneros. In their paper discussing internal wars and Latin American nationalism, Centeno and other scholars noted that political violence in the region consists of tensions within nations, not between them.⁶⁰ Also noted is the reality that many Latin nations have confronted “not well-articulated oppositions that seek to replace national governments but instead more amorphous forces that challenge the authority of the state without offering an alternative project”.⁶¹ This observation is reminiscent of the struggles Argentina had with the Montoneros, ERP and others in the 1970’s. They wreaked havoc, but were at conflict with themselves, operating without consistent and realistic strategies to achieve their goals. Also in the Centeno paper, the infrequent instances of inter-state warfare in Latin America were cited.⁶² An example was the ill-fated last gasp effort of the dictatorship in 1982 to take over the Falkland Islands from England. It was shortly after this failed attempt that the dictatorship ceded national governance to an elected President.

⁵⁹ Esteban Campos, “Montoneros: The Rise and Fall of the Argentine Guerrilla,”

⁶⁰ Miguel Angel Centeno et al., “Internal Wars and Latin American Nationalism,” *Nationalism and War*, April 25, 2013, 279–305, <https://doi.org/10.1017/cbo9781139540964.016>, 284.

⁶¹ Centeno, Internal Wars.

⁶² Centeno, Internal Wars.

It is worth noting that this cascade of regional dictatorships continued into the 1980's, particularly in Central America. Small and impoverished countries such as El Salvador, Guatemala and Nicaragua experienced similar factors as those faced by Argentina a decade earlier. Militant leftist uprisings precipitated by weak economies resulted in counterinsurgency efforts and de facto civil wars. Like Argentina, the U.S. asserted itself in each country, backing anti-leftist factions under the guise of anti-communism. In both El Salvador and Guatemala, the U.S. backed the existing administrations in their counterinsurgency efforts. In Nicaragua, the left leaning Sandinista government lost U.S. support, which shifted to the more U.S. friendly "Contras," labeling them "Freedom Fighters".⁶³

Like President Nixon and Secretary of State Kissinger a decade earlier, Reagan saw the threat of communist governance in Central American countries as a grave risk. In 1980, he noted that the Soviet Union "underlies all the unrest that is going on. If they were not engaged in this game of dominoes, there would not be any hotspots."⁶⁴ Unlike Nixon and Kissinger's covert support of the Argentine dictatorship, U.S. involvement in Central American affairs was more hands-on, including funding, training, and intelligence. While the Argentine dictatorship engaged in unprecedented levels of domestic repression, the human costs in Central America were also high. As many as 75,000 El Salvador citizens died during this period, and tens of thousands in both Guatemala and Nicaragua.⁶⁵

⁶³ Virginia Williams, Roger Peace, and Jeremy Kuzmarov, "Central America Wars, 1980s," Peace History - USFP.org, February 20, 2025, <https://peacehistory-usfp.org/central-america-wars/>.

⁶⁴ Williams, Central America Wars.

⁶⁵ Williams, Central America Wars.

This chapter revealed that the 1976 coup was triggered by a weak economy and an anxious public, fed up with the unrest created by hostile insurgents. As such, at least initially, a military takeover was welcomed by many and seen as the best path to a more stable and peaceful environment. Not known during the early days of the new regime was its willingness to ignore human rights norms in its zeal to eradicate insurgencies and treat the challenge as a war. Also not known during the early days and months was the need to borrow large sums from foreign institutions to support and sustain the military state, and to repair a struggling economy, all resulting in a \$37 billion increase in debt during the regime's seven years in power.

The next chapter details the ease in which the regime was able to borrow large sums from external lenders, its aggressive but ultimately ineffective focus on economic improvements, and the motivation of lenders to finance a dictatorship visibly committing human rights abuses.

Chapter III

The Dictatorship, Banks, and Human Rights

“The World Bank will not be influenced by the political character of a member or interfere in its politics. It should not allow political factors to influence its decisions.”

The World Bank Articles of Agreement, 1944.

Having reviewed the circumstances that lead to the 1976 coup which ushered in the Dirty War, the thesis now turns to the regime’s successful efforts to establish relationships with large global banks, the timing of bank loans relative to human rights abuses, the need for loans to support the regime’s goals, and other related topics.

Timing of Bank Loans to the Dictatorship

The banks that provided loans to the Argentine regime were by common measures reputable institutions. Commercial banks included the world’s largest and most successful, including Bank of America, Citibank, Chase Manhattan, Deutsche Bank, Lloyds Bank, Societe Generale, and many others. These banks were shareholder owned, subject to public scrutiny, media coverage, and strongly regulated by government agencies. The multilateral lenders, the World Bank and IMF, were even more scrutinized, by their own member countries, an international board of directors, the financial press, and non-profit organizations serving as watchdogs. It is therefore reasonable to question why such institutions would provide financing to a military junta engaged in human rights violations, and whether the lenders were aware of the violations at the time they started lending to the regime.

My research shows that the banking community must have been aware of the junta's actions when they were providing loans. The table below, prepared by the author, provides a comparative analysis of some of the early media stories about human rights violations and loans made to the dictatorship. The table reveals that the regime's abuses were publicly known when the banks started lending.

As noted in the table, numerous media stories and other publications addressing rights violations began shortly after the coup took place. Articles were available in Argentina, the U.S., and Europe, and the Amnesty International report was available worldwide. By the end of 1976, nine months after the coup, the regime's tactics were well covered. Three months later, in March 1977, the first demonstrations of the Mothers of the Plaza de Mayo took place, directly in front of the Argentine presidential building, one of the busiest locations in Buenos Aires.⁶⁶

As also shown, despite the increasing public awareness of the human rights issues, both commercial and multilateral lenders began financing the government within months of the coup. During the same month as the first IMF financing, August 1976, The New York Times article "Slayings plague Argentine junta" began with "The mass murder of suspected guerrillas by right wing terrorists has produced a wave of revulsion that puts pressure on the military regime".⁶⁷ Another New York Times article, written two months earlier in May 1976 and titled "Repression in Argentina", began with "Elements of

⁶⁶ Jerry W. Knudson, "Veil of Silence," *Latin American Perspectives* 24, no. 6 (November 1997): 93–112, <https://doi.org/10.1177/0094582x9702400605>.

⁶⁷ Juan De Onis, "Slayings Plague Argentine Junta," The New York Times, August 22, 1976, <https://www.nytimes.com/1976/08/22/archives/slayings-plague-argentine-junta-mass-killings-stir-wave-of.html>.

Argentina's armed forces appear to be accelerating a campaign of murder, torture, arbitrary arrests and drastic purges."⁶⁸

⁶⁸ "Repression in Argentina," The New York Times, May 26, 1976,
<https://www.nytimes.com/1976/05/26/archives/repression-in-argentina.html>.

Table 1: Chronology of media stories and other events

Media Story or other public indication	Date	Early Loans to the regime	Date
The initial coup	March 1976		
“Argentine Chief urges sacrifice,” New York Times	March 1976		
“Argentine murders stir press,” Buenos Aires Herald and Washington Post	April 1976	Initial commercial bank loans from U.S., European and Asian banks.	June through December 1976
“Repression in Argentina,” New York Times	May 1976	IMF approval of a \$260 million loan	August 1976
“Slayings Plague Argentine Junta,” New York Times	August 1976	Favorable World Bank report on Argentina and its new government	September 1976
Statement by U.S. citizen to Embassy, about his torture	October 1976	\$115 Million World Bank loan	September 1976
Widely distributed Amnesty International report on Argentina, revealing human rights abuses	November 1976	\$800 million Chase Manhattan bank led loan syndicate	September 1976
Guardian newspaper article on the Amnesty International report	November 1976	\$75 million loan by Japanese banks	October 1976
CIA cable about the regime’s plans to kill subversives	December 1976	Two World Bank Loans	March, June 1977
First demonstration by the Mothers of the Plaza de Mayo in Buenos Aires	March 1977	IMF \$160 million loan	September 1977

Source: “Bankrolling the Junta” NACLA’s Latin America and Empire Report, and publicly available media reports.

Commercial banks and multilateral lenders financed the regime throughout its tenure, aware of the domestic human rights situation. For both sets of institutions, consideration of human rights abuses did not factor into loan decisions, for distinct reasons. The largest commercial banks (including those that lent to Argentina) were shareholder owned. Their primary goal has always been profitability and share price growth. Investors are demanding and impatient, and they expect consistent profit growth. For banks, loans need to grow to increase profits. Flush from petrodollar deposits and looking to grow, the large international banks saw promising opportunities in Latin America.

During the 1970's and 1980's, large banks typically used committees to approve loans to companies, institutions, and governments. The individual banking teams responsible for the loan would negotiate its terms with the borrower (pricing, tenor, collateral, use of proceeds and so on) and present their request to the respective loan committee. This would consist of a written analysis and recommendation combined with a verbal presentation. The goal of the underlying credit analysis would be to use quantitative data to evidence the borrower's ability to repay the loan.

While subjective criteria are considered (for example, the experience and qualifications of management), the core analysis is quantitative. In the case of Argentina after the coup, the neoliberal actions taken by the regime to improve and open the economy made it much easier for banks to advocate for loan commitments, despite the human rights environment. Actions taken to reduce inflation and curtail expenditures all

paved the way for lenders to justify loan decisions.⁶⁹ From reviews of annual reports from banks involved, media articles on bank loans, and scholarly research, there is no evidence that human rights concerns played any role in the loan decisions.⁷⁰ Like the multilateral lenders, commercial banks at that time were also politically neutral, and less concerned about reputation risk than they are now.

As bank lending to sovereign entities has evolved over recent decades, banks now have better analytical tools available to assess the creditworthiness of national borrowers. One of the key tools being debt ratings provided by independent rating agencies, primarily Moody's and Standard & Poor's. These agencies prepare detailed analyses culminating in specific ratings, designed to assess the level of risk being taken by the lender, and providing the lenders with a consistent benchmark tool they can use to assist in their decisions. However, these sovereign ratings did not exist at the time of the Argentine dictatorship and banks did not have this valuable tool available to them until the 1990s.

An interesting paper by Biglaiser and DeRouen assesses the correlation between developing country debt ratings and their neoliberalization approaches. The authors found a clear correlation between higher sovereign debt ratings and the level of trade liberalization. Countries that opened their markets to freer trade generally saw better ratings and therefore improved access to debt along with lower interest rates.⁷¹ However,

⁶⁹ Information about commercial bank decision making processes derived from the author's personal experience.

⁷⁰ Note that primary source documentation from commercial banks is difficult to obtain. Not only are their document retention periods much shorter than fifty years, but they do not make publicly available documents about loan approvals and discussions.

⁷¹ Glen Biglaiser and Karl DeRouen, "Sovereign Bond Ratings and Neoliberalism in Latin America," *International Studies Quarterly* 51, no. 1 (March 2007): 121–38, <https://doi.org/10.1111/j.1468-2478.2007.00442.x>.

as is shown throughout this thesis, while dictatorial countries such as Chile benefited from favorable debt ratings due to successful economic management, Argentina's weak economic stewardship during and after the regime's tenure failed to provide it the benefits of favorable debt ratings.

In addition, the prevailing sentiment at the time among large banks was that sovereign entities would always repay their debts. The most influential banker in the U.S. during the 1970s was Citibank CEO Walter Wriston. Citibank has long had a large international business and at one point in the 1970s, Wriston was quoted as saying "Less developed countries don't go bankrupt...the infrastructure doesn't go away, the productivity of the people doesn't go away, the natural resources don't go away. And so, their assets always exceed their liabilities, which is the technical reason for a bankruptcy. And that's very different from a company."⁷² While Citibank, Chase and other banks were reluctant to lend to countries suffering from noticeable economic malaise (such as Argentina in the years leading up to the coup), once a country began displaying signs of stability, they were much more comfortable lending, and unconcerned with the risk of a payment default.

The author's personal experience as a banker, inclusive of almost five years in Argentina, confirms the political neutrality of banks when making loan decisions. While certain banks limit or prohibit lending to specific sectors, such as gun manufacturers, those restrictions tend to be narrow. Political issues are rarely discussed during loan analyses and negotiations. Given the almost fifty-year passage of time since the initial Argentine coup, bankers who held decision-making positions at that time are long retired

⁷² "Walter Wriston Quote," AZ Quotes, accessed July 11, 2025, <https://www.azquotes.com/quote/748226>.

and/or deceased. However, the author's discussions with subject matter experts familiar with Latin American banking confirm that issues such as human rights violations would not have arisen during loan discussions. One of the reasons for the absence of discussions about human rights was plausible deniability. A likely refrain would have been 'we hear things, but lacking proof or evidence, they need to be treated as rumors or exaggerations. Our analysis must be based on financial fundamentals and not be influenced by these stories.'

Banks from Europe were even more comfortable than their U.S. peers in lending to Argentina and other dictatorial countries in the 1970s. European commercial banks expanded rapidly during that decade, and many were anxious to grow their Latin America operations. They benefited from large deposit increases stemming from an explosion of 'petrodollars' (petroleum industry profits deposited in large banks) and needed to invest those excess deposits. The fact that many Latin countries were governed by military dictatorships at the time did not deter the banks. Among others, major European banks expanding in Latin America included Lloyds Bank, Credit Lyonnais, and Societe Generale.⁷³ A visit to Argentina during the Dirty War period by Societe Generale's Chief Economist prompted him to note how impressed he was with the successful war on left wing terror.⁷⁴

As stated by Carlos Altamura in his study of banks and Latin dictators, the increase in bank involvement after military takeovers "confirm that European banks saw the political stability, appointment of technocrats, and orthodox economic measures

⁷³ Carlo Edoardo Altamura, "Global Banks and Latin American Dictators, 1974–1982," *Business History Review* 95, no. 2 (July 9, 2020): 301–32, <https://doi.org/10.1017/s0007680519001260>.

⁷⁴ Carlo Edoardo Altamura, *Global Banks and Latin American Dictators*.

implemented by military juntas in favorable terms.”⁷⁵ Argentina used borrowed funds to import weapons, shore up the domestic energy sector and fund government operations. Brazil used loans for infrastructure, energy, and industry, including domestic arms manufacturing. Chile, under Pinochet, funneled bank loans to a state agency that funded domestic businesses that supported the regime.⁷⁶ In general, the neoliberal policies of the dictatorships worked to enhance their relationships with the banking community.

In the author’s opinion, two other factors contributed to the willingness of commercial banks to lend to the regime. First were the widespread corporate kidnappings conducted by the Montoneros. Concerns about the Montoneros and antipathy towards them among financial executives would have made them more sympathetic towards the dictatorship. Second and related is the possibility that the banks simply believed the regime when it said it was fighting a civil war and targeting domestic terrorists, not innocent civilians. The chaotic and fearful environment that existed before the coup would have contributed to corporate support of the dictatorship.

The main global multilateral lenders, the World Bank and IMF, have different motivations than the commercial banks. They are non-profit entities, funded and overseen by member nations. While the U.S. has always been the largest funding member, more than one hundred countries have provided support for each. For both institutions, their primary mission is the eradication of poverty, along with economic growth and financial stability.⁷⁷ And while the creditworthiness of their sovereign clients is a key factor in loan decisions, it is less critical than it is in the commercial bank sector given the latter’s

⁷⁵ Carlo Edoardo Altamura, *Global Banks and Latin American Dictators*.

⁷⁶ Carlo Edoardo Altamura, *Global Banks and Latin American Dictators*.

⁷⁷ Claudia Kedar, “Human Rights and Multilateral Lending,” 1261.

shareholder ownership and desire to minimize loan losses (which are unplanned expenses, and therefore highly undesirable). With their focus on economic development, the multilaterals emphasized stability and trends in such areas as GDP growth, inflation, fiscal deficits, economic liberalization, and unemployment. Most importantly, political neutrality has always been an embedded feature of each institution's mission, offering a convenient ability to overlook rights abuses.

For both the World Bank and IMF, neutrality is a bedrock of their ideologies, and leaders of each organization have steadfastly defended this neutrality for decades. The World Bank charter states that it will not interfere in the internal politics of member countries. The IMF has a similar, though more vaguely worded neutrality statement. It states that neutrality is a basic principle, "aimed to keep the attention of the IMF focused on international issues. Key to the observance of this principle is a continuous focus on external economic variables."⁷⁸

Weak economic performance does not always result in rejected loans, so long as trends are improving, and economic ministries committed to corrective actions. But there is no evidence that human rights factored into loan decisions made by the multilateral lenders in Argentina. As an example, in 1977, the World Bank published a favorable and highly detailed report, entitled "Argentina: Reconstruction and Development". In the entire 71-page report, the contents of which would have required substantial in-country

⁷⁸ IMF Pamphlet Series - No. 46 the Unique Nature of the Responsibilities of the IMF - Surveillance at the Center. International Monetary Fund. Accessed July 12, 2025.
<https://www.imf.org/external/pubs/ft/pam/pam46/pam4602.htm#:~:text=The%20third%20basic%20principle%2C%20political%20neutrality%2C%20aims,those%20of%20the%20membership%20as%20a%20whole.>

research during the peak of counterinsurgent activity, there was not a single reference to human rights, military rule, or the political environment.⁷⁹

Another example comes from a 1978 World Bank document signed by President Robert McNamara and recommending a \$105 million agricultural loan to the country. By 1978, the tactics of the regime were apparent not only locally but by then globally as well. Yet, the report stated that the military takeover was well received and that the government “rapidly stabilized the political situation and introduced major changes...to shore up the country’s precarious external financial position.”⁸⁰ As with other World Bank and IMF reports written during that period, there was no mention of human rights issues or domestic repression. The same report mentioned the country’s success in obtaining commercial bank loans during the early months of the regime, noting a \$970 million loan in 1976 from U.S, Canadian, European and Japanese banks.⁸¹

Declassified World Bank board minutes from May 9, 1978, reveal the verbatim discussion of a proposed \$60 million loan to Argentina. During that meeting, one board member responded to a comment about “social conditions” by stating “at some point social conditions blow into political aspects and I do not know how far this board can go into the area where decisions are political.”⁸² Another board member then asked, “to what extent is this board capable of a discussion of the social policy of any country on the occasion of a project which is acceptable economically.”⁸³ Following further comments

⁷⁹ “Argentina: Reconstruction and Development,” Worldbank.org, August 31, 1977, <https://documents1.worldbank.org/curated/en/153561468004204724/pdf/multi0page.pdf>.

⁸⁰ International Bank for Reconstruction and Development (1978), www.worldbank.org.

⁸¹ International Bank for Reconstruction and Development.

⁸² “World Bank Board Minutes May 9, 1978,” Worldbank.org, May 9, 1978, <https://documents1.worldbank.org/curated/en/387321510659891383/txt/121219-TSCP-PUBLIC-96-June-3-1993-Argentina-Redacted.txt>.

⁸³ World Bank Board Minutes.

about social factors, Board Chair McNamara interrupted by saying “we are straying from the issue before us, which is this particular project,” at which point he proceeded to wind down the meeting.⁸⁴ Other board meeting minutes from other loan discussions during the same period demonstrate similar levels of avoidance and discomfort when the subject shifted away from financial considerations and towards societal ones.

While the international banking community operated autonomously from the regime and made arms-length decisions, it is relevant to point out that personal relationships and successful ‘financial diplomacy’ played a key role in Argentina’s ability to obtain external financing within months of the coup. Economy Minister Martinez de Hoz was affluent and well connected, and he staffed his ministry with graduates of top U.S. business schools, mainly the University of Chicago. He had a close relationship with Chase Manhattan Bank CEO David Rockefeller and other senior bankers in the U.S. and Europe.⁸⁵ His early goodwill tour of the international finance community to communicate his economic goals, combined with his existing connections, allowed for much easier financing conversations.

These personal relationships would have further minimized the surfacing of human rights issues during economic discussions. His outreach to both the commercial and multilateral lenders helped them create a cycle of acceptability, in which the World Bank would await a lending commitment from the IMF, enabling it to feel more comfortable making its own loan commitments, at which time the commercial banks were able to use the credibility of the IMF and World Bank commitments to greatly assist their own justifications. For the large commercial banks, the legitimacy of loan

⁸⁴ World Bank Board Minutes.

⁸⁵ Claudia Kedar, “Human Rights and Multilateral Lending,” 1260.

commitments from the world's two largest multilateral lenders made it much easier for bank executives to approve loans.

Interestingly, in 1976, during the first year of the dictatorship, two members of the Rockefeller family were involved in Argentine affairs at senior levels, in both cases supporting the regime. Brothers Nelson and David Rockefeller served as U.S. Vice-President and CEO of Chase Manhattan Bank, respectively. Vice-President Rockefeller shared Secretary of State Henry Kissinger's support of the regime, and Chase CEO Rockefeller had a close relationship with economy minister Martínez de Hoz. The pro-business, pro-investment approach of Martínez de Hoz was a welcome change for Rockefeller and his bank, one of the largest in the U.S.⁸⁶ As noted in Table 1, Chase led the first large, syndicated bank loan to the regime, in September 1976.

The following table summarizes the loans provided to Argentina during the first year of the dictatorship. As noted previously, the commercial banks and multilateral lenders which provided this financing were aware of the environment in which they were lending.

⁸⁶ Raúl García Heras, "The Return of International Finance and the Martínez de Hoz Plan in Argentina, 1976–1978," *Latin American Research Review* 53, no. 4 (January 1, 2022): 799–814, <https://doi.org/10.25222/larr.150>.

Table 2: Loans provided to the dictatorship during its first year

Lender	Date	Amount
Chase Manhattan Bank	June – December	\$75 Million
Manufacturers Hanover Trust	June - December	\$55 Million
Citibank	June - December	\$50 Million
Bank of America	June – December	\$40 Million
Other U.S. Banks	June - December	\$280 Million
Banks from Germany, France, Japan, Canada, Switzerland, Britain, Spain, Italy, Netherlands, and other European countries	June - December	\$550 Million
IMF	August	\$260 Million
InterAmerican Development Bank	August, November	\$147 Million
World Bank	September	\$115 Million
Eximbank	September	\$8 Million

Source: “Bankrolling the Junta,” NACLA Latin America, 1977.

The Regime’s Need for External Loans

Following the above discussion of the regime’s relationships with banks, we can now assess its fiscal management and need for bank loans. As noted in the following table, Argentina’s foreign debt balances grew substantially during the Dirty War period.

Table 3: Debt Evolution (in billions of dollars)

Year	Total Debt
1975	7.875
1976	8.279
1977	9.679
1978	12.496
1979	19.034
1980	27.162
1981	35.671
1982	40.703
1983	45.5

Source: Bohoslavsky, Juan Pablo. "Complicity of the Lenders." The Economic Accomplices to the Argentine Dictatorship, September 11, 2015, 105-116.

Despite the regime's efforts to implement dramatic and favorable changes to the economy, data from the period shows that its first year in power was the most successful economically, and that the situation worsened after that. In the year before the coup, 1975, the country suffered from inflation above 300%, negative GDP growth and a 15% budget deficit relative to GDP.⁸⁷ In 1977, the first full year following the coup, GDP growth rose to 6.4%, inflation fell dramatically (though to a still high 160%), and a budget deficit remained but dropped to 5% of GDP. And while GDP growth was positive in 1979 and 1980, key metrics reverted to very weak levels by 1982, the regime's final full year. During that year, GDP growth was negative 4.6%, inflation was 209%, and the budget deficit rose to an extremely high 19%. Total revenues to the government exceeded \$36 billion in 1980, but fell back to \$33.1 billion in 1982, when the country experienced

⁸⁷ Rudiger Dornbusch and Juan Carlos de Pablo, *Argentina: Debt and Macroeconomic Instability*, September 1987, <https://doi.org/10.3386/w2378>.

a budget shortfall of \$15.1 billion. The level of debt to GDP rose from 18.6% in 1976 to 60.3% in 1982.⁸⁸

Military spending was unusually high during the 1976 – 1983 period, and unnecessarily so. In a country at the southern tip of South America, uninvolved in regional or global wars, and with a chronically weak economy, the junta devoted more than \$20 billion dollars to military spending, including sizable arms purchases.⁸⁹ In addition to these purchases, the overall cost of supporting a police state, with armed forces throughout the country and 350 staffed detention centers, contributed materially to the budget deficits sustained during that period.

The efforts by Martinez de Hoz and his team to turn around the economy may have partially succeeded for a brief time in the early months of the regime, but their efforts were offset by the costs of the dictatorship's literal war on domestic insurgencies. As such, the regime's consistent deficit spending required external financing, and in the absence of this financing, it could not have achieved its military spending plans or kept the economy afloat. The regime did borrow from the Argentine Central Bank as well, which used increased reserve requirements on local banks to facilitate its lending. But had the external bank and multilateral financing not been available, it is likely that the economy, and the regime itself, would have failed well before 1983, demonstrating the linkage between external bank loans and the regime's ability to remain in power.

The following table, prepared by the author, supports the contention that the regime needed to borrow from external sources to support the economy, that military spending had a material impact on fiscal performance and debt levels, and that despite the

⁸⁸ Dornbusch and de Pablo, *Argentina: Debt and Macroeconomic Instability*.

⁸⁹ Bohoslavsky, *Complicity of the Lenders*.

early intentions of Martinez de Hoz to stabilize the economy, the opposite occurred by the end of the regime in 1983.

Table 4: Key Economic Data (in billions of dollars)

	1976	1977	1978	1979	1980	1981	1982	1983
Revenues	28.0	33.2	36.9	33.9	36.4	35.8	33.1	34.6
Non-military expenditures	37.4	35.4	40.7	37.6	41.3	46.3	46.0	47.2
Deficit before military expenditures	-9.4	-2.2	-3.8	-3.7	-4.9	-10.5	-12.9	-12.6
Military Expenditures	2.3	2.5	2.7	2.8	2.6	2.7	2.2	2.5
Total Deficit	-11.7	-4.7	-6.5	-6.5	-7.5	-13.2	-15.1	-15.2
Increase in Debt	0.4	1.4	2.8	6.5	8.2	10.5	3.0	4.8
Total Debt	8.3	9.7	12.5	19.0	27.2	37.7	40.7	45.5
Total Debt absent military spending	6.0	4.9	5.0	8.7	14.3	22.1	22.9	25.5
Consumer Price Index	348%	160%	170%	140%	88%	131%	209%	433%
Debt/GDP	18.6%	19.2%	23.9%	30.2%	37.3%	48.1%	60.3%	59.5%

Sources: 1. Alfredo Calcagno, Public Finances, The Economic Accomplices to the Argentine Dictatorship; 2. Rudiger Dornbusch and Juan Carlos de Pablo. Argentina: Debt and Macroeconomic Instability.

As shown in the table, Argentina incurred fiscal deficits during each year of the regime, but military spending added another \$20 billion by 1983, increasing total debt to \$45.5 billion from what would have been \$25.5 billion in the absence of this spending. Military spending was only \$1Bn in 1975, the year prior to the coup, and represented less than 2% of GDP. Following the coup, military spending as a percentage of GDP more

than doubled to at least 4% each year of the regime.⁹⁰ Inflation dropped by more than half during 1977 but remained extreme by global standards and it escalated once again to hyper-inflationary levels in the early 1980's. The level of debt to GDP rose to 59.5% by 1983 and importantly would have been less than 35% in the absence of the \$20 billion in military expenses. The Central Bank reserves were only \$3 billion by 1983, it was confronting world-leading inflation levels, and it was unattractive to international investors.⁹¹ Most importantly, the data shows that the dictatorship could not have funded itself without the \$37.2 billion in debt incurred from 1976 through 1983. This evidence supports the thesis that the regime could not have survived until 1983 without external bank loans.

The absence of data on the specific costs of torture centers, disappearances and the maintenance of a police state make it difficult to align the regime's fiscal performance directly to these costs. However, it is fair to assume that funds spent on domestic repression influenced the unfavorable statistics contained above, including inflation, fiscal deficits, and the level of debt to GDP.

Tools of Repression and the Cost of Disappearances

Having provided information on the Argentine economy and bank loans during the dictatorship, we can move to relevant ancillary topics, including the economic factors involved with disappearing citizens. Disappearances are pertinent to this thesis as they

⁹⁰ Juan Pablo Bohoslavsky, "Complicity of the Lenders," *The Economic Accomplices to the Argentine Dictatorship*, September 11, 2015, 105–16, <https://doi.org/10.1017/cbo9781316287026.008>.

⁹¹ Rudiger Dornbusch and Juan Carlos de Pablo, *Argentina: Debt and Macroeconomic Instability*, September 1987, <https://doi.org/10.3386/w2378>.

occurred in high volumes, were costly, and influenced the borrowing requirements of the regime.

Dictators have many tools available to them to reach and sustain power. For example, in more recent years, technology has been a powerful resource which can be deployed for surveillance, social media interference, misinformation, and propaganda. Fifty years ago, when the Dirty War was taking place, today's technology was not available, but the tools available to dictators were no less potent. The press was controlled through censorship, financial pressure, and threats to journalists. For example, in 1977, influential Argentine journalist and founder of the *La Opinion* paper Jacobo Timerman, was arrested and tortured in Buenos Aires.⁹² Beyond the press, the public at large was subjected to a climate of fear, bearing witness to widespread detentions and violent counterinsurgency actions. The regime used this environment of fear to increase its control. The labor force was affected by anti-union legislation and wage reductions. But few tools of repression have been as malicious and impactful as the use of forced disappearances.

In their study of disappearances as a tool of political terror, Aguilar and Kovras posit that regimes perpetrating disappearances do so with three goals. One is to eliminate enemies. The second is to foment widespread terror. Third, by definition, a disappeared person removes the tangible evidence of a crime, helping to avoid later criminal charges.⁹³ These three aims correlate well with the Argentina junta, which used

⁹² Jerry W. Knudson, "Veil of Silence," 98.

⁹³ Paloma Aguilar and Iosif Kovras, "Explaining Disappearances as a Tool of Political Terror," *International Political Science Review* 40, no. 3 (May 31, 2018): 437–52, <https://doi.org/10.1177/0192512118764410>.

disappearances to eliminate real and perceived enemies, to inject an environment of fear into the public, and to eradicate physical evidence of their crimes.

Also noted in the same study, via a comparison of Argentina during the Dirty War and Chile during the Augusto Pinochet regime, is a view that dictatorships have time limitations on the use of disappearances. They tend to occur very heavily in the early months and years of regimes which use them as a terror tactic.⁹⁴ The advantages to regimes that use disappearances early in their post-coup periods are numerous. They include demonstrating their power over the population, minimizing political resistance, and extracting intelligence.⁹⁵ The authors created the following graph to illustrate the early use of disappearances by the Argentine and Chilean dictatorships (the vertical axis representing the percentage of disappearances by year and the horizontal representing the number of years from the initial coup date).

The relevance of disappearances to the financing of dictatorships is that the use of disappearances as a tool is expensive, and impactful economically. Disappearing an individual is a pricy endeavor, beginning with the tracking of targets and initial arrest by armed officials, detention (often long-term), and in Argentina, often ending in a costly airplane ride. Multiplied by upwards of 30,000 individuals, the overall costs were substantial. From a macroeconomic standpoint, the costs of dictatorial terrorism in general, and disappearances in particular, are also damaging.

⁹⁴ Aguilar and Kovras, "Explaining Disappearances as a Tool of Political Terror"

⁹⁵ Aguilar and Kovras.

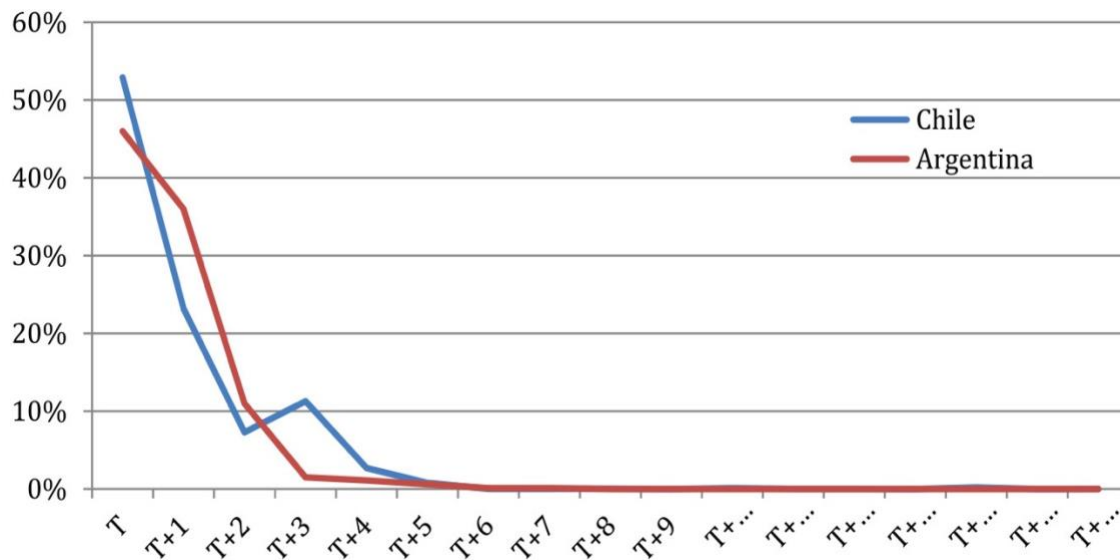


Figure 1: Timing of Disappearances

Source: Aguilar and Kovras, “Explaining Disappearances as a Tool of Political Terror”

In their study of the costs of terrorism, Frey, Luechinger and Stutzer identify four ways in which terrorism can impact economies. These include damaging a country’s physical and human capital (human lives and/or damage to property). Second, certain types of foreign investments are deflected away from the impacted country, for example, the tourism sector and foreign direct investment. Third, the uncertainty created during times of terrorism can have a direct impact on consumer and business confidence and adversely affect economic activity. Fourth is the actual cost involved in supporting a police state.⁹⁶

The Argentine economy was weak throughout the 1970’s and would have required some level of external financing regardless of the type of governance. However,

⁹⁶ Bruno S. Frey, Simon Luechinger, and Alois Stutzer, “Calculating Tragedy: Assessing the Costs of Terrorism,” *Journal of Economic Surveys* 21, no. 1 (January 25, 2007): 1–24, <https://doi.org/10.1111/j.1467-6419.2007.00505.x>.

the impact of the seven-year dictatorship on the economy was much greater than it would have been under a democratic administration. Scholarly work on the costs of disappearances during the Dirty War has not been performed and therefore specific amounts are not available (largely because many key documents were destroyed by the regime before it lost power), but a much higher level of bank lending was required during the Dirty War period than if there never was such a war. Loans themselves were not tools of repression, but they served as the fuel that enabled the regime to fund their repressive activities.

Argentina was not the only Latin American or global dictatorship existing during the same period, nor was it the only country incurring debt to support its economy. The following section contains comparative information on Argentina's economy with that of other selected countries.

Benchmarking Argentina against other countries

The neighbor with which Argentina shares its largest border, Chile, was controlled by a military dictatorship during the same general period, and a comparison of the two countries is appropriate. The table below presents data points comparing Argentina to Chile, along with two other dictatorships, and a non-dictatorial Western hemisphere country, all provided for comparative purposes.

Table 5: Comparing Argentina to other nations

	Argentina	Chile (best comparison to Argentina)	South Korea (Asian dictatorship)	Mexico (non- dictatorial)	Venezuela (Post Cold- War dictatorship)
Regime Type	Dictator (Videla)	Dictator (Pinochet)	Dictator (Park Chung-Hee)	Democracy	Dictator
Time Period	1976-1983	1973 – 1990	1961-1979	1990 (single comparative year)	Current
GDP Size	\$84Bn	\$30Bn	\$67Bn	\$261Bn	\$139Bn
Debt Level	\$43Bn	\$16Bn	\$32Bn	\$90Bn	\$146Bn
Budget Surplus or Deficit %	19% deficit	1.5% surplus	1.5% deficit	3.1% deficit	4.2% deficit
Major Creditors	Global Banks, World Bank, IMF	Global Banks, World Bank, IMF	Global Banks, bondholders	Global banks, World Bank, IMF, others	Bondholders, loans from Russia and China
Main Allies	U.S.	U.S.	U.S.	U.S., Canada,	Russia, China
Counter- insurgency success	High but costly	High but costly	No insurgent threats existed	N/A	High but very costly
1 st Post- Dictatorship Election	1983	1989	1987	N/A	Remains a dictatorship
Level of repression	High	High	Moderate/ non-violent	Minor	High
Current Economy	Chronic problems	Strongest in South America	Strong	Stable	Very weak – destroyed by the dictatorship

Sources: 1. Marshall, Jorge. Fiscal Rule and Central Bank Issues in Chile; 2. Global Comparative Data – Global Metrics, Countries Data, MacroTrends; 3. Government Budget Deficit 1990, Countryeconomy.com; 4. World Debt Tables, World Bank; 5. South Korea’s surprising history of coups and martial law, The Guardian.

A key takeaway from this table is that Argentina had by far the weakest economy of each of the Cold War dictatorships shown (Argentina, Chile, South Korea). Its level of debt to GDP was higher than the other two nations and its 1982 budget deficit was far greater. When incorporating hemispheric neighbor and non-dictatorship Mexico, Argentina remains a negative outlier. In fact, of the countries included in the table, only Venezuela recorded a higher level of debt to GDP and a high budget deficit, though not as high as Argentina in 1982.

The comparison between Argentina and Chile is the most insightful. The Chilean coup that brought Augusto Pinochet into power in 1973 was like the Argentine coup in its level of violence, repression, and human rights violations. As a military dictatorship, funds were expended on arms and the maintenance of a domestic military presence. Yet, the Chilean economy performed markedly better than Argentina's throughout Pinochet's time in power, leaving Pinochet with a complicated legacy within the country.

The primary factor in Chile was a more open economy and better fiscal discipline. The population enjoyed a better living standard than its neighbors in Argentina, and the Chilean economy has outperformed Argentina's for decades, despite a comparably dismal human rights record in the 1970's. The respective countries' debt ratings from the major rating agencies Moody's and Standard & Poor's have differed widely for many years. At present, Chile has a strong investment grade A rating, while Argentina has a

very weak CCC rating, only slightly above the lowest level and considered ‘vulnerable’ in the Standard & Poor’s parlance.⁹⁷

Argentina simply spent too much during the dictatorship. While the specific costs of repression, torture centers and disappearances are not known, the expenses required to support the dictatorship exceeded its means and created unusually elevated levels of debt to GDP, along with high budget deficits.

Debts incurred by dictatorial regimes impact entire populations and create interesting questions about the legitimacy of such borrowing. The next section assesses the theory of odious debt and how the concept aligns with Argentina.

Odious Debts and Corporate Complicity

Odious debt is a concept that applies to certain sovereign debt situations, including those in which dictatorships borrow to support their own objectives. First described in 1927 by Russian legal scholar Alexander Sack, his doctrine of odious debt summarized it as:

If a despotic power incurs a debt not for the needs or in the interest of the state, but to strengthen its despotic regime, to repress the population that fights against it, etc., this debt is odious to the population of all the state. This debt is not an obligation for the nation; it is a regime's debt, a personal debt of the power that has incurred it, consequently, falls along with the power that contracted it. The creditors have committed a hostile act with regards to the people; they cannot therefore expect that a nation freed from a despotic power assumes the “odious” debts which are the personal debts of that power.⁹⁸

⁹⁷ “Understanding Credit Ratings,” S&P Global, accessed July 9, 2025, <https://www.spglobal.com/ratings/en/credit-ratings/about/understanding-credit-ratings>.

⁹⁸ Hanlon, J. (2006). Defining “Illegitimate Debt”: When Creditors Should Be Liable for Improper Loans. In *Sovereign Debt at the Crossroads*. Oxford University Press. <https://doi.org/10.1093/0195168003.003.000>

Despite the hundred-year passage of time since this doctrine was first articulated, it has never been incorporated into international law. If applied in law or customary practice, odious debts would enable post-dictatorship governments to refute responsibility for debts incurred by the prior regime and require foreign creditors to write off the debt. This in turn would trigger complex legal issues. For example, if a creditor bank proved that it used its standard lending processes to approve and fund loans to a dictatorial government and that it had no choice but to recognize that government as the then ruling authority, is it legally justifiable to later hold that bank accountable for making those loans? The doctrine of odious implies that a prior government's debt is illegitimate. But as noted by Basaran in his study of odious debt, a "change of government does not make a difference to the external indebtedness of the state".⁹⁹ The odious debt doctrine implies that a successor government should not be obliged to repay the debts of a prior corrupt government. However, there is no treaty or legal norm regarding odious debt, and it remains a moral argument.¹⁰⁰

Argentina has attracted the attention of odious debt researchers as it has been one of the few countries to take legal action against both prior junta officials and corporations viewed as complicit in Dirty War crimes. In a study by Pierera, Payne, and Bermudez, they noted that Argentina held one of the world's first truth commissions, the first trial of regime officials since Nuremberg, that it adopted extensive victim reparation programs, and held one of the most extensive sets of human rights trials in history.¹⁰¹

⁹⁹ Halil Rahman Basaran, "Odious Debt," *Liverpool Law Review* 44, no. 1 (February 25, 2023): 137–55, <https://doi.org/10.1007/s10991-023-09322-0>.

¹⁰⁰ Basaran, Odious Debt.

¹⁰¹ Gabriel Pereira, Leigh Payne, and Laura Bernal-Bermudez, "Justice from below: Corporate Accountability in Argentina," *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.3996379>.

Argentina is also one of the few countries in which corporations have been held accountable for actions taken (or not taken) during a period of repression. In 2007, the Siderca company was found liable at the provincial Supreme Court level for allowing an employee to be detained and later disappeared by the Dirty War regime at the end of his work shift.¹⁰² However, despite that decision and Argentina's willingness to litigate Dirty War crimes, attempts to hold lenders accountable for their role have not succeeded. There have been lawsuits filed against numerous banks, including Citibank and Bank of America, but none have gained traction or progressed through the court system (and documentation regarding these lawsuits is not available).

The impact of rising debt, fiscal deficits, capital flight, and chronic inflation that has left Argentina in a nearly perpetual state of economic malaise since the time of the Dirty War, is discussed in the next section.

A Dismal Economic Legacy

The century-long pivot from a leading economy in the early 20th century to a chronically troubled one since the 1950s had many influences. Peronism had dominated local politics for decades and its tendency towards profligate public spending has been a key contributor to the country's economic decay. However, the increase in foreign debt during the dictatorship from under \$8 billion to more than \$45 billion also played a role and placed the country into a fiscal hole by that it has not escaped from since 1983. As noted previously, the regime spent approximately \$20 billion on defense and arms, and had these funds not been incurred, the foreign debt level might have been cut in half.

¹⁰² Pereira, Payne, and Bermudez, Justice from below.

Whether Peronism or the regime's debt binge had a greater future impact is an unresolved question, but the impact has been pronounced regardless. Per a study of the monetary and fiscal history of Argentina from 1960 – 2017, Buera and Nicolini showcased key economic metrics during that time frame, demonstrating the country's poor economic performance since the end of the dictatorship. Among other items, the country's per capita gross domestic product (GDP) was \$5,700 in 1991, the same level it had in 1960. The government generated a fiscal deficit each year from 1960 through 1992, when the economy stabilized for a brief time with the peso being pegged one-to-one to the U.S. dollar. The deficit then resumed in the early 2000's and has persisted for all but a few years since then. Inflation has averaged 204% since 1980, an amount that would strain believability in most other countries. And the level of debt to GDP, a key metric of strength and stability, exceeded 50% throughout most of the 1980's and more recently from 2000 to 2010.¹⁰³

This chapter addressed the impact of bank loans to the Argentine military junta from the 1976 coup to its demise in 1983. First, news stories and other public evidence of human rights abuses confirm that lenders were aware of the abuses when they made loans to the regime. Second, evidence shows that human rights issues did not factor into loan decisions. The stated mission of the World Bank to remain politically neutral enabled it to ignore rights violations, thereby also making it much easier for commercial banks to approve loans, using the credibility of the World Bank and IMF to support their decisions. Third, economic data demonstrates that the regime required external loans to

¹⁰³ Francisco Buera and Juan Pablo Nicolini, "The Monetary and Fiscal History of Argentina, 1960–2017," Minneapolis Federal Reserve, December 2019, <https://researchdatabase.minneapolisfed.org/downloads/r781wg13n>.

finance its counterinsurgency and military expenditures, to such an extent that the economy struggled throughout most of the Dirty War period.

The \$20 billion in military spending represented a substantial amount of the total external debt incurred by the regime. It is likely that this \$20 billion would not have been incurred by a democratically elected government, and this would have reduced the level of debt in 1983 by almost half. Benchmarking Argentina against other countries, particularly Chile, shows that its economic performance and levels of debt to GDP were far worse than Chile's. It borrowed more than its stretched economy could afford, and the legacy of this borrowing has pained the country for decades. And a review of tools of repression, namely the use of disappearances, confirmed not only the grievous human rights impact of these actions, but also substantial economic impacts as well, including an outsized reliance on foreign loans.

Following this review of the regime's economy and bank relationships, the focus of the thesis now turns to the relationship between the regime and the three U.S. presidential administrations that existed during its seven years. As will be demonstrated, the regime was able to borrow relatively easily from foreign lenders regardless of which president was in office and how human rights issues were viewed.

Chapter IV

U.S. Support of Lending to the Dictatorship

“We wish the new government well. We will do what we can to help it succeed.”

Secretary of State Henry Kissinger to Argentine Foreign Minister Cesar Guzzetti

In addition to the economic and social factors which contributed to the epidemic of Central and Latin American dictatorships during the 1970's and 1980's, another key factor loomed large in each of the dictatorships, the influence of the United States and its approach to human rights issues. The Dirty War regime existed during three U.S. presidential administrations; Ford, Carter, and Reagan. This chapter explores the distinct approaches each of the three administrations had to Argentina, and their influence on the conduct of the regime. One administration in particular, Carter's, embarked on a pro-human rights campaign upon taking office, and Argentina was its key focus. But as will be shown, political and market factors limited Carter's ability to impact the human rights environment.

Ford/Kissinger

The Argentine coup took place during the last ten months of the Ford administration. Ford retained his predecessor Richard Nixon's well-known Secretary of State, Henry Kissinger. Kissinger was instrumental in reopening U.S. relations with China and ending the Vietnam War, and by the time of the Ford administration, he was one of the world's most powerful government officials. He became a staunch anti-communist, embracing the entrenched U.S. foreign policy dogma that there was no

greater threat to America's standing than communism. The primary fear, articulated decades earlier by diplomat George Kennan, was that of a communist domino in which a country falling to communism increased the likelihood of neighboring countries incurring the same fate. This outcome was so unacceptable to every President from Truman to Reagan that they were willing to involve the U.S. in costly proxy wars, including but not limited to Korea, Vietnam, and Afghanistan.¹⁰⁴

With a foreign policy so focused on repelling communism, it should be of no surprise that the threat of communist encroachment in the western hemisphere would have been deeply concerning to the administrations of the day. It is in this area that U.S. foreign policy and Latin dictatorships intersected. Almost all the dictatorships were right leaning and seen as useful allies to the U.S. In this spirit, the Argentine junta became a key anti-communist ally.

Documents now reveal that Kissinger was highly supportive of the Argentine regime¹⁰⁵, viewing its determination to eliminate left-wing guerrillas as important to America. Coming to power only a year later, Jimmy Carter and his foreign policy team abandoned Kissinger's stop communism at all costs strategy. It embraced pro-human rights approaches, and Argentina became one of their highest priorities.¹⁰⁶ Practical realities complicated this ideology, but Carter succeeded in raising the awareness of human rights issues in the country. And following his single term in office, Carter's transition to Reagan ushered in another team of vocal anti-communists, willing to

¹⁰⁴ References to Kissinger's background and the Cold War foreign policy come from the author's personal knowledge of the topics following years of study and readings.

¹⁰⁵ , Kathryn Sikkink, *Mixed Signals: U.S. Human Rights Policy and Latin America* (Ithaca, N.Y: Cornell University Press, 2007), 107.

¹⁰⁶ Sikkink, *Mixed Signals*, 131.

subordinate human rights issues to achieve their primary goal of defeating communism and the Soviet Union. But it was the Ford administration, and particularly Kissinger, that empowered the dictatorship during its first months.

In her book *Mixed Signals: U.S. Human Rights Policy and Latin America*, Kathryn Sikkink quotes Kissinger during a meeting with a senior Argentine official during the early weeks of the regime in 1976; “Our basic attitude is that we would like you to succeed. I have an old-fashioned view that friends ought to be supported. What is not understood in the United States is that you have a civil war. We read about human rights problems, but not the context. The quicker you succeed, the better. We won’t cause you unnecessary difficulties.”¹⁰⁷ Despite opposing viewpoints from certain officials, including U.S. ambassador to Argentina Robert Hill (who was deeply concerned about the human rights abuses during his time in Argentina), Kissinger prevailed, and as Sikkink noted, the U.S. provided Argentina with a “green light for repression”.¹⁰⁸ In fact, “the number of deaths and disappearances peaked at precisely the time of Kissinger’s green light”.¹⁰⁹

This support made it easier for the regime to borrow from foreign banks and multilateral lenders during its first year in power as there was no U.S. resistance to such lending. That there were minimal degrees of separation between junta leadership and the U.S. power structure significantly eased the regime’s ability to borrow. Economy minister Martinez de Hoz was a close friend of Chase CEO Rockefeller, who was the

¹⁰⁷ Kathryn Sikkink, *Mixed Signals*.

¹⁰⁸ Sikkink, *Mixed Signals*, XV.

¹⁰⁹ Sikkink, *Mixed Signals*, 118.

brother of the U.S. Vice-President, who worked closely with Secretary of State Kissinger. From its earliest weeks, the regime was well positioned to borrow from foreign banks.

Kissinger's support of the junta was evident during its first few days. Despite a warning from Assistant Secretary of State William Rogers that the coup would trigger repression and bloodshed, Kissinger insisted that it was in America's interest to support the military takeover. The U.S. provided immediate diplomatic recognition of the regime, agreed to allow the IMF to proceed with loan discussions, and authorized \$49 million in aid to the country.¹¹⁰ Had Kissinger's approach towards the communist threat or human rights been different, the Argentine regime might not have become as repressive as it did, and banks such as Chase might not have been as amenable to arranging syndicated loans for it. Similarly, Kissinger's support for the Pinochet regime in Chile just a few years prior was also instrumental in enabling that junta.

President Ford himself was less involved in foreign affairs, and he does not appear prominently in Dirty War scholarship. It is likely that Kissinger had free reign to adopt his own policies. However, in at least one instance of Ford's involvement in Argentina, a 1976 National Security Council memo describes a letter sent by President Videla to President Ford.¹¹¹ The letter compliments Ford on U.S. assistance in apprehending narcotics traffickers. In response, the State Department and National Security Council recommended that Ford send a return letter to Videla.

¹¹⁰ Stephen G. Rabe, *Kissinger and Latin America: Intervention, Human Rights, and Diplomacy* (Ithaca; London: Cornell University Press, 2020).

¹¹¹ "1976 National Security Council Memorandum Regarding Argentina President Videla," www.fordlibrarymuseum.gov, accessed July 1, 2025, https://www.fordlibrarymuseum.gov/sites/default/files/pdf_documents/library/document/0351/1555788.pdf

While the request was denied (for reasons that are unclear), the Security Council memo contained interesting information. While stating that the proposed Ford letter would be “interpreted as a friendly and supportive gesture towards the Government of Argentina”, it also stated that the government is “engaged in a bitter struggle with the terrorist movement. This has led to excesses, including murder and arbitrary imprisonment. It is likely that much of this takes place with the government’s tacit approval.”¹¹² Within a few paragraphs of each other, these statements embodied the U.S. approach towards Argentina at that moment, on one hand acknowledging the human rights abuses (including a direct reference to murder) and on the other, reinforcing a desire to have a warm and supportive relationship. This approach would change under the Carter administration, though not to the extent he hoped.

Carter

Jimmy Carter viewed Argentina very differently than Ford and Kissinger. As noted by a State Department official, no human rights issue called for greater attention than that of Argentina.¹¹³ In a May 1977 speech, Carter rejected longstanding U.S. foreign policy by stating that America had “an inordinate fear of communism which once led us to embrace any dictator who joined us in this fear”, and in the same speech stating that the U.S. commitment to human rights would be a cornerstone of its foreign policy.¹¹⁴

An illuminating declassified State Department briefing on the evolution of U.S. human rights policy in Argentina offers valuable insights into the dynamics at play. The

¹¹² 1976 National Security Council Memorandum.

¹¹³ Sikkink, *Mixed Signals*, 131.

¹¹⁴ Carlo Edoardo Altamura, “Global Banks and Latin American Dictators, 1974–1982,” *Business History Review* 95, no. 2 (July 9, 2020): 301–32, <https://doi.org/10.1017/s0007680519001260>.

document described a “fundamental clash” between the two governments, centered on Argentina’s view that “counterterrorism is war” and that “tactics are dictated by expediency rather than respect for human rights or law”.¹¹⁵ Of interest (and only lightly covered by scholarly research on the Dirty War) is a reference to challenges presented by Argentina’s potential as a nuclear power, at the very least concerning its delayed signing of a regional non-proliferation treaty. This ‘nuclear angle’ was cited as a source of leverage for Argentina in its dealings with the Carter administration.¹¹⁶

The State Department briefing also addresses economic and financing factors. It notes that Argentina was “free of dependence upon sources of funding and investment susceptible to official U.S. control. The Videla government’s economic success in the external sector has ensured the availability of financial opportunities from a variety of foreign sources.”¹¹⁷ This observation affirms the conclusions stated elsewhere in this thesis that the regime was able to borrow funds with relative ease.

And when Carter tried to interfere with loans and economic aid to the regime, domestic realities created roadblocks. Within a month of taking office, Carter slashed military aid to Argentina, held up arms transfer applications and tried to align aid to human rights improvements. By mid-1978, the administration delayed more than \$1 billion in exports to Argentina and numerous Export-Import Bank transactions valued at more than \$600 million.¹¹⁸ However, these actions created tension within the Washington bureaucracy, the State Department, and the U.S. business community. In a declassified

¹¹⁵ J E Buchanan, “Evolution of U.S. Human Rights Policy in Argentina,” U.S. Department of State. Digital National Security Archive: Argentina 1975-1980, September 11, 1978.

¹¹⁶ Buchanan, “Evolution of U.S. Human Rights Policy in Argentina.”

¹¹⁷ Buchanan, “Evolution of U.S. Human Rights Policy in Argentina.”

¹¹⁸ William Michael Schmidli, “Institutionalizing Human Rights in U.S. Foreign Policy: U.S.-Argentine Relations, 1976-1980*,” *Diplomatic History* 35, no. 2 (March 7, 2011): 351–77,

1978 memo from U.S. Ambassador to Argentina Raul Castro to Secretary of State Cyrus Vance, Castro complained about resistance to Export-Import Bank loans, stating that “we are not denying anything that our competitors are not able and anxious to sell. We are, however, denying a very significant market to American industry. I recommend strongly that the department reconsider this decision to withhold support to U.S. suppliers on human rights grounds”.¹¹⁹

Carter’s foreign policy likely created growth opportunities for banks outside the U.S. The number of foreign banks in Argentina jumped from eighteen to thirty-three from 1978 to 1982, all during the dictatorship. Most of the new entrants were European banks.¹²⁰ Banks with larger operations in Latin America were often dismissive of human rights concerns. In 1977, the Chair of Lloyds Bank International stated that the Argentine regime “mastered open terrorism at some cost in human rights”, but their Economy Minister Martinez de Hoz, “has freed the economy.”¹²¹

Most scholars of the period have concluded that Carter’s attempts to tie aid to human rights advances met with mixed results. A key success was an agreement to send a contingent of the Inter-American Human Rights Commission to Argentina for a formal review, in return for which the U.S. would consider loosening constraints on foreign aid and export loans.¹²² Conversely, the administration was unable to materially affect the pace of both World Bank and IMF loans. In most cases, the administration abstained

¹¹⁹ United States Embassy Argentina and Ambassador Castro, Export-Import Bank Loans to Argentina § (1978).

¹²⁰ Carlo Edoardo Altamura, “Global Banks and Latin American Dictators, 1974–1982,” *Business History Review* 95, no. 2 (July 9, 2020): 301–32.

¹²¹ Altamura, “Global Banks and Latin American Dictators,” 316.

¹²² Sikkink, *Mixed Signals*, 133.

from voting on individual loans rather than rejecting them, thereby avoiding heightened tension with Argentina, the business community, and other member countries.¹²³

There were other indications of inconsistent approaches to Argentina during the Carter years. In September 1977, less than a year into the administration and during a clear period of repression in Argentina, a State Department official sent a pro-Videla memo to the Secretary of State.¹²⁴ The official, Terence Tobin, considered Videla to be a moderate operating in a sea of harsher military influences. He expressed frustration that “we have not been able to move Argentina’s commercial arms requests”, and that this “appears to be a time to help rather than hinder him in the coming months”.¹²⁵ This viewpoint was contrary to State Department consensus at that point, in which Argentina was still a primary focus of the administration’s human rights efforts. However, it was emblematic of the conflicts inherent in Carter’s attempts to influence human rights abuses in Argentina and elsewhere.

Further contributing to the mixed results were external factors that influenced administration tactics. These included domestic economic problems in the U.S., making it difficult for the administration to take an anti-business approach to exports, and the Iranian hostage situation, which consumed the administration in its final months. From the standpoint of external bank loans to the regime, the Carter administration raised awareness and prioritized human rights, but it did not impede the flow of external financing. In fact, during Carter’s presidency, Argentina’s debt balances rose from \$8.2 billion to \$27.2 billion, and as noted previously, much of the increase funded arms and

¹²³ Schmidli, *Institutionalizing Human Rights in U.S. Foreign Policy*, 372.

¹²⁴ Terence Todman, “A Time to Support Argentina’s Videla - Department of State Memorandum,” National Security Archive, accessed June 30, 2025, nsarchive@gwu.edu.

¹²⁵ Todman, “A Time to Support Argentina’s Videla.”

defense, totaling as much as \$20 billion.¹²⁶ And the World Bank, IMF, and large commercial banks all continued to work with Argentina on a business-as-usual basis throughout Carter's term.

Reagan

Less than two months after taking office in 1981, Ronald Reagan hosted an oval office meeting with members of his foreign policy team and Roberto Viola, the incoming Argentina junta leader (replacing Jorge Videla after an agreed upon turnover among the military leaders). During this cordial meeting, Reagan's tone was vastly different than that of Carter and it had echoes of Kissinger from years earlier. Per a summary of the meeting, Reagan recognized the counterterrorism challenge and "understood that firm actions needed to be taken to curb violence." He also promised that there would be no public scoldings about human rights issues and Argentina.¹²⁷

According to career diplomat Elliot Abrams, during the first year or more of the Reagan administration "there was no human rights policy. There was a critique of the Carter policy, combined with an instinctive distrust of the of phrase".¹²⁸ Reagan's approach to human rights was influenced by strong anti-Soviet voices in his administration, including United Nations Ambassador Jeane Kirkpatrick. A staunch anti-communist, Kirkpatrick authored a doctrine that faulted Carter's human rights policies with foreign policy failures (including the fall of U.S. ally the Shah of Iran). She

¹²⁶ Juan Pablo Bohoslavsky, "Complicity of the Lenders," *The Economic Accomplices to the Argentine Dictatorship*, September 11, 2015, 105–16,

¹²⁷ United States. National Security Council Staff. *Summary of the President's Meeting with Argentine President-Designate General Roberto O. Viola* 1981.

¹²⁸ Sikkink, *Mixed Signals*. 148.

advocated for improved relations with anticommunist regimes, regardless of their levels of repression.¹²⁹

A Congressional Research Service report from 1981 on human rights and U.S. foreign policy noted that Reagan's human rights policy "will receive much lower priority in foreign policy than under the Carter administration, and human rights will be implemented through quiet diplomacy rather than through official actions."¹³⁰ Then Secretary of State Alexander Haig stressed in a speech that human rights policy needed to distinguish between totalitarian and authoritarian regimes, drawing distinctions between the Soviet Union (enemy number one) and dictatorships such as the Argentine regime.¹³¹ Observers interpreted this statement as a green light to support pro-U.S. and anti-communist regimes, regardless of their human rights record of accomplishment.

Despite the friendly attitude towards the regime, it was not long before the relationship deteriorated. In year six of the dictatorship, and early in the second year of the Reagan presidency, Argentina invaded Britain's Falkland Islands. Counting on its warmer relationship with the U.S. and domestic support within Argentina, the regime attempted to take back a group of lightly inhabited and isolated Atlantic islands formerly held by the country. Unfortunately for the dictatorship, its decision backfired and accelerated the transition back to a democratically elected government.¹³²

Not only did Britain under Margaret Thatcher react aggressively and defeat Argentina quickly, but the regime misjudged the U.S. response, overlooking the 'special

¹²⁹ Sikkink, *Mixed Signals*. 149.

¹³⁰ Library of Congress and Vida Bitt, *Human Rights and U.S. Foreign Policy Issue Brief* § (1981).

¹³¹ Library of Congress, *Human Rights and U.S. Foreign Policy*.

¹³² Sikkink, *Mixed Signals*, 153.

relationship' that existed between the U.S. and the United Kingdom.¹³³ So strong was the U.S. response that it imposed economic sanctions on Argentina shortly after the invasion. By the end of Reagan's first term, in October 1983, Raul Alfonsón was elected president in the first democratic election since 1973. Despite facing significant economic problems since the time of that election, Argentina has remained an electoral democracy through the present day.

Each of these three administrations tried to influence the pace and volume of financial aid to Argentina and to the approaches taken by the World Bank and IMF. The next section provides further detail on this component.

U.S. Aid and Multilateral Lending

In an analysis of U.S. aid to various Latin America countries, Sikkink assessed the timing of aid with that of disappearances, to assess the correlation between human rights concerns and aid provided. In both Chile and Argentina, there was a relationship between aid trends and the volume of disappearances. In Chile, Pinochet era disappearances spiked in the 1973 – 1974 period at approximately 1,300, while aid began to rise quickly in 1974, peaking in 1975 – 1976 at close to \$100 million. In Argentina, disappearances peaked in 1976 and 1977, at close to 4,500 during 1976.

Aid began to rise prior to the coup, and it peaked during the first year of the regime in 1976 at close to \$40 million. After Carter took office in 1977, direct U.S. aid to Argentina dropped quickly, to close to zero during his first year in office.¹³⁴ While aid to Chile declined during Carter's term, it did so more slowly than in Argentina, confirming

¹³³ Sikkink, *Mixed Signals*, 154.

¹³⁴ Sikkink, *Mixed Signals*, 101, 102.

the prioritization of Argentina as a key target of Carter's early human rights efforts. In fact, U.S. aid to Chile remained high during most of Carter's term, exceeding \$50 million during each of 1975, 1976, and 1977.¹³⁵ But the correlation between aid levels and the timing of disappearances during both dictatorships shows that their counterinsurgency and anti-communist tactics facilitated aid increases, despite the worsening human rights violations.

The World Bank approved eighteen financing arrangements for Argentina during the dictatorship (of which aggregate dollar amounts are not available). One during the Ford administration, eight during the Carter years, and nine during the Reagan administration.¹³⁶ Despite Carter's human rights initiatives and focus on Argentina, the bank was undeterred and continued to function as a politically neutral operation. Of note, the bank approved nine projects for Chile during the same period, roughly half of the Argentine amount.¹³⁷ The IMF approved only three loan packages for Argentina during the same period, totaling \$1.9 billion.¹³⁸ This lower volume is due to the distinct missions of the two organizations, with the World Bank being more project oriented and the IMF focused on major sovereign-level economic development programs.

In her studies of the World Bank, historian Claudia Kedar concluded that the U.S. refrained from rejecting World Bank loans to Argentina not only because it knew they would be approved by other member nations, but also because of domestic pressure. U.S.

¹³⁵ Sikkink, *Mixed Signals*, 102.

¹³⁶ "World Bank Projects in Argentina," World Bank, accessed June 12, 2025, <https://projects.worldbank.org/en/projects-operations/projects-list?srt=id&order=desc&os=0&strdate=03-01-1976&enddate=06-30-1983&qterm=Argentina>.

¹³⁷ "World Bank Projects in Chile," World Bank, accessed June 22, 2025, https://projects.worldbank.org/en/projects-operations/projects-list?countrycode_exact=CL&os=120.

¹³⁸ History of lending commitments: Argentina, accessed June 22, 2025, <https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=30&date1key=1996-06-30>.

support for the bank served its interests as it “helped foster economic stability and growth, kept overseas markets open to U.S. exports, and provided lucrative opportunities for U.S. contractors”.¹³⁹ The IMF approached Argentina with a similar level of political neutrality. Senior IMF Economist Vito Tanzi spent time in Argentina during the early months of the dictatorship and noted that if “a government is firm in power, the Fund is expected to be indifferent to its political nature. It is expected to be politically neutral”.¹⁴⁰

With their professed focus on political neutrality, the multilateral lenders avoided financing projects in volatile economies, regardless of the type of government. For example, despite the democratically elected governments in Argentina and Chile before the respective Dirty War and Pinochet coups, World Bank and IMF lending was almost non-existent during the years before the coups. Economic conditions in both countries were weak and inconsistent with the lenders’ preference to finance countries with better prospects for growth, stability, and economic liberalization.

The previously mentioned Congressional Research Service report from 1981 included a section on international financial institutions. It confirmed that no such institution “makes human rights observance a formal criterion for assistance eligibility.”¹⁴¹ It also noted that U.S. efforts during the Carter years to require the international finance community to take human rights into consideration when making loans “ran counter to the U.S. policy of keeping international banks free from politics.”¹⁴² The same report also stated that when the U.S. contemplated rejecting multilateral

¹³⁹ Claudia Kedar, “Human Rights and Multilateral Lending: The World Bank, Argentina, and the United States, 1976–1978,” *The International History Review* 41, no. 6 (October 25, 2018): 1256–75, <https://doi.org/10.1080/07075332.2018.1508052>.

¹⁴⁰ Kedar, “Human Rights and Multilateral Lending,” 1263.

¹⁴¹ Library of Congress, Human Rights and U.S. Foreign Policy.

¹⁴² Library of Congress, Human Rights and U.S. Foreign Policy.

institution loans for human rights reasons, it “unnecessarily antagonizes countries without improving human rights conditions” and that its negative votes “only place the United States on record without affecting the approval of the aid.”¹⁴³

It is relevant to note that studies of neoliberalism often cite the importance of ‘Washington Consensus institutions.’ These include the World Bank, IMF and other international financial institutions, which aligned with neoliberal thinkers in Washington to prescribe a set of policies focused on reducing state influence, privatizing public assets, and cutting fiscal expenditures.¹⁴⁴ While the term neoliberalism became popularized and more widely studied in the 1990s, the neoliberal road map was deployed by Martinez de Hoz in 1976, and by other authoritarians in the 1970s and 1980s, particularly Pinochet.

In his book *The World Bank: A Critical History*, Toussaint provided data on countries that borrowed from the multilateral lenders, demonstrating an increase in World Bank and IMF lending following military coups.¹⁴⁵ In Chile, during the year prior to the coup that brought Pinochet to power, World Bank and IMF support was \$10 million, a ten-year low. Immediately following the coup, loan levels rose significantly, reaching \$45 million just two years later (an almost five-fold increase) and exceeding \$70 million by 1981.¹⁴⁶ In Nicaragua, long-time dictator Anastasio Somoza (who ruled for decades, consistently with U.S. backing) was overthrown by the leftist Sandinista party, becoming a key concern of the Reagan administration.

¹⁴³ Library of Congress, Human Rights and U.S. Foreign Policy.

¹⁴⁴ Tomás Undurraga, “Neoliberalism in Argentina and Chile: Common Antecedents, Divergent Paths,” *Revista de Sociología e Política* 23, no. 55 (September 2015): 11–34, <https://doi.org/10.1590/1678-987315235502>.

¹⁴⁵ Eric Toussaint, Camille Bruneau, and Gilbert Achcar, *The World Bank: A Critical History* (London: Pluto Press, 2023).

¹⁴⁶ Toussaint, “*The World Bank*,” 77.

Combined with Reagan's focus on removing the Sandinistas from power and general concerns about economic volatility, multilateral lending pivoted from modest levels of lending activity throughout the 1970s and early 1980s to zero from 1985 to 1990 (when the Sandinistas had control), when a U.S. backed conservative became President and multilateral bank lending recommenced.¹⁴⁷ Like Argentina, in both Chile and Nicaragua, World Bank activity increased when the countries were controlled by right-leaning and/or military governments, so long as their economic objectives aligned with those of the bank.

For those unfamiliar with the decision-making processes of the World Bank and IMF, it would be logical to assume that they consider political and human rights factors. It would be rational to expect that institutions focused on reducing poverty would have high ethical standards. However, history has shown that the guiding principle of political neutrality allowed them to circumvent human rights abuses. Throughout the 1970s and 1980s, military dictatorships that focused on economic stability, growth and neoliberal reforms enjoyed far greater relationships with the multilateral lenders than did their democratic predecessors and successors. And the commercial banks that lent to countries such as Argentina while governed by military juntas were able to capitalize on the reputations of the main multilateral lenders to make their own loan decisions easier.

As discussed in this chapter, while the Ford and Reagan administrations supported anti-communist allies regardless of their politics and behavior, the Carter team hoped to achieve greater success in targeting human rights abuses. But despite that team's efforts to influence foreign aid and lending to dictatorial countries, particularly Argentina, they

¹⁴⁷ Toussaint, "*The World Bank*," 78.

were largely unsuccessful. The combination of pro-business and pro-export influences, the reluctance of the World Bank and IMF to disavow their political neutrality, and the independence of large commercial banks, all worked to render the Carter administration only mildly effective in its human rights campaign. As shown, through the combination of supportive governments under Ford and Reagan, and the human rights challenges faced by Carter, the Argentine regime was able to fund itself with loans from U.S. and foreign banks, along with the multilateral lenders, throughout each of these administrations.

Chapter V

Conclusion

This thesis explored the following three research questions: How did the relationship between the Dirty War dictatorship and banks contribute to the perpetuation of human rights abuses by the regime? Why did large and credible lending institutions finance the dictatorship despite the human rights violations? And from a Cold War perspective, how did U.S. support of loans to the dictatorship change during different presidential administrations?

Through primary source research, relevant secondary source scholarship, and the author's personal experience as a banker in both the United States and Latin America, I have demonstrated that banks were aware of human rights abuses, that the availability of loans enabled the regime to remain in power, and that the presidential administrations in office at the time either supported lending or were unable to prevent it.

In conclusion, I would like to synthesize three key findings and implications for researchers, practitioners, and other readers.

First, the political neutrality of the multilateral lenders was the most crucial factor in the ability of the regime to borrow in its early months, continue borrowing during its tenure, and remain in power through 1983. The World Bank and IMF were on the ground in Buenos Aires during the early months of the regime. They witnessed, read about, and were aware of the repression that was occurring around them. Yet their statutory avoidance of political involvement blinded them to the crimes being committed against innocent citizens. Once the multilateral lenders started lending, the large commercial

banks, already predisposed to assisting the regime, became more comfortable and started lending themselves.

The issue of lender impartiality is a significant one, as it has enabled repressive regimes to fund themselves and lengthen their tenures, despite their tactics and behavior. This issue extends beyond Argentina in the 1970s and encompasses a much larger array of dictatorships and victims. A question that has never been satisfactorily answered is why voting members of the multilateral lenders (such as the U.S., Germany, or United Kingdom) have not pressured those institutions to alter their approaches to neutrality in cases in which human rights abuses are obvious. The political neutrality of these large institutions creates important moral questions about the impact and role of global finance.

Second, of the three U.S. presidents in office during the time of the Dirty War, only one, Carter, adopted a pro-human rights view and a fresh perspective on foreign aid to dictatorial regimes. Unfortunately, the combination of pro-export lobbying and related congressional support, the political neutrality of the lenders, and the ability of the regime to tap European banks, all came together to minimize the effectiveness of Carter's approach. Despite the power of the United States, particularly as it regards Latin American countries and their need for U.S. support, it had a limited ability to reduce aid and lending. That a sitting U.S. president was unable to influence the global finance community despite his strong intentions to do so is a key conclusion of this thesis.

Aside from Carter, the other notable administration during the time of the regime was Ford's. An interesting counterfactual question about Ford's Secretary of State Kissinger and the regime is whether the environment would have been vastly different if he simply had told junta leader Videla in the first week of the coup to respect human

rights? Of course, that conversation did not occur, and Kissinger's overt support for the regime gave it a license to conduct its self-described war against domestic insurgents. The fact that said alleged insurgents would soon encompass school children, innocent neighbors, and grandmothers did not deter Kissinger from continuing to support the like-minded regime. Human rights abuse was a price Kissinger was willing to pay in return for allegiance to his anti-communist ideology.

Third, the regime's economic record of accomplishment is a case study of neoliberalism and its pros and cons. The early efforts of Economy Minister Martinez de Hoz to curtail public expenses, limit the power of unions, privatize industries, and open the economy were all tactics out of the neoliberal playbook. Adherents would contend that such steps are necessary for economic growth and individual financial well-being. The commercial banks, World Bank, and IMF each applauded the strategies, and opened their lending wallets accordingly.

In the negative column, the common criticisms of neoliberalism manifested in Argentina, both during the dictatorship and most definitely thereafter. Critics of the theory point to its negative consequences, including income inequality and an unbalanced societal structure, favoring corporations and wealthy individuals. The U.S. is currently dealing with the downsides of such a neoliberal orthodoxy. In Argentina during the dictatorship, workers saw their wages reduced and union representation minimized, while societal elites benefited from better investment opportunities and an increased ability to move personal funds offshore for greater security and higher returns. In the aftermath of the dictatorship, while it may be unfair to blame the regime for all the country's ills since that time, the level of debt incurred by 1983 placed the economy in a fiscal hole that it

has never recovered from. Income inequality has been a feature of Argentina's economy for decades, differing materially from the state of the nation during the first half of the twentieth century.

There is ample opportunity for ongoing research on the topics discussed above and within this thesis. This research includes but is not limited to a study of the 'unit level' costs of disappearances and the operation of detention centers, to assess the national economic impact of those activities more closely. In addition, deeper research into the connection of the debt incurred during the Dirty War to the country's ongoing and multi-decade economic malaise would be illuminating. And lastly, a broader study of the relationship between lenders and human rights approaches across a larger array of U.S. presidencies and global dictatorships could offer valuable insights into the influence of the U.S., or lack thereof.

Was Argentina different from other repressive dictatorships when it came to the availability of financing? It was not, though there were distinctions that make the Dirty War regime unique among dictatorships. Many dictators have borrowed from banks and other providers, including but not limited to Pinochet in Chile, the Brazilian dictatorship in the 1960s, and the more recent Venezuelan regime which has relied on Russia and China for support. However, Argentina had some peculiarities. First, the human rights abuses were publicly visible, and long lasting, from the moment of the coup. The repression was not covert or cloistered in secrecy. Yet despite this, the regime developed cordial relationships with dozens of commercial banks from around the world, along with the world's largest multilateral lenders. There is no evidence that any large bank refused to lend to the dictatorship based on its human rights transgressions.

Second, despite the general desire of lenders to finance sovereign entities that are successfully managing their economies, this was not always the case in Argentina. During the seven-year dictatorship, there was only one full year, 1977, in which key economic measures looked materially favorable to those from prior years. After 1977, the economy deteriorated once again, inflation reignited, and deficits expanded. Yet while that was occurring, the regime was able to maintain its lending relationships, with debt levels ascending to \$45 billion by the end of 1983. The willingness of the international financial community to continue financing the country through 1983 does not have a clear rationale.

Third, the borrowed funds were not used productively. At least \$20 billion was spent on military and arms purchases, in a country that required little defense spending. It is also now known that there was substantial corruption, as well as a cycling of funds outside the country by wealthy investors who withdrew funds from banks in Argentina and reinvested the funds elsewhere, including the U.S. and Europe, thereby draining Argentina of necessary liquidity.

As noted in the quote by Joseph Hanlon at the beginning of this thesis that dictators borrow and the people pay, this was certainly the case in Argentina.

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