

Buenos Aires, March 12, 1947

No. 2023

Subject: Conversation with Mr. MIRANDA, President of
the Central Bank of the Argentine

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to inform the Department that at a luncheon today in the Embassy residence which I gave on the occasion of the visit to Buenos Aires of Mr. BRADY, the President of the National City Bank of New York, and Mr. SQUIRE, the Vice President of that bank, Mr. MIRANDA, the President of the Central Bank of the Argentine, and Mr. CERREJO, the Minister of Finance, were present. As the guests were leaving, Mr. Miranda indicated he wished to remain and after taking up several routine matters which he wished to discuss with me, he entered into a long conversation in which some fundamental aspects of the Argentine situation were covered. I am reporting on this conversation briefly as it is my belief that the Secretary when he returns from Moscow, the Acting Secretary, Mr. ACHESON, and Mr. CLAYTON, and Mr. BRADEN will be much interested in the substance of the conversation.

Briefly for background, I must repeat that as the Department is aware from despatches of this Embassy, Mr. Miranda as President of the Central Bank has become, in many ways, the most important man in the Government of the Argentine next to the President. This is due to two factors: 1) that he is a competent businessman and administrator; and 2) because as the head of the Central Bank, which is by far the best functioning organism of the Argentine Government and for which reason so many functions which otherwise go into other Ministries are centered today in Mr. Miranda and the bank.

Because of his competence and the organ which is under his direction, and because the President is lacking, in many respects, in competent collaborators, Mr. Miranda has the complete confidence of the President in spite of the fact that Mr. Miranda frankly states, and in the presence of the President, that he is not interested in politics but that he is in the Government to maintain private capital and initiative which he believes are the foundation of any sound economy.

Mr. Miranda made the following observations in his conversation with me.

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1. With reference to the banking law which was enacted during the early period of the present Government and which law was much criticized by the foreign banks, he said that he was responsible for it and contrary to statements commonly made in the Argentine and elsewhere that he had received advice from certain foreign technicians and experts in connection therewith, it was his work. He said that Senator MOLINARI and a very considerable majority in the Congress who hold radical views with respect to private enterprise had been in favor of nationalization of the foreign banks in the Argentine believing that it would be a generally popular measure in the country. Mr. Miranda said that he realized that this would be a great mistake in principle, and do great damage to the Argentine economy, and in order to prevent such radical action by the Congress, he had prepared the law for the exercise of certain control of the banks through the Central Bank. He said that the alternatives had been nationalization of such control and so far as he was concerned, he had no doubts as to which the right alternative had been. In this connection, he observed that Mr. Brady, the President of the National City Bank of New York who was now in the city, would observe while he was here that the branch of the City Bank here was not having any difficulty in its operations under this law, except some additional paper work, and that the branch was showing the best profit last year and so far this year in the history of the branch.

It is interesting in this connection to note that this is the first time that this Embassy has been given this reason for the banking law and there seems to be little doubt of the correctness of the above statement of Mr. Miranda. Concerning the radical views of Senator Molinari and a considerable group in the Congress in both the government and opposition party, there is no doubt; and I personally during the early part of my stay in the Argentine heard Senator Molinari strongly express himself in favor of the nationalization of the foreign banks as well as other foreign enterprises.

2. Mr. Miranda said that the Government was going to cut down on the budget for the Army and Armed Forces which was by far too large now and that these cuts were being made currently. He said that a cut of 50% in the expenditures for the Armed Forces was contemplated during the next 12 months. He had already discussed this at length with the President who was fully in accord. Not only the Argentine, but others of the American countries were spending far too much on arms when there was absolutely no need for their doing so, and when it was in many respects money wasted. He said that the Argentine now had an Army of some 100,000 men which was too much and that this was going to be cut down to 70,000 in the next 12 months. So far as expenditures for armament which the Armed Forces wished to make, some of them were justified because they had not had any material for years but most of the expenditures were not justified because

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the Argentine had no quarrel with anyone and there was no thought of war or danger of war with anyone in this hemisphere. Some of these arms which the Army wanted were necessary for training. Others they wanted just as play things. It was necessary for the Argentine to cut down her expenditures for armaments and it was to be hoped that other countries in Latin America would do the same for according to Mr. Miranda in proportion to their resources, their expenditures in some cases are even greater for their Armed Forces than those of the Argentine.

He said that the military had these strange ideas of what they wanted and needed when it would serve no purpose whatever for the only war in which the Argentine could possibly be engaged was in the event there was another world war, in which case of course the American republics would be with the United States and the Argentine would be there at the outset. In that case, any armaments which were acquired now or which the Army now had would be for the most part of little value and any worthwhile material would have to be acquired from us. He said that the Minister of War and Minister of Aviation had both recently asked for considerable sums of money for certain military expenditures and the President had referred them to him as the budget officer and he had refused the money on the ground that it was needed for more constructive purposes. Mr. Miranda said that when the offer by the Skoda of arms at low prices was discussed, he had stated with the authority of the President that there was no money available for purchase of arms from Skoda. He said that the military had certain plans which he could quite understand they might have as military men, but that the President was in complete accord that these plans which involved expenditures on a considerable scale could not be carried through.

While Mr. Miranda did not say so, I gathered from what he said in connection with this cut of 50% which they planned to make in the military budget during the next year, it might be possible that the Argentine Government in due course may propose to the other governments of Latin America similar cuts in their military establishments. In this connection, he referred to the military budget of Chile which he said covered more than half of the national income while only 4% went to public works.

3. He said that the Government was determined to conserve its resources for productive purposes and as an example referred to a project for the erection of a public building which had been proposed by a Minister, the building to cost 70,000,000 pesos. He said that the project had been definitely turned down as there was no need for such an elaborate building.

4. Speaking of the commercial arrangements which the Argentine is making with her neighbors, he said that

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one of the objectives was to help to stabilize the economies of these countries against the increasing inroads on the part of indigenous Communism. Another purpose was to assure themselves of continuing markets for agricultural products and the sources of certain raw materials which were needed in the industrial program of the Government. He said that such commercial agreements would do a great deal to stabilize the situation in some of these countries and aid in cutting down the cost of armaments by removing distrust between the countries and stabilizing conditions within them.

5. He emphasized that he was in the Government, as he has frequently said to me, not as a politician but as a businessman who knew it was necessary to maintain private initiative and capital in the country if there was to be any sound economic structure and business development thereof. He knew some of the trends which were current in the Argentine as well as in other American countries and in other parts of the world, and he was willing to make the personal sacrifice involved in being in the government, and to neglect his considerable personal business, because he had complete confidence in President PERON as a man and as a patriotic Argentine. He said he was not interested in any particular administration or in politics as such but that he was convinced that the policy being followed by the present Government was necessary for the future.

6. In this connection, he referred to the formation of the Instituto Argentino para la Promoción del Intercambio (I.A.P.I.). He said that the formation of this Instituto had been very much criticized as well as its operations. He said that from the beginning of the present administration he had realized that if every move of the Government in the economic field had to be covered by a separate law by the Government it would have been impossible to carry through any constructive program because of the incompetence of most of the members of the Congress and because of the radical ideas of so many, both in the government and opposition party. He had, therefore, conceived this idea of the Instituto and had been able to get adequate support for it and a law had been passed by the Congress creating the Instituto and giving it very broad powers. He said that the choice had frankly been between incapacity to government, and revolution, or the organization of the Instituto which would have broad powers to carry out necessary acts for the stabilization of the economy of the Argentine in the difficult world situation, and to provide for the improvement thereof.

He said that if the meat agreement with Britain had to be submitted to the Congress, there would have been no meat agreement which would have been very bad all around. He said that if the purchase of the American-owned telephone company and of the British-owned railways had had to be approved by the Congress, these transactions

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important for the country and which were made on a very sound basis, could not have been carried through because there would have been attempts on the part of the radical members of the Congress in both the government and opposition group to bring about exploitation, complete government control and management, which would have involved a complete break down of important functions of government and economy. So far as Mr. Miranda's statement concerning the meat contract and the purchase of the telephone and railways is concerned, there is no doubt that he is correct and that these operations could not have been carried through in the sound way they were carried through except through such organism as the Instituto.

The Instituto, he said, was the instrument which he had had to invent as a defense against revolution which would have grown out of a break down of government and which would have been inevitable due to the new situations which the country was facing in a difficult period of its own development and in a difficult world period.

Parenthetically, I may state in this connection that this is the first time this Embassy has heard this explanation of the organization of the Instituto and considered in the light of all the facts which have to be taken into account, Mr. Miranda's statement has much basis.

Mr. Miranda is a much discussed and much criticized person in the Argentine. Many of the programs which are carried through under the Instituto such as the control of exports of cereals and other Argentine products have aroused a great deal of criticism within the country and in other countries. It is interesting, however, that during the last three or four months many conservative businessmen in the country who are opposed to the present Government and who certainly have no personal liking for Mr. Miranda have come to realize that the measures which have been taken through the Instituto have gone far towards saving private initiative and capital against the attacks of radical members of the government and opposition parties. Mr. Miranda is ruthless in some of his methods and at times brusque in his conversation, but his word when given is dependable. The views which Mr. Miranda expressed and holds with regard to private capital and initiative are held by the President.

The statement by Mr. Miranda that the Argentine Government intends to cut down the Armed Forces budget by 50% during the next 12 months. I am not able to state to what degree the Argentine Government will carry through this plan. Mr. Miranda was most definite in saying that the plan has the definite approval of the President. In view of the fact that there are indications that the President and others in the Government are definitely

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endeavoring to lessen the influence of the Army in the life of the country, the foregoing has further significance.

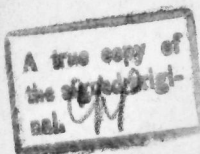
In this connection, I find that I neglected to state that Mr. Miranda observed that steps are already being taken to cut down the size of the Army, and to change the times of the usual Army maneuvers in order to make it possible that more men will be available for useful and productive work, particularly the harvesting of the crops. There is a very great shortage of manpower in the Argentine, and there is perhaps no country in the American republics in which the need for immigration is more definitely felt than it is in the Argentine at this time.

It may be noted in connection with this conversation with Mr. Miranda that when he first assumed his position as head of the Central Bank, he was quite unfriendly, or at least deeply critical of the United States in many respects. This came to me in various ways from responsible sources. It is obvious that he is completely changed in his attitude and is now friendly and one of the principal exponents in the present Argentine Government of close collaboration with the United States. His strength in the Argentine Government lies particularly in the fact that it is generally accepted that he has no political ambitions.

It is unfortunate that the two most capable men in the Argentine cabinet, the Minister of Foreign Relations, Dr. BRAMUGLIA, and Mr. Miranda, the President of the Central Bank, have no love for each other. They mutually respect each other but there have been many points of conflict between them before they entered the Government and these persist. This personal and mutual dislike, however, while it is very real to my knowledge, has not up to now prevented them from working together in constructive measures.

If the plans of the Argentine Government to cut down military expenditures by 50% in the next 12 months are carried through, it will be a most significant move. No mention has yet been made of this to my knowledge and Mr. Miranda's statement is the first which I have had in this connection. In view of the fact that Mr. Miranda was speaking to me in an entirely personal way, I would appreciate very much this information being kept altogether confidential.

Respectfully yours,



George S. Messersmith

To Department in quintuplicate
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