INFORMATION TO USERS

This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps. Each original is also photographed in one exposure and is included in reduced form at the back of the book.

Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.
THE UNITED STATES, ARGENTINA, AND THE INTER-AMERICAN ORDER, 1946-1950

Volume I

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of the Ohio State University

By

Glenn J. Dorn, M.A.

* * * * *

The Ohio State University
1997

Dissertation Committee:
Professor Michael J. Hogan, Advisor
Professor Peter Hahn
Professor G. Michael Riley

Approved by

[Signature]
Adviser

History Graduate Program
ABSTRACT

In the years immediately following World War II, Argentine President Juan Domingo Perón emerged as a major threat to U.S. dominance over the Western Hemisphere. Riding to power amid revolutionary fervor, Perón advocated a nationalistic, statist, authoritarian model for national development, dedicated to bilateral trade, autarchy, and "economic independence." Naturally, Perón's ideology, justicialismo, and his "Third Position" in foreign affairs stood in stark contrast to the liberal capitalist order based upon free trade that the Truman Administration advocated. In the clash that ensued, peronistas and the heirs to the New Deal each worked to undercut the other as they disseminated their doctrines, worked to win allies, and promoted their rival visions.

For U.S. policymakers, Perón posed a dilemma. While they could work to denounce and unseat him, doing so would have risked alienating other Latin Americans who feared U.S. interventionism. So the Truman Administration instead opted to work quietly and subtly to divert Perón from the course he had set and dismantle his corporatist state. Ambassador George Messersmith first attempted to utilize simple persuasion. When this failed, his
successors endeavored to pry apart the *peronista* coalition, bankrupt the Argentine government, and minimize the damage that Perón was doing to hemispheric solidarity and U.S. leadership. So as Peronists tried to cement alliances with Bolivia, Chile, Peru, and other South American states through commercial pacts, State Department officers discretely sabotaged the negotiations. Secrecy was essential for U.S. leaders who were well aware that all in Latin America were watching the Peronist experiment very closely. If Perón failed due to U.S. intervention, not only might he become a martyr to be lionized by revolutionary nationalists, but others would be tempted to emulate his program. Therefore, *peronismo* had to collapse seemingly due to its own weaknesses and be discredited in the eyes of all observers.

The Truman Administration achieved victory in 1949 when the Argentine economy collapsed. Perón, desperate to salvage his presidency, repudiated much of his program, turned toward economic orthodoxy, and sought financial assistance from the United States. When he accepted an Export-Import credit, he implicitly acknowledged the failure of his program. By seeking aid from the same "Wall Street Imperialists" he had assailed for years, he could no longer pose credibly as a revolutionary opponent of capitalism or as a full-fledged rival of the northern colossus.
Dedicated to my Mother and Father
ACKNOWLEDGMENTS

First and foremost, I wish to thank my advisor, Michael Hogan, for giving me a chance at the start and showing great patience all along. Without his intellectual support, encouragement, guidance, and assistance, this dissertation would not have been possible.

I thank Peter Hahn and G. Michael Riley for their assistance and suggestions which have elevated the quality of this work substantially. It is difficult to imagine a dissertation committee more helpful than that which saw this through.

I am grateful to the archivists and staffs of the U.S. National Archives, the Suitland Record Center, the Harry S. Truman Library, the Walter Reuther Center, the M.P. Catherwood Library, the University of Delaware Library, the Lilly Library in Bloomington, Indiana, and the Clemson University Library. Their help and knowledge were invaluable in the research of this project.

I also wish to thank Carlos Alberto de Llapiane of
the Archivo del Ministerio de Relaciones Exteriores y Culto, Patricia Chomnalez of the Fundación Simon Rodríguez, and the staffs of the Instituto Torcuato di Tella, INDEC, ISEN, and the Argentine Biblioteca Nacional for their assistance while I was in Buenos Aires.

I am grateful to the many people who provided intellectual or technical assistance, including David Steigerwald, William Walker, Carlos Escudé, Michael Mangus, Pablo Bustos, Leonor Devoto, Randall Bennett Woods, Donald Cooper, Joel Horowitz, Hector Maldonado, Susan Landrum, Paul Wittekind, Darrell Fox, and countless others in Ohio, Buenos Aires, and on the road.

I must also thank John Hill, who suggested this topic to me as I was stumbling through my first year in graduate school. This dissertation grew out of one offhand remark he made in mid-1991.

Finally, I wish to thank and apologize to my wife, Mary, who has periodically been forced to take a backseat to this project and my travels. This would not have been possible without your love and support throughout.

This research was supported by grants from the Ohio State Graduate Alumni Association and the Tinker Foundation.
VITA

November 6, 1968  Born - Springfield, Ohio
1990           B.A. History, Ohio Wesleyan University
1990-1991     University Fellowship,  
               Department of History   
               The Ohio State University
1991-present  Graduate Teaching Assistant,  
               The Ohio State University
1993           M.A., The Ohio State University

FIELDS OF STUDY

Major Field: History

Sub-Fields: U.S. Diplomatic History  
            Latin American History  
            Modern U.S. History
# TABLE OF CONTENTS

**Volume I**

| Abstract | .................................................. | ii |
| Dedication | .................................................. | iv |
| Acknowledgments | .................................................. | v |
| Vita | .................................................. | vi |
| Table of Contents | .................................................. | vii |

**Chapters:**

1. Introduction | .................................................. | 1 |

2. U.S.-Argentine Relations to the "Guaranteed Election" of February 1946 | .................................................. | 66 |

3. Looking for a "Good Stick:" March 1946-June 1946 | .................................................. | 139 |

4. "On the Wrong Road with Very Good Intentions:" Messersmith and Perón, June 1946-September 1946 | .................................................. | 213 |

5. "Into the Jaws of the Wolf:" The Peronist Challenge to the Inter-American System, December 1946-June 1948 | .................................................. | 271 |

6. The Messersmith-Braden Feud: Clearing the Path to Rapprochement, October 1946-June 1947 | .................................................. | 344 |

7. Failed Overtures and New Alliances: U.S. Efforts to Subvert the Peronist Unions and Army, January 1947-March 1948 | .................................................. | 386 |

8. The Beginning of the End of the Peronist Challenge: August 1947-December 1948 | .................................................. | 450 |

9. **Peronismo** Penitent: January 1949-December 1949 | .................................................. | 501 |

viii
10. Conclusion ..........................................550

Bibliography .............................................570
CHAPTER 1

INTRODUCTION

We dance the foxtrot and at [the ITO conference in] Havana, they will play a waltz to which we are not accustomed.

Miguel Miranda, 1947'

I have been witnessing one of the most dramatic and interesting social experiments in the history of the world--"Peronismo"--an effort to create changes in the economy of a country in four short years that should, under even a less ill-adroit government, take at least 20 years; a strange mixture of nationalism, dictatorship and paternalism which may produce a great social result--if the whole laboratory does not blow up.

Stanton Griffis, 1 March 1950'

I

Put simply, the election of Juan Domingo Perón to the Argentine presidency in February 1946 was nothing less than a dramatic challenge to U.S. hegemony in South America. Perón rose to power advocating a nationalistic, authoritarian path to economic development that relied
upon state corporatist organizational controls, the elevation of the masses, bilateral, state-guided trade, and an aggressive foreign policy calculated to erode the power and influence of the United States. Every facet of this program was a direct threat to U.S. policymakers who sought a global order based upon limited government intervention in the economy, liberal capitalism, privatist economic growth, multilateral trade, and their own benevolent dominance over the Western Hemisphere. In short, the emergence of Perón's alternative spawned a major systemic clash between rival ideological models for national development, just as European fascism had done in the 1930s, and Soviet communism was doing in the early stages of the Cold War.

Historians on three continents have gone a great distance toward illuminating the conflict between Argentina and the United States during the post-World War II period, but, in general, have failed to place it within larger contexts. The result has been the evolution of a sophisticated historiography that by and large remains divorced from a number of trends in either diplomatic or national (Argentine or U.S.) history. Although this insularity has allowed historians to explore aspects of the U.S.-Argentine relationship in great detail and to very good effect, it has also hindered efforts to integrate their findings and conclusions into a synthetic
framework that would better demonstrate the value of their studies to larger fields.

The "bureaucratic politics" approach pioneered by scholars such as Ernest May, Albert Vannucci, and Randall Bennett Woods is an excellent example of this trend. In an effort to bring order to the disparate and complex issues that arose in the 1940s between the two nations, these scholars have worked to explain the conflict by focusing upon the inter- and intra-departmental rivalries within the U.S. government. They have found U.S. policy toward Argentina to have been generally incoherent and marred by irrational, personality-driven bureaucratic infighting. Proponents of this approach have done a great service by discrediting the notion that nations act as unified actors, but there are limits to what this sort of analysis can explain. It does not, for example, adequately assess the Argentine side of the story or take enough account of developments outside the narrow realm of U.S.-Argentine relations. More importantly, the "bureaucratic politics" approach downplays the significance of its subject by suggesting that the clash between Peronists and the New Dealers was little more than an isolated incident without long-term causes, consequences, ramifications, or lessons.'

Carlos Escudé's powerful works on this subject also seem to fall into this trap to some degree. Escudé builds
upon the "bureaucratic politics" analysis, arguing that U.S. policymakers were plagued by a "syndrome of irrelevance of rationality." Because Argentina (and Latin America in general) was so peripheral to U.S. leaders preoccupied with Europe and the emerging Cold War, he posits, they allowed their dealings with Perón to degenerate into foolish vendettas and an irrational "economic boycott" of Argentina. Although Escudé's writings do give considerably more attention to Argentine concerns, they do not convey the threat that Perón's Argentina truly posed for the United States.‘

Other scholars, working to explain U.S. policy, subordinate U.S.-Argentine dealings to the emergence of the Cold War. According to Rita Giacalone, Callum MacDonald, and others, U.S. leaders abandoned their crusade against Perón and reached an accommodation with him at some point after 1946 in order to gain an ally against the larger enemy—the Soviet Union. This approach does have the considerable merits of placing this episode into a larger geographical and chronological perspective and reflecting the global vision of U.S. policymakers. Where it goes wrong, I will argue, is in misinterpreting a shift in U.S. tactics for a change of policy. In short, U.S. leaders never accepted Peronism, and most did not even consider any real "partnership" with Perón until at least 1950. What Cold War scholars see as tentative U.S.
cooperation with Perón can be better described as a covert, subtle effort to destabilize Argentina, undermine the Peronist economy, and preserve U.S. dominance in the hemisphere not from Soviet communism—which had not yet made substantial inroads into the region—but from Perón and like-minded nationalists in other nations.

The other dominant theme in the recent historiography of U.S.-Argentine wartime and post-war relations—a focus upon the Anglo-Argentine-U.S. triangle—also redresses several of these shortcomings. Noting that the United States replaced Great Britain as the great power patron of Argentina between 1946 and 1950, scholars such as Escudé, MacDonald, Jorge Fodor, Arturo O'Connell, Mario Rapoport, and others have focussed upon the interplay of all three nations. This approach illuminates deeper aspects and long term changes, starts to demonstrate the significance of these relations, and places events within the larger contexts of post-war British and Argentine decline and the rise to hegemony of the United States. Although students of this triangle have made great strides, however, they have done so by giving the British a greater role than they seem to merit in this clash which was after World War II, fundamentally, a struggle between two nations of the Western Hemisphere. U.S. policymakers knew that the British (like the Germans) were in retreat, and therefore, a peripheral concern. If a study of U.S.-Argentine
relations is to have a triangular component, then the third leg should be the other nations of South America—whose attitudes and positions shaped the U.S.-Argentine struggle.

These interpretations parallel those that Mark T. Gilderhus describes for the general study of diplomatic history within the Western Hemisphere. Gilderhus suggests that one solution to the fragmentation of the field in general is a "radical synthesis" based loosely upon the New Left interpretation of diplomatic history and shaped by the issues raised by dependency theorists. Centered on the undisputable fact that the United States has dominated the hemisphere since 1945, the "radical" approach works to understand the ends, means, and impact of this de facto imperialism. The key, Gilderhus and William O. Walker suggest, and Stephen Rabe implies, is to place the narrow historical monograph into a "more global political and economic context."

The purpose of the present study is to work toward such a synthesis by integrating the disparate and often esoteric issues of U.S.-Argentine relations into a coherent pattern that deepens the existing analysis within the "radical" framework. This becomes possible by viewing U.S. dealings with Perón as a multi-layered, political, economic, and ideological struggle between two distinct, almost diametrically-opposed, rival corporatist models.
New Dealers in the United States, to use terminology employed by Guillermo O'Donnell, adhered to a "privatist corporatism" featuring relatively weak (but clear) links between the public and private sector, a broker state capable of arbitrating disputes without the use of overwhelming coercive power, and the dominance of the capitalist class vis-a-vis labor. On the other hand, had responded to the global crises of the 1930s and 1940s with a "statizing corporatism" that overturned the dominance of the capitalist class through an authoritarian--but decidedly populistic--state apparatus and the implementation of far more rigid regulatory controls over group behavior. Although both Peronists and New Dealers sought to solve their nations' problems through corporatist organization, the variants they employed proved to be dramatically different.

For purposes of this study, I define corporatism as a socio-political and economic system that organizes individuals and functional groups into a coherent, at least semi-formalized, structure to bring order and stability to the whole, or to again borrow from O'Donnell's definition, as "a set of structures which link society with the state." An outgrowth of medieval guilds and patron-client relationships, corporatism is nonetheless a modern phenomenon designed to deal with the problems faced by industrialized or industrializing
nations. To control, regulate, or coordinate the activities of all sectors within the diverse modern nation-state, policymakers across the globe erected institutional "links" between the public and private sectors. Domestic historians in both the Americas and Europe have long recognized that different nations, leaders, and groups have utilized various schemes and degrees of corporatization to achieve their goals. Peronists drew from a familiar Southern European and Latin American tradition of state corporatism rooted in Catholic thought, that permitted the imposition of the state into the private sphere on a grand scale. On the other hand, the corporatism that emerged in the United States during and after the New Deal reflected both the individualism and the deep-seated, reflexive fear of excessive state power that had long been North American trademarks.

However, diplomatic historians have also seen international ramifications for the emergence of different brands of corporatism across the globe. Scholars such as Hogan, Joan Hoff, Charles Maier, and Carl Parrini have shown how U.S. foreign policy and global vision evolved out of the domestic order. Clearly, at least three generations of U.S. policymakers after World War I labored to "export the American Way" of free trade, corporate capitalism, and liberal democracy. Most of these studies deal exclusively with the "high policy" of international
finance and European diplomacy.' Nonetheless, the same leaders who made U.S. policy toward Europe also made it for Latin America, within the parameters of a globalist approach. Whatever discrepancies that existed between U.S. policies in Europe and Latin America must therefore be balanced by an examination of the common threads that existed between the two. While historians have utilized corporatistic analyses to link domestic and foreign policies within the United States, little has been done to duplicate this process for Latin American nations.

If Inter-American relations are examined with special attention to the role of the state in the domestic order of given nations, it is possible to see this connection clearly. The protracted campaign that U.S. leaders launched to unseat Perón in Argentina must be seen as at once, an extension of the effort during World War II to eradicate the rival socio-economic system developed by European fascists and a regional manifestation of the drive to extend privatist corporatism globally. In this context, U.S. policy in Latin America can be understood as one facet of a global approach, firmly-rooted in the domestic order adopted by the New Dealers in the 1930s, and nuanced to fit local conditions. On the other hand, Perón's efforts to emplant state corporatism in Argentina must be viewed as a direct and conscious repudiation of that same privatist approach and the U.S.-sponsored
international order. The peronistas' diplomacy was a clear challenge to U.S. hegemony and, not coincidentally, also an outgrowth of the revolutionary domestic order they were imposing in Argentina. Far more than a simple bilateral conflict between two geographically-distant states, the ensuing battle was one between rival economic and political systems and models. Despite what the protagonists may have believed, this was not a simple fight between democracy and dictatorship, totalitarianism and freedom, or imperialism and liberation, but rather a clash between two corporatist variants, related yet quite distinct. A brief examination of both the New Deal order in the United States and the Peronist state in Argentina bears this out.

II

While hardly a radical departure from the policies of the Republicans' New Era of the 1920s, the New Deal did bring to the fore new and important innovations that had lasting effects upon foreign policy. As scholars such as Thomas Ferguson, Ellis Hawley, Hogan, and Kim McQuaid have noted, the figures comprising Roosevelt's "Brains Trust" inherited many of their conceptual assumptions from the "associational" state forwarded by Herbert Hoover. Their faith in technocratic, scientific solutions to the
traditionally political problems of society, and their belief in limited, but positive, government intervention in a fundamentally liberal capitalist economy represent much more of an evolution than revolution.¹⁰

By accident or design, the New Deal order eventually brought stability, growth, a loose, privatist, corporatist structure, and a new role for government to the United States. Arguing that the laissez faire of the 1900s and Hoover's weak voluntarist associationalism had been inadequate to prevent disastrous boom-bust cycles or provide stable growth that would undercut radicalism, the New Dealers strengthened the corporatist linkages between state and society. Although rejecting outright the corporatist language and centrality of the state that was increasingly associated with European fascism, New Dealers nonetheless found themselves using the federal government as a tool for organization, coordination, and positive intervention. Indeed, the centerpiece of Roosevelt's first New Deal, the National Recovery Act (NRA), explicitly drew upon corporatist assumptions by establishing industrial councils representing government, business, labor, and consumers. The NRA may have gone farther toward state corporatism than most Americans were willing to go, but the New Dealers persisted in their efforts to use the national government as a tool to preserve the essence of a capitalist system even after the
failure of the NRA. With the "broker state" acting as arbiter, the private sphere could be influenced constructively without the overwhelming control exerted by dictatorship or a European-style corporatist regime dominated by an overweening (if not totalitarian) state. The coordination and organization of this minimalistic privatist corporatism would eliminate the economic dislocations, social discord and traces of class conflict that had periodically emerged: putting to death any lingering romantic attachment to a mythical laissez faire economy in the process. Self-interest was to be redirected and ameliorated, but not eliminated as the "politics or productivity" expanded the economic pie for all and defused radicalism through shared prosperity. The linkages between state and society would be strengthened through new coordinating organizations and institutions, but remain loose enough to retain the much-heralded freedom of liberal capitalism. The New Deal had the backing of a powerful bloc of "capital-intensive" firms, progressive businessmen, and organized labor, and although it did not create a fully-corporatized state, like Benito Mussolini's Fascist Italy, neither did it allow an unorganized society to once again plunge itself into depression and chaos."

If the New Deal Order had been, fundamentally, an attempt to preserve liberal capitalist institutions,
Perón's "comunidad organizada" ("organized community"), was in many respects an almost revolutionary attempt to eliminate most of the vestiges of capitalistic exploitation. State-dominated corporatist organization, Peronists argued, was a panacea that would solve all of Argentina's problems. An authoritarian state apparatus would be able to break the back of the agropastoral and commercial elite (as well as their foreign allies) that had dominated Argentina for centuries and, in Perón's eyes, held back industrialization. State institutions could drive industrialization by providing technocratic guidance and capital—thereby avoiding the "plutocratic" excesses that Peronists believed to be the rule in Anglo-Saxon democracies. Like the New Deal, Peronist state corporatism would also alleviate mass discontent through Bismarckian reforms that would bring "social justice" to the exploited masses, and "open" the government to the lower classes. However, Perón's commitment to redressing the grievances of the lower and working classes also precluded the support of industrialists, landowners, or the commercial elite. Whereas the New Deal had to some extent been created to avert the emergence of either communist revolution or fascistic syndicalism, Perón borrowed much of the rhetoric of the former and a number of the corporatistic underpinnings of the latter.
These rival corporatismis, both advanced as domestic solutions to particular national problems, played a dominant role in the foreign policymaking of New Dealers and Peronists alike. Leaders in the United States worked toward a world order which would serve their national interests—as defined by those groups that had joined the New Deal synthesis. It is even more clear that Peronists—who possessed a radically different vision than any previous Argentine government—did the same for their constituencies. The implications and ramifications of this rather straightforward, assessment are nonetheless striking when examined in more detail.

III

Just as the New Deal had effected a lasting transformation in the domestic sphere, so it did with the nation's foreign policy. After defeating the rival visions of Raymond Moley and George Peek by 1934, Secretary of State Cordell Hull embarked upon a campaign to revolutionize world trade. Having drank deeply from the Wilsonian well, Hull reasoned that "unhampered trade dovetailed with peace; high tariffs, trade barriers and unfair economic competition with war." Since his days as a Tennessee Senator in 1916, Hull had been an ardent advocate of full currency convertibility and relatively
unfettered, multilateral commerce. He argued that protectionism amounted to "economic suicide," and viewed the infamous Smoot-Hawley Tariff as nothing less than the primary cause of the Great Depression. The British had responded to that tariff with the 1932 Ottawa Accords, strengthening Imperial Preference—thereby setting off a protectionist spiral which quickly caught up the rest of the world. For Hull, the depression in the United States could be ended only with the reestablishment of world trade—a cause to which he tirelessly devoted his State Department throughout the 1930s. The "capital-intensive" firms that had proved invaluable to the New Deal coalition echoed this sentiment, as did progressive labor organizations that saw the expansion of foreign commerce as the solution to their own problems.13

Hull's Wilsonian vision had even more important and far-reaching repercussions. "[It] must not be overlooked," he noted, "that the most moving and impelling influence supporting dictators' ambitions is unemployment and distress among the masses." Although he permitted exceptions, "it is a general rule that the single largest cause of riots, revolutions, and wars of aggression is a people in severe economic distress." Furthermore, dictatorships such as Hitler's Germany which arose from the "distress of the masses," utilized "unfair" trading tactics and paralleled their domestic tyranny with
"piracy" on the international market. By diverting trade away from private business and toward Dr. Hjalmar Schacht's Reichsbank and using the proceeds to prepare for a "war of aggression," Nazi Germany had been Hull's worst nightmare. Driven by the "unfair" advantages that it gained from totalitarian domination of the national economy, Germany's economic and military expansion supplanted the investment and trade of the liberal capitalist powers throughout the 1930s. For Hull, the lesson was clear—depression led to dictatorship which spawned "economic warfare" that degenerated all too readily into actual war. Dictatorship, oppression, autarky, and war were inextricably linked, as were democracy, free trade, and peace. The "political line-up followed the economic line-up," as Hull put it.

Although Hull left the State Department in 1944, his heirs shared his commitment to free, multilateral trade and the spread of U.S.-style democracy across the globe: a system compatible with the needs of the "capital-intensive" New Deal coalition. Indeed, all of these leaders had witnessed the Great Depression, the rise of fascism and nazism, and World War II. All had seen the horrors that dictatorship and autarky brought and sought to forge a postwar order founded on multilateral trade and democratic capitalism. Assistant Secretary of State William Clayton, foremost of Hull's successors, perhaps
best typifies the ethos of free trade. Arising, ironically, from one of the most-protected industries in the United States, the Texas cotton magnate and vigorous free trader emerged as one of the dominant personalities in the administration of Harry S. Truman. Like Hull, Clayton claimed that,

there are only two economic courses open to the countries of the world. They can continue on a nationalistic bilateral barter system, patterned along the lines developed so intensely by Nazi-Germany, or they can go back to the multilateral basis where every country is free to trade with every other country with a minimum of restrictions and discriminations.  

The first course would inevitably force the U.S. government to more tightly control the domestic economy to the point where it was "very doubtful" if liberal capitalism or "democracy would survive." It was therefore of vital importance that U.S. policymakers make use of their unrivalled position in the post-war world to emplace a global order based on the second alternative as simple national self-interest dovetailed with an idealistic global vision of peace and prosperity.

While Hull's simple laissez faire approach had been somewhat out of step with the New Deal's focus upon the coordinating institutions of privatist corporatism, his successors worked to revamp the nation's foreign policy along the same lines established by their domestic agenda. For Clayton and others in the Truman Administration, World War II had emphatically reinforced the lessons that the
autarchic, zero-sum economics of the 1930s had driven the world to war. When the dust had settled in 1945, the great European and Asian colonial powers had been decimated, leaving the United States almost unquestioned dominance over a world that seemed to be desperate for U.S. leadership. When given the chance to renovate the global economy, launch the Pax Americana, and thereby create a world in which their own democratic institutions could flourish, these leaders naturally opted to use the same New Deal solutions that had repelled extremism in the United States. Their efforts, revealed in the Marshall Plan to rebuild Europe and in financial innovations such as GATT and the ITO, show a remarkable consistency in this regard. The principles they would use in this grand project were Hull and Clayton's—multilateralism, free trade, and liberal capitalism bolstered by privatist corporatism. Their efforts unfolded differently in various regions, but these distinctions should not obscure the fundamental consistency that undergirded them all."

In Western Europe, the Truman Administration was not content to merely rebuild the war-devastated economies. The continent had to be reconstituted in a fashion that would prevent the re-emergence of dictatorship, cutthroat competition, and war. With these goals in mind, Americans placed as much emphasis upon the integration of a revitalized Germany into a harmonized continental economy
that conformed roughly to U.S. values as they did on containing the menace of Soviet-style communism. The Marshall Plan attempted to create supranational bodies to organize this integration and to bring national policies into line with their concept of corporate liberalism, including the support for modest social welfare policies, labor-management partnerships, progressive fiscal policies, and liberalized trade. Rather predictably, Marshall Planners such as Dean Acheson, Paul Hoffman, George Marshall, and Clayton chose to solve post-war dilemmas with a dual prescription of expanded trade and a "Europe made the American way."  

Other U.S. ventures around the globe also aimed to create a web of multilateralism and structures that could withstand inevitable economic fluctuations and deter radicalism. The occupying authorities in Japan, for example, tried to recreate elements of the New Deal in Asia, sacrificing anti-monopolism and punitive measures against the Japanese to the end of creating a liberal capitalist order that would fit into the new global economy. They envisioned Japan, like Western Europe, as the center of a stable regional economy that would prevent the spread of communism, promote multilateral trade, and reduce the need for militaristic expansion.  

Just as Japan, England, and Western Europe were to stand as regional bastions of liberal capitalism and
centers of the world economy, so too was the United States, which appointed itself to act as policeman, banker, and arbiter over the Western Hemisphere. As the hemispheric manifestation of Roosevelt's New Deal, the Good Neighbor policy was, like the New Deal itself, hardly the dramatic reversal of prior policy its architects thought it to be. Put in its simplest terms, the Good Neighbor policy was a U.S. pledge not to intervene unilaterally south of the Rio Grande. Seeking to undo the damage done to hemispheric relations by Theodore Roosevelt's "big stick," Wilsonian interventionism, and that of the Republican administrations of the 1920s, Roosevelt tried to put a pretty face upon U.S. hegemony over the region by renouncing its most obnoxious manifestation. Cooperation would replace confrontation, Uncle Sam would lay aside the "big stick," Marines would not land in the Caribbean at every pretext, and Latin Americans would come to view the United States as a beneficent protector, rather than a feared juggernaut. In exchange for this magnanimous gesture, Latin American governments were expected to moderate themselves and cooperate with U.S. precepts and initiatives. For example, brute force would not be used to prevent the Mexican oil nationalizations of Lazaro Cardenas, but he would be strongly encouraged to pay a fair price for the expropriated properties. This approach seemed to be
vindicated during the Second World War, when almost all of Latin America cooperated, more or less willingly, with the Allied war effort.

Through the rhetorical continuation of the Good Neighbor principle of non-intervention in the post-war period, U.S. officials hoped to assuage Latin American fears of Yanqui imperialism, while private U.S. capital did the rest. Progressive U.S. businessmen, tempered by New Deal wisdom, would theoretically replace the exploitative "robber barons" who had plundered the south, providing a fertile field for revolution and sullying the name of the United States. All that was needed was a safe and stable climate for U.S. investment, whereupon modernization along sound and proper private lines could then proceed. If this program was implemented successfully, revolutionary nationalists would no longer be able to call for the expropriation of foreign investment or rally the masses to their standards. U.S. officials also strove to bring order to the south by standardizing hemispheric armaments and serving as the sole distributor, thereby enforcing military dependency. Through benevolent, paternalistic hegemony, the United States could banish disastrous regional conflicts like the Chaco War, economically ruinous arms races, and the threat of outside penetration of the Latin American armed forces—as Germans had attempted before the war. Even if few
Latin American nations possessed a U.S.-style democratic government, the extant oligarchies could adequately serve as caretakers and generally be counted upon to cooperate with the United States. The State Department labelled this mutual cooperation and U.S-sponsored stability the "Inter-American System."\textsuperscript{28}

Consistent with their global vision, the New Dealers argued that the United States would benefit from the economic development of Latin America. Indeed, they lamented that U.S. exports to Canada far outpaced those to Latin America, and regularly noted that their best trading partners were industrialized, highly-urbanized nations with the wealth and population to absorb massive amounts of U.S. produce. To paraphrase Roosevelt, if Jesus Fernandez in Rio de Janeiro earned higher wages, he could afford to buy more of the goods produced by Bob Jones in Chicago. Although critics argued that Latin American industrialization might cut into U.S. exports and markets, New Dealers denounced such thinking as regressive and shortsighted. Just as some North American businesses and workers would be hurt by the restoration of competitive European industry envisioned by the Marshall Planners, so Latin American industrialization would temporarily cause dislocations and difficulties in the United States as small or relatively inefficient businesses paid the price of heightened competition. In the end, however, the
benefits of the increased efficiency and productivity of a stable, industrialized Latin America would far outweigh these short-term obstacles. In the process, the transnational ties and prosperity developed by the increase in commerce between north and south would only help to cement hemispheric unity. By transforming the economic nationalism and competition of the 1930s into the search for shared prosperity, U.S. policymakers asserted that the "Inter-American System" was every bit as progressive as the Marshall Plan."

Although the U.S. commitment to privatism, corporate capitalism, and multilateral trade was quite evident in the "Inter-American System," the State Department's policies toward Latin America relied much more heavily upon laissez faire capitalism than the corporatist order it worked diligently to transplant to Europe through the Marshall Plan. In light of the conclusions reached by dependency theorists, this calls for deeper examination. Dependistas and proponents of the world systems analysis have demonstrated that North Americans and Europeans, cooperating with local elites, had a vested interest in hindering economic development in Latin America to maintain the prosperity of the "first world." Latin American nations were expected to simply export cheap raw materials which were funneled into the factories of the north to be resold as lucrative finished goods. While a
small class of Latin American landholding and commercial elites shared in the profits and worked to perpetuate the dependent status of their nations, the masses suffered in extreme poverty. These elites held power by means as disparate as the dictatorships of Rafael Trujillo, Anastasio Somoza, and Jorge Ubico in the Caribbean and Central America to the parliamentarian oligarchies of Bolivia and Chile and perpetuated their wealth through a minimalistic government intervention in the economy that tended to impede change in the dependent status quo. According to dependency theory, industrial peace in the north had been achieved by the creation of a high-wage industrial economy based upon the pauperization of the south. Therefore, U.S. policymakers advocated *laissez faire* in the south explicitly to thwart economic diversification and development, at the same time advocates of the Good Neighbor approach gave meaningless lip service to these goals.\(^\text{31}\)

The issue is not as simple as whether or not U.S. leaders in the 1940s actively sought to stifle Latin American economic growth, diversification, and industrialization to preserve their own interests. Instead, one must examine not only the *goals* of industrialization and economic development, but, as the New Dealers did, the *path* toward economic development itself. After all, Harry Truman's administration was
staffed by the same men who had watched the dynamic state-driven economic growth of Nazi Germany, Imperial Japan, and Fascist Italy catapult the world into war. Economic growth, they argued, gave rise to irresponsible, belligerent, and explosive foreign policies if not done in the "proper" fashion. For U.S. policymakers, the fundamental issue—in Latin America as well as Europe and Asia—was the role of the state in the economy. In other words, the State Department was willing to countenance economic underdevelopment, slow economic growth, or simple "man-on-a-horse" dictatorship in Latin America that ran counter to democratic principles, so long as the hemisphere did not tread too far down the path of economic statism.

This should not be surprising, as the New Dealers themselves were fundamentally conservatives who had adopted a limited statism only to preserve the essence of corporate capitalism during the crisis of the Great Depression. Indeed, the New Deal's success had not been in finding a miraculous solution to the economic crises that had caused the Great Depression, but in holding together the nation's political and economic system through that crisis. Dependency theorists, as well as state corporatists like Perón who predated them, argued that a reliance upon privatism in Latin America condemned the region to perpetual underdevelopment may well have
been correct in this regard, but for U.S. policymakers, this was an after-effect, not the primary concern. While the New Dealers certainly pursued different policies for Latin America than they did for more-developed regions, the thread that ran through all was a commitment to privatism and a deeply-held fear of statism. To the men who had steered the nation through the disastrous years of the 1930s and early-1940s, it could hardly have been otherwise. The proponents of the Good Neighbor policy may well have been, as Michael Grow demonstrates, "liberal imperialists" dedicated to spreading U.S. influence deep into South America, but after World War II, they were also idealistically driven to leave a legacy of peace and prosperity, and possessed of no small fear of the dangers of statism."

Therefore, it is both possible and profitable to examine U.S.-Latin American relations through the lens of corporatism. It would not be unfair to characterize the U.S. campaign against Perón as a disagreement over issues such as the degree of state intervention, the strength, formality, and nature of public-private ties, and the hierarchies of functional groups within society. These fundamentally corporatist concerns dominated (as they still dominate) political thought in both the north and south. Latin Americans, like their North American counterparts, were wrestling with these questions in their
search for viable organizational techniques that would provide economic growth and social stability. That Latin Americans like Perón found alternatives very different from the New Deal is hardly surprising. Given the preoccupation of U.S. foreign policymakers with the role of the state and their arrogant, almost messianic, impulse to aggressively disseminate their system, neither should it be remarkable that this led to friction. This adds a necessary degree of sophistication to the "radical" analysis and goes some distance toward explaining how U.S. leaders who undeniably practiced a neocolonial dominance over the hemisphere did so with clean consciences, confident that they were ushering in a glorious new era of peace and prosperity.

Unfortunately, despite their unflagging faith in New Deal-style privatist corporatism, U.S. policymakers did little to encourage it within hemisphere. As scholars of European and Japanese reconstruction have shown clearly, there was only so far that U.S. leaders could push foreign nations that were not completely amenable to Yankee prescriptions. Put simply, Latin America was not a fertile field for the middle way of the New Deal for a variety of social and economic reasons. Unlike their North American counterparts who had bought into the New Deal consensus, Latin American businessmen and landed elites (described by State Department officer John Moors
Cabot as "selfish, Europeanized plutocra[ts] that never
did an honest lick of work in [their] li[ves]") generally
persisted in viewing economics as a zero-sum game in which
every cent paid to workers was a direct drain upon
profits. This inflexibility was often reflected in
politics, which tended all to often to reject compromise
and spawn revolution. Rather than coopting radicalism
through modest reform, most Latin American oligarchies
resisted reform vigorously, and at times violently,
establishing an endless cycle of rebellion and repression.
In such a polarized atmosphere, long-term resentments and
fears made a New Deal consensus highly improbable."

With little local impetus for privatist corporatism
in Latin America, U.S. policymakers would have been forced
to undertake a massive, costly program to encourage it, as
they were doing in Europe. They were quite willing to
grant a multi-billion dollar loan to bring Great Britain
around to the principles of multilateralism. To
transplant the New Deal to Europe through the Marshall
Plan, they were willing to spend almost thirteen billion
dollars. However, as Elizabeth Anne Cobbs has noted, they
did not make good on their promise to "export corporatist
ideology" to Latin America because it was "too expensive
and too innovative." Since Latin America was neither on
the front lines of the battle with communism nor as
economically critical to the United States as Europe, the
Truman Administration had to content itself with the status quo in the south. The European status quo had twice been the forge of catastrophic world wars, providing an impetus for urgent, dramatic action. In Latin America, the geopolitical stakes simply were not high enough for U.S. statesmen to undertake a major renovation, despite the consensus that Latin America needed it badly. More cynically, a perpetuation of the dependent relationship with Latin America continued to be reasonably profitable for the United States, whereas European instability had cost the nation billions of dollars and thousands of lives. In this context, U.S. policymakers agreed that Europe had to be remade, while Latin America should be remade.  

Therefore, U.S. leaders, unwilling to make a major commitment to reform in the south, found themselves advocating narrow anti-statism and a purer liberal capitalism than they themselves were practicing. Latin America, they argued with characteristic paternalism, lacked either the political maturity or the economic infrastructure for its own New Deal, but liberal capitalism, foreign investment, and U.S. guidance would eventually bring both. Although distasteful, the often corrupt or repressive ruling oligarchies seemed capable of keeping the peace and providing the stability necessary for economic growth that would profit U.S. investors and
Latin Americans alike. Even though decades of relatively pure market capitalism had done little to advance Latin America, progressive businessmen such as Nelson Rockefeller and Henry Kaiser firmly believed that their "enlightened" practices would do so. In effect, they (and their government proponents) promised that the liberal capitalist status quo would eventually bring progress, if all involved simply had the patience to allow it to flower. So although the Marshall Planners, and those charged with rebuilding Germany and Japan engaged in constructive enterprises, the State Department's Latin American policy remained largely destructive—dedicated to eliminating the statism that the region's economic nationalists were bringing to the forefront."

Therefore, it is not possible to argue, as Cobbs does, that because U.S. policymakers did very little to encourage their own brand of corporatism in Latin America, corporatist analysis can not explain U.S. governmental policy toward Latin America. On the contrary, the fundamental goal of the "Inter-American System" after World War II was to prevent the emergence of state corporatism, even if the New Dealers were unwilling to forcefully sponsor a privatist variant. The greatest threat to the status quo in Latin America during the 1940s was not communism or revolutionary socialism, but the nationalistic brand of state corporatism typified by Perón.
and (the State Department believed) consciously-modelled on the economic successes achieved by European fascism. Unfortunately for the advocates of the "Inter-American System," Latin America seemed to be far better suited to state corporatism than privatism.

With its historical and cultural roots in an Iberian, Roman Catholic heritage, Latin America had a long tradition of state corporatism. Trying to find an acceptable middle road between traditionalism and liberalism, late-19th and early-20th century Catholic thinkers had bought into corporatist organizational notions. With the Papal Rerum Novarum (1890) and Quadragesimo Anno (1931), Catholic intellectuals put forward an alternative pattern of development that could harness the forces unleashed by liberalism and modernization. Paternalism and organizational control seemed to be far more fitting to Latin American and Southern European traditions than Anglo-Saxon liberal parliamentary forms. When socialism emerged as a powerful force for change, altering old dialectics and shattering the traditional order, Catholic corporatist thought adapted itself to the new reality and remained a viable middle way. To those who found Marxism repugnant, but acknowledged the need for social justice in the materialistic, industrial age, corporatist organizational techniques seemed to offer a viable solution."
The political polarization of Latin America further strengthened the drive toward a state corporatist solution. Privatist corporatism, as the New Deal demonstrated, was evolutionary, moderate, and relatively static. However, state corporatism, as Mussolini and Hitler had shown, could be harnessed to revolutionary rhetoric to mobilize mass support for dramatic changes, at the same time its authoritarian component blocked counterrevolution and placed limits upon the extent of revolutionary change. If Roman Catholicism had provided a buttress against atheistic communism, it had done little to ameliorate the basic maldistribution of wealth that spawned radicalism. Indeed, through state corporatism, it had provided an outlet for that radicalism into a socio-economic system capable of both dynamic change and iron-fisted control. Therefore, when Perón put forward his program, U.S. policymakers viewed it as both a tragic legacy of the European fascism they knew all too well, a dangerous mutation of classic Latin American nationalism, and the opening salvo of a new challenge to the hemispheric status quo.

IV

Like his New Deal counterparts, Perón advertised his corporatist variant, justicialismo, as a comprehensive
social philosophy and economic program that could solve most of Latin America's problems. The guiding premise of justicialismo (as well as dependency theory) was that Argentine traditional oligarchs and their foreign accomplices had, through liberal capitalism, monopolized wealth, inhibited national development, and impoverished the great mass of citizens. They had perpetuated themselves in power through corrupt elections which allowed them to continue to loot the national patrimony under the facade of democracy. The state, Perón asserted, had an obligation to guarantee "social justice" to all it represented in the short term, and provide economic development that would make it last in the long term. Private capital and a weak national government had been able to neither sustain economic growth nor equitably distribute wealth. The solution, Perón posited, was the creation of a powerful state that could guide the nation through the painful process of industrialization, at the same time it meted out "social justice" and his version of "true democracy."²⁸

The Peronist coalition reflected this well. Melding nationalistic officers from the Army, an invigorated union movement, elements of the Church, and the disenfranchised urban descamisados ("shirtless ones"), Perón had steamrolled an alliance of all of the old Argentine political parties and the U.S. government. Naturally, his
regime served the interests of these constituencies, just as previous governments had operated for the benefit of the agropastoral and commercial elite. For Army officers, Peronism offered the means by which the military could hold power without resort to martial law, at the same time mass discontent was channelled and controlled by the state. For workers, the emergence of Peronism promised (almost for the first time), a government sympathetic to their cause and quite active in bettering their material lot. For the urban masses, Perón offered social welfare measures far beyond anything ever seen in Argentina. By coming to power, Perón had, if nothing else, provided other opponents of the status quo in Latin America with a rough blueprint for electoral success.

Although Perón had shown how corporatistic nationalists could take control of a nation bloodlessly, the true test was whether the Peronist state could deliver the benefits it promised. Peronistas argued that the state could better perform the role that private capital traditionally played in society. He placed his officials directly into business boardrooms and banks, nationalized foreign-owned enterprises, and established government monopolies to coordinate and centralize growth. The national economy would be protected from foreign competition and given technocratic direction by tin-plate
magnate Miguel Miranda, the "economic czar," to guarantee that growth and development went forward.

Industrialization was to be financed, fittingly, by the same agropastoral elites that had inhibited it for decades. The profits of grain and meat exporters were funnelled through Miranda's state import-export monopoly, IAPI, directly into state-owned, operated, or controlled industrial development projects. With IAPI imposing government control over foreign commerce, Peronists were able to regiment exports and imports, making extensive use of bilateral barter—as had the European fascists of the 1930s. Perón had determined that "Argentina cannot, in the long run, continue to export only raw materials," if the "Argentine working man should gradually arrive at a standard of living just one-quarter as high as that of the average American working man." Therefore, IAPI, as the spearhead of his leviathan state, would be the vehicle by which the entire Argentine economy would be irrevocably transformed in five years."

Once in power, Perón paralleled his economic planning by launching a campaign to renovate and reorganize Argentine society along corporatist lines. By organizing functional groups into hierarchical entities clearly subordinate to the state, the political process would be stabilized, and discontent channelled through "proper" lines with a minimum of disruption. Toward this
end, he used the Law of Professional Organizations to serve as the vehicle by which the various groups of society were to be subordinated and organized under his government. Consciously modelled, Paul Lewis argues, after Mussolini's labor legislation, it granted the state significant power over private institutions. Workers were funnelled into one union per industry, "Peronizing" Argentine labor and transforming it into an arm of the state apparatus. The labor federation, Confederación General de Trabajadores (CGT), formed the backbone of the syndicalist state Perón hoped to erect, maintaining a union presence strong enough to bolster him against opponents, yet pliable enough to be dominated by his officials. High school students were eventually organized into the UES and professionals into the CGP (Confederación General de Profesiones). Peronistas also formed a state-sanctioned organization for the college community, the CGU (Confederación General de Universidades) created in 1950, and subject to the Law of Professional Organizations. Although he was unable to ever gain enough business cooperation to found an effective industrial counterpart to the CGT, his efforts to do so deserve notice. While politics would continue as usual, with democratic forms for the time being, Perón envisioned a day when all of Argentine society could function through the formal syndicates he was working to create. Clearly, although
his efforts to corporatize Argentine society proceeded by fits and starts, the depth, formalization, and rigidity of Perón's organizational state stood in stark contrast to those of his New Deal counterparts.  

An examination of labor's "place" in both the Peronist and New Deal framework similarly illustrates clear distinctions regarding the treatment and composition of functional groups within society. The New Deal order had important repercussions for labor, as it had for many groups in U.S. society. With the passage of Section 7a of the NIRA, the Wagner Act, and the creation of the National Labor Relations Board (NLRB), the government essentially recognized labor's right to play an important role alongside business in organizing and regulating the new economic order. Key businessmen, especially those associated with "capital-intensive" firms, also joined the New Deal coalition and shared its vision of a "corporative commonwealth" in which social harmony accompanied constant economic growth. Gone would be the bitter redistributive battles, unpredictable "wildcat" or "sitdown" disruptions, and the air of class conflict that had so often marred American society. In their place would emerge a more efficient, beneficent order in which labor and business could cooperate with the mediating "broker state" for the betterment of all."
In exchange for its renunciation of militancy, organized labor played the role of a junior partner in the New Deal Order. That role brought substantial gains to the trade union movement, especially to the fledgling Congress of Industrial Organizations (CIO), which was able to unionize the steel, rubber, automobile, and other industries. Nevertheless, labor remained in a subordinate position. FDR's famous "curse on both your houses" during the "Little Steel" strikes of 1937, and the "Little Steel Formula" of 1942 (which froze wages for the duration of the war while war industries reaped record profits) were telling indications of labor's ancillary position. Although the NWLB's "Maintenance of Membership" policies buttressed the unions' position, even staunch supporters of Roosevelt like Phillip Murray were growing disenchanted with the New Deal order by 1944. War had brought financial gains to the workforce, they admitted, but union power had been substantially restrained.

The defeat of Murray's and Walter Reuther's campaigns for worker co-determination demonstrated the limits under which labor operated in the New Deal order. Murray's 1941 Industrial Council Plan called for a restoration of NRA-type councils through which labor and management would guide the nation's rearmament. The "Reuther plan" also envisioned industrial councils in which labor, management, and government would smooth the post-war reconversion of
the economy through comprehensive planning and labor-oriented Keynesian spending. Labor's role, Reuther argued, should include a greater voice in both the workplace and national policy—reshaping the New Deal order to grant equity to the partners. His attempts to "link union power with government authority" went largely unheard by corporate executives whose belief in the sanctity of investment and managerial control precluded such a "revolution." While Murray's and Reuther's dreams went unfulfilled, both men nonetheless retained government favor, unlike John L. Lewis, who refused to renounce union militancy and rejected New Deal "assistance." The New Dealers would tolerate a certain amount of dissent from their labor clients, but had no more use for those who did not know their "place" in the order (like Lewis) than they did for communists.\textsuperscript{33}

If few fully perceived this hierarchical orientation of the New Deal Order before 1947, the passage of the Taft-Hartley bill made it abundantly clear. Although Taft-Hartley was essentially a Republican creation, many New Deal Democrats hastened to affix their names to it, and President Harry Truman only rose to fight it at the last moment, when his re-election seemed to be in doubt. Denounced as "slave labor" legislation by both the AFL and the CIO, Taft-Hartley is better seen as a largely successful effort to entrench the New Deal order. While
the unions remained organized voices for the working class, their most militant members and organizers were isolated and ostracized. The CIO was forced to choose between supporting its own communist and radical members or the red-baiting Truman. By 1949, it had chosen to stick with the New Deal order. Under Taft-Hartley, the NLRB could also be turned against the unions, the threat of militant activity largely disappeared, and the government would clearly be able to dictate the course of future labor-management relations in the future. Even though renegades such as Lewis remained wedded to traditional unionist notions of class conflict and workplace activism, Sidney Hillman, Reuther, and most other labor leaders accommodated themselves to labor's place in the new order. They proved reluctant to rock the boat, and actively worked to reduce wildcat activity by the rank and file. They also supported New Deal and post-war foreign policy initiatives to an extent that would have surprised even Samuel Gompers.  

Like Roosevelt, Perón also embraced the unions to secure their political support. Using his powers as the Secretary of Labor and Welfare after 1943, Perón worked diligently to strengthen Argentine unions that were willing to hitch their carts to his rising star. By arbitrating strikes in favor of select unions and otherwise distributing largesse, he made it clear to
unionists that they owed their victories and gains to him alone. Building up the CGT and cementing its loyalty to his person paid great dividends for "Argentina's Number One Worker" in October 1945 when the workers of Buenos Aires rallied to save their patron from imprisonment, and thereby paved his road to the Presidency.

Once in power, however, Perón swiftly worked to establish his direct authority over the unions, eliminate their independence of action, and purge potential rivals such as Luis Gay and Cipriano Reyes from the movement. By 1947, he had succeeded in transforming Argentine independent unionism into a compliant wing of his regime—just as U.S. unions had been bureaucratized, deradicalized, and subordinated to the state apparatus. Nonetheless, Peronism in the 1940s had fundamentally revised the traditional hierarchy by elevating labor above business and agriculture. Whereas the New Dealers owed a dual allegiance to both unions and the "capital intensive firms," Perón's loyalty was divided only between workers and the military. Although this (and his determination to impose state power upon every phase of business) ensured that he would not be able to gain the backing of Argentina's new industrialists without substantially restructuring his program, it guaranteed him of a grateful and powerful constituency.
So while Perón wielded a much heavier hand over the unions than the New Dealers, throughout his first presidency he consistently passed reforms and enacted policies that served the interest of labor. While U.S. unionists lamented that none of their number served in Congress or the Cabinet, Argentine union members comprised a powerful bloc in the Camara de Diputados and held meaningful cabinet seats. Similarly, Argentine wages rose steadily (even if the mismanaged Peronist economy produced inflation that negated most of the gains), at the same time Taft-Hartley was rolling back U.S. unionism. Overall, the major differences between New Deal and early Peronist labor policy seems to have boiled down to the fact that Perón exercised more control over unions' internal affairs, but continued to deliver the goods to the rank and file.

Nonetheless, these relatively minor distinctions produced major differences. U.S. policymakers and labor leaders launched a major attack upon the CGT, recognizing that it was a rival in the field of international unionism and, again, a dangerous example for the hemisphere. While the AFL and CIO advocated a docile, patient, relatively apolitical unionism that accepted the primacy of capital, the Peronist CGT vigorously urged Latin Americans to follow its example and agitate for immediate results in the political arena. On the other hand, U.S.
leaders denounced the CGT as a puppet of the "fascist" Perón, pointing out that the organization had sold its freedom for minor bread-and-butter gains. Both nations dispatched unionists and propagandists across Latin America, preaching their version of the gospel in search of allies in the battle for hemispheric union leadership. In this, labor relations between the two nations mirrored those of their formal, governmental ones. Again, the issues of state power and direction held sway as Peronists and New Dealers carried their fight across the region as advocates of their respective models of national development.

The differences between Peronist statism and New Deal privatism should be readily apparent, even though both had adopted corporatistic organizational structures. The role that Perón intended for his state to play far exceeded what the State Department deemed to be healthy, safe, or proper. Since the purpose of that state was explicitly to overturn corporate capitalism and move toward an autarchic "economic independence" this is not surprising. U.S. policymakers did not object to the Argentine goal of industrialization and economic development, but to the ideological path that Perón was treading, and the dangerous example that he was setting, as he moved his nation toward that goal.
As both Peronists and New Dealers knew very well, their struggles were being played out before a wide audience across the hemisphere. Put simply, Perón was one representative of a large, disparate, unfocussed reservoir of anti-United States, anti-capitalist resentment that had once been characterized by the nationalism of the Mexican Revolution and would later be manifested as Latin American-style Marxism. This discontent was almost invariably directed against the U.S.-sponsored liberal capitalist economic order and the "Inter-American System" which had helped to retard and distort Latin American economic development. This powerful undercurrent usually remained below the surface, confined to rural peasants, unorganized miners, or disgruntled urban dwellers, but never disappeared entirely. Periodically, it emerged in the form of communist rebellions, peasant uprisings, strikes, nationalist revolutions, or spontaneous outbursts of rioting. If it could fulfill its promises, Peronism offered a constructive model for these discontents, and a formula for escaping the phenomenon of dependency.³⁶

Therein lie the true threat of Peronism. In and of itself, the Peronist revolution was of little consequence to the United States. Geographically distant, economically linked to Great Britain, and the site of
little direct U.S. investment, Peronist Argentina offered no obvious threat to any vital interest of the United States, as bureaucratic historians have noted. On the other hand, the Peronist model threatened to give opponents of the status quo a rallying cry, inspire traditional regimes toward his brand of corporatist experimentation, and quite possibly polarize the hemisphere—much as Fidel Castro did in the 1960s. Both New Dealers and Peronists viewed their rivalry as an ideological clash for the hearts and minds of Latin America, with U.S. economic, political, and cultural hegemony riding in the balance.

Had he simply enacted his program quietly, Perón would have remained a passive danger to the hemispheric order, but he refused to content himself with Argentine domestic concerns. Instead, there was an international component to Peronism that was just as consistent with his state corporatism as the New Dealers' commitment to privatism. Perón worked actively to export justicialismo and his "Third Position" between capitalism and communism, reasoning that his dealings with regimes similar to his own would be better than those with allies of the United States, and hoping to expand Argentine power in the process.  

Just as New Dealers advocated a foreign economic policy that reflected its own roots in domestic politics,
so did the *peronistas*. Peronists dispatched labor attaches who transformed Argentine embassies in Latin America into distribution points for anti-U.S. propaganda that advertised the benefits that Perón and his wife, Eva, had brought to the Argentine masses while vilifying "Wall Street imperialists." At the same time they worked to encourage mass agitation or rebellion, Peronists established ties with existing revolutionary groups, anti-U.S. nationalists, and ambitious military men across South America, hoping to draw them into Perón's camp. The second line of attack was to offer loan and credit packages to destitute nations, the provisions of which established state-guided bilateral trade, strong ties between the nations, and Argentine economic penetration of foreign states. Although the commercial treaties read as narrow economic documents, they were clearly efforts to wean ambivalent governments away from the patronage of the United States and form powerful transnational ties that circumvented the *Yanqui* colossus and the "Inter-American System."

Although he denied it vehemently, Perón clearly envisioned the creation of a relatively autarchic "Southern Bloc," industrializing independent of the United States and utilizing state corporatism to meld the small economies of the Southern Cone into one. Recognizing that the relatively small, fragmented nations of South America
lacked either the population or the resources to develop strong, diversified economies, Peronists looked toward regional economic integration as a solution to dependency. Without diversification away from one or two major raw material exports, Latin American nations would remain intolerably vulnerable to boom-bust fluctuations of international prices that had periodically wracked all of them. By creating a regional trading bloc, nascent industries in the area could develop, somewhat insulated from competition from more efficient and well-established North American or European exports. In time, all of the nations of the Southern Cone might be able to do what he was doing—use the profits from one or two raw materials to develop other alternatives which could strengthen each nation as they strengthened the region as a whole. Perón prophesied that "The year 2000 will find America united or dominated," and seemed determined to provide the leadership for that unity." Although the "Southern bloc" was undoubtedly intended to be primarily the vehicle by which a "Greater Argentina" dominated the region, it was also a reasonably sophisticated assessment of the factors that determined economic growth."

Naturally, this reliance upon state trade, bilateral barter, and protectionism to create inefficient industry stood in stark contrast to the New Dealers' vision of regional specialization and multilateralism. For the U.S.
policymakers (who had forgotten the role that protectionism had played in promoting their own industrialization), the creation of industries that required protection for survival only perpetuated dangerous statism. Eventually, these inefficient businesses would fail, dragging down the governments and nations that had sponsored them. If Perón wanted to modernize the cattle industry, or export processed linseed oils rather than linseed, the New Dealers could not complain--these were, by their calculations, Argentina's natural niche in the regionally-specialized global economic order. However, Perón explicitly rejected the analysis that South American nations should rely solely upon their own limited resources to create unbalanced, small economic units, but instead worked to unite them into a larger, perhaps continental, body dedicated to his sort of state corporatist growth. The result was an aggressive Argentine foreign policy that aimed to economically integrate the Southern Cone and thereby divide the hemisphere. Ironically, the same U.S. policymakers who were obstructing Peronist integrative efforts in South America to provide a stable environment for liberal capitalism were devoting billions of dollars to integrate Western Europe for the same reasons. To defeat European autarchy, individual nations had to be drawn into a continental economic bloc, but in South
America, the threat of autarchy came from a regional organization spearheaded by Perón and operating independently of the United States.

VI

When viewed in this context of corporatistic organization, U.S.-Argentine relations during the late-1940s appear far more coherent than even the participants themselves believed to be the case. Perón had risen to power riding and building upon larger forces that lent his movement a significance that was felt well beyond Argentine borders. When confronted by his specific alternative, U.S. policymakers responded relatively consistently to a threat that at once seemed to combine the structures of fascism, the redistributive focus of communism, and the revolutionary spirit of old Latin American nationalism. It is important to understand that, by and large, the U.S. position was generally reactive—responding to the larger systemic crisis that Perón had provoked. They did so through small measures, subtle gestures, and minor offensives that considered independently, hardly seem related. Only when taken together do the various episodes and stages of this conflict achieve the level of coherence that did indeed characterize them.
For purposes of this study, a deep analysis of the U.S.-Argentine conflict during World War II is largely unnecessary. Although many of the roots of the post-war clash lie therein, scholars have already covered this ground quite well. Nonetheless, it is significant that from a very early date, Washington tended to equate Argentine nationalism with fascism, neutrality with pro-Axis sympathies, and independence with belligerence. In the midst of global war, U.S. leaders like Hull viewed various Argentine regimes as fascist puppets and dangerous opponents. While they clearly misread the situation, and acted unwisely more than once, their actions were fully in line with the threat they perceived. When Perón started his rise toward the end of the war, the New Dealers were already well in the habit of identifying him and his colleagues with European totalitarianism. World War II, they argued, had been a litmus test that identified allies and enemies, and Perón had been found wanting.

When Hull and later anti-Peronists labelled him a fascist, they were not simply looking for an pretext to persecute a Latin American nationalist or bring down a nation that had "dared to brave their lightning." Spruille Braden was dispatched to Buenos Aires in 1945 and acted as almost any vigorous U.S. anti-fascist would have, supremely confident that his actions were no less heroic than those of U.S. soldiers liberating Europe. Braden
worked tirelessly to unseat Perón, breaking Roosevelt's hallowed non-intervention pledge in the process. While historians and contemporaries assigned great significance to this "dismantling" of the Good Neighbor policy, viewing Braden's intervention from this hemispheric perspective is somewhat misleading. Non-intervention was, in and of itself, little more than a specific tactic calculated to best serve the goal of preserving U.S. hegemony and economic principles in Latin America. By violating the non-intervention pledge, Braden and his superiors had abandoned a policy that, they believed, had become ineffective in the face of the "fascist menace"—a rival political and economic system more dangerous than simple economic nationalism that the Good Neighbor had been designed to counter. In other words, Braden's campaign was a local manifestation of a global effort to preserve liberal capitalism and permanently end the threat of fascist totalitarianism. The issue of interventionism, then, was a peripheral one to U.S. policymakers concerned with deeper issues and greater threats.

Unfortunately for Braden, his efforts to disable Peronism backfired badly and exacerbated the same Argentine nationalism and latent anti-U.S. sentiment that Perón was riding to power. Ironically, Braden's attacks, although popular among the Argentine elite, served to strengthen Perón's appeal to workers, the urban poor, and
others predisposed to oppose the status quo. On the eve of the Argentine presidential election of 1946, Braden released the Blue Book, a narrative based loosely upon captured Nazi documents that allegedly proved Perón's ties with the Third Reich. Perón responded with an attack upon U.S. interventionism, claiming that Argentine voters now had a simple choice between "Perón or Braden." When the dust settled, Perón had won, confirming Washington's worst fears.

On the surface, the issue of interventionism dominated the State Department throughout 1946 and 1947. Braden, promoted to Assistant Secretary of State, and George S. Messersmith, his replacement in Buenos Aires, engaged in a particularly brutal policy debate over Argentine policy. While the unrepentant Braden persisted in his hopes of ousting Perón through diplomatic pressure and sanctions, Messersmith hoped to moderate the Argentine revolution and guide it through helpful assistance.

Proponents of the bureaucratic approach point to the Messersmith-Braden feud as evidence that U.S. policy was chaotic and mercurial. On closer inspection, however, it is clear that the two men did not differ as dramatically as it seemed. Both hoped that Argentina would return to the "Inter-American System" by repudiating state corporatism. While Braden asserted that this could only occur when Perón had been driven out, Messersmith, a
classic New Dealer, found Perón's corporatistic leanings acceptable, as long as its statist elements could be shifted into privatism. Although Messersmith was far more comfortable with corporatist organization of any sort than the Republican Braden, clearly these men and their backers were arguing over tactics, not fundamental goals.

Ultimately, Messersmith's position won out, as State Department officers recognized that open interventionism was counterproductive. Instead, they confined themselves to quiet persuasion, subversion of Peronist organizations, and other backroom machinations. Well aware that anti-U.S., anti-capitalist sentiment constantly lurked just beneath the surface in South America, Washington trod lightly and worked to disguise its efforts. When Perón launched his foreign policy offensives in December 1946, the State Department worked to rebuff them quietly--careful to avoid stirring up the hornet's nest of nationalism and falling into the traps that Perón was setting. U.S. officials intervened in Anglo-Argentine negotiations twice to assist "moderate" Peronists against "extremists," and push Argentina toward privatism. When efforts to assist "moderates" like Foreign Minister Juan Bramulgia failed to bear much fruit, North Americans shifted their focus, and worked to suborn Peronist organizations themselves. AFL and CIO officials, with State Department backing, worked unsuccessfully to pry
Perón's union backers away from him, while U.S. military and diplomatic officers cultivated Argentine Army leaders. Overall, U.S. policy could be characterized as a sort of low-intensity attack, as the State Department patiently chipped away at the foundations of Peronism without provoking nationalistic outrage, or in the words of State Department functionary Merwin Bohan, "We simply had to play the game with a rapier, not a meat axe."

Those that argue that after 1946, New Dealers and Peronists had formed a "reluctant partnership" against communism and a reasonably amicable Cold War alliance miss this aspect. U.S. policymakers had abandoned outright attacks upon Perón's state corporatism not because they had accepted it, but because they had to shift tactics to combat it more ably. In fact, U.S. efforts in South America in the 1940s show more concern about the spread of Peronism (or some offshoot) than communism, which still lacked a strong foothold in the hemisphere. Indeed, U.S. policymakers strove to bankrupt the Peronist state, hoping that when financial crisis hit, Perón would turn to the United States. Toward this end, they did everything possible to undercut Argentine exports which would have strengthened Perón and IAPI.

The Marshall Plan proved to be a key component in the effort to bankrupt Peronist Argentina. State Department and Economic Cooperation Administration (ECA) officers

54
agreed that Argentina should not be allowed to profit from the Marshall Plan until Perón made significant changes. Argentines had hoped that as the ECA doled out money to Western Europe, the Europeans would be able to spend the dollars in Argentina and save Perón's flagging economy. The ECA, an institution dedicated to liberal capitalism and multilateral trade, took great pains to keep any Marshall Plan dollars from ever being spent in Argentina, but erred by boasting of its ability to "beat Argentina to its knees." For State Department officials, the ECA's efforts should have been kept secret, for Perón's economic program had to fail of its own weaknesses, not due to U.S. pressure. Again, an apparent bureaucratic struggle proved to be a dispute not over policy, but over tactics.

In 1949, U.S. policymakers got their wish as the Argentine economy collapsed. Desperately, Perón turned to the United States for assistance. He fired Miguel Miranda, the architect of his corporatist state, rolled back IAPI, and moved toward economic orthodoxy, privatism, and multilateralism, informing U.S. officials that they could "write their own ticket" in exchange for financial assistance. Eventually, the State Department rewarded him by pleading his case before the Export-Import Bank and helping him secure a $125 million loan. Although diehard anti-Peronists blasted the loan as appeasement, from a hemispheric perspective, it was the ideal solution
to the Peronist problem. By accepting Yankee money, Perón essentially conceded that his program had failed and symbolically bent his knee to the northern colossus. No longer could Perón pose as a revolutionary challenger or a genuine rival, as he re-entered the "Inter-American System."

Still, Perón tried to maintain his pose as a revolutionary into the 1950s as Rapoport and Claudio Spiguel argue. He persisted with his intrigues in South America, opened ties with the Soviet bloc, and even stepped up his anti-U.S. propaganda at times. Nonetheless, the Argentine economic collapse had dramatically transformed the nature of the Peronist threat. Perón might still try to push forward with South American integration, but without money to help overcome traditional rivalries, he had no hope of succeeding. Most of his state-driven industrialization plans were put on hold, eliminating the prospect of Argentina emerging as a genuine challenger to U.S. regional hegemony. As many in the State Department had predicted, Perón had become little more than a relatively non-ideological, rather harmless, almost tragicomic authoritarian caudillo. Perhaps most importantly, Peronism as a developmental corporatist model was discredited as a viable alternative to liberal capitalism. Therefore, this study ends in 1949-1950, as the Peronist challenge was finally and
decisively rebuffed. While Perón remained in power until 1955, shorn of his state corporatist vision and ambitious program, he no longer constituted a serious threat to either the United States or the "Inter-American System."

VII

The themes outlined in this introduction are developed more fully in the chapters that follow. The second chapter traces the origins of the U.S.-Argentine clash from the 19th Century through the well-documented escalation during World War II and Perón's election in 1946. Chapters 3 and 4 discuss the rise of the Peronist order, and the evolution of a U.S. policy capable of "containing" it. In Chapter 5, I explore Perón's efforts in late-1946 to directly challenge U.S. hegemony through overtures to Chile, Bolivia, Peru, and other Latin American nations--trials that the new U.S. approach handled ably. Chapter 6 deals with the Messersmith-Braden feud, while the U.S. counteroffensive, directed against the Argentine Army and labor unions, is the subject of Chapter 7. Chapters 8 and 9 deal with the collapse of the Peronist economic system, the Marshall Plan, and the end of British economic predominance in Argentina. This dissertation closes with the aftershocks of the financial crisis of 1949, and Perón's desperate efforts to save
himself by sacrificing his corporatist system and accepting the Export-Import loan that for all practical purposes marked his return to the "Inter-American System," and the death of peronismo as a serious threat to U.S. hegemony in the Western Hemisphere.
ENDNOTES

1. Department of State, Office of Intelligence and Research (OIR), "Argentine Foreign Policy," 24 July 1946, National Archives of the United States, Washington D.C., (NA), Department of State Records (DS), Record Group 59, (RG 59), Report 4714.

2. Stanton Griffis to Harry S. Truman, 1 March 1950, Papers of Harry S. Truman (HST), President's Secretary File (PSF), Foreign Affairs, Argentina, Harry S. Truman Presidential Library (HST), Independence, Missouri.


15. Frederick J. Dobney ed. Selected Papers of Will Clayton (Baltimore, 1978), 160.

16. Dobney, Selected Papers, 53-55; see also Gregory Fossedal, Our Finest Hour: Will Clayton, the Marshall Plan and the Triumph of Democracy (Stanford, 1993).


24. Cabot to Pepper, 1 April 1946, John Moors Cabot Papers, Argentina, HST (on microfilm from Tufts University); see also Green, *Containment of Latin America,* 32-35.


27. See Howard J. Wiarda's excellent discussion of the evolution of corporatist thought, Corporatism and National Development in Latin America (Boulder, 1980).

28. Perón, La comunidad organizada (Buenos Aires, 1949); Griffiths to Cabot, 6 December 1945, NA, DS, RG 59, 835.00/12645; see also Ray to Secretary of State, 31 July 1947, Washington National Records Center, Suitland, Maryland (WNRC), Records of the Foreign Service Posts of the United States of America, Embassy in Buenos Aires (BA), RG 84; Paul Lewis, The Crisis of Argentine Capitalism, 138-139.


38. Perón Radio Address, in Ernest Siracusa (Second Secretary, Embassy Buenos Aires) to Secretary of State, 22 January 1954, NA, DS, RG 59, 635.00/12254.


42. Bohan to Nicholas Bowen, 2 February 1973, Papers of Merwin Bohan, Correspondence File, Argentina, Box 6, HST.

43. Unsigned Memorandum, "Instances of Apparent Discrimination by ECA Against Argentina," 25 January 1949, HST, PSF, Box 120, Folder 3, HST.

44. Ray to Secretary of State, 4 January 1949, NA, DS, RG 59, 611.3531/1449.
CHAPTER 2

U.S.-ARGENTINE RELATIONS TO THE "GUARANTEED ELECTION" OF FEBRUARY 1946

Argentina is a young and growing nation that is feeling its oats... Politically, Argentina occupies in many respects the same position in relation to the United States the United States occupied toward England. We must not forget that we opposed England when in the Napoleonic wars she was fighting the Hitler of her day and that for a century twisting the lion's tail was the favorite American political sport... and one of the favorite Argentine political sports is likely to be plucking the eagle's feathers.

John Moors Cabot, 8 January 1946

I

Located in the southernmost part of the "Southern Cone" of South America, Argentina throughout the late-nineteenth and early-twentieth centuries considered itself to be a rival to the United States. Argentine distance from the United States, commercial position, connections with Europe, and penchant for strong-willed neutrality and independence continually made the southern nation one of
the greatest impediments to complete U.S. hegemony over the region.

At the turn of the Twentieth Century, Argentina seemed to be a great power in the making. Since the nation had been united in the 1860s, Argentina had made fantastic strides that seemed to justify Estanislao Zeballos' prediction that Argentina was becoming the "colossus of the southern hemisphere." Blessed with the fertile pampas, Argentina prospered in the last half of the 19th century and, like the United States, attracted masses of European immigrants. An agropastoral elite of wealthy planters and ranchers flourished, reaping the benefits of Argentina's fertile soil and exporting millions of tons of produce per year. Thanks largely to the benefits of foreign trade, Buenos Aires rapidly grew into one of the hemisphere's greatest ports and cultural centers.

Politically, the "Régimen," representatives of the agricultural and commercial elite, dominated the nation. This oligarchic "Generation of 1880" presided over the growth of Argentina from a series of fragmented provinces into a modern nation at the same time it preserved its control over that state and its society. Still, despite the grandeur of Buenos Aires, the Régimen did little to modernize the nation as a whole. There seemed to be little reason to do so. Commercial agriculture, whether
producing wool, beef, pork, tallow, or grain, clearly formed Argentina's niche in the international market. Manufacturing was largely ignored, as European or U.S. imports generally could be procured more cheaply than they could be produced domestically. Since Argentina lacked the mineral wealth for extensive development in this direction, the "Generation of 1880" argued persuasively that Argentina's future rested in agriculture and the pampas. The ardent free traders who dominated subsequent Argentine governments abhored protectionism which could have fueled industrial growth, except in special cases such as sugar, wine, and flour. In short, although the wealth of Argentina was famous in Europe, it was utterly dependent on the produce of the pampas, dangerously subject to the whims and fluctuations of the international market, and focused in the upper strata of society.

The economic development that did occur was inextricably linked to agriculture, as British investors and businessmen flocked to the stable environment that the "Generation of 1880" had provided. Two developments were particularly significant. First and foremost, British capital financed the construction of the largest railroad network in Latin America. Thousands of miles of track were laid, linking the countryside with the port of Buenos Aires and the international market. The second major field of British investment was the meatpacking industry.
Making use of new refrigeration techniques, British and U.S. companies set up huge meat-packing plants (frigorificos) capable of processing millions of tons of meat and giving renewed vigor to Argentina's beef industry. By 1900, British investment and loans had firmly cemented Argentina as the informal "Sixth Dominion" of the Empire.  

British economic dominance in Argentina was a mutually beneficial and complementary relationship in many respects. England's industrial base made it a natural trading partner for agropastoral Argentina. While the English enriched Argentines through extensive food purchases, the Regímen was happy to continue to import large quantities of English manufactured goods. In contrast, U.S. exports tended generally competitive, rather than complimentary to those of Argentina. Whereas the English desperately needed to feed their swelling urban population, U.S. food producers, trying to cope with a serious crisis of overproduction, erected tariff barriers to prevent Argentine goods from competing with homegrown products. Although U.S. capital did flow into Argentina, there was no real basis for a close economic partnership between the two commercial rivals. This economic rivalry was transferred naturally into nearly every aspect of U.S.-Argentine relations.
If economic competition had laid the foundations for U.S.-Argentine difficulties, the emergence of the United States into the ranks of the great powers in the late-19th century only served to exacerbate Argentine suspicions. In 1889, the State Department made one of its first overtures for "Pan-American" unity, calling for a conference to establish a hemispheric customs union. The goal of this initiative was easily discernable and quite consistent with U.S. commercial expansion in the late-19th Century. Yankee traders and their government patrons hoped that in the fierce global competition for markets and resources of the late-19th Century, they might be able to gain an advantage over their European rivals through such a program. The Argentine delegation, however, sabotaged the conference, watered down some proposals, and simply stonewalled others. As historian Joseph Tulchin notes, "it was patently obvious that [Argentines] were simply opposed to any multilateral arrangements in which, by virtue of its superior size and power, the United States would have a significant role." As the United States flexed its newfound muscle in the War of 1898 and reiterated Monroe Doctrine hegemony over the hemisphere, Argentines were more attracted to distant Europe which certainly constituted a lesser threat to their security than the recently-unveiled "big stick." The hallmarks of Argentine foreign policy toward subsequent U.S. efforts
would thereafter tend to be obstructionism, stubborn independence, and neutrality.®

World War I was in many ways a harbinger of the more serious difficulties that would arise between the two burgeoning powers during the Second World War. Like their Wilsonian counterparts in the United States, Argentine statesmen had responded to the outbreak of war in Europe by adhering to a strict policy of neutrality. Argentines had hoped that they could continue their lucrative trade with both Germany and England. While trade with Germany became nearly impossible as the war progressed and the British blockade stiffened, Argentines held the line. Significantly, the Germans never gave Argentine President Hipólito Irigoyen a *casus belli*. German submarines did on several occasions torpedo Argentine ships, but the Kaiser's emissaries offered apologies and reparations. When the German Minister in Buenos Aires recommended to his government that Argentine ships be "sunk without a trace" and called Irigoyen's Foreign Minister a "notorious ass," again the Germans apologized, and did not question the Argentine decision to expel him. Consequently, when the United States entered the fray in 1917, Irigoyen responded that until the Germans had injured Argentina directly, he could not justify bringing Argentina into the war. After all, the United States had itself remained neutral until it had been directly provoked.'
Still, Irigoyen showed no signs of abandoning Argentina's traditional disdain for closer relations with the United States. Like previous Argentine chief executives, he shied away from U.S. attempts to establish a Pan-American league that would inevitably bow to U.S. dictates. Instead, after Woodrow Wilson declared war on the Central Powers, Irigoyen made several half-hearted attempts to drum up support for a neutralist Latin American association that excluded the United States and would ostensibly be led by Argentina. Only Mexico and Columbia, the two nations that had most recently felt the sting of the "big stick" imperialism, supported the initiative, which died stillborn. Argentina had vigorously asserted its traditional neutrality and independence in war and peace, and again proved unwilling to "play the tail to the American kite." Irigoyen may have come to office amid almost revolutionary fervor, but just as his domestic policies did little to fundamentally transform the nation, so his foreign policy remained wedded to old Argentine traditions. The old oligarchy had favored free trade, dependence upon foreign industry, and relative autonomy in the international arena, and Irigoyen did little to change these standard features of Argentine policy.

When Irigoyen returned to the Presidency in 1928, he had adopted an even more nationalistic and anti-U.S.
posture than he had during his first administration. As the Republican governments in the United States had raised tariffs to unprecedented highs in the 1920s, they had added insult to injury for Argentines. As part of the Smoot-Hawley tariff, the Department of Agriculture enforced a "sanitary embargo" of beef from areas where the disease aftosa existed. Since hoof-and-mouth disease ran rampant in Argentine herds, naturally Argentine beef was banned from the U.S. market, leaving North American cattlemen free from competition in their domestic market. Still, U.S.-made manufactured goods tended to be cheap and readily available, so Argentines converted much of the sterling that they earned from the British to dollars and spent them in the north. Ironically, at the same time that Republican protectionism was squeezing Argentine produce off the U.S. market, a lucrative triangular trade was growing between the United States, Argentina, and Great Britain. This did not lead to a significant improvement in relations however. Irigoyen "simply ignored correspondence [from the U.S.] and refused to participate in conferences," while he strengthened ties with Britain. When Irigoyen was overthrown in a bloodless coup in 1930 by conservatives led by Gen. José Uriburu, U.S. policymakers optimistically assumed that the new regime would repudiate all of his policies—including his hostility toward the United States.
Uriburu led a bloc of generals determined to restore the old order by ending Yrigoyen's brief experiment in mass politics, and ushering in what would ultimately become known as the "Infamous Decade." However, Uriburu dedicated himself to erecting a corporatist state, and made wide use of repression toward this end. For most of Uriburu's peers (as well an alliance of civilian conservatives known as the Concordancia), this solution was too extreme, and Gen. Agustín Justo unseated his colleague in 1932. For the rest of the decade, the agropastoral elite would perpetuate itself in office through fraudulent elections, and continue the nation's reliance upon the export economy and the British.  

However, with the onset of Depression, the British began tightening their belts and consolidating their trade with the Empire through the Ottawa Accords. Threatened with the loss of their British markets, the Argentines signed the Roca-Runciman pact—a classic bilateral barter that granted the British major tariff concessions, investment incentives, and low meat prices. Argentines received a guaranteed market for their meat. For the British, the benefits of Roca-Runciman were manifold, as they had protected their food supply, cut into U.S. trade to Argentina through bilateralism, and substantially strengthened their own ties with Argentina. For the Concordancia, the shift from free trade to bilateralism
also helped trigger important changes in the national economy. With trade constricted and balanced, Argentines had to start supplying their own needs as they never had before. To make up for import shortfalls, the Concordancia utilized import substitution by local industries that flourished in the absence of strong European competition. In short, Argentines were being forced gradually and grudgingly to abandon the idea of the Gran Estancia, industrialize, and diversify their economic base.

The British were not, however, the only ones seeking access to Argentine commerce. Throughout the 1930s, Hitler's Germany worked diligently to expand its web of bilateralism into Latin America. Argentina was no exception, and was a particularly fertile field for German penetration. German industrialists and businessmen residing in Argentina occupied powerful positions in Argentine society and worked to promote German cultural and economic expansion. Furthermore, the Concordancia's bilateral approach to trade—buying from those who sold to Argentina—converged relatively well with Reichbank chief Hjalmar Schacht's drive for German autarchy. In 1934, Argentina signed a trade agreement with Germany similar to those that the Germans were pushing across the globe. Argentines hoped that the pampas might be able to serve as a breadbasket for the German empire, while Germany would
serve as a source of industrial wares. As well, Germans hoped that when Argentina industrialized, it would do so with the assistance of German ideas, technology, and capital goods. Although England and Germany were engaged in a rivalry that would soon lead to war in Europe, in Argentina they collaborated to drive U.S. business out. Together, the two proponents of bilateralism did serious damage to the U.S. "informal empire" in Latin America.¹³

Nonetheless, Franklin Roosevelt was no hapless victim, and responded to German and British bilateral barter in the south with his own program—the "Good Neighbor" policy. Created to combat the dual threats of European penetration of the hemisphere and homegrown economic nationalism associated with the Mexican Revolution, Roosevelt's "Good Neighbor" approach was simply a renunciation of U.S. interventionism. "Big stick" imperialism had done a considerable amount of damage to U.S.-Latin American relations since the turn of the century, and the New Dealers had every intention of reversing that particular trend. Roosevelt thus hoped to allay Latin American fears, pave the way for U.S. businessmen and liberal capitalism to open up the hemisphere, and usher in a benevolent new era in which U.S. leadership was welcomed, not forcibly imposed.

The "Good Neighbor" approach can not be divorced from the rest of Roosevelt's policies, but must be seen as a
specific manifestation of the New Deal, suited to circumstances in Latin America. At the same time U.S. diplomats were pressing for better relations with the south, Secretary of State Cordell Hull was pushing for a general liberalization of world trade that would help end the Great Depression in the United States. Hull tried to engineer Reciprocal Trade Agreements designed to bring down trade barriers around the world, stop autarchic practices such as those prevailing in England and Germany, and expand world trade. In this fashion, the U.S. government would help promote economic growth and contain dangerous nationalism around the globe as the New Deal sought to do in the domestic sphere. Since the greatest threats to liberal capitalism in Latin America were local nationalism and European bilateralism, the "Good Neighbor" would hopefully eliminate the need for both of these prescriptions. Hull assumed that closed trading systems and dictatorship would lead directly to conflict and war, and hoped to avert this through multilateralism and shared prosperity. Needless to say, he failed to achieve his dream as Europe erupted in war in 1939."

II

The outbreak of war in Europe had a serious impact upon Argentina. Like most of the nations of the
hemisphere, President Roberto Ortiz responded with a declaration of neutrality. While this was the traditional and predictable response to conflagrations distant from South America, there were other good reasons for Argentine neutrality. Economically, the links with the two key belligerents made choosing sides very difficult. Since Argentina relied heavily upon exports to both England and Germany, there was considerable risk involved in ostracizing either. Politically, Argentines were again torn. Ardent nationalists such as the old followers of Uriburu who viewed Anglo-Saxon liberal democracy as a weak, ineffectual system naturally looked upon the fascist nations of Europe as a model that Argentina would do well to emulate. A powerful clique of military men amounting to perhaps a third of the officer corps, many of whom had spent time in Germany or Italy, held some pro-Nazi beliefs and welcomed the Axis triumphs of the early phases of the war. In contrast, those elements that had profited from the British connection and the fraudulent democracy of the Concordancia such as Ortiz himself naturally sought to cast their lot with the Allies. Nonetheless, as the wehrmacht rolled on, few Argentines seemed willing to risk an open rupture with Germany that might be very embarrassing, if not dangerous, if the Axis emerged victorious. For a nation so divided, neutrality was the
only viable policy, and like World War I, neither side had given Argentina a compelling reason to enter.\textsuperscript{15}

With the fall of France in May 1940, and the very real possibility that England might also be defeated, Argentines had to look to their future economic well-being. If Europe fell to the Nazis, Argentines would be forced to deal directly with either the Germans or the United States. Ortiz tried to wrest some economic concessions from the United States to solidify his position and prove to neutrals in Argentina that there could be a future with the northern colossus. Precious little was forthcoming. Although U.S. officials in Buenos Aires urged the State Department to provide a market for Argentine food exports, these appeals fell on deaf ears. There was no major reconsideration of the "sanitary embargo" or other tariff barriers, and when the Export-Import Bank finally offered Argentina a sizeable credit it was in the words of Joseph Tulchin, "too little, too late." Washington expected hemispheric solidarity behind U.S. leadership, but seemed unwilling to offer Argentina the reciprocal benefits that might make that possible.\textsuperscript{16}

As exports and imports dwindled and the economy approached collapse, Argentina began to move back in the direction of the Axis, or at least middle-of-the-road neutrality. Ortiz' presidency was the first casualty. Not long after his campaign for the Allies and cooperation
with the U.S., the diabetic Ortiz, physically weakened and almost blind, "temporarily" turned over the reins of government to his Vice President Ramón Castillo in mid-1941. Castillo's ascension was considered a victory for conservatives, isolationists, and nationalists. With the reputation as the most "reactionary man in the Buenos Aires Law School," Castillo returned to the classic neutrality that Ortiz had seemed, for a time, willing to abandon. Despite U.S. fears that Castillo was a representative of the pro-Axis nationalists, he too tried to cement economic ties with Washington. His two foremost economic advisors, Federico Pinedo and Raúl Prebisch, envisioned "close and complete cooperation" with the U.S., but failed, like Ortiz, to achieve significant results in this endeavor. With no compelling reason to abandon neutrality, Castillo's government remained aloof from U.S. hemispheric defense planning, and was therefore unable to partake of Lend-Lease arms shipments that started early in 1941. Although Castillo may have envisioned a turn toward Germany, even this option dissipated when Hitler's armies turned on the Soviet Union, and it became clear that the Ukraine was to become the new breadbasket for the Third Reich. In short, as the Castillo government vainly searched for a great power patron and markets for Argentine goods, none were viable so Argentines stood
firmly committed to isolationist neutrality when the Japanese struck Pearl Harbor at the end of 1941."

For policymakers in the U.S., Pearl Harbor was the litmus test for the Good Neighbor policy and hemispheric solidarity. Of course, the United States declared war upon the Axis almost instantly, and expected its loyal clients in South America, the beneficiaries of almost a decade of living in the Good Neighborhood, to do the same. To this end, representatives of the American nations met at Rio de Janeiro weeks after the attack. Hull dispatched Undersecretary of State Sumner Welles to Rio to promote hemispheric unity and to see that Latin American nations severed their ties with the Axis. Welles' chief opponent at the conference was Castillo's Foreign Minister, Enrique Ruiz-Guiñazú. Ruiz-Guiñazú carried orders instructing him to follow the U.S. lead, but to stop short of a complete break in relations with the Axis. Therefore, the Argentine vetoed Welles' initial declaration, by which all of the signatories would agree to immediately sever relations. Welles was quickly put into an almost impossible situation: forced to choose whether to insist on the original draft which would isolate Argentina (and Chile, which feared Japanese attacks on its relatively undefended Pacific shores) or water down the provisions."
Welles opted to preserve hemispheric unity. For the Latin American specialist, a schism within the hemisphere was intolerable and would thrust Argentina into the hands of the Nazis. So when the Ruiz-Guiñazú submitted a new declaration that only recommended that nations break ties with the Axis, Welles grudgingly accepted it—hopeful that Castillo would eventually make the break. Welles, who understood the Argentine sensitivity toward bowing to foreign pressure, believed that this was the best he could do to salvage the conference and present at least the veneer of a united hemisphere. Hull disagreed vehemently. The Secretary of State blasted his underling, and wanted him to repudiate the agreement. Welles was saved, in all likelihood, by his close personal association with Roosevelt, who accepted the results since it was too late to renounce them. After the "appeasement" at Rio, Hull, who already held a grudge against Argentina dating back its bilateralism and obstructionism the 1930s, would not rest until both Welles and Argentina were brought to their knees. For Hull, Argentina's neutrality in the grand crusade against fascism was nothing short of reprehensible. Those who were not unabashedly on the side of good were not significantly different from the forces of evil. Hull viewed every development in Argentina through the lens of World War II, and therefore was unable
to see the deeper forces driving Castillo, his allies, and his foes. 19

As Hull had feared, Castillo did not hurry to implement many of the Rio resolutions, and did not move toward a formal rupture with the Axis. In fact, he seemed to tilt toward Germany when he declared a state of siege a week after the Pearl Harbor attack, and used it to prohibit manifestations of pro-Allied sentiment. As the war seemed to be going well for the Axis throughout 1942, the original reasons for Argentine neutrality remained. Still, for all of the accusations Hull levelled against Castillo's government, it was making the greatest contribution toward the Allied war effort that any Argentine regime realistically could by continuing to ship meat and grain to Britain. Early on, the British and Argentines had reached an agreement by which Argentine food exports to the British Isles would continue in exchange for sterling credits to be spent after the war. Castillo and subsequent Argentine leaders argued that Argentine neutrality safeguarded the British food supply, as German U-boats had generally left Argentine shipping alone. Breaking relations or declaring war on the Axis would only have given the Germans an excuse to step up their efforts in the South Atlantic. Since the United States had conceded that it was unable to adequately protect shipping that far from its shores, Argentines
argued, Washington should understand their reluctance to provoke German ire wantonly. After all, Argentine neutrality was perfectly acceptable to the British. By accepting huge amounts of sterling credits from the British, the "pro-Axis" Castillo seemed to be lining Argentina up for a future with the Empire and the sterling bloc, and serving the war effort well in the meantime.¹⁰

Where Hull viewed every Argentine move as a response to the war, domestic political considerations seem to have been paramount in Argentina throughout. Castillo's neutrality was similar to that which almost any leader of Argentina almost had to take, given the economic problems, the rise of nationalism, and the strength of the pro-German faction of the Army. The Army may not have been as "pro-Axis" as Hull believed, but as Mario Rapoport argues, its own institutional goals demanded some sort of neutrality. Unless Argentina was going to continue indefinitely as a third-rate military power, forever dependent upon great power patrons, it had to evolve independently of Lend-Lease, the British, the Germans, or the United States. Similarly, those who viewed the President as a reactionary authoritarian seemed to use his "pro-Axis" position more as a club to beat him with than a serious issue. In truth, the Concordancia was fragmenting for its own reasons, and the various factions in Argentine society were jockeying for position and vying for power.
The war was to some extent responsible. By closing markets and exposing the precariousness of the nation's economic situation, the breakdown of trade had forced a serious reevaluation. Although the Concordancia had weathered the Depression, wartime shortages and economic collapse had seemed to shatter the promise that Argentina had showed. The Argentine preoccupation with their own problems was made quite clear when Castillo, approaching the end of his term, named his successor: Robustiano Patrón Costas, an extremely wealthy sugar planter from Tucumán described by one historian as the "quintessential oligarch" and a potential "stooge for Anglo-American imperialism."

The presidential election of 1943 showed all signs of being yet another of the Concordancia's corrupt, brokered elections. With the nomination of Patrón Costas, however, the Army finally weighed in. Weary of the corruption, the hollow politics, and the economic stagnation that had characterized the past decade, Generals Arturo Rawson and Pedro Ramírez spearheaded a coup on June 4, 1943. In the generals' minds, civilian rule had only weakened Argentina's position, while Brazil, Argentina's major rival in the South American balance of power, had enriched itself on Lend-Lease military aid from the U.S. From the Army's perspective, the decay of Argentine society had become intolerable, and was shifting the South American
balance of power toward Brazil. Many of Irigoyen's old Radicals, weary of the corruption, authoritarianism, and vapid conservatism of the Concordancia, backed Rawson, as did the United States, which saw in the Revolution a repudiation of Castillo's "pro-Axis" neutrality. However, Rawson did not last long. His cabinet, comprised mostly of civilians, looked too much like Castillo's and he was replaced by Ramírez just days after the coup.22

The emergence of Ramírez was hailed in Washington as a great triumph. In one of his first declarations, he promised to call elections as soon as possible. With the backing of the Radicals, the General would probably be able to win a democratic election and thereby become even more palatable to the United States. Most importantly, however, he seemed to be on the verge of breaking with the Axis. This was not just wishful thinking from Hull's State Department. The German Embassy staff in Buenos Aires saw which way the wind was blowing, and started burning records in anticipation of their expulsion from the country. Ramírez and his Foreign Minister, Admiral Segundo Storni, readied themselves for the rupture and asked Hull for some cooperation. In September, Storni wrote to Hull and asked that the United States unilaterally lift the arms embargo prior to the anticipated break with the Axis. Although Ramírez' position was reasonably strong, he could not afford to let
his actions seem to be the result of Yankee coercion. If the United States moved first, he could act freely and without fear of repercussions from nationalists inside and outside the government. Hull, still unwilling to compromise and probably fearing a double-cross, rebuffed Storni's overture coldly and demanded that Argentina make the first move toward conciliation. Unwittingly and effortlessly, Hull's "masterpiece of sarcastic rejection," as Gary Frank called the U.S. response, undermined Ramírez, Storni, and almost all Argentines who had fought for a break with the Axis by disgracing the government and essentially challenging Argentine honor. Ramírez had been willing to cooperate with the United States, but Hull's actions would soon help to unleash forces that made that all but impossible.

What Hull failed to recognize was that Gen. Ramírez was a moderate being challenged forcefully by a group of ultra-nationalistic officers who aimed to turn the coup of June 4 into a true revolution. At the heart of this nationalist movement was a secretive cabal of junior officers calling themselves the G.O.U. Under the leadership of a relatively obscure lieutenant colonel, Juan Domingo Perón, the G.O.U. had played a significant role in the June 4 revolution, and had never stopped pressing for dramatic solutions to Argentina's problems. Stressing organization, national unity, and authority, the
G.O.U.'s vague ideals all manifested themselves in a push for industrialization which would revitalize the nation economically and militarily. The Storni letter had strengthened their hand and given them a weapon against the moderates. Soon thereafter, Storni and like-minded ministers in the Ramírez government stepped down and were replaced by nationalists. Most notably, General Edelmiro Farrell, patron of the G.O.U. and Perón's puppet, was promoted to the Vice Presidency, heralding a major shift in Argentina's posture. No longer would Argentina look to the established powers for guidance and support, but the nation would industrialize and move toward self-sufficiency on its own. The nationalists also had little compunction against the use of repression, as they brought their opposition into line through martial law. For Hull, this was just further proof that Argentina's "pro-Axis" government was taking on more characteristics of the European fascists.

Washington's distaste for the nationalist bent of Ramírez' regime only intensified throughout 1943 and early-1944, as two separate events seemed to bear out the thesis that Argentina had become Hitler's Latin American proxy. The first of these was Lt. Colonel Gualberto Villarroel's coup in Bolivia in December 1943. Villarroel and a small lodge of officers had toppled the oligarchic ruling class (the *rosca*) of Bolivia with the support of
Víctor Paz Estenssoro and the dissident Movimiento Nacionalista Revolutionario (MNR). Although Villarroel had used some Argentine weapons (probably supplied by G.O.U. members), and the Nazis praised his effort, the Bolivian revolution seems to have been more a response to the rosca's brutal suppression of strikes, and far more indicative of chronic Bolivian instability than foreign intrigue. Since the tin barons who had run Bolivia were associated with the United States and had been supplying large quantities of tin and wolfram for the war effort, the natural assumption in Washington was that the revolution was part of a Nazi plot to foment dissent within the Allied camp and strike a blow at Allied war production. Hull and the State Department, with the war first and foremost in their minds, overlooked the domestic causes of the Bolivian coup, and instead viewed it as the doing of perfidious nationalists in Argentina and their alleged masters in Berlin. This thesis was only reinforced when Argentina became the only nation in the hemisphere to recognize Villarroel's government immediately."

The second turning point was an ill-conceived and ineptly-planned effort by Argentina nationalists to procure arms from Germany. The G.O.U., as well as other, more mainstream members of the Argentine armed forces, seem to have genuinely feared for Argentine security.
Resentful of the relative decline of the Argentine armed forces, the nationalists looked to Germany in desperation. Members of Ramírez' cabinet (including Perón) entrusted Oscar Hellmuth, an "amateur diplomat" and businessman, to procure arms from the Third Reich. However, British agents captured Hellmuth before he had even left the hemisphere, interrogated him, and discovered the details of the plot. Ramírez did his best to save face and cut his losses. After making some of his own arrests, he announced that to his surprise, Nazi agents and spy rings were operating within Argentina. Now that he possessed concrete proof that the Germans were violating Argentine neutrality, he informed Washington that he would be breaking relations with the Axis forthwith. He swiftly did so on January 26, 1944 (without the knowledge of either Perón or Farrell), and sealed his own fate in the process. Since Washington was threatening a full embargo unless Argentina took this step, Ramírez had essentially caved in to pressure from the Yanquis, and any assertions to the contrary rang hollow. Outraged and surprised by Ramírez' capitulation, Perón, Farrell, and other nationalists moved immediately to unseat the hapless and vacillating President. Farrell took over the Casa Rosada, but all recognized that his new Minister of War and Vice President, Juan Perón, was the power behind the throne, and the true mastermind of the new regime."
Born in Lobos on October 8, 1895 to a ranching family, Juan Domingo Perón's career was tied to the Argentine military. He entered the Army in 1913 as a second lieutenant, but failed to distinguish himself. He was promoted to captain in 1924, and exhibited skill at both boxing and fencing, but otherwise showed no unusual promise. In 1930, he was introduced to Uriburu and joined in the effort to overthrow Irigoyen. His support for Uriburu wavered, and although he was promoted to major, he was consigned to teach military history at the Colegio Militar. The first inklings of Perón's abilities and the first manifestation of his views started to appear in his academic work. His first major publication, Apuntes de historia militar, was a military textbook based upon the Prussian concept of the "nation in arms," constantly vigilant, completely organized, and prepared for total war. In 1936, he was promoted to lieutenant colonel, transferred to Santiago, Chile, and charged with establishing a spy network to assess Chilean military capabilities.

Still, Perón seems to have been merely one of many Argentine junior officers without especially strong ideological views. However, in 1939, like many other officers, he was dispatched to Italy to study mountain
warfare with Italian alpine troops. In the course of his study, he learned valuable lessons about Mussolini's brand of fascism. Mussolini's state corporatism had a powerful impact on Perón. Fascism seemed to be a viable alternative to Anglo-Saxon democracy which encouraged oligarchic stagnation and exploitation, such as that existing in Argentina. In Hitler's Germany and Mussolini's Italy, Perón saw the results of a dynamic state apparatus that had organized societal groups, focussed class conflict into forceful nationalism, and opened the door to national development and what he would later call "true democracy." He studied the role of industrial unions and seems to have been fascinated by Mussolini's ability to bring stability to chronically-disorganized Italian politics. In Perón's eyes, Mussolini had done what the Concordancia had apparently been unable to do--provide solid leadership and transform the state and society."

When he returned to Argentina, his career went in an entirely new direction. In 1942, Perón took part in the formation of the G.O.U. and became its informal leader. With the relatively apolitical and thoroughly mediocre Minister of War Farrell as a patron, Perón had a voice among the senior generals to augment his own within the second tier of junior officers. He passively supported the revolution of 1943, and quickly established himself as
one of the most able of the military men running the nation. He cultivated followers in the Army by emphasizing and exaggerating the G.O.U.'s role in the coup, at the same time he worked to woo civilian politicians and nationalistic intellectuals. Concurrently, he beat back the challenge of genuinely pro-Nazi nationalists as he laid the foundations for an ambitious move for the presidency.30

Perón's first posting in the new government was as the head of the National Labor Department. His choice of this post showed the impact of his trip to Italy. A bureaucratic backwater, the Argentine Labor Department was primarily an impotent agency with little real power until Perón had the office elevated to cabinet level. For Perón it was the perfect position from which to assemble a mass base. Although the military's interest in labor had usually been confined to repressing strikes and other agitation, Perón took a new approach calculated to win the favor of workers. Creatively using his new powers and great charisma, he started to mediate strikes in favor of workers, grant wage increases, and institute social welfare reforms--ensuring that unionists understood that he was their benefactor. According to FBI Chief J.Edgar Hoover, who was following Perón's career closely,

The workers already know that Colonel Perón will attend to their demands. It is only necessary for them to present their problems, and they will
immediately, within a few hours, be attended to."

Perón labelled himself, "Argentina's Number One Worker," as he tried to establish himself as the one man in the government who would serve the working class. He cultivated powerful union leaders such as Cipriano Reyes, Angel Borlenghi, and Juan Bramulgia who would serve as his links with the rank and file. Early on, he seems to have decided that the powerful trade union association Confederación General del Trabajo (CGT) was to be his vehicle to power. He closed down the CGT's rivals in an attempt to consolidate the unions into one loyal federation. Since Argentina was industrializing rapidly, it was imperative that the revolutionary potential of the urban proletariat be redirected. Organization in accepted unions, dependent upon the state for their existence, promised to deflect revolutionary currents, and bring order and stability to the workforce, at the same time union backing would serve as a springboard for his presidential ambitions.

Although Perón probably had done some thinking about labor issues, he seems to have benefitted from the expertise of one of the Labor Department's functionaries, José Figuerola y Tressols. Figuerola, a staunch advocate of state corporatism who had worked with Primo de Rivera and the Falange in Spain, had been studying Argentine
working conditions for years. In Perón he found a leader with reasonably compatible views, a willingness to experiment, and the charisma and ambition to effect a full-fledged revolution. If Perón's views on labor organization were not well-developed before his association with Figuerola, they were soon thereafter. Together, the two worked to bring unionism to fields where none had existed, and to consolidate the existing unions into a united syndicalist federation. The new legislation that emerged from the reinvigorated Labor Secretariat strengthened the unions which owed loyalty to Perón, thereby enhancing his prestige and power at the same time. Although he referred to the Army as the "first Argentine syndicate," more and more, Perón's fate was linked to that of the unions that flourished under his patronage."

At the same time, Perón tried to gain the support of the Argentine industrialists. Since one of his foremost goals was to further the process of industrialization, he hoped to enlist the Argentine business community in his cause to steer the nation away from agriculture. Like the New Dealers in the United States, Perón tried to convince businessmen that labor organization was in their interest as it led workers away from truly radical alternatives, and statism would be beneficial for subsidizing and coordinating industry. Unlike the United States, however, there were few "progressive" Argentine capitalists like
Miguel Miranda who could overlook his class-based demagoguery and state-mandated wage increases. Although Perón did enjoy some support from local capitalists when he acted against foreign firms, the great majority stonewalled, claiming that he was fomenting the revolution himself. For the time being, Perón would have to abandon his dreams of assembling a truly universal corporatistic movement—featuring business and labor wings—and content himself with a lower class syndicalism that could eventually blossom into a functional "organized community." Therefore, although he never stopped making appeals to the capitalists, he would rely upon the twin pillars of organized labor and the Army to support his rise."

As Ramírez discredited himself—first through the Storni episode, and later through the rupture with the Axis—Perón adroitly capitalized on the situation. In February 1944, the G.O.U. dissolved, excusing its members from the oath they had sworn to support Ramírez, and they moved against him. After installing Farrell in the Casa Rosada, it was almost inevitable that Perón was given the extremely powerful post of Minister of War. Perón was clearly the dominant force in the Army, and therefore, the nation. Although Farrell occupied the Casa Rosada, it quickly became apparent that his underling had orchestrated his rise and would continue to exercise power
through the figurehead chief. Still, Perón recognized the shortcomings of the military government he dominated. In December 1943, he warned nationalists, "You must not tie yourself too closely with the Government. . . This Government will make many mistakes and will be discredited, then we will rise and make the true revolution." The Revolution of June 4 had been, in Perón's mind, little more than a necessary step between the "false democracy" of oligarchy, and the "true democracy" of his syndicalist state.

For policymakers in the United States, the emergence of Perón signified the final shift of Argentina away from U.S. leadership and hemispheric cooperation, and toward the Axis. Coming as it did, soon after the Bolivian coup, the Hellmuth fiasco, and the rupture with the Axis, the rise of an Italian-trained colonel who spouted syndicalist rhetoric and seemed to be assembling a fascistic alliance with labor was the final straw. The State Department refused to recognize the Farrell regime, and singled out Perón as the most serious threat. After all, it was Perón who, it seemed from Washington, had engineered the June 4 revolution, and whose efforts with labor distinguished the regime from other "simple" dictatorships. It is easy to dismiss Hull's attitudes toward Argentina in general and Perón in particular as the "irrational" ravings of an elderly statesman who had outlived his usefulness and was
about to be shelved. State Department functionary Merwin Bohan expressed this viewpoint best in 1974, calling Hull's campaign a "regular old Tennessee feud" and a "personal vendetta," opining that "Mr. Roosevelt more or less gave Argentina to Mr. Hull to play with, to keep him out of his hair." Indeed, Hull's attacks upon Castillo and his early efforts against Ramírez do seem out of proportion to the threat Argentina posed to the United States, the Allies, or the war effort. Perón's successful efforts to woo labor, however, changed the whole nature of the game. From Hull's perspective, Perón was little more than a disciple of Mussolini who was working diligently to replicate the Duce's feats within the U.S. bailiwick.

Hull's actions may have been counterproductive and foolhardy at some times, but they were quite understandable from a passionate Wilsonian so dedicated to liberal capitalism, free trade, and democracy. Ronald Newton, in his excellent study, The 'Nazi Menace' in Argentina asserts that the "Nazi menace" in Argentina was "nonsense," and an "obsession" with U.S. policymakers, but also explains that the Germans and British had worked hard to foster that myth. The rhetoric and reality of "fifth columns," the visible penetration of South America by Germany, and the inherent view within the United States that Europeans or North Americans could easily have their way with Latin America made this a natural conclusion.
Newton also shows that the British played their own role in convincing Hull that the Nazis were engaged in great plots to subvert Argentina. Eager to convince Washington of the threat of Nazism and "lead their North American cousins around by the nose," British agents fabricated stories of Nazi penetration such as the "Patagonia Plot," the "Great Nazi Bug-Out," and the "Myth of the Fourth Reich." It should have not come as a surprise to the English that the State Department took these hoaxes seriously and acted accordingly. Hull undoubtedly had been duped, and acted unwisely, but his mistakes were ones that must be understood within the context of the unparalleled brutality and bloodshed of World War II."

Hull's resignation at the end of 1944 ushered in a brief conciliatory phase in U.S.-Argentine relations. Nelson Rockefeller, the first Assistant Secretary of State for Latin American Affairs, dedicated himself to reversing Hull's course. Rockefeller, a Latin American specialist, believed that Hull had deviated from the successful path laid down by the Good Neighbor policy. The campaign against Argentina had shown Latin Americans that the United States was still willing to take up cudgels and this had created tension, if not mistrust. Furthermore, it had been futile, as the rejection of the Storni note had shown quite clearly. Hull may have been bull-headed enough to persist in the face of this evidence, but
Rockefeller (and new Secretary of State Edward Stettinius) believed that the campaign against Argentina could potentially tear out the fragile foundations of inter-American harmony and unity.  

Rockefeller's efforts at conciliation bear this out well. The first of these was a favorable response to Perón's call for a hemispheric meeting. Rockefeller understood that such a meeting was needed for several reasons. He believed it was necessary to articulate U.S. economic policy and to convince Latin Americans that they should continue to trust in U.S. leadership and principles of free trade. Furthermore, the United States had to provide a framework for the reintegration of Argentina into the "Inter-American System" and repair the schism that had emerged. At the Chapultepec Conference in early March 1945, U.S. and Latin American delegations provided such a framework. The State Department agreed that if Argentina declared war on the Axis, ceased its repression, made steps toward democratic elections, and eliminated Axis influences in Argentina, Hull's embargoes would be lifted. Furthermore, the Truman Administration would push to get Argentina seated at the San Francisco Conference that established the United Nations. Perón and Farrell responded quickly, making a belated and rather meaningless declaration of war on March 27, 1945—just weeks before the war in Europe ended. For their part, U.S. officials
did press for Argentina's inclusion in the U.N., over strident Soviet (and domestic) objections, in the name of hemispheric solidarity.  

If there was a rapprochement in the works, however, it was nipped in the bud by Roosevelt's final diplomatic appointment--Spruille Braden as ambassador to Argentina. A lifelong Republican and old-style conservative, Braden possessed strong credentials for the job. The son of a copper miner who had done a good deal of business in South America, Braden had an expertise and background in Latin America that was almost unequaled in the State Department. He had served the Roosevelt Administration for years in various countries throughout the hemisphere, and had earned a reputation for aggressive, no-nonsense diplomacy. Although his heavy-handed approach and unyielding manner had made enemies in some of his postings, when he left the Department in 1947, he received dozens of commendations and awards from Latin American leaders who admired his character and respected his actions. When he left Argentina, however, he would win no medals for his efforts.

Braden arrived in Buenos Aires in April 1945 and immediately exposed one of the fundamental problems that the United States was to have with Perón. Braden had a number of friends in Argentina who had served in or supported the governments of the Concordancia, and
happened to be among the opposition to both the military government and Perón. He had circulated among the oligarchy during the 1930s, and associated with the interests, conservatism, and democratic sentiments of that particular class. When Braden arrived, he sought out his old friends of the gente bien—wealthy Argentines who, in the words of one Perón supporter, "raised fat cows and thin peons." Naturally, they told him of the horrors of the "Nazi-Fascist" Perón who was transplanting the defeated ideas of Hitler to Argentina, and confirmed his own preconceptions. Unfortunately for all involved, Braden never seems to have tried to understand the Peronist phenomenon more deeply, or to have talked to any of the growing numbers of lower-class Argentines who were coming to view Perón as a savior. When he acted, he did so blind to the possibility that the Farrell government was anything more than a "'bush league' de facto fascist dictatorship" without any popular backing.

Within weeks Braden had drawn his conclusions and acted with characteristic vigor, launching a campaign against Argentina that far exceeded Hull's and would continue to elicit strong opinions from Argentines fifty years later. "Perón is too quick-thinking, effective in action, and firmly entrenched to be ousted," he argued, "except after a knockdown dragout by a much better organized and intelligent opposition . . . than now
appears to exist." Braden moved quickly to assist that opposition, giving speeches that demanded that the military government fulfill the Chapultepec pledges and eliminate censorship and repression. Perón, stung by U.S. news correspondents who almost daily published scathing attacks on the regime, sought a *quid pro quo* from the ambassador. He would grant freedom of the press to Argentine journalists if Braden would work to muzzle U.S. reporters. Braden naturally refused, citing the principle of freedom of the press. When Perón did lift restrictions on the press, it seemed as if the ambassador had won the first round.*

The end of the war, the triumph of democracy over totalitarianism, and the lifting of restrictions spurred the Argentine opposition to the Farrell government, as Braden's attacks on the beleaguered Perón continued. Pushed into a corner, Perón struck out at the most visible of his foes. After calling Braden to the Casa Rosada, he made a thinly-veiled threat against U.S. journalists and the ambassador himself, asserting that there were "fanatics" within his camp who might take it upon themselves to murder the enemies of the regime. Braden demanded protection for all U.S. citizens, but Perón retorted that he had no control over such vigilantes and instead warned the ambassador to curb his activities. Refusing to back down, Braden offered the U.S. Embassy as
a haven for journalists to guarantee their safety and the continuation of their anti-government reporting."

Braden had some reason to underestimate the rise of Argentine nationalism and the emergence of peronismo. Despite the support Perón was gaining, Braden's speeches also drew large, enthusiastic audiences. Furthermore, Braden's allies included almost all of the old politicians, professors, businessmen, writers, and important public figures in Argentina. While Perón drew the "rabble," Braden and the opposition seemed to be attracting all of the powerful sectors of society. In retrospect, it is easy to see the flaws in Braden's thinking. A citizen of the United States was mobilizing opposition to an Argentine in Argentina. As Argentine society polarized, perhaps the most visible member of one side was a foreigner. Braden himself lamented that "the opposition, ignoring its responsibilities, places its hopes on a foreign (USA) intervention which they themselves would be the first to resent." Although the opposition tolerated Braden's activities, accepting their own vulnerability to Peronist retribution, they were also endorsing a prescription for potential disaster."

While some in both the United States and Argentina viewed Braden's partisanship to be a dangerous or at least inappropriate form of interventionism, he was soon promoted to the post of Assistant Secretary of State for
American Republics Affairs. This was a clear signal to both Perón and Braden. Braden's policies and tactics were not only being condoned, but met with approval by his superiors. Notably, even Rockefeller, who was perhaps the North American most sensitive to the Latin American fears of interventionism, gave Braden his stamp of approval, asserting that "he had at all times my full support and the full support of our government." Interestingly, there was some opposition to Braden's promotion in the Senate Foreign Relations Committee. Senators Arthur Vandenberg and Tom Connally, two of the earliest cold warriors, already viewed the Argentine regime within a Cold War framework, and doubted that U.S. interests were being served by repeated assaults on a non-communist regime. Others, influenced by Welles and likeminded proponents of a conciliatory interpretation of the Good Neighbor policy, challenged Braden's interventionism. The Committee grilled the unrepentant ambassador at his confirmation hearing and deliberated for almost a month before approving his appointment as Assistant Secretary." Braden lamented that he would be leaving the battlefield in Buenos Aires itself, but could be content that he would be able to coordinate the attack on Perón with all of the resources of Washington at his disposal. Furthermore, there would be no new ambassador
to Argentina, suggesting that Braden would still be running the Embassy, in spirit if not in body.

The chief instrument of coercion at Braden's disposal was the use of embargoes to "precipitate economic crises" in Argentina and fuel a counterrevolution. In addition to the arms embargo, the State Department had frozen Argentine assets in U.S. banks and withheld deliveries of critical products such as oil, coal, and rubber. Unfortunately for the State Department, the British proved as unwilling to cooperate with these embargoes as they had been with Hull's. The British government saw no reason to needlessly antagonize Argentina, which was serving the British Isles quite well by continuing food deliveries for blocked sterling credits. Therefore, England resisted almost every U.S. effort to economically destabilize the various Argentine governments throughout the war, and even tried to convince the State Department to relent. In British eyes, every dislocation precipitated by Washington's embargoes only reduced food exports and exacerbated dangerous manifestations of Argentine nationalism. Although Acting Secretary of State Joseph Grew could rage about the "Tory appeasement complex," there was little that could be done to force the British into action."

So as historians have noted already, the refusal of the British to cooperate with the U.S. embargoes against
Argentina hindered these efforts substantially. Less attention has been given, however, to Perón's own efforts to subvert U.S. economic pressure. Throughout 1945, Argentines waged their own campaign to bring critical resources into their country and thwart the State Department. These episodes, which provided a taste of what the United States could expect form Argentina throughout the post-war period, would have a lasting impact on U.S.-Argentine relations.

The first embargo that the Farrell government tackled was rubber. Through the Rubber Development Corporation (RDC), U.S. officials would purchase and distribute all of the hemisphere's rubber surplus for the duration of the war. Originally created to help fight the "warehouse war" against the Axis, the State Department found another use for RDC. The rubber quota granted to Argentina--less than 30,000 kg per year--amounted to less than one-fifth of the nation's pre-war consumption. By 1943, Argentines were predictably suffering from a severe shortage that drove tire prices as high as $150 each, distorting all sectors of the economy. The situation worsened when, after Farrell's golpe de estado, Argentina was removed from the RDC framework altogether. The rubber restrictions, in conjunction with the embargoes on oil, coal, capital goods, and arms, went a good distance toward crippling the Argentine economy, to Braden's delight."
Despite the apparent successes of this policy of deprivation, U.S. policymakers had to relent when Farrell made his belated declaration of war on the Axis.

Officially, the withholding of rubber had "never been intended as a punitive measure," but merely as a reflection of Argentina's non-vital role in the war effort. However, according to Adolf Berle, the U.S. Ambassador to Brazil,

The Brazilian Foreign Office feels as I do that Argentina is far more interested in rubber than anything else. Therefore a rubber agreement should not be made until Argentina has agreed on all other matters which may be at issue. . . . If Argentina gets her rubber, she probably can and will be pretty independent about other matters.*

Braden concurred, likening the rubber embargo to a "club" and a "lever" to be used against Farrell's regime.®®

However, the U.S. strategy of using rubber as a "club" was doomed to failure. With the sudden Japanese capitulation in August, RDC announced that 350,000 tons of Southeast Asian rubber would be available by the end of the year. Since the United States purchased nearly seventy percent of the world's rubber exports, it was essential that the price be kept low. The State Department would have liked very much to keep pressuring Argentina through restrictions, but the Argentines could simply bid on the open market with Asian suppliers if they were dissatisfied with their RDC quota. Therefore,
Farrell had to be convinced to remain within the RDC framework because, "his demands, although small, could easily result in forcing up the price at which we purchase rubber for our own needs." The only way to do this was to increase the Argentine quota to a more acceptable level. Braden concluded that "if tire supply situation is easy and cannot serve as a club any longer, it is my recommendation that any objection by the U.S. be lifted."\(^{51}\)

Other, even more pressing concerns, drove Braden and his superiors to abandon the rubber embargo. Beginning in August, Farrell and Perón tried a new coercive policy of their own. Citing a transportation bottleneck caused by shortages of tires and petroleum products, the military government took the Brazilian food supply hostage. On October 2, the Farrell government warned that unless tires were made immediately available, desperately-needed wheat shipments to Brazil would stop. To punctuate the threat, it announced that two Argentine ships had already sailed out of port empty. RDC's Special Representative was skeptical of the "transportation bottleneck" thesis.

The correlation between tire imports into Argentina and wheat exports therefrom is highly debatable. As various Brazilian officials have pointed out, the Argentines seem to be in the habit of using the wheat shortage as a lever for obtaining tires and are ready to link tires and wheat in any way that seems advantageous.\(^{52}\)
Nonetheless, within a month, the United States was forced to give in. The State Department quickly rushed an emergency shipment of 30,000 tires to Argentina, making it clear that this was but an acknowledgement of the desperate need for Argentine wheat. The U.S. shipment alleviated the Argentines' immediate crisis, which undercut Brazilians' efforts to barter wheat for rubber. Perón and Farrell hardened their stance toward Brazil and saw little need to step up their deliveries when they could sell the wheat more profitably in Europe and still obtain tires from the United States. The Brazilians cried foul, arguing that the U.S. action had been little more than a betrayal. Red-faced, the State Department admitted that there was "no good defense," to this particular charge, and Dean Acheson resorted to issuing a thinly-veiled threat to the Brazilians, suggesting that if they did not drop their protests, they could expect no "further assistance" from the U.S. government in their dealings with Argentina.

Although there was undeniably some truth to the Argentine "transportation bottleneck" argument, other evidence suggests that it was in many respects a pretext rather than a valid explanation for the lack of food deliveries. The Argentine Secretary of Commerce and Industry cited no transportation difficulties and shed all pretense when he threatened to cut off Bolivian food
shipments in September. Claiming that Bolivia was "taking undue advantage of Argentina" by charging exorbitant prices for rubber and then "committing an absolute injustice" by not delivering it, the Argentine justified the quid pro quo embargo. Although the State Department managed to circumvent this threat by sending an emergency shipment of 10,000 tons of wheat to Bolivia, once again the Argentines had proven their point. In the war-torn world, food was scarce and Argentina was willing to use its surpluses to the fullest advantage."

To overcome the oil and coal embargoes, the Argentines upped the ante. The Farrell-Perón government, claiming that transportation was now being paralyzed by a fuel shortage, announced that it would soon have to resort to burning grains and edible oils for fuel if it did not receive petroleum products. Furthermore, it asserted that this shortage was contributing to the "transportation bottleneck" and forcing the government to "drastically curtail" grain shipments to England and UNRRA. Millions of tons of grain sat in silos awaiting export, but the trucks to haul it to port lacked fuel (although they did now have tires). If the Argentines were forced to burn food vitally needed in Europe by an embargo considered by many to be petty and irrelevant, U.S. prestige would suffer seriously. Secretary of State James Byrnes responded by almost immediately lifting the embargo and
allotting the Argentine a quota of 20,000 tons of coal per month. Soon thereafter, he lifted the oil restrictions, and by November, the State Department was bending over backward to supply great quantities of fuel oil and "as much coal as is possible" to Argentina."

The lessons were learned in both the north and south. For Peronists, it was clear that economic blackmail worked. It had driven the Yanquis to betray their staunchest ally in the hemisphere as they acceded to Argentine desires. For Brazil and other Latin American nations, it was made clear that the colossus of the north was far from invulnerable. Farrell and Perón had exposed serious weaknesses in the "Inter-American System," and shown that Argentine power, at carefully selected points, was a match for that of the United States. In the words of the U.S. Ambassador to Chile, "neighboring nations will be loathe to come out publicly and formally against him" for fear of inadequate U.S. protection." For the Truman Administration, it further demonstrated the "Nazi-Fascist" character of Perón's regime and its unwillingness to accept U.S. hemispheric hegemony.

IV

October 1945 proved to be the pivotal month in both the career of Perón and the destiny of Argentina as the
would-be conductor faced his greatest challenge. General Eduardo Avalos, an officer whose career had paralleled Perón's in many ways, feared Perón's rise and the ties he was making with the working classes. Along with a number of other prominent officers, Avalos also resented Perón's dalliance with Eva María Duarte, a second-rate actress from Junín. Although it was not uncommon for Argentine officers to keep mistresses, Perón publicly flouted his relationship with Eva Duarte, and even gave her a role in the government. When Perón tried to promote one of her friends, many viewed this as the same sort of nepotism that had brought the Army out of the barracks in 1943. The Colonel's enemies rallied around Avalos, who hoped to take over the War Ministry for himself. Avalos managed to swing the bulk of the officer corps to his position, and informed Farrell that they were going to take action against Perón. Having witnessed the carnage of the Spanish Civil War and unwilling to risk a bloody confrontation, Perón simply resigned from his posts and gave a speech to the masses, urging them not to resort to violence, but instructing them to continue their fight for rights. When unionists started to gather in protest on October 12, Farrell and Avalos had Perón arrested and sent to the island prison of Martín García.

As Braden and the State Department celebrated his fall from grace, Perón's allies rallied to his defense.
Eva Duarte contacted Bramulgia, a lawyer for the railroad workers union, and pleaded for him to draw up a writ of habeas corpus. Bramulgia, fearing that Perón would leave the country (and therefore leave the unions to their fate), refused and earned her hatred for years. However, Cipriano Reyes and other union leaders came up with a more formidable course of action. Reyes and other union bosses went into the working class neighborhoods around Buenos Aires proper and mobilized workers and their families. At the same time they organized a massive general strike. On October 17, groups of workers, descamisados, and other Peronists, marched from their homes toward the Casa Rosada. Chanting "Free Perón," the expectant mob filled the Plaza de Mayo as their numbers swelled to over 300,000. Avalos and "the most insignificant cabinet that was ever chosen for office in any American republic" floundered. He was unwilling to open fire on the crowds, and ultimately appealed to Perón to quell the crowd. Perón played his cards well, and refused to address the assembled masses until Farrell and Avalos had met his conditions. Avalos had to retire from public life, while Farrell had to appoint a cabinet stacked with Perón's men and approve Perón's resignation from the Army (which would pave the way for him to run for the Presidency as a civilian). When his demands had been met, Perón triumphantly stepped out onto the balcony of the Casa
Rosada, gave a powerful speech and dispersed the crowd. The events of October 17 quickly became the stuff of legends. The long-ignored working classes of Argentina had spoken quite forcefully, undoubtedly exceeding even Perón's expectations. The spontaneous demonstration of popular will on October 17 changed Argentine politics forever, and completed the transformation of Perón from a military man to a politician with the inside track for the Presidency.

Soon thereafter, elections were scheduled for February 24, 1946. Opponents of the regime clamored for the Supreme Court, still the bastion of the oligarchy, to preside over the elections, but the Farrell government insisted that the Army was only institution capable of holding a truly clean election. The Army promised Argentines a "guaranteed election" which would be as honest as the Concordancia's had been corrupt. Perón, as expected, threw his hat into the ring as a civilian, theoretically independent of both the Army and the government.

In addition to his predictable support from the unions, he also received backing from elements of Irigoyen's old party, the Radicals. The Radical Party split over the issue of Perón's candidacy, with one faction reconstituting itself as the Unión Civica Radical Junta Renovadora (UCRJR) in favor of Perón. The UCRJR and
several nationalistic groups were the only established ones to endorse him, as the rest (including the Communists) united into the Unión Demócratica. Hastily-assembled and united only in their opposition to Perón, this seemingly-powerful alliance of Radicals, Conservatives, and a number of smaller parties was much stronger on paper than in the streets. The Radicals and Conservatives had relied upon "skullduggery" and electoral fraud to win elections in the past, and were skilled enough in these practices, an ITT Vice President commented, to "almost be successful in Chicago or New Jersey." However, the pro-Perón Army and police forces would be able to guarantee that the only "funny business" that occurred would be used against the Unión Demócratica. They eventually nominated Radical José Tamborini, a mediocre politician described by U.S. Chargé John Cabot as having "the general appearance, and rather less than the intelligence of a tame teddy bear." Tamborini was no match for Perón, and the State Department was forced to consider the prospect that "Argentina's Number One Worker" might be able to win the Casa Rosada."

For the British and some other witnesses, the events of October 17 had proven that Perón had the backing necessary to win the election. Braden and his allies agreed with the prediction, if not the rationale. Even though the Army had publicly guaranteed that the elections
would be honest, Braden was sceptical. He thought as early as December that "it is an odds on bet that Perón will, through fraudulent elections, be elected." Claude Bowers, observing from across the Andes, concurred, explaining that "a bad man cannot be defeated without an opponent," and suggested that most of the opposition was trying to keep a low profile to avoid retaliation in the event that Perón did win. Cabot, George Messersmith, and other policymakers echoed these assessments. Cabot reported to Washington that Farrell's government was indeed giving support to Perón, but conceded that this aid was "not wholly disproportionate to the aid which an administration candidate normally receives in the United States." On the other hand, the police force, which was led by a peronista, was waging a more effective intimidation and harassment campaign against the opposition. Cabot wryly suggested that he might invest in the construction of a "tear gas factory in Buenos Aires," as "it ought to make piles of money." Whatever the reasons they gave, almost every North American and anti-Perón observer seemed to believe that Perón would win, and that the elections would be rigged."

Perón's domestic opponents seemed to agree with this prediction, and in early February planned a last ditch effort to overthrow the military regime and preempt the election. While the coup attempt that came out of this
plotting was a feeble one, unremarkable in the chaotic days leading up to the election, there are several aspects of it that were intriguing. First and foremost, the State Department seemed to know about it ahead of time, and had been in close contact with a number of would-be revolutionaries.

In Buenos Aires and Washington alike, Perón's enemies sought arms. R.B. Smith, a U.S. businessman in Argentina, approached Braden in November 1945 at the behest of one such group. These Argentine rebels, Smith claimed, had "unlimited financial backing" and could easily smuggle "sub-machine guns and bazookas" across the Uruguayan border into Argentina (with the connivance of Uruguayan border patrols) if the State Department could supply them. Braden rebuffed Smith coldly, asserting that the United States government could not procure arms or even "suggest how or where they might be acquired." Charlie Lund, a Danish horse breeder associated with disaffected Radicals, approached the FBI with a similar request in December. From his post in Lima, Ambassador William Pawley reported an even more "ridiculous" example. Apparently, an anti-Perón Naval Attaché of the Argentine Embassy had approached him, asking for "30 flying fortresses, 100 tanks, and 5,000 machine guns" to oust the government."
Cabot himself had suggested that it might be useful for the United States to break relations with Argentina in order to "free our hand to help the Argentine people free themselves, i.e. openly to furnish material help to revolutionaries who started anything with any chance of success." When this suggestion was also rejected by his superiors, who still feared an open rift within the hemisphere, Cabot had to ask for assistance to enforce the official U.S. policy of non-intervention. Apparently, U.S. businessmen and other citizens in Argentina had continued in their "political activities" and attempts to otherwise influence the election. Cabot was asking that the Department publicize its hands-off approach, if only to deter those who were still working closely with the opposition, and head off Peronist accusations. These episodes are somewhat telling. Cabot's Embassy, its military attachés, and the small horde of informants, operatives, and spies circulating in Buenos Aires all had close ties and strong informal contacts with the anti-Perón camp and a desire to be of assistance to it."

More significantly, a "fairly good source" reported to the Embassy in the middle of January that Perón's opponents in the "Army and Navy are planning a revolution." Major F.F. Gibbons, the Embassy's Military Attaché, had much more concrete information about the measures that the "Democratic forces" "would put into
effect . . . as soon as the revolution starts." He then named three radio stations that would announce the start of fighting and then be silenced. The only stations that would continue to broadcast were Uruguayan and clandestine ones operated by the rebels that would "keep the public and world informed." Finally, police communications would be sabotaged. Gibbons concluded by explaining the revolutionaries' agenda.

The proposed revolution, which is planned because the democratic forces are convinced that honest elections cannot possibly be held, is expected to get underway within a matter of days and certainly before 24 February."

Although it is hardly surprising that U.S. officials knew about the coup attempt, as Hoover's FBI was working diligently to track Nazis in Argentina and the Embassy was unusually alert, there is the possibility that U.S. involvement did not end with observing the events. Once the revolt was put down decisively, Perón made what seemed to be outlandish accusations against U.S. citizens. He stated that "the police constantly were picking up arms that had been smuggled across the River Plata," and believed that the "United States Embassy was involved in this counter-movement." The State Department demanded that Farrell answer to these charges, since Perón was so closely associated with the government. Farrell did his best to both dissociate himself with Perón, who had resigned his posts and commission, and deny that the
government had any of the evidence Perón claimed to possess. Perón himself never did present this evidence (if it ever existed), even though he had been tapping the U.S. Embassy phones for some time. It seemed that this episode was little more than another of his weak ploys and unsubstantiated accusations. Perón knew well that U.S. "military intervention in Argentina would have catastrophic repercussions throughout Latin America."  

However, Cabot did make one cryptic remark to Jack Neal, Chief of the State Department's Division of Foreign Activities Correlation, in early February that does bear notice.

The next time you boys in the Department try to supply the revolutionaries here with bean bags to fight police tommy guns, you'd better be more careful. Just see how nearly you got caught(?).

It is impossible to know whether the Cabot was sarcastically poking fun at his friend in Washington, if this was intended as a warning, or if he simply did not know whether the State Department was engaging in some covert activities without his knowledge. It is suggestive that Neal's office served as the liason between the FBI and State Department. The possibility does exist that U.S. citizens, official or private, were funnelling arms to the "democratic forces" that were fighting to cancel the election. Certainly, those that had requested materiel from U.S. officials had been officially rejected.
However, Braden, who had a small cadre of operatives doing cloak-and-dagger work in Buenos Aires and Montevideo, had no aversion to bending rules when he felt the cause was just, and had on one occasion proudly and illegally procured arms for Ernest Hemingway during the war.” The British suspected that Braden had played a role in the abortive uprising, at the very least maintaining "back-stair connections" with anti-Peronists and continuing to "flirt with a cabal of Argentine Naval officers." No one in the U.S. government had much use for Perón, and none would have mourned his passing had the revolutionaries won. While Perón's accusations were probably as untrue as they were unsubstantiated, it can be said that at the very least, U.S. policymakers did nothing to discourage the revolutionaries or warn the government. The implications of this alone are significant. Since the oft-stated goal of U.S. policy in Latin America was to promote democracy, it was notable that the State Department turned a blind eye to a revolution whose goal it was to cancel a democratic election—albeit one that was nearly certain to be rigged. Even though this point seems to be a technical one, already, the U.S. commitment to the promotion of democracy was wavering. The Good Neighbor commitment to non-interventionism was very soon to follow.”
Braden's attacks upon various Argentine governments toed the line of intervention, but despairing of Perón's imminent victory, he leapt across that line. He lamented that his promotion had taken him away from Buenos Aires, but made the most out what he considered to be a bad situation. His best hope was to sort through five tons of captured German archival material to find proof of Peronist complicity with the Nazis. Byrnes gave him Office of Strategic Services (OSS) assistance at this herculean task and his stamp of approval to the project. If Braden could present concrete proof that Perón was a Nazi puppet, then he believed that the Argentine people would repudiate him dramatically. Cabot ominously warned, however, that if Braden continued to proceed along this line, "our Argentine policy may collapse in a grand smash, burying its principal authors" and tearing the Good Neighbor Policy into "ribbons." But Cabot, as he himself later noted, "was out of step with everybody else."

The result of Braden and Carl Spaeth's labors was the infamous Blue Book, officially and innocuously entitled Consultation Among the American Republics with Respect to the Argentine Situation. The title was deceptive--no other American republics had been consulted in any meaningful way. The Blue Book focussed upon both Castillo and Farrell's governments, and made the most of episodes such as the Hellmuth mission, the Bolivian coup, and the
active but ineffectual German espionage network in Buenos Aires. Perón, of course, was featured prominently within the tome, which did not contain the amazing revelations that had been promised. While the Blue Book did show, using German documents, that the Nazis had not discouraged the GOU's ambition to form a "bloc of states pointed against the USA," neither did it demonstrate that they assisted or guided in any meaningful way. Many of the other accusations also fell flat. The Blue Book gave a few translations from German documents, but in general, did not present the evidence to back up its sensational claims about Argentine-German collaboration.

The second half of the Blue Book, focussing almost entirely upon the Farrell government, made almost no effort to incorporate German evidence. Instead, the State Department simply editorialized about the conditions in Argentina, giving the chapters titles such as "Totalitarian Control of Labor," and "Perversion of Educational System." What emerged was a scathing denunciation of Perón, significantly devoid of any of the Nazi documents that had been used to bolster the earlier portion. In its tone and style, the Blue Book was not unlike many of the polemics that always surrounded Perón, but this one, significantly, had been compiled and released by the United States government."
Despite its numerous failings, Byrnes considered it to be adequate, and made the decision to release it to the press in February, just two weeks before the election. Notably, Tamborini's Vice Presidential candidate approved of the release of the Blue Book. On the other hand, Cabot (who suddenly had come to believe that Tamborini would win the election) and the English urged him not to release it, fearing that it would backfire. Other commentators observed that the Blue Book itself was redundant, as well as foolish." After all, the Argentine Chamber of Deputies' Special Committee Investigating Nazi Activities had already made a number of the "discoveries" contained in Braden's work as early as 1942. Afterward, Braden tried to defend himself by asserting that he was not attempting to influence the election or otherwise intervene in Argentine affairs. In an interview with Gary Frank in 1975, he claimed that it would have been impossible to release it after Perón had won and become the head of a sovereign nation. Attacking a national leader was fraught with risk, but going after a private citizen was another matter. Therefore, if Perón's past was not exposed before his election, it could never be revealed. This validity of this argument is dubious. In Buenos Aires, Braden had done everything he could to help the opposition, and had never shied away from interventionism in any of his posts if he felt it
necessary. Regardless, he had, in the words of Cabot, dropped his "atomic bomb" on Argentina, but it quickly became clear that Tamborini, not Perón, was the one hit by it."

Most Argentines (as well as Cabot) had to read about the Blue Book in newspapers, as the State Department did not release in Argentina until days before the election, but it nonetheless made a profound impression. Cabot related Argentine reaction as one of "stunned surprise" and "stunned humiliation." Partisans on either side interpreted this "humiliation" quite differently. Perón's ally Juan Cooke viewed the Blue Book as an unusually fortuitous development, as nationalistic Argentines would resent this obvious and disgraceful attempt at intervention and repudiate the Unión Demócratica. On the other hand, the opposition to Perón rallied to the publication as verification that Perón was indeed the fascist and Nazi collaborator they had always believed him to be. As it turned out, Perón's interpretation seems to have been the more correct."

Never one to take a passive defensive posture, Perón counterattacked vigorously. In a series of speeches, he announced that the true leader of the Unión Demócratica was not Tamborini, but Braden, the incarnation of "Wall Street imperialism." Therefore, patriotic Argentines should realize that the choice on election day was not
Tamborini or Perón, but "Braden or Perón." Virtually ignoring the content of the Blue Book, he focussed instead upon the implications of the U.S. intervention. To this end, he published his own account of that intervention—the "Blue and White Book." Did Argentines want to elect Tamborini, who would obviously be a shill for Braden and the United States, or did they want to elect a patriotic Argentine who would steer their nation on an independent course, subordinate to none? Unwittingly, Braden had given Perón an extremely potent slogan, and an unexpected eleventh-hour boost.

Perón won the election handily, defeating Tamborini's coalition and taking control of Congress. In the words of Albert Vannucci, "Braden may have acted like he was elected by Providence [to defeat Perón], but Perón was actually elected by the Argentine people." While it cannot be said that the Blue Book won the Presidency for Perón, it certainly did not hurt him. As Frank points out, in an election so polarized, most Argentines had already made their minds up long before February. True to all predictions, Tamborini carried the rural elite and most of the business and middle classes, while Perón swept the working and lower classes. Still, the Blue Book may well have helped Perón's followers bring out the vote. Voter turnout in the 1946 election was the highest in Argentine history. Regardless of whether or not Braden
swung the election to Perón, he shouldered much of the blame. His later assertions to the contrary, he had tried to turn the election around for Tamborini, and had failed. He had gambled and lost, and while historians may argue over how decisive the Blue Book was, it was regarded as a monumental blunder in both North and South America. Braden had misread Argentina badly, it seemed, and played into Perón's hands.\textsuperscript{80} Cabot had warned earlier that,

\begin{quote}
The bonfire under Perón is blazing merrily and there are few signs that it will go out of its own accord or that Perón can put it out though on the other hand there is little immediate evidence that Perón is about to be consumed by it. I conceive it to be our role to feed flames with maximum efficiency but not to smother them with too much fuel.\textsuperscript{91}
\end{quote}

In the minds of many, Braden's Blue Book had done just that, and doused the last hopes of the Unión Demócratica in the process. He could argue that nothing had been lost since Perón would have won regardless, but this defense fell on deaf ears.

\section{V}

With the election of Perón, U.S. policymakers were forced to make a sweeping reevaluation of their policies toward Argentina and Latin America. They had initially perceived Perón as an authoritarian demagogue, ideologically driven toward state corporatism as a
developmental model and a viable alternative to free trade and liberal capitalism. In office, he proved this thesis to be, in many ways, a correct one. While Braden and others may have wanted to continue to pummel Perón and drive him from office, new realities made this approach impossible. Perón had been democratically-elected and for the United States to attack him was to repudiate one of the central tenets of the Good Neighbor policy and the spirit of the Four Freedoms, as well as the rhetoric of World War II. The Truman Administration would be forced to accept his election, or risk the precarious amity that the Good Neighbor had built.

For Argentina, the die had been decisively cast. Decades of oligarchic control over the nation had come to an abrupt end on June 4, 1943. The election of Perón finalized it. The masses of Argentina would have a voice in their government and a leader responsive to their appeals. Where Irigoyen had promised popular democracy, Perón's movement delivered it—in a fashion. He would rule as an authoritarian, emplacing state corporatism over traditional structures, but with a constant eye toward the mood of the masses and his constituencies. How Washington chose to deal with the unleashed working class in Argentina and its spokesman would foreshadow the next three decades of U.S. relations with all of Latin America.
ENDNOTES

1. Cabot to Secretary of State, "General Survey of the Political Situation in Argentina," WNRC, BA, RG 84.

2. Quoted in Joseph Tulchin, Argentina and the United States: A Conflicted Relationship (Boston, 1990), 17; see also Manuel Berejano, "Imigrantes y estructuras tradicionales en Buenos Aires, 1854-1930" in Torcuato Di Tella and Donghi, eds. Los fragmentos de poder (Buenos Aires, 1968), 75-150.


9. See Chapter 4.


19. David Kelly, the British Ambassador to Argentina at the time, contended that not only did Hull misunderstand Argentine nationalism, but a reading of Hull's memoirs demonstrates that even later he "still failed" to see it clearly. Kelly, *The Ruling Few*, 302; Albert P. Vannucci takes Hull's attitudes a step further, recalling that in his memoirs, Hull idolized his father who had once tracked a man across the country in order to kill him and claim vengeance. Vannucci, "Elected by Providence," 64-66; see also Wood, *Dismantling the Good Neighbor Policy*, 44-75; Rapoport, *Gran Bretaña*, 248-250; Woods, *The Roosevelt Foreign Policy Establishment*, 35-60.


32. Hoover to Berle, "Colonel Juan Domingo Perón-Argentina," 28 December 1943, NA, RG 319, IRR, CF, File AB667334; see also Cabot to Secretary of State, 15 December 1945, NA, DS, RG 59, 835.00/121545; Horowitz, Argentine Unions, the State and the Rise of Perón, 180-215; Juan Carlos Torre, La vieja guardia sindical y Perón (Buenos Aires, 1990), 79-102; Hugo del Campo, Sindicalismo y peronismo (Buenos Aires, 1983), 151-169; Lewis, The Crisis of Argentine Capitalism, 140-142.

34. Hoover to Berle, "Colonel Juan Domingo Perón Argentina," 28 December 1943, NA, RG 319, IRR, CF, File AB667334; Griffiths to Cabot, 6 December 1945, NA, DS, RG 59, 835.00/12645.


40. Mann to Brown, 20 December 1945, NA, DS, RG 59, 835.00/122045; Gilmore to Warren, Butler, and Mann, 4 September 1945, NA, DS, RG 59, 835.00/9445; see also Braden to Secretary of State, 4 August 1945, NA, DS, RG 59, 835.00/8445; Frank, Juan Perón vs Spruille Braden, 58; MacDonald, "The Braden Campaign and Anglo-American Relations in Argentina," in Di Tella and Watt, eds. Argentina Between the Great Powers, 139-143.

41. Frank, Juan Perón vs Spruille Braden, 61-64.

42. Braden to Secretary of State, 30 June 1945, HST, PSF, Foreign Affairs, Telegrams, Buenos Aires, HST; Frank, Spruille Braden vs Juan Perón, 65-79.

43. Braden to Secretary of State, 17 July 1945, NA, DS, RG 59, 835.00/71745; see also Braden to Secretary of State, 13 July 1945, NA, DS, RG 59, 835.00/71345; Butler to Rockefeller, 3 September 1945, NA, DS, RG 59, 835.00/8345.

44. Text of Nelson Rockefeller's speech, 31 January 1946, NA, DS, RG 59, 711.35/13146.
45. Frank relates an episode that bears repeating. After Braden told of Perón's personal threats against him, Connally asked him, "Do you mean to say that he threatened you, the American Ambassador? Why didn't you take a gun and shoot him?" Braden responded, "If I had done that, I might have been accused of intervention." Afterwards, Braden called his rejoinder "one of the stupidest moves I ever made," and noted that Connally never forgave him for it. Frank, Juan Perón vs Spruille Braden, 96-97.

46. Secretary of State to Reed, 3 February 1945, in FRUS, 1945, 526; see also Hadow (British Embassy) to Butler, 30 October 1945, NA, DS, RG 59, 735.41/103045; Butler to Braden, Wailes, and McDermott, 30 October 1945, NA, DS, RG 59, 735.41/103045; Grew to Rockefeller and Warren, 26 May 1945, NA, DS, RG 59, 835.504/52645; see also MacDonald, "Politics of Intervention," 381-382, and "The Braden Campaign and Anglo-American Relations, 1945-1946," in Di Tella and Watt, eds. Argentina between the Great Powers, 1939-1946 (Pittsburgh, 1990), 144-146; Wood, The Dismantling of the Good Neighbor Policy, 92-100.


48. Berle to Secretary of State, 23 August 1945, in FRUS, 1945, 709; India Rubber World 111 (October 1945), 105; Rubber Age 65 (September 1945), 718.

49. Berle to Stettinius, 24 April 1945, in FRUS, 1945, 706; Braden to Secretary of State, 30 August 1946, NA, DS, RG 59, 835.6176/83046;.

50. Braden to Secretary of State, 3 September 1945, NA, DS, RG 59, 835.6176/9345; Braden to Secretary of State, 30 August 1946, NA, DS, RG 59, 835.6176.

51. Secretary of State to Embassy Buenos Aires, 12 April 1945, NA, DS, RG 59, 835.6176/41245; see also Byrnes to Embassy Rio de Janeiro, 16 March 1946, NA, DS, RG 59, 835.6176/31646; Memorandum of Conversation, Braddock and Celso Raul García, 27 March 1946, in FRUS 1946, 120; India Rubber World 113 (November 1945), 69; Braden to Secretary of State, 30 August 1946, NA, DS, RG 59, 835.6176/83046;

52. D.G.C. Memorandum, 12 January 1946, NA, DS, RG 59, 835.24/11245;
53. Kennedy to Thorp and Wilcox, 7 December 1946, NA, DS, RG 59, 835.61311/12745; see also Braddock to McDermott, 20 February 1946, NA, DS, RG 59, American Republics Affairs (ARA), Memoranda on Argentina, Vol 5,6.

54. Daniels to Secretary of State, 23 January 1946, NA, DS, RG 59, 835.24/12346; Secretary of State to Embassy Rio de Janeiro, 25 January 1946, NA, DS, RG 59, 835.24/12546; see also Berle to Secretary of State, 30 November 1946, NA, DS, RG 59, 835.61311/113046;

55. Acheson to Embassy Rio de Janeiro, 18 November 1945, NA, DS, RG 59, 835.24/11846; see also, Braddock to McDermott, 20 February 1946, NA, DS, RG 59, ARA, Memoranda on Argentina, Vol 5,6.

56. If nothing else, this episode at least demonstrates the true amount of "cooperation" between Perón's Argentina and the "puppet" regime of Villarroel. It is also significant that at least one officer of the U.S. Embassy in Buenos Aires saw "no basis for the charge that the Government of Argentina reduced wheat shipments Bolivia." Reed to Secretary of State, 15 May 1945, NA, DS, RG 59, 835.6131/51545; Tewksbury to Secretary of State, 4 September 1945, NA, DS, RG 59, 835.6176/9445; DuBarry to Phillips, 18 December 1945, NA, DS, RG 59, 635.61311/121845.

57. Cabot to Secretary of State, 24 November 1945, NA, DS, RG 59, 835.6176/11245; Braddock to Chalmers, 6 November 1946, NA, DS, RG 59, ARA, Memoranda on Argentina, Vol 5,6; Byrnes to Embassy Buenos Aires, 19 November 1945, NA, DS, RG 59, 835.61311/111945; U.S. Department of State, Current Economic Developments 5, 23 August 1945, HST; Thorp to Braden, Enclosure 1, 14 December 1945, NA, DS, RG 59, 835.24/121445.


60. The finest telling of the story of October 17 is Felix Luna's El 45: Cronica de un año decisivo, 273-298; see also Robert Crassweller, Perón and the Enigmas of Argentina (New York, 1987), 162-171; Page, Perón, 112-137; Juan Carlos Torre, La vieja guardia sindical y Perón, 116-140;

62. Kenneth McKim (Assistant Vice President, ITT) to Frank Page, 27 November 1945, NA, DS, RG 59, 835.00/112745; Cabot to Secretary of State, 9 January 1946, WNRC, BA, RG 84, Box 71.

63. Braden to Bowers, 29 December 1949, Bowers MSS II, Box 6; Bowers to Braden, 24 December 1945, Bowers MSS II, Box 6; Frank, Juan Perón vs Spruille Braden, 99-100; Cabot to Secretary of State, 8 January 1946, WNRC, BA, RG 84; Cabot to Neal, 7 February 1946, Cabot Papers, Argentina, HST; see also Kelly, The Ruling Few, 308; Cabot to Secretary of State, "Conversation with French re: Our Argentine Policy," 13 February 1946, WNRC, BA, RG 84; Messersmith to Braden, 25 January 1946, NA, DS, RG 59, 711.35/12546; Cabot to Lockwood, 4 January 1946, Cabot Papers, Argentina, HST.

64. Memorandum of Conversation, R.B.Smith (General Manager Will L. Smith, S.A., Buenos Aires, Braden, and Mann, 26 November 1945, NA, DS, RG 59, 835.00/112645.

65. Pawley to Braden, 29 January 1946, NA, DS, RG 59, 835.00/12946; Hoover to Lyon, 4 December 1945, NA, DS, RG 59, 835.00/12445.

66. Cabot to Secretary of State, 30 September 1945, NA, DS, RG 59, 835.00/93045; see also Thurston to Secretary of State, 20 September 1945, NA, DS, RG 59, 835.00/92045; Cabot to Secretary of State, 26 November 1946, NA, DS, RG 59, 835.00/112645; Cabot to Secretary of State, 17 January 1946, NA, DS, RG 59, 835.00/11746.

67. Naval Aide File, 22 January 1946, Naval Aide Files, HST. Hoover made the same report on February 11. Hoover to Lyon, 11 February 1946, NA, DS, RG 59, 835.00/21146.


69. Cabot to Secretary of State, 4 February 1946, Cabot Papers, Argentina, HST; see also MacDonald, "The Politics of Intervention," 309.

70. Cabot to Neal, 7 February 1946, Cabot Papers, Argentina, HST.

71. When Braden was posted in Havana during World War II, Falangist Spaniards were operating a spy network for the Axis. While Braden awaited FBI agents to deal with the Spaniards, he enlisted Hemingway's aid. The author did yeoman service organizing and operating his own spy
network—a motley crew of "wharf rats," exiled nobles, aged bullfighters, and others—and worked well until the FBI relieved them. As payment for his services, Hemingway requested war materiel. In the course of his fishing trips, he had seen a number of German submarines surfacing off the coast of Cuba and wanted "a bazooka to punch holes in the side of a submarine, machine guns to mow down the people on the deck, and hand grenades to lob down the conning tower." Braden "scrapped the regulations, got him what he wanted, and sent him on his way." Some of Hemingway's colleagues in Cuba later "very seriously proposed" to assassinate Perón for Braden, but he seems to have declined the gracious offer. Braden, Diplomats and Demagogues, 283-284; see also Potash, The Army and Politics in Argentina: Perón to Frondizi, 35.


73. Significantly, numerous erroneous rumors and accusations were circulating in Buenos Aires. One of the more interesting argued that Perón, certain of defeat, was going to hold a coup in order to cancel the elections. However, as Hoover reported, "Perón and experts near him are convinced that Perón's victory is assured." Therefore, Perón had no reason to cancel the elections which he never doubted that he would win—"honestly or dishonestly." Hoover to Lyon, 9 January 1946, NA, DS, RG 59, 835.00/1946; see also Cabot to Secretary of State, 25 January 1946, NA, DS, RG 59, 835.00/12546; Cabot to Secretary of State, 4 February 1946, NA, DS, RG 59, 835.00/2446.

74. Butler to Briggs and Mann, 7 January 1946, NA, DS, RG 59, ARA, Memoranda on Argentina, Box 19; Cabot to Bill Cochran (Chief of Caribbean and Central American Affairs), 14 December 1945, Cabot Papers, Argentina, HST; Cabot Oral History, 32; see also MacDonald, "The Braden Campaign," 147-151.

75. U.S. Department of State, Consultation Among the American Republics with Regard to the Argentine Situation. (Washington, 1946), 1-133.

76. Cabot's position is interesting. In December, he argued that it would be "grossly partial to the pro-Axis forces in this country to conceal" the findings in the German files. He reversed his assessment in February, and urged Braden not to release it. When it had been released, however, he told his superiors it was a "splendid piece of work." Cabot to Secretary of State, 4 December 1945, NA, DS, RG 59, 835.00/12445; Memorandum of
Conversation, Cabot and Butler, 13 February 1946, NA, DS, RG 59, 835.00/21346; see also Cabot to Secretary of State, 9 February 1946, NA, DS, RG 59, 835.00/2946.

77. Byrnes to Embassy Buenos Aires, 8 February 1946, NA, DS, RG 59, 835.00/2846; Cabot to Secretary of State, 9 February 1946, NA, DS, RG 59, 835.00/2946; Frank, Juan Perón vs Spruille Braden, 104-105; Review of the River Plate, 22 February 1945, 14.

78. Memorandum of Conversation, Cabot and Butler, 13 February 1946, NA, DS, RG 59, 835.00/21346; Cabot to Armour, 25 February 1946, Cabot Papers, Argentina, HST; see also J.Edgar Hoover to Frederick Lyon, 20 February 1946, NA, DS, RG 59, 711.35/22046.


80. Frank, Juan Perón vs Spruille Braden, 109-111.

81. Braden to Cabot, 6 October 1945, Enclosure 1, Cabot to Braden, 6 October 1945, NA, DS, RG 59, 711.35/10645.
CHAPTER 3

LOOKING FOR A "GOOD STICK," MARCH 1946-JUNE 1946

The Argentine problem seems as insoluble as ever... In the meantime, we continue to put on as sour a face as possible to the Argentine, but when we look around for a good stick with which to beat a certain gent we never seem to be able to find one handy.

John Moors Cabot, January 4, 1946

As Perón consolidated his gains and pushed forward his revolution from March to June 1946, U.S. policymakers scrambled to formulate an adequate response. Clearly, the old hard-line policies of Spruille Braden were bankrupt and counterproductive, as Perón's victory validated his status as a legitimate, democratically-elected leader and forced an end to overt State Department opposition. If leaders in the United States hoped to maintain the fragile "Good Neighbor" relationship based on non-intervention, Perón had to be accepted or old suspicions which had lain dormant for a decade might again plague the hemisphere.

139
Even without this impetus, the Blue Book had proven conclusively to sounder minds in the State Department that the demagogue Perón was far more likely to be strengthened by attacks from the north than weakened. To preserve the "Inter-American System" and deal with a not insignificant threat from Argentine nationalism, the U.S. response would need to display a subtlety and understanding that had heretofore been sadly lacking.

For several months after the election, New Dealers and peronistas adjusted to the new realities. Although U.S. officials were forced to accept Perón as a head of state and abort Braden's undeclared war on Argentine "fascism," they never deviated from their basic drive for a hemisphere and a world of free trade and liberal capitalism. The Peronist revolution, and Perón's attempts to emplace a state corporatist regime represented a direct challenge to this goal, but one that could not be fought head-on as European fascism had been. That this battle between rival visions and corporate orders would be more quietly and peaceably waged than World War II did not alter the fundamentals. For U.S. policymakers of almost every political stripe, this statist corporatism, with its emphasis on government domination of the national economy, inversion of the labor-capital relationship, and bilateral tactics evoked strong memories of Europe in the 1930s. Even if Perón was not a fascist, he looked like one in
many respects and represented the same sort of ideological threat to United States hemispheric hegemony and the ideal of multilateral commerce.

While few in the State Department (and even fewer in the public at large) actually sought genuine rapprochement with Perón, the pretense was vital. Other Latin American nations could rest easier that the Yankee colossus was not again taking up the "big stick," and the Peronist alternative pattern of development would fade—apparently without U.S. interference. This new strategy had crystallized by June. Although diplomats would never implement it as smoothly or comfortably as they would have liked, it would remain the general basis for dealing with the Peronist threat throughout the 1940s.

II

News of Perón's election filtered in slowly. Initial estimates gave the edge to José Tamborini and the Democratic Union, but by March 4 the inaccuracy of these reports became apparent. Secretary of State James Byrnes cabled the Embassy the next day asking for an "explanation of Perón's apparent strength in Buenos Aires" and an accurate assessment of the election results. Chargé John Cabot's response was ominous: "it now seems probable that Perón has won . . . and that he will have a great majority
in both houses of Congress." Furthermore, all observers (including the members of Tamborini's coalition) had already conceded that the elections had been the "most honest...[Argentina] ever had" (or at least, "reasonably fair by Argentine standards.") By the 18th, the State Department, unable to raise the cry of electoral fraud, had conceded defeat and had started to make a major reassessment based upon the reality of Perón's ascension.2

Soon thereafter, the President-Elect started to consolidate his power. Gen. Edelmiro Farrell, taking full advantage of his dictatorial powers before the newly-elected Argentine Congress could convene, issued a series of executive decrees for his former Vice President. With the assistance of Perón's foremost economic advisor, Miguel Miranda, who actually drafted most of the economic decrees, the lameduck Farrell thus paved the way for Colonel Perón's assumption of power. In just a few months, Farrell and Perón set the tone for the next several years and made clear to Washington the course the peronista state was going to follow.

Just days after the formal announcement of Perón's victory, Farrell dropped the first "bombshell" by announcing the nationalization of the Central Bank of Argentina. Created in 1935, the Banco Central had served as a semi-public institution, fusing private investors and
bankers with government-appointed advisors. In the hands of the old Concordancia, the Central Bank had been used almost exclusively as a vehicle for conservative, tight-money policies through its control of credit availability. To carry through his program, however, Perón required a far more powerful and flexible instrument. Farrell explained that the Central Bank nationalization was

no more than a beginning of the measures which will be necessary to equip the country with a system which...will be a powerful stimulus in the development of the national economy. It is necessary to create conditions which will promote the greatest possible expansion of private enterprise, assisting and encouraging it to follow the desired course.'

With nationalization on February 28, the Bank assumed new powers that transformed it fully into a peronista instrument. All banks in Argentina were made accountable to the Central Bank and were required to register their deposits with the national authority. Furthermore, the Central Bank had to approve loans made from private institutions, ensuring that industrial growth and investment followed the dictates of the government. Perón took other steps on the twin assumptions that great amounts of money "have been lying idle for extended periods," and that only the state could adequately perform as social arbiter for that capital. If private banks did not make the sort of loans Perón deemed necessary, Central Bank funds could be funneled through a specialized,
state-controlled Industrial Credit Bank. If private bankers did not comply with the orders of the Central Bank, their assets could legally be seized under this new system. Given Perón's track record for frequent and heavy-handed intervention in his previous posts, this nationalization boded ill for Argentine and foreign bankers who greeted this move of "far-reaching and profound significance" with "puzzled perplexity." Many feared that turning the Central Bank into the "axis of the Argentine economic system" was just a prelude to the complete "elimination of private banks." For the United States, the nationalization was a major step in the establishment of a corporatism in which the balance of power was tilted decisively toward the state apparatus.1

With a national financial authority firmly in place, Peronists could revive and revitalize old protectionist practices of exchange control. By offering different exchange rates for various currencies in different circumstances, Perón further augmented the Bank's ability to "orient imports" and direct development. If Argentine manufacturers could produce certain goods, the Bank, as an alternative to indiscriminate tariffs, could simply deny foreign exchange for import competition, or mandate highly-prejudicial exchange rates. Foreign investors could similarly be encouraged to reinvest profits within Argentina by offering poor exchange rates for remittances.
Embryonic Argentine industries, as well as Perón's working class constituency, would be given shelter from the heartless global economy. While Perón cited the nationalized banks in England and the U.S. Federal Reserve as his precedents, observers in the north saw "sinister implications" and recalled the dangerous developments of the 1930s.⁴

Other activities throughout the early months of 1946 did little to disguise Perón's intentions for far greater state control of the Argentine economy. With Decreto/Ley (Decree/Law) 15,359, Farrell provided for the creation of Sociedades de Economía Mixta ("mixed companies") in which government and business shared management and ownership. Although the state could simply invest capital to gain a voice in the management of existing companies, the law provided for a more subtle penetration of the private sphere. According to the Decree, "mixed companies" could expect various benefits ranging from tax exemptions and financial assistance to "exclusive or monopolistic privileges" in a given industry. The president of any "mixed company" (generally a representative of the government) had veto power over the private officials in most matters of importance. Intended to serve as vehicles for the retention of capitalistic innovation with the addition of peronista technocratic guidance, these entities also served another purpose. To diffuse
criticism, Peronists suggested that the "mixed company" idea was designed to provide a mechanism for the expropriation of Axis properties. As an alternative to outright nationalization (which had always aroused considerable consternation from the United States and Europe), "mixed companies" provided a defensible framework for government "assistance" to vital industries. To some eyes, however, there was an almost unlimited potential for mischief in this Trojan horse for state penetration of industry.7

This is not to suggest that Perón and Farrell were adverse to outright nationalization. As part of their "recuperation" program to achieve "economic independence," previous Argentine governments had covered considerable ground toward nationalizing public utilities and vital industries. Farrell's outgoing regime pushed this program along, establishing state control over grain elevators and warehouses, air transport companies, textile bagging firms, and several major universities that received state funding. Perón even put forward his intention to purchase ITT's extensive facilities in Argentina. These relatively innocuous undertakings appeared to Washington to be far more than old sentiments of Latin American nationalism, but, in light of the rest of the peronista program, part of a disquietingly concerted effort to achieve a fascistic centralization of the national economy.8
Of the peronistas' early activities, however, none had more ominous overtones thanDecreto/Ley 15,350, authorizing the creation of the Instituto Argentino para la Promoción del Intercambio (IAPI). Created explicitly as a "national autarchic entity," the Argentine Trade Promotion Institute was granted an almost monopolistic control over the sale and purchase of grains, edible oils, and "all kinds of goods...natural or manufactured."

Originally capitalized at four million pesos, IAPI enjoyed virtual independence from other institutions. As it was accountable only to the President or his agents, it represented an almost uncheckable intrusion into the national economy and the private sphere. The significance of IAPI was not lost upon economist Celso Furtado who considered it to be "the most comprehensive attempt made in Latin America to bring exports under the control of the state" to that point in time."

While there were strong precedents in Argentine history for state intervention in the agricultural economy, IAPI represented a dramatic turn toward populism. Concordancia President Agustín Justo, at the height of the Depression, had created the National Grain Board, which much like the American Agricultural Adjustment Acts, had subsidized farmers to compensate for plunging global agricultural prices. Similar wine, meat, and milk boards had also existed to purchase surpluses and buttress the
oligarchy against the uncertainty of the international market. Agricultural protectionism and valorization of this sort had long been a staple of Latin American monocultural development, and a natural response to boom-bust international cycles, but Peronist economics and IAPI turned the traditional formula on its head.

The fundamental premise behind IAPI was economic development beneficial to all sectors, which is possible only through centralization and the direction of the State." The fruits of the fertile soil of the pampas, which had flowed almost exclusively into the hands of the landed estancieros and hacendados (and a few exporting firms) were to be redirected to serve the elusive "common good" through state intervention IAPI served as the vehicle in several distinct fashions. Rather than subsidizing producers and propping up prices for the landed elite, IAPI bought foodstuffs from the countryside at very low, state-mandated prices. These low prices were passed on to the urban working classes, lowering the cost of living and effecting a substantial redistribution of wealth. In addition to siphoning wealth from his traditional enemies of the landed classes and benefitting his allies in the cities, Perón's "subsidization of consumption" fit nicely into his plans to push forward internally-driven ("hacia adentro") industrial growth. Just as higher wages for the working class, import
substitution, and protectionism served the intensification and deepening of industrialization, lower food prices naturally gave Argentine consumers a larger disposable income to fuel growth. Perón tried to assuage the landowners by claiming that if world food prices again fell, IAPI would be used to protect them, but few believed this promise. ¹¹

Social scientist Alejandro Horowicz argues that IAPI was neither a radical development nor the nationalization of foreign commerce. It was actually quite a bit of both. Certainly the old Junta Nacional de Carnes y Grano which had provided price supports in the past bore only a superficial resemblance to IAPI. But here the British seem to have more fully understood the impact of IAPI as peronistas implemented it. Originally, the British were puzzled by the very concept of IAPI. They were very familiar with the old German tactic of "dumping"--charging high prices at home to allow inordinately cheap exports. IAPI, they noted, inverted this formula. While some simply wrote this tactic off as a clever (if somewhat sinister) profit-raising scheme to capitalize on the global food shortage, this ignores the significance of lowering of food prices at home. Perón was the representative of the working classes and urban masses. The old Concordancia had owed its loyalty to the agropastoral elite and the exporting class. It seems
quite natural that both created institutions that served their clients. IAPI thus differed fundamentally from the previous state agricultural agencies, not only in scope and purpose, but also in its implementation. Politically and economically, IAPI fit perfectly as the cornerstone of the Peronist strategy.\textsuperscript{12}

Perhaps even more importantly, Perón further effected redistribution through IAPI's participation in foreign trade. Adopting many of the tactics prevalent during the 1930s, IAPI projected the Argentine government squarely into the middle of global commerce. As a unified seller, IAPI could exact a higher price from other nations than any individual private exporter. Peronistas calculated that during the past decade, low international food prices (and exporters' willingness to accept them) had cost Argentina almost four billion pesos. By negotiating bilaterally with war-torn European nations and traditionally-dependent South American nations, a state monopoly could wrest substantial concessions. The difference between the low prices IAPI paid to Argentine producers and the high price exacted from buyers abroad filled IAPI's coffers. Perón could then use these profits to purchase machinery, capital goods, and raw materials for industrialization, theoretically coordinating the drive for Argentine self-sufficiency and "economic independence."\textsuperscript{13}
Although IAPI appeared to be an aggressive means by which to exploit the global food shortage of the post-war period and extort trading partners, Perón defended IAPI (with some justification) as a necessary response to the economic climate of the post-war world. According to IAPI's one published account of its operations in 1949,

There arose [among the United Nations] the 'Combined Food Board,' an organization charged with concentrating and arranging the acquisition and distribution of many food products; the centralization of the purchase of Argentine hides for the U.S., of meat for the United Kingdom, etc."

In the face of this buyers' monopoly, created to ensure the efficient conduct of the war and perpetuated to alleviate hunger in the war-torn world, Perón and his "economic czar," Miguel Miranda, asserted the Argentine right to respond with a seller's monopoly. Argentines had witnessed firsthand the activities of the various product boards (most notably the RDC), and seen these supposedly impartial, apolitical organizations used as instruments of U.S. foreign policy and the "economic boycott" of Argentina. Perón had no reason to doubt that the food boards would be any more sympathetic to Argentine needs than the wartime controls had been. Since one of the highest priorities of the post-war planners in the United States was to provide food as cheaply as possible to the destitute Europeans, he was in all likelihood correct. Peronistas also noted that other "statist organizations"
such as the New Deal's Commodity Credit Corporation, Australian Wheat Board, and Canadian Wheat Board all performed similar (but reversed) functions as IAPI, but had not come under the fire that IAPI had. Perón further charged that Argentina, victim of the "moral embargo" and the global scarcity of capital goods, was being forced to pay inflated "black market" prices for its imported manufactured goods. If Argentina was to be forced to pay exorbitantly for its industrial wares in the post-war period, IAPI merely redressed the balance."

Nonetheless, IAPI's creation hardly seems to have been an entirely defensive measure or a simple reaction. Perón had watched and marvelled during the 1930s as Hjalmar Schacht's Reichsbank in Germany had, through cutthroat economic pressure and bilateral barter, not only weathered the Depression, but built an economy capable of sustaining a massive arms build-up and war. Indeed, the Argentine reaction to the Depression and wartime shortages had been a strong adherence to the bilateral slogan of "comprar los que nos compra" ("buy from those who buy from us") and a strict import substitution regime that bordered on autarchy. These developments had been the spark for Argentine industrialization, and there seemed to be no reason why they would not be able to facilitate even more extensive industrial development. More importantly, however, Perón had witnessed the potential effectiveness
of state trading and "economic blackmail" during the Wheat-Rubber crisis of 1945-6. Given the early victories of these tactics, peronistas had little reason to doubt that IAPI, as a more powerful tool than those available before, could secure even greater victories."

Together, the nationalized Central Bank and IAPI could manipulate and exploit the weaknesses of the global economy to further the cause of Argentine industrialization. Perón seemed to understand that the post-war period offered a window of opportunity for economic development. Resourceful Argentine industrialists had turned the wartime shortages and the U.S. "economic boycott" to their advantage, using the isolation to create new industries. Perón had to build upon this foundation. Argentina's massive wartime financial reserves and the expected dividends of the world food shortage appeared to be excellent building blocks. But time was short. Within years, food prices would return to their normal low levels, as they had after World War I, causing severe economic dislocations. Even worse, Perón fully expected the United States and the Soviet Union to go to war within five years. Argentine industrial imports would once again be shut off. For Perón, the task was to move as quickly as possible toward industrial self-sufficiency before this deadline arrived. Therefore, he had no qualms about running through his
sterling and dollar reserves, as the impending Third World War would replenish them as had the Second. In this context, IAPI and the Central Bank were vital lest this unprecedented opportunity pass. Only the state, through coordination and organization, could quickly or efficiently translate Argentina's agricultural wealth into the industrial development that he deemed necessary for a modern nation.18

If any doubts remained about Perón's intention to create a truly "directed economy," these were eliminated by the selection of one man, Miguel Miranda, to head both organizations. A highly successful canned goods magnate and an "iconoclastic high-flyer," Miranda had been one of the few industrialists to back Perón. For the conductor, any man who was capable of managing his own financial empire using only a notebook in his breast pocket certainly could provide the technocratic expertise required for the coordination of the national economy. Miranda claimed to be a staunch advocate of private enterprise, but quickly became the most ardent advocate of Perón's statist corporatism. According to Miranda, he had been a free trader who had been converted to the Peronist cause by Braden's activities in late-1945, and had rethought his position.

I disagreed in principle with the present President of the Republic because I did not fully appreciate the range of his policy of
economic recuperation for the country. But I soon changed my mind."

Even though the British continued to consider Miranda to be an intelligent, if brutally candid, leader, the U.S. embassy did not take long to label him a "menace to free trade" and an "utterly incompetent" "crook." His claim that "people will bring their dollars to us or they will become accustomed to living without food," epitomized for many in the United States the ruthlessness of Perón's "totalitarian" regime."

While State Department officials could not yet know much of Miranda, they were well-informed about José Figuerola, chosen to head Perón's Technical Secretariat. The Spanish exile had been one of Perón's foremost advisors in the old Labor Secretariat, a mastermind in the "capture" of Argentine labor, and, in the eyes of Braden's aide, John Griffiths, the "least inept of [Perón's] cohorts." This "clever Catalan," Griffiths noted, "has long been considered an enemy of democracy and an advocate of a single syndicate-corporativist type of totalitarianism." Griffiths conjectured that only Figuerola's academic theories that a corporatist state had to evolve slowly had restrained Perón from pushing forward even more quickly. Although the State Department could take solace from the fact that Figuerola held a sub-Cabinet post, he was nonetheless spending most of his time
preparing the comprehensive blueprint for the Peronist economy, the Five-Year Plan, which would be unveiled in October."

Most of Perón's other assistants were virtually unknown outside of Argentina. As officials, politicians, diplomats and economists from the old political parties and the Concordancia had refused to serve in Perón's government, he was forced to turn to political novices like Miranda, old idealogues like Figuerola, and loyal labor leaders virtually unknown outside of Argentina. Juan Atilio Bramulgia, a former socialist labor lawyer who would distinguish himself in later years as one of the most able of Perón's appointees, became Minister of Foreign Affairs and Worship. For the important post of Minister of the Interior, the President tapped Angel Borlenghi, former President of the Argentine Federation of Commercial Employees. The AFL's roving troubleshooter in Latin America, Serafino Romualdi, erroneously considered Borlenghi to be "the real strong man of the regime," and the leader of a "Secret Police along the lines of the Gestapo." Heinrich Doerge, a German immigrant and a former associate of Schacht, became a financial advisor, while Rodolfo Freude, the son of suspected Nazi Ludwig Freude, headed Perón's personal secretariat. Perón's mistress, Eva Duarte, "constantly up on a soapbox, intellectually scratching and biting at every form of
wealth or special privilege," and probably the most anti-U.S. member of the peronista retinue, was given an office in the Labor ministry building, portending her later control over the movement. All in all, Washington knew little of the new appointees, but what they did know was hardly encouraging.\textsuperscript{12}

At the U.S. Embassy in Buenos Aires, John Cabot denounced the "ominous overtones" of the Peronist decrees which were giving the government a "virtual stranglehold on practically every transaction." Other actions, he differentiated, were merely the settling of old scores. Using his familiar weapon, the Law of Professional Associations, Perón decimated two bastions of the oligarchy, the Unión Industrial Argentina (UIA) and the Sociedad Rural. He had tried to woo the industrialists of the UIA into becoming a wing of his corporativist state and a counterpart organization to the CGT. As early as 1944 he had been extending his hand to business with the same rhetoric that New Dealers had utilized so effectively,

\begin{quote}
My dear capitalists, do not be afraid of my labor movement... Capitalism has never been safer, because I too am a capitalist... What I want is to organize the workers so the state can control them, lay down guidelines for them, and neutralize in their hearts the ideological and revolutionary passion.\textsuperscript{13}
\end{quote}

Perón shared with the industrialists what Peter Waldmann calls the "\textit{gran miedo}" ("great fear") of the
revolutionary potential of the Argentine masses. He tried, like Roosevelt, to convince enlightened capitalists that his movement would become a buttress against Marxist upheaval. The UIA naturally ignored his rather hollow rhetoric of cooperation and instead focussed upon his confrontational labor decrees, interventionism, and impassioned denunciations the "vendepatria" wealthy. Perón may have at times spoken like a pro-business President, but each conciliatory speech he gave was matched by at least one given to a working-class audience assaulting industrialists. In June, he decreed a "Sixty-Day Campaign" which imposed price ceilings, remarking that "those who cannot do business this way can close up shop." It is not difficult to understand why Perón never did earn much business support. When the UIA resisted "peronization," he declared the organization to be without "juridical personality" and dissolved it shortly thereafter. Cowed by this display, the landowners of the Sociedad Rural toned down their attacks on IAPI, selected a more quiescent leadership, and generally laid low. Ironically, Perón had been forced to discipline the industrialists whom he was about to subsidize at the same time he was virtually ignoring his most steadfast enemies in the countryside.

Two further political developments pointed in the direction Perón was taking his revolution. As soon as the
newly-elected peronista majorities were seated in Congress, Deputy Rodolfo Decker (undoubtedly at Perón's behest) began impeachment proceedings of dubious legality against the Justices on the Supreme Court. Perón compared the move to Roosevelt's "court-packing" scheme, but for U.S. and British observers, it was more akin to the "end of democracy" in Argentina. Furthermore, as soon as the election results had been formally announced, he revealed a plan to merge the two parties that had comprised his coalition, the Unión Cívica Radical Junta Renovadora and the Laboristas into the Partido Unico de la Revolución (Single Party of the Revolution). As the precursor to the development of a one-party state, the proposed merger represented a consolidation of political power to echo his economic strength. Some Laboristas were in no hurry to abandon their independence and resisted before eventually succumbing in 1947. Although Perón denied that his program was fascistic, the move toward the organization of a single-party state did not reassure U.S. observers.

Peronist foreign policy in the interregnum also raised eyebrows and appeared to confirm fears that the Argentines had not given up old dreams of assembling an autarchic "Southern Bloc." The Uruguayans, very weak partners in the South American balance of power, worked diligently to convince their Yanguí benefactors that once
fully in power, Perón would settle his foreign scores as well as the domestic ones.

III

The Uruguayan press and government had been among the most vigorous of Perón's detractors for years. Throughout 1945, Perón had resented the Uruguayan accusations that he was a "fascist," "totalitarian," and a "dictator." Before becoming President, he had commented on the "need to adopt measures to counteract the violent and tendentious propaganda" coming out of Montevideo. He urged Farrell to look for a "solution to this problem through diplomacy." Unfortunately for Perón, there was little that could be done. Uruguayan radio could easily broadcast across the Rio de la Plata into Buenos Aires, and Montevideo dailies filtered in to Argentina freely. As Montevideo was the refuge of choice for opponents of the Farrell-Perón regime, it had become the base of operations for anti-peronista exiles or refugees. Since Peronist authorities could not muzzle foreign opponents (or Argentine foes on Uruguayan soil) as readily as they had silenced most of their domestic opposition, their only hope rested in convincing the Uruguayan government to take action. Upon winning the election, Perón seems to have decided to take action toward this end."
The Uruguayan Presidential election, scheduled for April, provided a good opportunity. In the midst of the heated campaign between mildly anti-U.S. Blanco candidate Luis Alberto Herrera and avowedly pro-U.S. Colorado, Tomás Berreta, Farrell and Perón stepped into the fray. In what can only be construed as a very crude attempt to manipulate the election, they abruptly terminated wheat shipments to Uruguay. The Argentines announced that the shipments would resume only when requested by Herrera. In response to this "political blackmail," the Colorados begged for U.S. assistance to withstand the immediate crisis. They petitioned the Combined Food Board for 100,000 tons of wheat "to compensate for the recent Argentine refusal to supply" it. Unconfirmed reports from Braden's minions in Montevideo alleged further Peronist intervention. Supposedly, peronista thugs had crossed the Rio de la Plata to start riots, sow dissention, and otherwise disrupt the election. The most bizarre such claim—that Perón's agents had rented every available automobile in Montevideo on the eve of the election to prevent Colorados from reaching the polls—was, like the others, never substantiated. Regardless, when Berreta won, Vice President-elect José Batlle Berres publicly thanked the United States for its assistance and gave his assurance that Uruguay would "hold the line" against Argentine aggression. Even the most level-headed U.S.
observers noted that the Uruguayan intrigues were a good reminder of the "potential threat Perón represents for us." 29

The Bolivian situation looked even worse from Washington. The State Department had not forgotten the 1943 golpe de estado that had brought Major Gualberto Villarroel and Víctor Paz Estenssoro to power. Still convinced that the relatively weak Blue Book evidence proved Nazi and Peronist connivance in the coup, Braden and his colleagues persisted in the belief that Villarroel was little more than a fascist puppet. Indeed, there were ties that linked the two nationalist movements. Estenssoro had maintained a long friendship with high peronista officials, and later claimed that the conductor held a "certain sympathy" for the Bolivian revolutionaries. Ties may have been even closer. Villarroel was apparently considering the prospect of declaring the iron fields of Mutún to be a "federal reserve," and opening them up to exploitation of Argentine capital. When Bolivian Foreign Minister Ernesto Tamayo proposed a "southern bloc" alliance to Chilean and Argentine leaders (apparently without his government's approval), suspicion was rekindled. Another revolutionary, writing under the pseudonym "Comrade X," fanned the flames, lauding Argentina as "the only country which has succeeded in saving itself from the 'loving care
of the United States' thus maintaining the rebellious and free spirit of South America." The connection was reinforced further when the U.S. Embassy in Buenos Aires learned that many in Villarroel's cabinet had purchased property in Argentina, probably preparing a safe haven in case the tin barons managed to oust the regime.  

More substantially, the U.S. Embassy in La Paz reported in late May that "Bolivia has probably joined the bloc allegedly being formed by Argentina." Elías Belmonte Pabón, a colleague of Villarroel and Estenssoro (and a suspected Nazi agent) was said to be returning to Bolivia, where the Embassy expected him "to play the role of a Junior Perón." The best evidence that the Embassy could present for these assertions was Argentina's maintenance of food deliveries to Bolivia. According to Hector Adam, the U.S. Ambassador in Bolivia,

In view of Argentina's blackmailing tactics toward Peru, Brazil, and Uruguay with regard to the shipping of wheat and meat which those countries need, it should be evident from the reported recent agreement by Argentina to provide 60,000 tons of wheat to Bolivia and the fact that ample meat supplies continue to be received here, that Bolivia must have come to terms which Argentina demanded before such concessions were made. Just what the Bolivian concessions have been cannot be determined with accuracy at this time."

In other words, "there can no longer be no doubt that Bolivia, either through fear of reprisals or genuine willingness, has now signed up in . . . a bloc."
While hardly conclusive evidence of a conspiracy, the apparent collaboration of these two nationalist revolutionary governments boded ill for undisputed U.S. hegemony over a united hemisphere.

Other accounts of peronista activities continued to filter into U.S. embassies throughout South America. Perón appeared, not surprisingly, to be cultivating friendship with relatively like-minded economic nationalists across the continent. To Cabot, Perón's "desire to hunt in the same wolfpack with [Brazilian President Getulio] Vargas" represented a threat of some magnitude. Although Vargas had been a faithful Ally during World War II, this had not deterred Ambassador Adolf Berle from seeking, albeit half-heartedly, his removal from office after the war. The Brazilian had acquitted himself well with his steadfast loyalty to the Allied cause, but his corporatistic Estado Novo and authoritarian practices still rankled U.S. policymakers. Even though there was far more rivalry and mistrust between Argentina and Brazil than amity and goodwill, the State Department still feared that the ideological common ground between Vargas and Perón might develop into a serious problem."

Also disquieting was Perón's apparent cultivation of Paraguayan President Higinio Morinigo. Another of the South American leaders who had supported the war effort
against fascism, Morinigo nonetheless practiced authoritarianism and preached economic nationalism. Like Perón, Morinigo had emerged from a secret military lodge, the Frente de guerra, seized power in a coup d'état, and was working to assert state power over the national economy to stimulate development. Some of Morinigo's chief lieutenants were even more suspect, especially Col. Victoriano Benítez Vera, who held some peronista sympathies and had exchanged gunfire with North Americans during the war. By May, Perón's envoys had formalized their overtures, offering a customs union with Paraguay. Even though Morinigo was clearly more interested in maintaining good relations with the United States than turning his nation into a vassal state of Argentina, the significance was not lost in Washington. Ironically, the U.S. Embassy in Buenos Aires even reported that "fairly circumstantial accounts reach us from time to time of Perón's intrigues in Chile," the same nation where, as a colonel, he had been spectacularly unsuccessful at espionage years earlier. Regardless of the veracity of these claims, Washington was continually reminded that Perón was a loose cannon in South America with all of the power and influence of Latin America's wealthiest nation behind him."

Although Perón may have been, in the eyes of most in the United States, "embarking on a career of fascist
crime," he did make some conciliatory gestures. To the surprise of some, the peronistas instituted a voluntary food rationing program in Argentina. Former President Herbert Hoover and UNRRA representative Francis Sayre had visited Buenos Aires before Perón took office, and appealed to the Argentines. Hoover cited statistics of European caloric intakes and informed journalists that over 10,000 people were dying of starvation or malnutrition every day. Since porteños consumed more meat per capita than any other people in the world, relief officials urged Farrell and Perón to issue a decree instituting mandatory food rationing. They refused, but did ask that households cut back on their food consumption. As the British disgustedly predicted, however, few Argentines seem to have taken this appeal to heart."

The voluntary rationing program was roundly belittled. Voluntary rationing amounted to little when Perón was lowering domestic food prices and thereby tacitly encouraging consumption. Furthermore, IAPI and the higher prices for food exports did not sit well in a famine-plagued world. Even worse, peronista meatpacking workers (with tacit government backing) launched a series of major strikes, shutting down the frigorificos and stalling further meat exports. British journalists lamented that
Literally millions of Europe's inhabitants are facing starvation or acute hardship through lack of food. 10,000 tons of meat is approaching a state of putrefaction in Argentine packing plants.36

Naturally, they concluded that this state of affairs was "no fault of the [British and U.S.] companies." Since Perón, with his power over the unions, could have ordered the strikers back to work, the Review of the River Plate held him to blame.37

The impression that Peronist Argentina was profiteering on the world's hunger was one that never disappeared. Argentina had not joined the humanitarian UNRRA, and Peronists could only offer flimsy explanations. First, since Argentina had been denied membership in UNRRA until its admission into the United Nations, they thereafter refused to join "such a prejudiced institution." Moreover, the UNRRA invitation to Argentina had arrived too late, after all exportable surpluses had already been contracted. More likely, Perón and Miranda simply had not wanted to lose any of IAPI's vaunted freedom to solicit the best possible prices. Nonetheless, Perón did donate 150,000 tons of wheat to UNRRA to help alleviate hunger in Europe, and promised more. Even though Hoover, Fiorello LaGuardia, and Secretary of Agriculture Clinton Anderson had to admit that Perón was doing his share, most others belittled his contributions. The conclusive assessment of the U.S. government's inter-
departmental "Argentina Committee" was that "Argentina has done nothing to cooperate with the UNRRA."

Other conciliatory gestures were similarly downplayed. Perón and his followers repeatedly expressed their support for the "denazification" program to eliminate Axis influences as mandated by the Chapultepec Accords, and actually did make some effort toward compliance. He even sent messengers to the U.S. Embassy to extend olive branches and otherwise make "friendly gestures." According to Cabot, Peronist officers were "falling all over themselves for cooperation" with U.S. officials. In light of the other actions taken, however, few in the State Department were at all convinced that the conductor had "really had a change of heart," (and Cabot still doubted whether he even had "a heart to change").

IV

As Perón solidified his position, U.S. policymakers reassessed theirs and tried to come up with a fitting response. The Wilsonians in the State Department split into two factions over the nature of this response. Aggressive champions of liberal democracy, led by Assistant Secretary of State Spruille Braden, advocated the continuation of the crusade to unseat the "fascist" Perón. Pragmatic observers and defenders of self-
determination such as Cabot countered that such intervention had proven to be counterproductive, would leave Roosevelt's Good Neighbor Policy "torn to ribbons" and wreck the "Inter-American System."

For their part, Braden and Cabot's superiors largely remained aloof from the debate. While President Truman wrestled with domestic reconversion and Secretary of State James Byrnes tried his hand at atomic diplomacy in Europe, Undersecretary of State for Economic Affairs Will Clayton busied himself with the negotiation of the British loan. Assistant Secretary of State Dean Acheson's "almost complete lack of interest in [Latin America] and his generally superficial knowledge of it" left policymaking largely in the hands of Braden and the Department's second echelon for the time being. This relative silence on the Argentine situation (which was "taking up eighty percent of the time of the senior officers" of the Division of American Republics Affairs (ARA)) created an illusion of unconcern and made intradepartmental factionalism appear more pronounced. In truth, the broad strokes of policy had long since been painted, leaving Braden and Cabot to quarrel only over fine touches--the means by which to secure the hemispheric aspects of a larger global policy.

The Department's policy for Latin America had been spelled out quite clearly in March 1945 by Will Clayton at
the Chapultepec Conference. The "Clayton Plan" laid out in Mexico City had been little more than a new articulation of very familiar themes and principles. Arguing against the "establishment of enterprises which can only make their way through government subsidies or excessive tariffs," Clayton focused upon traditional New Deal notions of interdependence, constant economic growth, and the preservation of peace through multilateral trade. While Latin American development would by necessity take a back seat to European reconstruction, this would eventually benefit Latin Americans who needed the markets of the developed countries. The "promotion of equal and reciprocal opportunity, . . . adherence to principles of free trade . . . and . . . development of competitive enterprise" were the best ways to avoid economic dislocations and the wars that inevitably followed. Clayton (and George Messersmith) had these principles written into the Economic Charter for the Americas at Chapultepec, over the objections from Latin American delegates who by and large favored protectionism and economic nationalism. Although questions such as the nature of "interventionism" and the implications of the Good Neighbor policy could be settled by Latin American specialists in Washington and the embassies, the ultimate global aim of U.S. policy, and its implications for Latin America, remained crystal clear."
For Perón's self-appointed nemesis, Spruille Braden, the Argentine election "did not alter the fundamentals of the situation." When Perón had emerged victorious, Braden found a number of convenient scapegoats--intransigent Argentine employers (who had foolishly served as the perfect foil for Perón's demagoguery), the "old line politicos" who "blundered," and of course, the U.S. Senators who had delayed his confirmation as Assistant Secretary (thereby depriving him of time he needed to ready his attack properly). Although Braden's own intervention had backfired, he naturally considered himself to be blameless. Braden generously agreed to "accept the verdict of the election" and even claimed to have expected it (he "won three bets to that effect"). But his hostility never wavered. Regardless of non-intervention pledges, Braden could not tolerate Perón, because of the Presidente's well-documented veneration of Mussolini's corporatist system, alleged connivance with the Axis, anti-capitalist activities as Labor Secretary, and aspirations to "create and control an anti-United States bloc...[and] a totalitarian-type state."

Braden rejected the argument that with the fall of Nazi Germany and Fascist Italy, Perón was little more than a harmless relic of fascism. Believing wholeheartedly that Argentina was destined to serve as the launching pad for a Fourth Reich, he refused to believe that the Nazis
might truly be finished. Indeed, he wrote in July 1946,

The Germans in Argentina constitute a large, wealthy, unassimilated, politically-influential group which enjoys a virtual monopoly in various scientific fields. Their representatives continue to advise with the Argentine government. The extraordinary power this group wields in Argentina continues to be used against the United States."

Supremely confident that Europeans (or Yankees, for that matter) could exert their will in a Latin American nation, Braden still saw the German presence in Argentina as a time bomb. That Perón was employing Nazi collaborators, suspected agents, and German nationals in his government only confirmed the thesis. Not only was Perón pushing forward a fascistic program, but he was employing genuine fascists to do it.

With the defeat of the Axis and the first inklings of a "red menace" in Josef Stalin's Soviet Union, Braden added communism to the list of charges he was piling up against Perón. Asserting that "Nazis and Commies are both authoritarian and often work together," it was not difficult for Braden to fit the Argentine into the mold. As early as July 1945, he had warned Washington that Nazis and communists had formed a secret alliance for the post-war era. Naturally, he implicated Perón, Vargas, and several other Latin American leaders in this astonishing and far-fetched revelation, but did concede that "concrete proof of any such plan is lacking." Braden had gone on to cable Truman before the Potsdam Conference, urging the
President to force Stalin to quit "playing footsy" with Perón. When Luis Prestes, the noted Brazilian communist chieftain came out in support of Perón as a fellow "crusader against capitalism" in March 1946, Braden could not but see this as further confirmation of a nazi-communist conspiracy. Prestes criticized the Argentine communists for opposing the "eminently democratic" Perón and thereby playing into the hands of a "certain reactionary nation." Since "Argentina is the last Latin American nation in which Yankee capital does not predominate," Prestes urged communists and Brazilians to unite with Perón to resist U.S. hegemony. Although little came of Prestes' appeals, the notion of a communist-Peronist alliance was one that stirred Braden's imagination. In an era when the idea of "red fascism" was gaining in credibility, it should hardly seem surprising that Braden utilized it to further his campaign against peronismo.

Had Perón's election been openly fraudulent, Braden probably could have restored (and possibly even extended) the sanctions that had been applied against Argentina. Since it had been fair (in spite of "all the [Peronist] intimidation during the months preceding it"), even Braden conceded that Perón had to be recognized. This hardly implied that he had to go along with the normalization of
relations, however, as he continued to assail the vestiges of Argentine "fascism" after the election.

With the defeat of Germany, Argentina remains under the bare dictatorship of uniformed men who drink at the same fountain where drank Hitler, Mussolini and Franco. As long as the people of Argentina live under the heel of this dictatorship...none of us can sleep soundly...Either the hemisphere is united or it is broken. There is no room for middle ground."

Thus, he encouraged the use of continued sanctions against Peronist Argentina, wherever possible--reviving his old hope that deprivation of goods could fuel a counter-revolution and restore his allies of the elite gente bien to power. To accept anything less than the restoration of traditional government dedicated to relatively free trade, economic liberty, and freedom of the press was nothing more than "muddleheaded" appeasement. Even if the Axis agents and German influences were eliminated, "it is obvious that Perón is following the Nazi technique" quite willingly, and would persist in doing so. Braden's hatred for Perón, growing since the Colonel had threatened him in Buenos Aires, was leading him to forsake logic in his zeal to oust his nemesis."

Braden's analysis, while extreme, had at its heart an emotional appeal that spoke very well to U.S. idealism in the post-war period. As Ambassador Claude Bowers argued, "with the millions dead and billions in treasure spent in a fight to end fascism, we emerge from the war with Franco
and Perón keeping the old pirate flag afloat." So Peronist "fascism" became not only a hemispheric threat, but (like the Soviet occupation of Eastern Europe) an insult to the martyred dead who had fallen to preserve democracy during the war. Braden and those who like him sought to sustain the crusade to unseat Perón counted upon this emotional appeal to sway the public toward their position and stifle opposition. Braden himself conjectured that he owed his retention in office to his enormous popular following and support of his crusade. There is some evidence to support his beliefs. A State Department national poll revealed that 39 percent of Americans considered Perón's Argentina to be a dictatorship (although fewer than 20 percent considered Rafael Trujillo's Dominican Republic to be), and 41 percent believed Truman's policy was too soft on Perón. However, the same poll also revealed that only 21 percent actually believed that they had a clear idea just what that policy toward Argentina actually was, and a full one-third took no interest whatsoever in the matter.*

Braden can probably be forgiven for overestimating his importance to the public. Argentines made the same error. Ironically, Peronists believed that Braden was the leader of the "leftist" forces in the United States. According to Martin Drago, the Counselor of the Argentine Embassy in Washington, Braden virtually controlled what he
considered to be the "extreme left-wing press," including newspapers such as the *Daily Worker*, *New Republic*, and the *Chicago Sun*. Through this propaganda network, he argued, Braden had managed to turn the U.S. public against the Argentine revolution. One solution to this problem, the Embassy argued, was to hire a public relations consultant. In fact, one veteran P.R. man had already approached the Embassy and offered his services."

Suggesting that Braden (a life-long Republican who viewed the New Deal as radical) was a "leftist," seemed ridiculous on the surface. However, the source of much of Braden's support lent surprising credence to the *peronistas* argument. Ironically, Braden who personally had little but contempt for organized labor, had the full backing of the Congress of Industrial Organizations (CIO). Russian immigrants George Michanowski ("a CIOdious character whose Red sympathies are well known") and Jacob Potofsky of the CIO Latin American Affairs Committee repeatedly wrote to Truman, Byrnes and other officials extolling the Braden's virtues. Soon, Serafino Romualdi, George Meany, and the AFL would also join his effort to unseat the "totalitarian" who had crushed independent unionism in Argentina and was threatening to spread his influence throughout Latin America. Finally, many of Braden's government backers, men such as Henry Wallace and
Henry Morgenthau, came from the more liberal wing of the Democratic Party."

Ironically, Braden found himself in league with U.S. unionists, Argentine socialists, Spanish Republicans, and Democratic liberals. Acutely aware of the dangers of fascism (and more willing to ignore the emergence of the Cold War), these vocal groups were willing to cast their lot with Braden, if it meant a chance to derail Perón. Although many in the State Department were already starting to shift their focus from fascism—which had already been defeated—to the communist threat which seemed to be on the rise, Braden still spoke for many, and his crusade against Perón, drawing upon the shared experience of the 1930s and early-1940s, could still command substantial respect.

V

Braden's passionate loathing of Perón and forcefully aggressive approach were not without critics, however. John Cabot, who had run the Embassy since Braden's recall in October 1945, had never been especially fond of the ex-ambassador's "dogmatic and belligerent" stance. While he refrained from openly criticizing Braden's call for the ouster of Perón, Cabot recognized that this approach was entirely futile and dangerously counterproductive. Each
successive assault on Perón, culminating in the Blue Book, had only lent strength to the conductor's appeal as an anti-Yanqui nationalist. Although he had begged Braden, as he later recalled, "For Christ's sake, lay off," he noted that this plea predictably "went up like a lead balloon." Accurately forecasting that the Blue Book could help turn the election into a referendum on Yankee imperialism, Cabot had argued fruitlessly against dropping this explosive "atomic bomb" into volatile Argentine politics. When Perón won the election, he decided that "I was damn well going to see that the policy was changed or I was thrown out."53

Although Cabot also considered Perón to be an "excrescence on the Americas," that "looks disquietingly like some other ones which we have just finished performing operations on," he argued that the United States would have to learn to live with him. Continuing to directly oppose a constitutionally-elected government risked "wrecking the Inter-American system" and the goodwill brought by the Good Neighbor policy. Well aware that the mere mention of intervention "raised hackles on the back of every politician as far south as the Cape of Good Hope," Cabot echoed Sumner Welles' earlier appeals for cooperation rather than coercion. Nevertheless, he was in no hurry to "shake the bloody hand that stabbed us in the back and may try to do so again." Cabot succinctly
and realistically summed up the State Department’s frustrations: "every time we look for a good stick with which to beat [Perón] we never seem to be able to find one handy." The "big stick" Braden wielded obviously was not a "good stick" in this regard.

Cabot’s view of Perón’s success and domestic agenda stood in stark contrast to the picture of fascist tyranny that Braden had presented.

With a disproportionately large part of the economic wealth of the country in the hands of foreigners and a selfish, Europeanized plutocracy which never did an honest lick of work in its life, this country has been overripe for reform. Perón has been practically the first man to do anything effective about it. To say that his means have been totalitarian does not impress the working masses. They contrast his acts with the empty words of his corrupt political predecessors.

He noted that "this does not mean we should endow him with gilded wings and a halo," but did argue that there were concrete reasons why large numbers of Argentines supported Perón. Therefore, Braden’s dreams of fueling a counterrevolution through sanctions were hopeless fantasies.

Because the Department had made no definitive policy statement since the election, Cabot sent Byrnes his recommendations at the end of March. Dubious that Perón could be overthrown by the continued application of Braden’s techniques, he advised acceptance of the "will of the people" of Argentina, "however repugnant [Perón’s]
Fascist antecedents may be." The complete ostracism of Argentina would only ensure that Peronist "subversive conspiracies against neighbors and international intrigues" would continue, as Perón would have no incentive to try to gain the favor of the United States. Finally, England and the Soviet Union circled like vultures, and could be counted upon to capitalize upon the blackballing of any American republic. Thus, a carrot had to be offered to offset Braden's ostentatious and unproductive approach lest Perón continue unchecked with his nationalistic program and maverick foreign policy."

Cabot explicitly rejected letting "bygones be bygones," but urged some public reconciliation with Argentina. He suggested that the Department take the position that Argentine wartime neutrality had done the United States a "grave injury." By holding out the lure that Perón could restore himself to the good graces of the U.S. if he played straight, made reparations for the damages supposedly done to the war effort, and fulfilled the Chapultepec commitments, Cabot proposed to leave the "door cracked" for rapprochement. The United States could lose little by "watchful waiting" and hoping that Perón's behavior became "less obnoxious." As a further benefit, if Perón failed to deliver on any of his promises to the Argentine people, he would be unable to blame U.S. interference or subversion, a condition that could
actually improve the chances of his ouster in the long run. As one congressman succinctly noted, "the people of Argentina will take care of him if we don't make a national hero of him." Challenging Perón at his zenith was pointless when better opportunities would almost certainly present themselves later. In short, Cabot was "hopeful that we can reach reasonably satisfactory relations with [the] Perón government by a combination of diplomatic toughness and conciliation, each at proper time."58

VI

When Byrnes did at last speak to the Argentine situation on April 8, his position was vague and non-committal. Reaffirming that "the US was not animated by any feeling of hostility toward the Argentine people," Byrnes nonetheless noted that "it is not clear that the election will remove the conditions which prompted the Government of the US" to oppose the Argentine regime. Perón would have to eliminate Axis influences in Argentina and ratify the Chapultepec Accords in order to demonstrate Argentina's worthiness of readmission into the "Inter-American System." Little more than a reaffirmation of the Chapultepec Accords themselves, Byrnes' statement provided no details and set no firm agenda. With no mention of
specific actions to be taken or criteria for the fulfillment of "denazification," all options were left wide open. He concluded that "there must be deeds, and not merely promises" before the Truman Administration relaxed its stance.®

Byrnes' vague statement reflected his focus on European affairs and global policy. With the "world food crisis continu[ing] to be one of the greatest, if not the greatest problem" confronting the State Department, Argentina held high trump cards as one of the world's leading meat and grain-exporting nations. In the Wheat-Rubber imbroglio, the Farrell-Perón regime had shown its willingness to hold the European and South American food supply hostage. Byrnes had resolved the situation by conceding to the Argentines and had emerged from the situation with a better understanding of the leverage Perón possessed.® By providing a face-saving mechanism for rehabilitation, Argentine behavior would presumably improve, to Europe's benefit. For their part, Peronists were well aware that the global food crisis made U.S. "collaboration with Argentina invaluable," and therefore expected a "change in the aggressive position" of Washington. Furthermore, the spectacular failure of the Blue Book made it clear that Braden's hard-line was ineffective and had to be abandoned, or at least modified. Byrnes had once defended the attacks on Perón, claiming
that the "policy of non-intervention in internal affairs does not mean the approval of local tyranny," but Perón's electoral success voided the juridical argument that he was a thoroughly unpopular "tyrant" ruling by force of arms. The Secretary of State also undoubtedly felt pressure from Senator Arthur Vandenberg's Foreign Relations Committee which had nearly derailed Braden's appointment. For Vandenberg and Tom Connally, an isolated Argentina virtually invited further embarrassment, if not actual Soviet penetration. At a meeting with Byrnes the day before the release of the April 8 statement, several Senators (according to Cabot) had told Byrnes that "You have damn well got to stop this business. There's to be no more interference in Argentine internal affairs."\textsuperscript{61}

Although Cabot could consider Byrnes' statement to be a victory, so did Braden. So long as cooperation depended upon "deeds" as interpreted by the Department, Perón could still be effectively battled. For Braden, "denazification" would, in Cabot's words, become a "well with no bottom."\textsuperscript{62} No matter what Perón did to comply with Washington's dictates, Braden could always find more demands and the crusade could continue unchecked. Byrnes had left his options open. If Perón proved to be a nationalistic authoritarian emulating fascist techniques, the pretext for punitive sanctions aimed at encouraging a coup was already in place. In the meantime, Perón would
be offered the lure of acceptance and the hope that the last vestiges of the "moral embargo" would be lifted.

However, Byrnes leaned toward gradual conciliation, probably due more to a series of specialized reports than Connally and Vandenberg's bipartisan pressure. An Office of Research and Intelligence (ORI) report dealing with "Probable Effects of Economic Sanctions Against Argentina" reached the Department in mid-April. The ORI paper sought to assess whether or not "effective pressure" designed to "oblige Argentina to change the personnel and/or policies . . . in a direction acceptable to the United States" could be brought to bear.\

It concluded that while the Argentine dependence upon foreign commerce "might, at first glance, convey the impression that Argentina would be highly vulnerable to sanctions," this was misleading. Argentina could repeat its wartime financial successes by once again utilizing elaborate import substitution schemes to alleviate import shortages and undercut sanctions. Furthermore, any sanctions applied to the Argentine industrialization scheme would adversely affect agriculture (and more importantly, food exports) "in a fashion which cannot be formulated in statistical terms."

If the British were brought on board, the report noted, the chances of success would improve substantially. The British, however, were justifiably reluctant to
threaten their desperately-needed food supplies and Argentina's traditional position as an unofficial "Sixth Dominion." They had not cooperated with most punitive efforts against Argentina during the war and showed no signs of deviating from that course.

The report concluded that all of these issues were "clearly of secondary importance when compared to the...world food situation." As one of the world's largest meat exporters and a major contributor in wheat, corn, fats, and edible oils, Argentina was simply irreplaceable to the world food supply in 1946. Without Argentine imports, British meat consumption would drop to forty percent of its pre-war levels, and Belgium and the Netherlands would be even harder hit. The United States, which was barely meeting its own food commitments to Europe, could not hope to make up the shortfall. Any attempts to disrupt the Argentine economy could have far more serious repercussions in the all-important European arena than the potential benefits gained in the Americas."

Another authoritative report, a departmental memorandum on Argentine Post-War Economic Policy, also suggested that punitive treatment of Perón worked against the aims of the Department's global policy. Examining the possibilities that Argentina might return to a "bilateral trading regime," the memorandum argued that Argentine
dreams of industrialization almost precluded support for a free trade regimen. It warned that "Argentine cooperation is something less than a prerequisite for a successful system of international commercial liberalism, but if the cooperation of leading trading nations is something less than complete, Argentine cooperation would be a more important factor." Ominously, it also noted that if the economic nationalism being manifested by Argentina was typical of a widespread trend, it could "mean the breakdown of any efforts toward economic peace."

The memorandum gave particular attention to the threat of Perón forming a customs union or "southern bloc" in South America.

Argentina is too small a market to support all of the industries which would be needed to give her any degree of industrial independence, and she is deficient in many raw materials. A larger economic bloc, it is believed, would help overcome these obstacles.

The State Department could rest comfortably, however, for there was little chance of such a bloc ever forming, since "nationalism is the most striking characteristic of all of the proposed members." Ironically, the same nations which resisted Yanqui domination could also be counted upon to resist Argentine encroachments. Since Argentine-Brazilian suspicion and jealousy ran so deep and strong, the two nations would never be able to cooperate effectively. Without Brazilian population and resources, any "austral
bloc" would, the report noted, be dramatically weakened. Even if Argentina managed to overcome these political difficulties, the bloc would still be economically dependent upon Europe and the United States, "which could bring about its dissolution" if push ever came to shove."

Nonetheless, given Perón's dedication to industrial growth and the Argentine experience after World War I, the United States could expect Perón to establish a "bilateral regime." One possible solution, the memorandum noted, was offering loans to Argentina's trading partners with multilateral stipulations attached. Direct loans to Argentina with similar provisos could not effectively be utilized, as the Argentines hardly needed loans at the time, but that option might prove useful in the future. The only feasible long-term solution to prevent Argentine reversion to narrow bilateralism was to foster goodwill. Unless Argentines could be convinced that the great trading nations intended to deal fairly and within a multilateral framework, they would take the cautious bilateral approach. While Perón's Argentina could not collapse the multilateral system that the State Department was erecting, it could make life difficult by encouraging South Americans to emulate its program and facilitating European bilateralism."
Although Byrnes' vague April 8 statement hardly reflected these influences, his April 12 policy statement, sent to the Embassy in Buenos Aires, did. He reiterated that the "road will be open to inter-American unity only when and if [the] incoming Argentine regime complies with...the elimination of Axis influences." All economic sanctions would be lifted, due only to the "inability unilaterally to control Argentine imports...and [the] dependence of Europe and some American republics on Argentina for essential foodstuffs." Argentina was therefore removed from "Group E" trading status, and restrictions on non-military exports to Argentina were lifted. The arms embargo, however, was to remain in effect, and Argentine gold and funds in U.S. banks remained blocked. Byrnes did nonetheless formally normalize relations by announcing the dispatch of George Messersmith as the new Ambassador to Argentina. By adopting an "attitude of watchful waiting," Byrnes had set the tone for the next several years.

While economic relations were restored, the arms embargo remained in force until Braden's resignation in 1947. This particular lever could be expected to get results. Argentina's wartime neutrality had exempted it from the Lend-Lease program through which all other Latin American nations had, to some extent, modernized their militaries. Brazil, Argentina's traditional rival, had
benefitted enormously from this form of wartime aid. Argentine desperation to restore the balance of power had already shown itself in 1944 with the disastrous Hellmuth mission to purchase German weaponry, and there was no reason to doubt it had abated. While Cabot claimed that the Argentines desperately sought military parity with Brazil, Braden asserted that the desire for armaments was prelude to expansionism and fascist treachery, and still others believed Perón needed guns to appease the professionalism of the Army. Regardless of why he wanted arms, he did want them badly, and everyone knew it."

The arms embargo had the tenuous support of other nations, most notably the British. While Great Britain had gone to some lengths to circumvent Cordell Hull's wartime sanctions toward Argentina, it had adhered to a "Gentleman's Agreement" withholding weaponry. The Belgians were recalcitrant, however, and posed some difficulties. Over Acheson's objection, the Belgians sold one thousand tons of TNT to Gen. Manuel Savio of the Argentine government's arms manufacturer, Fabricaciones Militares, to secure food shipments. When the State Department officials and their British colleagues confronted them, "slightly embarrassed" Belgian Foreign Minister Paul-Henri Spaak told them that since half of the wheat had already arrived in Brussels, it was too late to cancel the agreement. The U.S. Ambassador warned Spaak
that the United States was taking the embargo very seriously and that "this deal might have repercussions in the Combined Food Board." This thinly-veiled threat kept the Belgians (and other potential arms dealers) in line, at least for a few months, and also illustrates that the Peronists were perhaps correct to fear U.S. influence over "international" commodity boards."

Like the Belgians, Perón underestimated Washington's resolve. Despite the announced policy, Perón dispatched his old Chief of Staff, Gen. Carlos Von Der Becke, to procure weapons in late May. In Washington, Von Der Becke met with a number of government officials to test the waters. While Gen. Dwight Eisenhower proclaimed him to be "quite a guy," Braden found Von Der Becke to be "amazingly stupid" and a "rabid nazi." Braden was also quite amused to discover that the Argentine believed relations had improved to such a point where he could actually negotiate an arms purchase. Over the War Department's objections, Von Der Becke was coldly rebuffed and informed that until "denazification" had been satisfactorily completed, no arms would be forthcoming. Backed by Byrnes, Braden intended to maintain the indefinite postponement of the Rio de Janeiro Inter-American Defense Conference until Perón was ousted. As his aide, Thomas Mann, explained, "People outside ARA simply do not understand that we do not have sufficient trust in the present government of
Argentina to negotiate a treaty with it." Although Acheson denied it, Eisenhower and the U.S. Armed Forces could now be counted among Braden's growing list of enemies.

It had long been a dream of the men leading the United States Army to militarily unify and coordinate the defense of the hemisphere. Since the Germans had threatened U.S. security prior to the outbreak of World War II by using advisors and training missions to "subvert" Latin American military men (like Perón), inter-American defense had become a priority. These fears culminated in the proposed Western Hemisphere Defense Program (WHDP) by which Latin America's defense needs would be met by U.S. materiel. The benefits to the United States military establishment would be substantial: all nations in the hemisphere would possess standardized, interchangeable weaponry, outside threats could be effectively met, obsolete materiel could be disposed of readily, and perhaps most importantly, the "military thought of Latin America" could be "reorient[ed] to the democratic lines of our military doctrine." Argentina was of particular importance, for theirs, in U.S. eyes, was the Army most in need of "reorientation." Also, as Ellis Briggs noted, "because of Argentina's superior financial resources . . . that country may be expected to make
purchases . . . possibly in excess of most of the rest" of Latin America combined."

Braden and his backers had spearheaded the opposition to WHDP on practical and philosophical grounds. Braden opposed the introduction of large quantities of U.S. weaponry into Latin America, believing that it would most likely be used to oppress domestic opposition or intimidate neighboring states. Furthermore, he feared that economic development in Latin America would be retarded by inevitable, crippling arms races and increased militarism. While he also worried that the U.S. Army might replace the State Department as the dominant instrument of foreign policymaking in Latin America, the prospects of arms sales to Perón (and to a lesser extent, Morinigo and Trujillo) appalled him most. As one of his supporters noted,

> Argentina's neighbors are well aware, as we should be, that a modernized army, even though it is never employed in open aggression, would greatly strengthen Perón's hand in promoting a southern bloc through economic pressure and political penetration and modern techniques of aggression which, unfortunately, are not readily checked."

Byrnes and Acheson, however, gradually warmed to the idea of inter-American arms standardization. In April, Byrnes testified before Congress in support of the WHDP's successor plan, the Inter-American Defense Act, at the same time he was backing Braden's postponement of the Rio
Conference which would put it into action. While the Army was pressuring Byrnes to go ahead with the Conference, its role should not be overstated. Byrnes had been converted to the need for a hemispheric defense plan (and tacitly to the prospect of arms sales to Perón), but Braden would be able to block implementation. So as long as Byrnes retained Braden's services, the Department's message to Perón was clear: there would be no "appeasement" or military agreement."

VII

Still, if Braden hoped that the peronistas would embark upon an endless quest to repatriate Nazi agents, close German schools, and confiscate Axis firms, they were to be disappointed. "Denazification" proceeded slowly. Although the State Department had provided a list of German agents they wished to get their hands on, Perón wryly claimed that they could not be deported until they had received due process from the Argentine judicial system. To deny these individuals their constitutional rights would have been dictatorial, and perhaps fascistic. The Supreme Court, embattled by impeachment proceedings, ruled that each suspect had to receive a full trial, stalling the deportations. Reassurances aside, Perón appeared reluctant as well. He rewarded Gache Piran, one
of the judges accused of "hamstringing" the "denazification" process, by naming him Minister of Justice and maintained close ties with some of the suspects. The Peronists were clearly in no great hurry to clear the "legal obstacles."  

The expropriation of German businesses, the so-called "Replacement Program," ran into a wall as well. Colonel José Manuel de Olano announced in January that in his Junta de Vigilancia's first 215 days, 229 firms had been investigated. While only two had been liquidated, over seventy had been seized. In spite of these numbers, most in the United States were dissatisfied both with the pace and tactics of "denazification." According to the State Department and its UNO allies, the profits made from the sale of expropriated German firms should be passed on to the "victims of Nazi aggression" in Europe. Peronists sought to nationalize the firms (or run them as "mixed companies"), however, and had no intention of allowing any surplus capital to leave Argentina. If the companies were sold at all, proceeds would go to the government of Argentina. Braden and his superiors were in no hurry to see the "Argentine Nationalization Program overlap with the Replacement Program" in this fashion. As bad as outright nationalization would have been on a philosophical level, even worse was the Argentine retention of German businessmen and technicians who had
been active in the 1930s and 1940s. Perón's apparent intent to leave the firms intact, but merely redirect the profits to serve his government, was simply unsatisfactory.

On the issue of German schools, however, Argentina generally complied with U.S. mandates. Cabot reported that most of the German-owned and operated schools had been closed by June. While optimistic that peronistas were indeed carrying out the "denazification" process, Cabot held out the likelihood that "this may merely be due to Perón's hope that we will change our tune." Braden predictably deemed the level of Argentine compliance totally unacceptable, and until these issues were resolved, "denazification" could never be completed, while Braden maintained his intransigence with the general approval of his superiors."

Truman's appointment of George Messersmith to be Ambassador to Argentina, however, gave the best indications of the direction of United States policy. Messersmith had been attached to the U.S. Embassy in Berlin during Hitler's rise, and had been one of the Fuhrer's earliest and more ardent opponents. This, in conjunction with his term as Ambassador to Austria during the Anschluss, made Messersmith an expert on the worst excesses of fascism and a good choice to judge Perón's intentions. Furthermore, Messersmith had served with some
distinction in Latin America, and was well in step with the tenets of the Good Neighbor Policy and the Department's anti-peronista campaign. He had helped Clayton set the post-war agenda for Latin America at Chapultepec, and served several years as Ambassador to Mexico during the thorny years following the oil expropriations."

If the United States was now pursuing a completely conciliatory policy toward Argentina, the selection of Messersmith to spearhead it was a strange one. Time magazine chortled that the new Ambassador possessed an "uncanny nose that can smell a fascist s.o.b. as far as the wind can carry the scent." Messersmith had impeccable anti-fascist credentials and could be expected to oversee "denazification" diligently. Furthermore, he had followed Braden's lead throughout 1945 and early 1946. He had supported the Blue Book wholeheartedly, and pronounced it to be "perfect." As late as March, he had counseled against recognition of the "farce" of Perón's election, claiming that it would "be taking the heart out of sound elements in Argentina." Even worse, acceptance of Perón "would be a negation of all we had fought for." Peronist totalitarianism, if not beaten back quickly and definitively, would become "infectious and spread rapidly." Although Messersmith was already withdrawing his support from the embattled assistant secretary and
backing away from strong-arm tactics, it was only because they had not worked, not because they were misdirected."

In spite of the ill will that would soon arise between the two men, Braden and Messersmith initially had a reasonably solid relationship. While Braden had hoped that his friend Ellis Briggs would be named to the post, he was not entirely displeased with the selection of Messersmith. "I did not think Messersmith well suited to the post," he observed much later, but acknowledged that "On the other hand, he had always professed agreement with my Argentine policy." If the Department was shifting toward appeasement, as some suggested, the choice of Messersmith to be the point man was odd. Just as interesting was the selection of Joseph Flack, First Secretary of the Berlin Embassy with Messersmith, to head the Embassy in Bolivia. With Claude Bowers, a veteran foe of Gen. Francisco Franco in Spain, serving in the Chilean post, a good part of the team that had fought fascism in Europe during the 1930s was reassembled in the Southern Cone to deal with another potential "fascist" threat in the 1940s.80

Although Braden's list of enemies continued to grow, and his "bull in a china shop" approach had been repudiated, his services would be retained, for as Messersmith noted, "it would do us infinite harm . . . and injure our program infinitely if he were to retire from
the Department." Washington seemed willing to follow Cabot's suggestions that "the less official statements or press speculations . . . the better." The State Department was now preparing to exercise a more subtle approach toward Péron. Messersmith would be in an "untrammelled position" to achieve Péron's cooperation, while Braden remained prominently in the background as a constant reminder that all had been neither forgiven or forgotten."

Although historians of the "bureaucratic school" find Braden's retention to be anachronistic and inconsistent with an approach of "watchful waiting," it is not necessarily so. Ernest May suggests that Byrnes, suffering badly in his dealings with the Soviets, feared that Braden's removal (and the intendent perceptions of "appeasement") would cause an uproar that would only worsen his deteriorating position in the Administration. Braden had threatened that "If any attempt was made to shove me out, then I would fight with everything I had and they knew from my record that I could put up a pretty nasty fight--with no holds barred." In fact, the upper echelons of the State Department knew very well that their policies had little or no public following and that any development in Latin America would be overshadowed by the emerging Cold War and domestic crises. Braden may indeed have possessed enormous popularity for an Assistant
Secretary of State for American Republics Affairs, but this did not add up to all that much. Still, Byrnes hardly needed additional difficulties, and Braden's presence did serve a valuable function as a foil to Perón. Braden's departure would have given, as Messersmith noted, an appearance of "appeasement" that could have easily undercut all of the Department's other efforts in Argentina and Latin America. Since the new U.S. approach would be based upon the outward appearance of dispassionate neutrality toward Argentina, Braden's continued presence proved to other Latin Americans that the Yanguis had not gone too far in their acceptance of this new alternative. In short, his presence was a major asset in keeping Perón in line.82

VIII

It took less than two weeks for Messersmith to ascertain that "one thing is very definite and that is that we will have to deal with President Perón for probably the full term of six years." With this realization of Perón's strength, hopes of unseating him started to disappear. In their place emerged a more complex strategy calculated to garner better results. With Messersmith (and subsequent envoys) in a perfect position to "advise" Perón, identify the more troublesome
elements in the peronista camp, and clarify a confused situation, the United States could make a more informed and coherent policy. Cabot's ideal of the carrot balanced against prudent application of the "big stick" would be realized, if imperfectly executed at times. Perón would start to feel the push toward multilateral trade and liberal capitalist privatism, away from maverick nationalism, autarchy, bilateral barter, and statist corporatism. U.S. policy would gradually become more refined, subtle, and far more effective."

While there may be considerable debate about whether or not Perón was a "Nazi-fascist," there can be little doubt that he looked like one from the north. Politically, Perón had long since made clear his intention to form a syndicalist state with "true democracy" closer to Mussolini than the "plutocracy" of Anglo-Saxon political systems. Economically, he appeared to be working toward a state-directed inversion of liberal capitalism with worker supremacy. In foreign affairs, Perón seemed to be fulfilling the prophecy that nations that practiced autarchy at home were expansionistic abroad. In this context, the retention of Braden's services and the selection of Messersmith were congruent with the goal of containing dangerous, anti-U.S., anti-capitalist sentiment. Similarly, British claims that "denazification" and anti-fascist rhetoric served merely
as a pretext for U.S. bullying must be revised.
Regardless of what tactics Cordell Hull's heirs utilized
to coerce or cajole the elusive Perón, the State
Department was dedicated to dismantling the corporatist
state being erected in Argentina.
ENDNOTES

1. Cabot to John Lockwood, 4 January 1946, Cabot Papers, Argentina, HST.

2. Tamborini's unwillingness to protest the election was important. While it was hardly customary for losers to quietly accept defeat without claiming fraud, Tamborini had painted himself into a corner. When the election returns went in his favor at first, he prematurely and publicly thanked Sosa Molina and the Army for presiding over such fair and clean elections at the same time he celebrated the "rebirth of brotherhood between the people and the Armed Forces." He could hardly reverse this acceptance of the results after the verdict turned against him. Robert Potash, The Army and Politics in Argentina: Perón to Frondizi, 45. Secretary of State to Cabot, 5 March 1946, NA, DS, RG 59, 835.50/3446; Cabot to Secretary of State, 7 March 1946, NA, DS, RG 59, 835.50/3746; Cabot to Claude Pepper, 1 April 1946, Cabot Papers, Argentina, HST; see also, The Secretary of State to Diplomatic Representatives in the American Republics, 18 March 1946, in U.S. Department of State, Foreign Relations of the United States of America, 1946 IX (Washington, 1969), 234-235; Robert Crassweller, Perón and the Enigmas of Argentina (New York, 1987), 174.

3. Review of the River Plate, 29 March 1946, 7-8; Review of the River Plate, 2 January 1948, 7; Antonio Cafiero, Cinco años despues... (Buenos Aires, 1961), 244-246; Paul Lewis, The Crisis of Argentine Capitalism, 159.


5. Antonio Cafiero, Cinco años, 246-263; Howard Tewksbury to Secretary of State, 30 May 1946, NA, DS, RG 59, 835.50/53046; Leonardo Paso, Del golpe de Estado de 1943 al de 1955 (Buenos Aires, 1987), 93-94; Review of the River Plate 29 March 1946, 7-8; Review of the River Plate, 31 May 1946, 3-4.

6. Cabot to Messersmith, 15 July 1946, Cabot Papers, Argentina, HST; see also Lewis, Crisis of Argentine Capitalism, 159.

7. Messersmith to Secretary of State, 30 May 1946, NA, DS, RG 59, 835.50/53046; Tewksbury to Secretary of State, 7 June 1946, NA, DS, RG 59, 835.50/6746.

202
8. Cabot to Secretary of State, 19 April 1946, NA, DS, RG 59, 835.50/41946; Memorandum of Conversation (David Matson and Cabot), 24 May 1946, Cabot Papers, Argentina, HST; Messersmith to Secretary of State, 30 May 1946, NA, DS, RG 59, 835.50/53046; Messersmith to Braden, 5 July 1946, NA, DS, RG 59, 835.75/7546; Nicholas St. Francis Bowen, "The End of British Economic Hegemony in Argentina," 3-24.

9. Instituto Argentino para la Promoción del Intercambio, Memoria Anual (Buenos Aires, 1949), 1-23; Cafiero, Cinco años, 216-239; Furtado quoted in Joseph Page, Perón, 170; see also Tewksbury to Secretary of State, 12 June 1946, NA, DS, RG 59, 835.50/61246.

10. Prior to IAPI, forty firms had held almost exclusive control of grain exports. According to Cafiero, four of these had controlled 83.5% of the trade. Cafiero, Cinco años, 217; see also Crassweller, Perón and the Enigmas, 225; R.Seipe, M.Monserrat Llairo and N.Gale, Perón y las relaciones con el Este (Buenos Aires, 1994), 12-15.


13. IAPI, Memoria Anual, 9-12; Cafiero, Cinco años, 265-281; Review of the River Plate, 23 August 1946, 8.


15. See Chapter 2; Escudé, "US Political Destabilization and the Economic Boycott of Argentina during the 1940s," 56.

16. The State Department had "at first regarded [IAPI's arbitrary raising of prices] as a matter of official corruption," but later realized that it was a "matter of policy." IAPI, Memoria Anual, 9-10; Report by Francis Linville, "Problem of Obtaining Food Exports from Argentina," 22 May 1946, NA, DS, RG 353, Records of the Interdepartmental and Intradepartmental Committees (RIIC), The Argentina Committee, Box 10; see also Carlos Escudé, Gran Bretaña, Estados Unidos y la Declinacion Argentina, 1942-1949, 253-305.

18. DiTella and Zymelman, Las etapas del desarrollo económico argentino, 494-496.


20. Messersmith to Clayton, 15 October 1946, BA, RG 84; James Bruce to Marshall, 6 October 1947, NA, DS, RG 59, 835.50/10647; Crassweller, Perón and the Enigmas of Argentina, 218; Paz and Ferrari, Política Exterior Argentina 154; see also, Hugo Gambini, La primera presidencia de Perón: Testimonios y documentos (Buenos Aires, 1983), 122; Callum MacDonald, "The U.S., the Cold War and Perón," 407-409); Gary Wynia, Argentina in the Post-War Period, 55, 58; Review of the River Plate, 16 May 1947, 4.

21. John Griffiths, "A Resume of Labor Policies, Measures and Developments under the Argentine Secretariat of Labor and Social Planning during the Year 1944," 5 May 1945, NA, DS, RG 59, 835.5034/5545; see also Gambini, La primera presidencia, 84-85; Page, Perón, 68-69; Wynia, Argentina in the Post-War Era, 55.

22. Serafino Romualdi, Presidents and Peons: Recollections of a Labor Ambassador (New York, 1970), 151-152; Stanton Griffis, Lying in State (Garden City, 1952), 253; see also David Berger to Secretary of State, 26 May 1945, NA, DS, RG 59, 835.50/52645; Gambini, La primera presidencia, 84-88; Page, Perón, 157; Nicholas Fraser and Marysa Navarro, Eva Perón (New York, 1980), 74-77.

23. Perón, quoted in Lewis, Crisis of Argentine Capitalism, 144-149. See Lewis' account for an excellent summary of Perón's efforts to "convert" the UIA.


25. The allegations against the Supreme Court were peculiarly ironic. Peronists charged that the Court had acted unconstitutionally when it recognized the legitimacy of decrees promulgated by the de facto governments since 1930. Furthermore, they attacked the judges for ruling against the 1943 de facto government. Cabot to Messersmith, 15 July 1946, Cabot Papers, Argentina, HST; Page, Perón, 163-165; Review of the River Plate, 19 July 1946, 3-4.

27. Perón to Cesar Ameghino, 30 Abril 1945, Archivo del Ministerio de Relaciones Exteriores y Culto, Buenos Aires, Argentina, (AMREC), Departamento Político (DP), Uruguay 1945, Caja 12, Expediente 23.

28. The Blancos had some ideological common ground with the peronistas. Pan-Americanism, Herrera claimed, weakened the European connection that had allowed Uruguay to prosper for years. To support the Inter-American System as it stood, "threatened the national interest." The United States had long engaged in agricultural protectionism that had excluded Uruguayan (and Argentine) products from the U.S. domestic market. Interestingly, as the party of the rural elite, the Blanco position contrasted with Perónism in most other respects. The Colorados would be the party of protectionism, labor, an expanded central government and industrial self-sufficiency. They did, however, share with North Americans a strong aversion to Perón's "totalitarian" corporatism. see Fernando Lopez-Alves, "Why not Corporatism?: Redemocratization and Regime Formation in Uruguay." in David Rock, ed. *Latin America in the 1940s: War and Postwar Transitions* (Berkeley, 1994), 187-209. Guillermo Spika Santillán (First Secretary, Embassy Montevideo), "La Prensa en el Uruguay," 23 Enero 1947, AMREC, DP, Uruguay 1947, Caja 13, Expediente 4; Gregorio N. Martínez (Ambassador to Uruguay) to Bramuglia, 16 Diciembre 1946, AMREC, DP, Uruguay 1946, Caja 14, Expediente 2; Liborio Justo, *Argentina y Brasil en la integración continental* (Buenos Aires, 1983), 43.

29. Dawson (Ambassador to Uruguay) to Secretary of State, 2 April 1946, NA, DS, RG 59, 835.24/4246; Dawson to Secretary of State, 3 April 1946, NA, DS, RG 59, 711.35/4346; Cabot to Secretary of State, 12 April 1946, NA, DS, RG 59, 711.35/41246; see also *La Colonia*, 11 Abril 1946, 1; *El Mundo*, 16 Abril 1946, 1; Cabot to Secretary of State, 28 April 1946, WNRC, BA, RG 84; Office of the Undersecretary of Economic Affairs, *Current Economic Developments* 45, April 29, 1946, HST; Office Memorandum, 19 September 1946, NA, DS, RG 59, 810.61311/91946; It is notable that Dean Acheson concurred with Braden's assessments and recommendations in this regard. Braden to Acheson and Marshall, 13 February 1947, HST, PSF, Foreign Affairs, Marshall File, HST.
30. Peronist Federal Police Chief Filomeno Velasco, one of Estenssoro's friends, obtained residence permits in Argentina for the MNR exiles after the counter-coup in July. For a time, MNR leaders maintained a fairly close connection with Perón's government while over 5,000 MNR supporters lived in Argentina and "carried on a continuous struggle to return to their homeland." Tewksbury to Secretary of State, 13 March 1946, WNRC, BA, RG 84; Robert J. Alexander, The Bolivarian Presidents: Conversations with Presidents of Bolivia, Peru, Ecuador, Colombia, and Venezuela (Westport, Conn, 1994), 15-17; see also Juan Zengotita (Second Secretary, Embassy La Paz) to Secretary of State, 1 April 1946, NA, DS, RG 59, 724.35/4146; Hector Adam to Secretary of State, 29 April 1946, NA, DS, RG 59, 835.5224/42946; Adam to Secretary of State, 1 May 1946, NA, DS, RG 59, 724.35/5146; Adam to Secretary of State, 31 May 1946, NA, DS, RG 59, 724.35/53146; D. Fernando Carles, "Sobre infiltración brasilena en Santa Cruz de la Sierra, 9 November 1946, AMREC, DP, Bolivia 1946, Caja 2, Expediente 11; Victor Andrade, My Missions for Revolutionary Bolivia, 22-24; Jerry W. Knudson, Bolivia: Press and Revolution, 1932-1964 (New York, 1988), 114-115, 124-125; James Malloy, Bolivia: the Uncompleted Revolution (Pittsburgh, 1970), 116-126.

31. Adam to Secretary of State, "The Bolivian Government Points to Close Collaboration with Perón," 31 May 1946, WNRC, BA, RG 84; see also Adam to Secretary of State, 31 May 1946, NA, DS, RG 59, 724.35/53146.


34. Cabot to Secretary of State, 3 May 1946, NA, DS, RG 59, 634.352/5346; Cabot to Messersmith, 15 July 1946, Cabot Papers, Argentina, HST; see also Messersmith to
Braden, 21 March 1946, NA, DS, RG 59, 835.01/32146; Michael Grow, The Good Neighbor Policy and Authoritarianism in Paraguay; Juan Archibaldo Lanús, De Chapultepec al Beagle: Política Exterior Argentina, 1945-1980 (Buenos Aires, 1984), 286; According to Claude Bowers, Perón as a military attache during the 1930s had been involved in an attempt to bribe a Chilean officer for Chilean defense plans. Colonel Perón apparently escaped the country before he could be caught, but the Chileans did grab Lt. Colonel Eduardo Lonardi. Lonardi ultimately contributed heavily to the coup that overthrew Perón in 1955. Claude Bowers, Chile Through Embassy Windows, 1939-1953 (New York, 1958), 140-141.

35. Review of the River Plate, 1 March 1946, 6; Review of the River Plate, 5 April 1946, 3; Review of the River Plate, 12 April 1946, 3-4; Review of the River Plate, 19 April 1946, 6.

36. Review of the River Plate, 1 March 1946, 18.

37. Peronists had a right to be somewhat confused by the Anglo-American press attacks on their contributions to the hunger relief campaign. As La Prensa reported, the high point of the U.S. food rationing program was Truman's order that wheat not be used for the production of beer and other alcoholic beverages. Since citizens of the United States had a caloric intake of over 3,300 per day, there seemed to be room for belt-tightening in the north, as well as the south. La Prensa, 7 Febrero 1946; Review of the River Plate, 1 March 1947, 18.


39. Cabot to Secretary of State, "Conversation with Apparent Peronista Emissary," 13 March 1946, Cabot Papers, Argentina, HST; Cabot to Secretary of State, 3 April 1946, NA, DS, RG 59, 711.35/4346; Cabot to Deputy Director of the Office of American Republics Affairs, 26 March 1946, in FRUS IX, 238-239; Joseph Baldwin to Truman, 13 April 1946, HST, PSF, Foreign Affairs, Argentina, HST; see also Report by Linville, "Problems of Obtaining Food Exports from Argentina," 22 May 1946, NA, DS, RG 353, RIIC, Argentina Committee, Box 9; Cabot to Braden, 3 April 1946, Cabot Papers, Argentina, HST; Cabot to Secretary of State, 3 April 1946, NA, DS, RG 59, 711.35/4346; Cabot to Messersmith, 15 July 1946, Cabot Papers, Argentina, HST;

40. Merwin Bohan to Nicholas Bowen, 1 March 1973, Merwin Bohan Papers, Box 6, Correspondence File, Argentina, HST; According to Bohan, Acheson "didn't pay attention to it, he didn't give a damn about Latin America." Merwin Bohan Oral History, HST, 46.

41. Cabot to Messersmith, 21 August 1946, Cabot Papers, Argentina, HST.


43. Braden to Messersmith, 8 March 1946, NA, DS, RG 59, 835.00/3846; see also Bryce Wood's account of the episode in *The Dismantling of the Good Neighbor Policy*, 101-105; see also Albert Vannucci, "Elected by Providence," 49-67.

44. Braden, *Diplomats and Demagogues*, 356; Memorandum on the Argentine Situation by the Assistant Secretary of State for ARA, (Braden), 12 July 1946, in *FRUS IX*, 270-278.

45. Memorandum on the Argentine Situation, 12 July 1946, in *FRUS IX*, 273.

46. He also anticipated McCarthy by asserting that the communists had infiltrated the State Department. Braden's dispatches warning of the conspiracy had not been answered by Byrnes or Truman. He therefore concluded that the communists had purloined the documents before the proper authorities could be alerted, but the letters nonetheless made it into the Decimal Files. Braden to Secretary of State, 8 July 1946, NA, DS, RG 59, 711.35/7845; Braden, *Diplomats and Demagogues*, 316-318; see also J.Edgar Hoover, "Red Fascism in the United States," AMREC, DP, EEUU 1948, Caja 9, Expediente 3.


49. Braden to Messersmith, 8 March 1946, NA, DS, RG 59, 835.00/3846; Cabot to Pepper, 8 May 1946, Cabot Papers, Argentina, HST; see also Gary Frank, *Juan Perón vs Spruille Braden*, 98-107.

50. Bowers to Braden, 13 March 1946, Bowers MSS II, Box 6; Acheson to Braden, "Foreign Policy Correlation," 5 March 1946, NA, DS, RG 59, 711.35/3546; Acheson Report, 3 October 1946, NA, DS, RG 59, 711.35/10346; Memorandum on Public Opinion Polls, 23 October 1946, NA, DS, RG 59, 711.35/102846.

51. Drago to Bramulgia, 6 Diciembre 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 1; see also Luti to Ivanissevich, 11 Junio 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 1.

52. Michanowski to Byrnes, 2 July 1945, Folder 488(3), James S. Byrnes Papers, Special Collections, Clemson University Libraries, Clemson, South Carolina (Clemson); Michanowski to Truman, 6 October 1945, HST, Office File, Box 1052, HST; *Times Herald*, 18 June 1946; Romualdi, *Presidents and Peons*, 72-73; Romualdi, "Peron's Anti-American Network," undated, Papers of Serafino Romualdi, 5459/11/11, Records of the International Ladies Garment Workers Union (ILGWU), M.C.Catherwood Center for Industrial Studies, Cornell University, Ithaca, New York; Romualdi, "Anti-Americanism in the Americas," Romualdi Papers, 5459/11/11, ILGWU, Cornell University; see also Drago to Ivanissevich, 6 Diciembre 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 1; Vannucci, "United States-Argentine Relations," 161.

53. In the end, he was to some extent "thrown out." In 1947, he was transferred to the Embassy in Yugoslavia, where he was no longer a problem for ARA. From there he was moved to China, Finland, and Pakistan before Dwight Eisenhower brought him home to serve as his Assistant Secretary of State for Inter-American Affairs. Cabot Oral History, HST, 1, 26-29; John Moors Cabot, *Toward Our Common American Destiny* (Medford, 1955).
54. Cabot to Will Cochran, 4 January 1946, Cabot Papers, Argentina, HST; Cabot to Pepper, 1 April 1946, Cabot Papers, Argentina, HST; Cabot to Lockwood, 1 April 1946, Cabot Papers, Argentina, HST; see also, Frank Corrigan to Secretary of State, "Probable Effects of Welles' Radio Speech," NA, DS, RG 59, 711.35/31846; Sumner Welles, Where are We Heading? (New York, 1946), 198-201; Crassweller, Perón and the Enigmas of Argentina, 154-155.

55. Cabot to Pepper, 1 April 1946, Cabot Papers, Argentina, HST.

56. Cabot to Pepper, 3 June 1946, Cabot Papers, Argentina, HST.

57. Cabot to Secretary of State, 22 March 1946, NA, DS, RG 59, 711.35/32246.

58. Cabot to Secretary of State, 22 March 1946, NA, DS, RG 59, 711.35/32246; Cabot to Secretary of State, 13 March 1946, Cabot Papers, Argentina, HST; Joseph Baldwin to Truman, 13 April 1946, HST, PSF, Foreign Affairs, Argentina, HST.

59. The Acting Secretary of State to Diplomatic Representatives in the American Republics except Argentina and Haiti, 1 April 1946, (called the "April 8 Statement" for the date it was released to the press), in FRUS IX, 10-12.

60. See Chapter 2.

61. Department of State, Current Economic Developments 47 (13 May 1946), HST; Cabot Oral History, 39; Luti to Cooke, 25 Abril 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 3; see also, Luti to Cooke, 13 Febrero 1946, AMREC, DP, EEUU 1946, Caja 8. Expediente 3; Famine Emergency Committee to Truman, 13 May 1946, Famine Emergency Committee Folder, James Carey Collection, Box 18, AULH; May, "The Bureaucratic-Politics Approach," 130-164.


64. ORI, "Probable Effects," 3-10.


70. The Department had already conceded that the Argentine funds had to be released, but delayed until Messersmith had been appointed. In this fashion, the new Ambassador would receive credit (and gratitude) from the Argentines. Byrnes to Embassy Buenos Aires, 12 April 1946, NA, DS, RG 59, 711.35/41246; Acheson to Embassy Buenos Aires, 24 March 1946, NA, DS, RG 59, 835.24/32446; see also Luti to Bramulgia, 6 Abril 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 2.

71. Memorandum of Conversation, Gilmore and Stone (Canadian Embassy), 9 April 1946, NA, DS, RG 59, 835.50/4946; Byrnes to Embassy Buenos Aires, 12 April 1946, NA, DS, RG 59, 835.24/41246.


74. Memorandum on the Argentine Situation, n.d. (mid-1946), HST, PSF, Foreign Affairs, Argentina File, HST.


76. Cabot to Messersmith, 19 July 1946, Cabot Papers, Argentina, HST; Cabot to Messersmith, 28 September 1946, Cabot Papers, Argentina, HST; "Balance Sheet of Argentine Elimination of Non-Economic Axis Subversive Influences," 10 April 1946, in FRUS IX, 241-244; Gambini, La primera presidencia, 78; Ronald Newton, The 'Nazi Menace', 361-381.

77. Cabot to Deputy Director of ARA, 26 March 1946, in FRUS IX, 238-239; Scanlon, "Relationship of Nationalization Program to Replacement Program in Argentina," 9 April 1946, NA, DS, RG 59, 835.60/4946; see also Page, Perón, 185-192.

78. Stiller, George S. Messersmith, 26-95.

79. Time, 15 April 1946, quoted in Stiller, George S. Messersmith, 228-229.; Messersmith to Braden, 16 March 1946, George S. Messersmith Papers, 1775, University of Delaware Library, Newark Delaware; Messersmith to Braden, 25 January 1946, NA, DS, RG 59, 711.35/12546;

80. Braden, Diplomats and Demagogues, 358-360; Braden to Messersmith, 8 March 1946, in FRUS IX, 232-233; Adam to Secretary of State, 28 May 1946, NA, DS, RG 59, 724.35/52846.

81. Cabot Oral History, 36; Messersmith to Secretary of State, 15 June 1946, in FRUS IX, 258-259; Cabot to Secretary of State, 12 April 1946, NA, DS, RG 59, 711.35/41246; see also Byrnes to Embassy Buenos Aires, 12 April 1946, NA, DS, RG 59, 711.35/41246.


83. Messersmith to Secretary of State, 15 June 1946, in FRUS IX, 258-259.
"ON THE WRONG ROAD WITH VERY GOOD INTENTIONS:"
MESSERSMITH AND PERON, JUNE 1946-SEPTEMBER 1946

I do not mean that the Government here is not on the wrong road. It is, in my opinion, definitely . . . very much on the wrong road. To a very great extent I think it is on the wrong road with very good intentions, but you know the road to perdition is paved with the best intentions.

George S. Messersmith, October 21, 1946

Ambassador George Messersmith arrived in Buenos Aires just days before Perón's inauguration with a mandate for rapprochement and an unexpected amount of Argentine goodwill. While a number of State Department officers had come to consider further Argentine industrial development inevitable, and even beneficial, none had by any means resigned themselves to acceptance of the Peronist path toward that goal. If Argentina's venture in state-dominated corporatism could not be derailed by defeating
Perón, then Perón had to be convinced to abandon it. Messersmith accepted the task of introducing the conductor to the principles of a U.S.-style liberal capitalism, away from his statist experiments. Although the tone of U.S. dealings with Perón changed under Messersmith, the fundamental goals still had not.

From June to December 1946, U.S.-Argentine relations seemed to improve substantially. The Peronist Congress ratified the Chapultepec Accords, signifying tacit support for the principles of the "Inter-American System." Half-hearted Soviet attempts to exploit U.S.-Argentine differences were rebuffed—even though Washington never took them seriously. Just as significantly, Messersmith would work to supplant the traditional British influence in Argentina and secure United States hegemony at the same time an Anglo-American entente presented a united front toward Perón.

In spite of public affirmations of friendship for the United States and support of a liberal world order, however, Perón showed no signs of letting his revolution stray from the course he had set. In mid-1946, he purchased and nationalized the ITT properties in Argentina, while IAPI's activities continued unhindered. Even though Perón had come to realize that further industrial development would be next to impossible without at least the tacit support of the Yankee colossus, his
program was fundamentally a challenge to U.S. hegemony. So long as Peronist economics appeared to be working, Messersmith and his superiors would have to content themselves with playing a waiting game.

Messersmith had been instructed to oversee Argentine compliance with the Chapultepec Accords and the "denazification" campaign, facilitate rapprochement and undo the damage done by Braden's campaign, without changing policy or sacrificing principle. He had (he argued) selflessly answered Byrnes and Truman's call to duty due to "the importance of getting the Argentine to collaborate fully in the inter-American picture." With this ambiguous mandate, the strong-willed Messersmith immediately assumed personal responsibility for ensuring the establishment of harmonious relations. How he would do this without "appeasing" Perón remained unclear.

Messersmith's assessment of Perón is telling. With his experience in both Europe in the 1930s and Latin America in the 1940s, perhaps no one was as qualified to assess the Argentine who seemed to fuse elements of European fascism with Latin American nationalism and classic caudillismo. As a true believer in the New Deal, and one who truly wished to extend it to Latin America in order to smooth the bumps of the region's modernization, Messersmith is an important figure. In many ways, he illustrates the errors, inconsistencies, strengths, and
weaknesses of the U.S. approach toward Perón and the hemisphere at large. He believed that Perón could be influenced through personal persuasion, failing to recognize that he was the product of decades of Argentine history, the representative of a powerful force for revision of the status quo, and to some extent, a hostage of the same nationalistic movement that he led. Changing Perón's program would take much more than words, which was all Messersmith's superiors would allow him to offer.

This chapter echoes and builds upon a number of conclusions reached by Jesse H. Stiller, in his excellent biography, George S. Messersmith: Diplomat for Democracy. His treatment of Messersmith's tenure in Buenos Aires is the best and most thorough available, and my research confirms that Stiller has captured the ambassador's views almost perfectly. Nonetheless, Messersmith's dealings must be seen as one stage in an evolution of U.S. policy toward Perón and a failed attempt to preserve the "Inter-American System."^3

II

It was with considerable fanfare that the new Ambassador arrived in Buenos Aires to be the U.S. representative at Perón's inauguration. Peronista officials greeted Messersmith at the airport on May 22 and
escorted him to the embassy. By the next night, Perón and Messersmith were engaged in the first of many long meetings that would culminate in a genuine, lasting friendship. Ironically, the ambassador who had been sent to Argentina to reform Perón would soon be working almost as hard to reform U.S. policy.‘

Messersmith was immediately thrust into duty. Perón and Foreign Minister Juan Bramulgia had chosen the occasion of the inauguration to re-establish diplomatic relations with the Soviet Union that had been ruptured by President José Uriburu in 1930. While Perón claimed that recognition of the Soviet government was a mere formality, a Soviet "special ambassador" and trade mission arrived June 6, concurrent with the construction of a massive new Soviet Embassy in Buenos Aires. According to Cabot, "it is obvious that the Russians are trying to establish a political beachhead against us" through a "violent wooing of Perón." The U.S. Ambassador in Moscow ominously added that "any misstep on our part toward Argentina resulting in a feeling of grievance will be exploited to the full by the Soviet Union." To the uninformed, it appeared that the Soviets and Peronists, sharing an opposition to both liberal capitalism and U.S. hegemony, were on the verge of formalizing an alliance.‘

The Soviet trade mission posed the greatest threat. With famine looming in parts of the Russian empire,
Argentine food exports appeared to offer the prospect of commercial ties. While Argentina had been selling food to UNRRA and individual nations, the Soviets were reported to have offered more to Perón for these supplies if they were diverted directly to the USSR. On the surface, the Soviets appeared to have much to offer as well. By offering captured German arms and dismantled munition plants, the Soviet mission could hope to lure Argentine Army officers away from their traditional anti-communism. Arms aside, the Russians also promised deliver 10,000 trucks and 10,000 tractors which could go a good distance toward modernizing Argentine agriculture.* Most Soviet initiatives were directed to the Perón Government, but some efforts were made to establish ties with businesses who had traded with the Germans during the war (or that were German-owned), such as Curt Berger y Cía. As U.S. hostility had alienated them, it was thought that "these firms have special resentments . . . and will, therefore, be particularly interested in establishing trade relations with Soviet firms."7

Somewhat surprisingly, the State Department virtually ignored the possibility that Perón might be considering seriously a closer relationship with the Soviets. An amused Messersmith considered the Soviet initiatives to be little more than a "nuisance" and cautioned against "naive," knee-jerk overreaction. The Soviets and Germans...
had tried to make inroads in Argentina before the war, and he deemed this latest attempt to be even more feeble than those had been. Although he had no doubt that some in the Argentine military would be interested in obtaining German materiel that matched much of their pre-war stocks, most would not "want to load themselves up with second-rate equipment" when superior U.S. arms were about to become available. In short, "Soviet tactics are not deceiving many people," least of all Perón. He realized that the Soviet Union was an unreliable partner and that the war-ravaged nation would be unable to meet the needs of his industrialization scheme, even if it so desired. Furthermore, the staunch conservatism of the Armed Forces and Catholics in Argentina (as well as Perón himself) presented an almost insuperable ideological barrier to any significant agreement. According to the President, the Soviets had come, so he had to talk with them, but he had "not the slightest intention of entering into any agreements with the Russians." Messersmith admitted that the Argentine might eventually sign a "face-saving" agreement, but this would be nothing more than a token gesture. Braden and Will Clayton concurred with the ambassador's analysis, and Byrnes never even concerned himself with the matter except to determine whether the Soviets were improperly offering to sell UNRRA-donated trucks or otherwise hampering relief efforts in Europe."
Rather than viewing the Soviet challenge as a genuine threat, the State Department prudently chose to treat the episode as a Peronist ploy to draw concessions from the United States. Some expected Perón to openly "play his Russian card," and threaten a move toward the Soviet bloc. Although other peronistas did, on occasion, mention that Perón had an "ace in the hole, which was Russia," Perón never did make such a blatant play. On the contrary, he repeatedly denied having any interest in Soviet products so long as U.S.-made ones were available, and continually reaffirmed his strident anti-communism to Messersmith. In fact, he went so far as to make the astonishing proclamation that if a third world war erupted between the United States. and U.S.S.R., he would abandon neutrality and bring Argentina in on the U.S. side without hesitation. Perón dismissed the threat posed by Argentine communists as irrelevant, as he had communism under control and "could stamp it out at a moment's notice."

Thus, he cast himself as a diligent anti-communist who resisted enticing Russian overtures--and should be rewarded for it--allowing any threat to remain implicit. Messersmith noted that Perón brought up the threat of communism to him every time they spoke, but he made a point of ignoring the Soviet presence and generally acting unconcerned. Even Braden agreed that "Perón is only using Russia as a lever, and he will continue to do so only as
long as he thinks it expedient." By ignoring the problem, it quickly went away. After the immediate sensation caused by the restoration of relations, little more would be heard of the Soviet threat until Messersmith resurrected it later for his own rather transparent purposes. For all intents and purposes, the Cold War had not yet reached South America in any significant way in 1946, prompting Messersmith to confidently state that "if there is one thing...of which we can be 100% sure, it is that the Government and people are anti-communist and have no interest in Soviet Russia."

III

Just as Messersmith downplayed the significance of the Soviet efforts in Argentina, he also gave little credence to claims that Perón was attempting to assemble an autarchic "southern bloc." According to the ambassador, Perón and his followers did "not believe that either a southern bloc or a Latin American bloc is feasible or desirable." While the new President may have had the idea of a southern bloc "in the back of his mind, just as many Argentines have," he was not acting upon it. Messersmith did not deny that many Argentines of all political persuasions (including Perón) envisioned a glorious restoration of the old colonial Viceroyalty of
the Rio de la Plata with Buenos Aires at its center, and Argentine dominance in southern South America. He argued, however, that regardless of these dreams, "the present government in the Argentine has so many problems before it and so many of a difficult character, that they are not able to press the idea, even though they might wish to." In short, "whatever thoughts Mr. Perón and some of his followers might have in this direction, they will not have very much time to think about the formation of a bloc."10

Events throughout Latin America should have diminished these fears and reinforced Messersmith's claims. Getulio Vargas had been unseated in Brazil, and since the end of 1945, conservative General Enrico Dutra had been securely emplaced. If the State Department had feared a Vargas-Perón ideological entente, the ascension of Dutra and the rollback of Vargas' corporatist Estado Novo quelled these fears. In Chile, Gabriel González Videla, a moderate leftist (with ties to communists) and author of numerous denunciations of Perón, defeated three other Presidential candidates, distancing Chile ideologically from the Argentine. Tomás Berreta and José Batlle Berres in Uruguay maintained their steadfast opposition to Peronist "fascism" and their equally ardent support of most U.S. initiatives. Even though Higinio Morinigo remained in power in Paraguay, he had not joined with Perón, and was still making appeals to the United
States. Most importantly, however, a coup d'etat in Bolivia toppled Gualberto Villarroel's regime.

On July 21, just two days after the arrival of Ambassador Joseph Flack in Bolivia, chaos erupted in the streets of La Paz. Protesting the government's austerity program, teachers and university students took to the streets. They were quickly supported by the tin barons, the landed oligarchy, and dissident labor factions. Víctor Andrade, the Bolivian Ambassador to Washington, claimed that Braden and the Department of State had some hand in the affair as well, while Estenssoro denounced the role of the "Bradenist plutocracy." Argentines concurred. Peronists claimed that the origins of the coup could be traced to Braden's office in Buenos Aires in September 1945. Braden, they reported, had met with representatives of the tin barons, and plotted the downfall of both Perón and Villarroel. "Kill the dog, and the fleas will die," Braden had supposedly told the Bolivian oligarchs. Braden would engineer the defeat of Perón, and Villarroel, with his puppet strings cut, would fall quickly. Even though Braden had failed to bring down Perón, peronistas maintained, the State Department had proceeded to bankrupt the Villarroel government, sponsor a provocative press campaign, and drive wedges between the military and civilian wings of the government. U.S. complicity was never proven, but the government collapsed almost
instantly nonetheless. "The bullet-riddled body of Gualberto Villarroel was hung from a lamppost," while Estenssoro and most of his MNR sought refuge in Argentina, where they began their six-year exile (the sexenio)."¹¹

Although the State Department may not have actively supported the coup, few tears were shed in Washington for Villarroel. In contrast to the lengthy application of a policy of non-recognition that had been applied to the 1943 revolutionaries, U.S. recognition of the new junta was immediate, and some suggested, unseemly. While the usual practice for recognition and legitimation of a revolutionary government was to wait for the new regime to prove itself to be master of the situation and in full control of the nation, Washington pressed its inter-American allies into quick action. Argentina, Brazil, and other South American nations responded by timing their recognition to coincide with the United States'. It would be unfair to suggest, as the Brazilians did, that Villarroel's ties with Perón and the fears of "southern bloc" were the sole motivating factor behind the quick U.S. action. The State Department had long had problems with Villarroel's nationalist government, and its association with Perón was but one of them. Nonetheless, according to Flack, "it appears that the problem [of Peronist control of Bolivia]...has been taken care of by the Bolivians themselves."¹²
Flack himself was visibly relieved by the golpe de estado. Newspaper correspondents had warned him that at the time of the coup "Villarroel had a mission in Buenos Aires prepared to give way to Perón's desires...and assure 'anschluss.'" Similarly, Bolivian searches of RADEPA records showed that some of Villarroel's colleagues had been working to form a bloc along the Lima-La Paz-Asuncion-Buenos Aires axis during the war. Such reports, however improbable or unsubstantiated, reached Washington and were taken seriously. Indeed, before his departure to La Paz, Flack had spoken to "two of the very highest officials" in the State Department who were "considerably perturbed" by the apparent Argentine penetration of Bolivia. The new ambassador verified these fears, citing recently discovered evidence that Villarroel and the MNR were almost "ideologically along side of Argentina if not in its wake." Flack warned, however, that with the 'anschluss' forestalled by the coup, Perón was now attempting to utilize coercion and apply pressure to the new regime. Desperately needed food shipments from Argentina to Bolivia were reduced dramatically, while Argentine Embassy officials in La Paz belittled the authority of the junta and had assisted in the escape and emigration of MNR officials.  

In the wake of these allegations, Messersmith took up Perón's defense. Although he admitted that U.S. officials
were entitled to some "personal satisfaction" at Villarroel's ouster, he reassured his superiors that Perón was not applying pressure on the new government. According to Messersmith, the Peronists had learned "out of the Uruguayan experience that the holding up of foodstuffs did not pay . . . and that it only causes inconveniences and difficulties for the government here." Even so, Perón could not be completely responsible for the actions of his emissaries away from the capital who might indeed have stalled food shipments at the border. He explained that Argentine embassies and government offices were staffed by novices and nationalists who may have believed that their nation was being served by the pursuit of the "southern bloc" and had acted accordingly—but without authorization from the Casa Rosada. Finally, Messersmith relayed the traditional Argentine excuse for delayed food shipments—shortages of rolling stock and transportation facilities. With regard to the MNR exiles, Argentina had only done what every embassy was entrusted to do by granting asylum for political refugees. In short, his assessment was that Argentina had fulfilled its inter-American obligations by matching the quick U.S. recognition. He did note, however, that some Peronists had been "unnerved" by the violent counterrevolution and its possible implications for Perón should the Argentine populace opt to follow the Bolivian example."
Messersmith's defense of Perón was consistent with his general attitude toward the conductor, and quite out of step with that of Braden and the hard-liners. While Braden and other critics in the north considered the Argentine to be an "Al Capone with Nazi tendencies" who "has shown no capacity to govern," Messersmith dissented. Weeks of candid discussions with Perón in the Casa Rosada had convinced him of the President's "sincerity and correctness of purpose." Writing furtively to Will Clayton, he expressed the opinion that "The present President of the Argentine is a much more sensible, intelligent, understanding and really right-minded person than he is given credit for." He echoed Cabot's assessment that the "ruling aristocracy" in Argentina had so oppressed the masses that the Peronist revolution had been virtually inevitable. Messersmith posited that he was little more than a well-intentioned opportunist. Perón had been forced to ally himself with labor and the Army because no other groups would support him, not out of any grand fascistic design. For Messersmith, Perón's opportunism could be translated relatively simply into a strong U.S.-Argentine relationship.¹⁵

Messersmith's assessments of Peronism were in many ways a reflection of his own general political beliefs.
Messersmith was an admirer of Roosevelt, and an ardent New Dealer. Out of his experience in Europe during the 1930s, he had learned how easily revolutionary fervor could lead to totalitarian dictatorship, and he heartily endorsed moderate alternatives. Even though Perón claimed to have launched his state corporatism to undercut the revolutionary potential of the masses, Messersmith believed that this was taking the "wrong path" toward this admirable goal, even if he did have the "best intentions." Just as the New Deal had repelled communism, socialism, and the radical populism of Huey Long, so Perón could, if guided properly, become a bastion of corporate capitalism and orderly national development. Messersmith was a true devotee to the New Deal order. While Braden and others in the Truman Administration feared the implications of Latin American industrialization and economic diversification, and hoped to see third world radicalism contained in a traditional repressive fashion, Messersmith encouraged Perón to undertake his own New Deal reform. So Messersmith, comfortable with the creation of corporatist structures to encourage growth and contain radicalism, could endorse the Peronist program, if it was modified properly. Like Rockefeller, Messersmith had enough experience in Latin America to recognize that the clock could not be turned back to the days of laissez faire, monocultural oligarchy. Even though he had helped set the
U.S. agenda at Chapultepec (where Will Clayton did in many ways advocate simple laissez faire), Messersmith had been long been one of the strongest voices for a positive reform program for Latin America lest U.S. apathy cause "keenest disillusionment" with the "Inter-American System."

So while Braden, Byrnes, and others in Washington persisted in their belief that Perón was a blight upon the hemisphere, the new ambassador reported that actually there had never been an Argentine leader more willing to cooperate with the United States than Perón. Argentina had always relied upon British patronage, and considered itself to be a Western European nation located in South America. Previous Argentine governments had looked to Europe for leadership and remained largely aloof from hemispheric developments, but Perón had good reasons for rapprochement with the United States. Years of wartime shortages (and the "economic boycott") had taken their toll on the Argentine economy. If Argentine industrialization was to proceed, capital goods, machinery, and technical expertise were going to be needed. With Europe devastated by war and preoccupied with reconstruction, and with the Soviet Union unreliable and impractical as either patron or partner, the United States was the only viable source for these commodities. If Perón's industrialization scheme demanded U.S.
cooperation, so did his coalition. To maintain the loyalty of the Army, he had to modernize Argentine weaponry and restore the South American balance of power. In short, Argentina was "starved for goods of all types" and Perón had little choice but to try to get them from the United States."

In Messersmith's eyes, this pressing need had already yielded concrete results in his first months in Argentina. While isolationist Argentina had traditionally remained aloof from most foreign entanglements, Perón fully supported the Chapultepec Accords and pushed their ratification through the Argentine Senado. As Messersmith noted, opposition to ratification came primarily not from the peronistas but from Braden's friends, the old Radical politicos supporting neutrality and non-alignment. Only Perón's commitment to the Argentine Constitution and democratic process, the conductor argued, had prevented him from simply signing the Inter-American treaty into law. When Perón pressed the issue, both houses of the Argentine Congress ended their bitter debates and voted to ratify. As one of the preconditions set down by Byrnes for the normalization of relations, the Argentine ratification of the Chapultepec Accords marked an important step toward "compliance.""

Perón's government also pushed forward with "denazification," the other guideline. Throughout 1946,
Peronists periodically stepped up deportations of suspected Nazi agents. While there was some consternation that Perón was expelling minor agents as "quota-fillers" and shielding more important, high-profile figures— notably Becker, Doerge, Ludwig Freude, Fritz Mandl and Ricardo Staudt—Messersmith was pleased with the progress. He understood and accepted Perón's reluctance to turn over men such as Freude, who had long been a loyal peronista and a personal friend, "Schacht's disciple" Doerge who was working for the Central Bank, and Staudt, who had reportedly contributed over one million pesos to the conductor's presidential campaign. Although these individuals had become a fixation for many in the State Department and in journalistic circles, Messersmith argued that they were insignificant in the long run, and could be ignored. Meanwhile, Perón's Junta de Vigilancia proceeded in its investigations and liquidations of Axis firms. By October, the ambassador, satisfied with the Junta's performance, reported to his superiors that Argentina "may now be said to have made a technical and fairly substantial compliance with regard to Axis firms." Even though most of the Department did not agree with this assessment, Messersmith continued to present it.

In light of such positive actions and Perón's oft-stated eagerness to cooperate within the "Inter-American System," Messersmith argued that the U.S. government was
obligated to reciprocate in some tangible way. Believing firmly in the Wilsonian tenet that open trade and commerce were the keys to better political relations, he suggested that the Truman Administration should reconsider its sanitary ban on the importation of Argentine beef. Although Argentina had long been among the world's foremost beef exporters, no Argentine beef had entered the United States since 1929 due to endemic *fiebre aftosa* (hoof-and-mouth disease) in Argentina.  

U.S. cattlemen had suffered periodic, crippling outbreaks of the disease in their own herds throughout the nineteenth and early twentieth century, but had finally eradicated the disease north of the Panama Canal by the late-1920s. To prevent fresh outbreaks, farmers had furiously lobbied for the closing of U.S. borders to potentially-infected animals. With the wave of protectionism that struck the United States in the late-1920s, these ranchers and their congressional representatives succeeded in adding sanitary protectionism to the new tariff walls. The cattlemen finally achieved total victory with the passage of Section 306 of the Smoot-Hawley Tariff, which enabled the Secretary of Agriculture to prohibit the importation of beef from any nation deemed "infected." Since *aftosa* was endemic in Argentina, Argentine meat imports were immediately banned. Cordell Hull, Sumner Welles, and even Roosevelt
himself, had fought a rearguard action to ease these onerous restrictions during the 1930s, but the cattle interests and their congressional allies had vigorously rallied to stifle any discussion of the issue and hand the New Dealers a defeat."

Messersmith had dealt with the explosive issue of *aftosa* as Ambassador to Mexico, and was among those who doubted that the ranchers' fears were entirely "sanitary." Beef was an $11 billion industry that had been helped immeasurably by the elimination of most imported competition. While Argentine cattle grazed freely on the *pampas*, often at little or no expense to the owner, U.S. ranchers utilized "modern" fattening techniques that doubled the cost of the meat they produced. As a result of this inefficiency and the "sanitary embargo," U.S. meat prices had more than quadrupled since 1930."

Cattlemen's associations apocalyptically predicted the collapse of the entire U.S. economy if hoof-and-mouth ever again hit U.S. shores, but Messersmith viewed their intransigence as little more than a pretense for protectionism that was out of step with a foreign policy of free trade. According to the ambassador, the "pressure of certain interest groups in the U.S. was so great, a reasonable sanitary application could not be found." Even Braden's assistant, Thomas Mann, opined that "the fear of loss of profits . . . exaggerates the well founded
fear of introducing the deadly foot-and-mouth disease."

Mann reiterated the Argentine complaints before the inter-departmental "Argentina Committee."

If the domestic market is to be preserved for domestically produced meat (in spite of the fact that Argentine products are of superior quality), then North Americans should be honest enough to state such a fact and not hide their inability to compete profitably behind unreasonable sanitary regulations. A prohibitive tariff would at least save the United States from the possible charge of hypocrisy, remove the label of inferiority from Argentine meat, and clear the way for the frank discussion of diplomatic differences."

The closing of the U.S. market bothered Messersmith for similar reasons. As a trade barrier erected to protect an inefficient industry from competition, the "sanitary embargo" was anachronistic with a policy directed toward the opening of borders for expanding prosperity. With such protectionism in place, U.S. policymakers could hardly portray themselves as selfless advocates of multilateral global trade. Indeed, their call for the elimination of tariffs abroad, in the face of exclusionary practices at home, had the ring of "Open Door" exploitation.

By its very language, the "sanitary embargo," with its implication that Argentine meat was unsanitary, rankled a nationalistic people." More important than the implied insult, without the meat trade, Argentines had little way to obtain U.S. dollars, and were encouraged to turn to Europe, and particularly Great Britain. If
Argentina was to be pried from its traditional attachment to the British and made to truly look upon itself as a member of the "Inter-American System," commercial ties had to be established. Messersmith tentatively suggested that the Department review the ban (at least for Patagonian mutton) in the name of better relations and the security of the "Inter-American System."²⁶

However, even he was reluctant to challenge the ranchers, the Department of Agriculture, and Congress, and hoped to avoid discussion of the issue until relations with Argentina were truly normalized. This proved impossible. In October, he was approached by representatives of the Argentine Corporación de Productores de Carne. Seeking a relaxation of the sanitary restrictions, the Argentines renewed their efforts to export Patagonian beef and mutton to the United States. Due to the cold climate and geographical isolation of Patagonia and Tierra del Fuego, aftosa had never established a foothold in these regions, which were deemed "disease-free" by all observers. Messersmith hesitantly forwarded the request to his superiors.²⁷

Will Clayton shied away from "stir[ring] up a hornet's nest" like the Department had in the 1930s. While he supported his ambassador's position, and had worked in the past for the easing of the "sanitary embargo," he knew a lost cause when he saw one. Probably

235
unbeknownst to Messersmith, Senator Arthur Vandenberg was willing to support the Argentine initiative, but was likewise warned off by Department representatives. Although there was some interest in using Argentine products to ease food rationing in the United States, the initiative faltered. Congressman Emmanuel Cellar argued that without the embargo, "cheap and good meat could arrive on Americans' tables for $.14 per pound."

Frustrated with Congressional stonewalling on the issue, he futilely urged Truman to use his executive authority over tariff matters to end the embargo. Truman, like his subordinates in the State Department, did not accept the challenge. Ironically, the drive to lower trade barriers was foundering not only in Buenos Aires, but Washington as well.

Messersmith was tentative with regard to the beef issue, but had no reservations about encouraging other forms of U.S.-Argentine commerce. To alleviate the Argentine "starvation for goods of all types," he urged Clayton to "give a certain preferential treatment to industrial equipment for the Argentine." While exports to Argentina (other than war materiel) were no longer forbidden by U.S. policy, Messersmith believed that many industrialists were unaware of the eased restrictions and lucrative potential of Argentina. Realizing that diverting resources from loyal, wartorn allies to
"fascist" Argentina would not go over well, Messersmith hoped that Clayton and Henry Wallace could "discretely" influence U.S. manufacturers and exporters to make Argentina a higher priority."

Put simply Argentine wealth and potential had impressed the ambassador. As a potential market for U.S. goods, Argentina had few rivals in Latin America. Messersmith feared that while the Truman Administration punished and ostracized Argentina, other nations would be willing and able to supply Perón with the goods he needed. Once merchants of other nationalities (especially the British) re-established their pre-war economic foot-holds in Argentina, political ties would follow the commercial ones, and Argentina would remain outside the Inter-American framework. In essence, Perón's industrialization program offered an opportunity for U.S. business to get in on the ground floor and put Argentina economically and politically on the correct path.30

Not surprisingly, Clayton again rejected one of his overzealous ambassador's propositions. Although sympathetic to the goals Messersmith sought, Clayton vetoed the idea that the U.S. government should quietly divert scarce materials to Argentina. Unwilling to encourage a government currently engaged in overtly statist behavior, he reminded Messersmith that "commercial and economic favoritism to Argentina could not be divorced
from political favoritism." Clayton's responses had the tone of a friendly rebuff, but others in the Department of State were not as polite. Robert Schaetzel, Executive Secretary of the "Argentina Committee," was "shocked" by Messersmith's request, in light of the strained relations and suggested that the "starvation" in Argentina hardly compared to that in war-torn areas. Furthermore, Messersmith was hopelessly naive if he expected Secretary of Commerce Wallace to assist Perón in any fashion. In spite of the lure of the Argentine market, the State Department could not give preferential treatment to a nation that had been considered a Nazi puppet at a time when loyal allies and war victims were suffering."

Failing in his attempts to induce his own government to make concrete concessions which might help to wean Argentina away from state corporatism, Messersmith concentrated upon Perón. The ambassador's ill-fated pleas for concessions from the State Department, however futile, had endeared him to the conductor. "If Perón cannot have good friends," to push him toward liberal capitalism, he pragmatically noted, "he will have bad ones" that encouraged nationalistic statism and a directed economy. As one of Perón's two Yankee friends (the other was ITT executive Bill Arnold), Messersmith held a privileged position. He could call upon Perón at any time to give
advice, suggest courses of action, and otherwise influence decisions."

Messersmith desperately hoped that "being in a position to talk with the Argentine as a friend" would help bring Perón into the fold. He did not see Perón as a conscious fascist, but believed that the Argentine was nonetheless engaging in dangerous, destructive practices that could lead only to trouble. Not only were IAPI's practices making enemies around the globe, but the extension of government into business on a grand scale was warping the Argentine economy with disastrous long-term consequences. Perón was using his state apparatus to create "unsound" industries and undertake projects that could only survive with continued government protection. As "such interventions in business can only be destructive in the end," they had to be ceased. If they were not voluntarily eliminated, they would eventually collapse, spawning economic dislocations and wild, unpredictable results. The United States, he believed, had astutely recognized and avoided this perilous path, but Perón lacked the experience to do so. Messersmith therefore, like Braden, posited himself as a savior of the Argentine people—struggling to save them from themselves, albeit in a very different way. Having Perón's ear, he could (and did) influence Argentine policy in a direction he believed would benefit the U.S., Argentina, and the liberal
capitalist order." Nowhere was Messersmith's somewhat idealistic approach more apparent than in his intervention in the Anglo-Argentine meat and railroad negotiations in September.

V

The British had come to the bargaining table with Perón in mid-1946 as the Malbran-Eden treaty was on the verge of expiration. Signed in 1936 as an extension of the more famous Roca-Runciman treaty, Malbran-Eden had granted a preferential exchange rate and tariff concessions to British exporters, and guaranteed "benevolent treatment" of British investors in exchange for guaranteed purchases of Argentine meat. As bilateral arrangements typical of those that had flourished in the 1930s, Malbran-Eden and Roca-Runciman had strengthened ties between the nations, but Argentine nationalists in the post-war period viewed them as pathetic concessions. The long-term agreement had fixed the prices of Argentine meat exports to England at extremely low prices that hardly reflected world demand. Malbran-Eden had expired in January, but was extended monthly by mutual consent until a more permanent accord could be reached. In response to a British request for another renewal, Perón's government hinted that it was ready to allow the agreement
to expire. Compounding this threat was the impending expiration of the 1907 Mitre Law that had granted British investors tax exemptions and special privileges in Argentina. The *Ley Mitre* had been tremendously successful in encouraging railroad growth in the past, but was a sitting duck in a nation that considered itself to be a victim of imperialism and foreign control. British opinion held that Perón might allow the Law to expire in 1947, tax the railroad companies, and expropriate them once their value had dropped."

Perón undoubtedly encouraged this fear to draw the English into negotiations when his power was at its peak. In spite of Hull's and Braden's claims to the contrary, Argentina's contribution to the Allied war effort had not been insubstantial, and the bill was coming due for the British. Various Argentine governments during the war had continued to supply Britain with desperately-needed supplies of meat at regular prices (approximately 1/3 the U.S. price) on credit. By 1946, Argentina's sterling balances had grown to almost 150 million pounds thanks to this arrangement. For Perón, it was a mixed blessing. While this sum was potentially invaluable for his industrialization scheme, he was unable to spend it due to the British policies of inconvertibility and export control. In essence, the sterling balances represented an interest-free loan to Britain with no date set for
repayment. While Perón pressed for convertibility and a resolution of this unhappy state of affairs, the British stalled and urged Perón simply to renew the Malbran-Eden meat contract.

For Whitehall, the ideal solution would have been a continuation of the trade concessions and meat contract and the sale of the British-owned railroads in Argentina to Perón. As the value of the railroad facilities was estimated to be almost the same as the Argentine sterling balances, the British could, with a stroke of the pen, eliminate no small part of their wartime debts. His Majesty's Government had been trying to peddle railroads for years. Although the rolling stock had once been among the best in the Western Hemisphere, it had been allowed to deteriorate. Years of depression and war had prevented large quantities of replacement equipment from reaching Argentina. Exacerbating the situation, British investors had been unable to turn significant profits from the railroads for years, despite the Mitre Law concessions. The British investors supposedly feared expropriation of the properties, but the British had, not for lack of effort, been unable to convince any Argentine government to take the properties. In the 1940s, the railroads had already started to show signs of decay, portending the day when their ownership would become more of a liability than an asset. For his part, Messersmith proclaimed the
railroads to be in "bad shape . . . and suffering from [a] lack of adequate motor transport and replacements." The English weakly protested that the rolling stock was of very high quality--how else could equipment dating from the 1900s still be in operation? Argentines naturally took a different and rather dim view of the atrophy of the rail system so vital for internal and external commerce. So long as the properties remained in British hands, they were a dual liability. The British would be blamed for their poor operation, at the same time they remained valuable enough to be a hostage to any nationalist that wanted to expropriate them. If the British were going to unload them, they would have to do so before the expiration of the Mitre Law and the inevitable depreciation that would follow. Thus, two birds could be killed with one stone if the sterling balances and the railroad albatross could both be eliminated."

Perón appeared to be amenable to this solution, and drew the British into negotiations. Just before the inauguration, he had informed the new British Ambassador, Sir Reginald Leeper, that he intended to purchase the railways as soon as possible. The British leapt at the prospect and immediately sent a team headed by Sir Wilfred Eady to make the deal, only to learn that Perón had duped them."
Miguel Miranda met the British negotiators in July, and immediately made it clear that he had no intention of purchasing the railroads after all. Described by Messersmith as "a very difficult man who has no knowledge of either finance or broad economic problems," Miranda set the tone for the meetings when he announced that no other issues would even be discussed until an agreement on the sterling balances had been reached. The balances, Miranda argued, should earn interest at 2.5 percent, the same rate that the U.S. loan to Britain was earning. If the British were not willing to unblock the funds, they should at least restore convertibility so that Argentina's sterling surplus could again be used for purchases in the United States. Eady stonewalled. Although the British were prepared to offer .5 percent interest, they refused to consider convertibility, as other nations would demand the same treatment, starting another run on sterling."

Perón, frustrated (and quite possibly infuriated) by the deadlock, announced that he would unilaterally resolve the issues by simply tripling the prices of Argentine beef, allowing the Ley Mitre to expire, and leaving the railroads as they stood. If his speech was intended to cow the English into a more flexible attitude, it failed. Eady called his bluff and dug in his heels. The British also attempted to drive the Argentines into a more conciliatory posture. In early-August, HMG announced that
it had recently signed a new wheat agreement with Canada. Nearly all of Britain's wheat needs would be fulfilled by the arrangement, at less than half the cost of Argentine grain. The Review of the River Plate warned Perón that Argentine intransigence might lead England to also search for alternative sources of meat, and praised the Canadian willingness to be "reasonable." Like Perón's earlier bluster, however, this was an empty threat, and the stalemate persisted through August with little hope for resolution.

By early September, Eady and the British mission had given up hope and were making arrangements to return to England when Ambassador Reginald Leeper made a last-ditch appeal to Messersmith. The two ambassadors had arrived on the same day and had been working closely together, but the Englishman lacked Messersmith's influence with Perón. According to Messersmith, "Leeper said to me that if I could see my way clear to mention the matter to Perón he felt sure that a new basis could be found for the negotiations and an agreement arrived at."

Messersmith agreed to discuss the matter "in a purely informal and unofficial way" with the President. In a private meeting in Perón's home, he raised the issue to both the President and Foreign Minister Bramulgia. Messersmith's comments on the pivotal meeting are telling.

I started out by saying that although we were not a party to these negotiations, we were
naturally interested in them because anything which affected Britain affected us. I said that the responsibilities of Britain and the United States today were very great because they were the two countries which stood for certain trading principles as well as certain political ideas and these economic ideas and political principles had to control in the world or there could be no peace in any country, including the Argentine."

He pointed out that the United States had also "furnished great quantities of material to Britain during the war . . . and that we had practically wiped the slate clean." To preserve the British position, the United States had even given a $3.5 billion loan that would be used to aid recovery and help "Britain to become a competitor with us in many markets, but that we recognized that this was a healthy thing in the long run." Messersmith urged the same sort of restraint upon Perón. In short, he argued that a prompt British recovery was as vital to Argentina in the long run as it was for the United States."

Perón replied that he understood this situation, but that Miranda simply had been too intransigent. This of course echoed what the British had already told Messersmith. Leeper had informed him that Miranda's "rough and tough" attitude and "discourtesy" were the reasons for the impending breakdown. It is rather improbable that one man's personality would be sufficient justification for aborting a major trade negotiation with such serious implications. Equally unlikely is the notion
that Miranda's intransigence was in any way counter to his instructions from Perón. Messersmith believed that Miranda had been chosen to head the mission for the very reason that he was so "difficult." Perón nonetheless informed the ambassador that henceforth, the more conciliatory Bramulgia would "play a more important part" in the negotiations. After the President thanked Messersmith for 'help[ing] him in his task,' the meeting broke up. Although he was hopeful that Bramulgia might break the impasse, Messersmith remained dubious that any real solution could be reached."

His fears proved to be unjustified. The Miranda-Eady Treaty was signed on September 17, only two weeks after Messersmith's pivotal intervention. Miranda was given new instructions the day after the conversation from Perón and Bramulgia, and the deadlock broke almost immediately. The Argentines had given ground on almost all of the issues. The sterling balances remained inconvertible, but all sterling earned by the Argentine exports in the future would be freely convertible. Furthermore, part of the balances (approximately 30 million pounds) was to be utilized to repatriate Argentina's national and provincial debts, while the remainder was to draw interest at only .5 percent. Finally, in the unlikely event that Argentina should run a trade deficit with the sterling area, up to
10 million pounds of blocked sterling per year could be released to cover the shortfall.

The British also managed to avert a drastic increase in the price of meat. Britain agreed to purchase the entire Argentine meat surplus for four years at prices only 12.5 percent higher than they had been paying. While Argentina would be entitled to hold back seventeen percent of their surplus the first year and twenty-two percent the second, Britain retained the right to resell a portion of their purchases—allowing it to continue as Europe's unified meat buyer and distributor. Even though the English had been unable to sell the railroads, they had provided for the eventual salvation of the network. The Argentine government agreed to form a mixed company "for the purpose of acquiring and operating the assets...of the British-owned railway companies." The Mitre Law exemptions would remain in force, and the Argentines further pledged to guarantee British owners of a four percent profit per year for two years. Any profits above six percent per year were to be used for the extension or repatriation of the network, while Perón was obligated to provide 500 million pesos to further modernize it, regardless of other factors."

On all counts, the British negotiators had scored a major victory. The sterling question had been deferred with minor concessions, the meat contract had been renewed
with a minimal price increase, and the Argentines were well on the way toward purchasing the railroads (not that this "concerned particularly" the British any longer, as Perón had guaranteed their income). While Argentina had gained convertibility of any new sterling credits, the old balances remained untouchable. Perón nonetheless proclaimed victory. He was repatriating the national debt and had taken the first steps toward driving foreigners out of a key industry. These appeals to nationalism only bolstered popular support for the President, while the limited convertibility would be an asset until the British unexpectedly revoked it in 1947. There can be little doubt that Messersmith's timely intervention had been pivotal. Bramulgia, Perón and the British all credited him with breaking the impasse, while journalists who were unaware of Messersmith's action were mystified by the "amazing fruitfulness" of the last week of negotiations. But if the British had managed to get the better of Perón this time, they also appear to have also stolen a march on Messersmith."

He had acted at Leeper's behest without instructions from Washington. Messersmith failed to mention Leeper's appeal in his explanations to Clayton, probably as historian Nicholas Bowen suggests, to "avoid even the hint that he might have acted at the instigation of another government . . . [as] he was likely to be in sufficient

249
trouble for having taken action, albeit successfully, without instructions." While there is no record of Messersmith receiving reprimand, he was threatened with considerable embarrassment. He had asked Leeper to be good enough to not to tell Sir Wilfred Eady or any of his associates that I had mentioned these matters to the President. I said to the British Ambassador that I was able to talk over these matters with the President because he knew that I did not talk them over with other persons, and that if it became known...that I discussed my conversations with other persons, I would lose the opportunity of having these conversations which have been so helpful so far."

Even worse, extreme Argentine nationalists would have been supplied with the perfect ammunition to crucify Perón if it became known that had taken counsel from the Vanquis. Messersmith was undoubtedly surprised when the U.S. Ambassador in England informed him that both Sir Stanford Cripps and the Prime Minister were publicly sending their thanks for his contribution. Leeper was one of England's most able diplomats, and to think that his disregard for Messersmith's wishes was accidental is naive. Most likely, Leeper and the British government would not have minded seeing some erosion in the growing U.S.-Argentine entente that Messersmith was engineering. As Callum MacDonald has shown, Whitehall and Washington had been cooperating in their efforts to ameliorate Argentine nationalism, at the same time they quietly competed for the Argentine market. Messersmith's position was
naturally stronger, as the United States had much more to offer Argentina, but Leeper showed how this advantage could be used for English benefit through skillful diplomacy. While the intervention does not appear to have become public knowledge, Messersmith was defending his action on other grounds soon enough."

State Department analysts discovered that part of the Miranda-Eady treaty violated the terms of the Anglo-American Loan Agreement. Miranda-Eady stipulated that if Argentina ran an unfavorable trade balance with the sterling area, sterling would be released to cover the shortfall. Article 10 of the Anglo-American agreement stated that any released sterling should be freely disposable, without restrictions. As a violation of the letter of this agreement and the spirit of multilateralism, the provision evoked consternation from both the State and Treasury Department. Messersmith claimed that he knew nothing of this provision, even though he had stated earlier that Leeper had kept him "fully informed." When pressed by his superiors, he admitted that the Englishman had not mentioned the matter to him. After the deal was concluded, Leeper conveniently departed on a vacation. Although the provision was a minor one that was unlikely to ever come into play, Secretary of the Treasury John Snyder reprimanded the British, and worked to block implementation of the treaty.
Ironically, Messersmith had helped the British negotiate a bilateral agreement with Argentina by lecturing Perón on the need for open, multilateral trade, and opened himself up to criticism in the process.*

Messersmith justified his intervention by asserting that no good could have come out of a breakdown of the negotiations. Inasmuch as an Anglo-Argentine rift might have left the door open for U.S. business, he predicted more dangerous consequences. The British would have lost their guaranteed meat supply, and probably even more. Messersmith assumed that "tremendous resentments would arise" on both sides of the Atlantic. The British would have no reason to continue to use their refrigerator ships to transport Argentine meat products. Unable to sell their meat surplus, Argentina would be plunged into economic chaos that might be "easily translated into some violent acts of expropriation" of foreign properties by the Argentines. Once unleashed, this indiscriminate nationalist outrage would not distinguish between U.S. and British capital. The episode was telling. The British, traditional patrons of Argentina, had been forced to petition the U.S. representative in Buenos Aires to achieve their policy goals. While Messersmith later bemoaned the fact that the deal had strengthened the British economic position in Argentina (presumably filling a gap that should be occupied by U.S. investors and

252
traders), he realized that U.S. interests could hardly be
served if anything exacerbated the nationalism inherent in
peronismo."

VI

Although Braden considered Perón to be a rabid
nationalist bent upon wide-scale expropriation, again
Messersmith saw him as a political novice, reluctantly at
the head of a nationalistic movement. According to
Messersmith,

Perón, in his campaign for the presidency, had
advocated the self-sufficiency of the country
and so far as possible the getting rid of
foreign investments in the Argentine. It was a
broad program to which he had not given very
much thought, but it was a part of the demagogic
approach which he took to the problems. It
represented certainly the feeling of a good part
of the Argentine people.

Peronists nationalized the ITT subsidiary, Unión
Telefónica, in Argentina in August 1946, leading many
(especially the British) to believe that the conductor was
indeed making good on his demagogic pledges to rid the
country of imperialistic foreigners. By purchasing the
telephone companies and turning their operations over to a
"mixed company," Perón was apparently setting the stage
for a wave of nationalization that might well end with the
elimination of foreign capital in Argentina. Messersmith,
however, argued that this initial impression was an erroneous interpretation of both Perón and his program. In truth, he cabled Washington, the purchase was actually a good omen, as it demonstrated that Perón understood the value of U.S. investment, respected property rights, and stood as a bulwark against radical nationalism. Perón had negotiated in good faith with Unión Telefónica's manager, Bill Arnold, and the ITT representative, Colonel Sosthenes Behn. He was going to pay $95 million for the facilities, less than ITT wanted, but enough to "completely satisf[y]" them. ITT was awarded a contract for technical service and advice for ten years, that would more than compensate for the lower sale price. The deal had been struck without the "duress and without the violence" that so frequently accompanied economic nationalism, and even Clayton, who was fundamentally opposed to any form of statism, conceded that it was "just as well. I imagine the I.T. and T. have not done so badly in the matter." Messersmith viewed the trend toward nationalization of utilities and vital industries to be an unfortunate but inevitable and understandable global trend. Moderate Latin American governments were moving toward gradual state control of vital utilities, as was even the British Labour government (and as had Roosevelt's TVA). He argued that Perón fit into this moderate mold. According to

254
Messersmith, Perón had only undertaken the ITT purchase to prevent other Argentine nationalists from expropriating them unfairly. The existing Argentine constitution gave provincial governors and local officials the right to "do things which caused great inconvenience"—one of which was expropriation of properties within their jurisdiction. Supposedly, Perón had spent weeks trying to dissuade the Governor of Córdoba from exercising this right with the electrical company, but "could not eventually prevent the Governor from expropriating if he became bullheaded." If the national government had not gone ahead with reasonable nationalization, Radical or peronista officials might easily have done so in a more provocative fashion and jeopardized the budding rapprochement. It is unlikely that Perón, who had pledged himself during his run for the presidency to just this sort of nationalism, was being entirely truthful, but his explanation made a certain amount of sense.

Messersmith believed the justification at any rate, and the Argentine unwillingness to purchase the British railways supported his thesis that Perón's nationalism was considerably exaggerated. If the ITT purchase made little financial sense, it had immense political value for Perón. Peronists publicized the move as the bold inauguration of the "recuperation" program, and claimed to have gotten the better of a foreign company. So long as Perón continued
to play the notes of the nationalistic song, he had no reason to question his mass appeal or his popular base. He had been imprisoned less than two years earlier, still had not reconciled with the United States, and therefore had reason to be somewhat insecure. Messersmith wryly reminded the Department that if Perón was the dictator many thought him to be, he would not have to rely upon populistic demagoguery or be hindered by public opinion. As it was however, Perón pushed forward with the popular "recuperation" campaign, even if he would not expend his sterling balances on the derelict British-owned railroads at this time."

Although Perón did purchase the small French-owned rail network, the harbor facilities at Rosario, and several other minor enterprises, to the surprise of some, he did not directly go after the U.S. and British-owned frigoríficos. As the most valuable and visible foreign investment in Argentina other than the railroads, the meat-packing plants made an almost ideal target for the "recuperation" program. Argentine cattlemen, beef fatteners, exporters, and nationalists in general had long resented the stranglehold that foreigners had achieved in this stage of the beef industry. While Perón never made a direct move for nationalization, he was pressing the companies with what U.S. officials would later label "expropriation by attrition." The Miranda-Eady treaty had
essentially placed a price ceiling upon the exported meat, while price controls kept domestic prices low, and Perón was mandating wage hikes for meatpacking workers. Caught between rising wages and falling prices, the frigorificos claimed they were being victimized by an "economic squeeze play." Unable to turn a profit, they would eventually be forced to sell out to Perón's government on his terms."

Messersmith argued that this was little more than an incidental side-effect of Perón's reliance upon a working class constituency. He had given the president numerous lectures on the familiar theme of private investment and its inherent superiority over state ownership. Several of these discourses had focussed explicitly upon the frigorificos. Although the Argentine government could feasibly take over the packing and distribution aspects of the trade, there were other considerations.

I explained . . . that the by-products of the frigorificos had come to have almost as much importance as the chilled and frozen beef...In many cases, markets had to be created for these by-products and this could only be done by companies with a world-wide organization built up over the years . . . Swift, Armour, Wilson, Cudahy and others in this business . . . had representatives, offices and warehouses in all parts of the world. They maintained laboratories to find new uses of the by-products.

After three days of discussions extolling the virtues of private enterprise, Perón gave his assurances to Messersmith that there would be no expropriation, even
though the "movement toward nationalization had taken so much hold in some quarters." In spite of the constant complaints by the meat-packers, Messersmith proudly noted in 1955 that the foreign companies still retained their holdings in Argentina.®

Another reason for Perón's unwillingness to nationalize the frigorificos can be found in the nature of the peronista coalition. As a general rule, the meatpackers' unions were among the most militant and effective in Argentina. So long as the frigorificos remained in foreign hands, Perón could win double victories by arbitrating strikes in favor of Argentine workers at the same time he struck popular blows against the extrañeros. Similarly, Perón and Miranda had little reason to support the complaints of the beef producers and ranchers. As Miranda put it in his inimitably-blunt style, "The cattlebreeders are always a menace, and I hope that as long as I live I shall never see them again become the ruling class of Argentina." There was simply no good reason to expropriate the frigorificos and further ostracize the United States, even if Perón had the financial resources to do so.®

Using Messersmith's accounts and these incidents, it is possible to assert, as Jorge Fodor does, that Perón's nationalism was a "myth." Fodor, like Messersmith, argues that Perón essentially stood as a bastion against more
ardent nationalists, peronista or otherwise." The conductor was reluctant to use valuable foreign credits for nationalization measures which would have undoubtedly been very popular. Nonetheless, he headed a nationalistic coalition in a very nationalistic country. So long as Perón could strengthen his domestic position through measures like expropriation or rhetorically "plucking the eagle's feathers," the climate for foreign investment would never be good. Any investment would be vulnerable to expropriation, helpless victim of his labor decrees, and subject to his growing state control of the economy. The nationalistic tone set by peronistas and the remnants of the Radical Party were enough to make businessmen and most U.S. officials leery. Nationalism was a Pandora's Box that could not be closed by Perón or the United States, however much they might have wished to do so. With every gesture of conciliation and move toward rapprochement, Perón's hold on the tiger's tail of nationalism became more tenuous, demonstrating the inherent difficulties for a labor-based regime in its dealings with the Yanqui colossus.

VII

Therein lies the fundamental flaw in Messersmith's approach toward Perón. He had determined early on that
the conductor was a relatively apolitical figure who could be quietly directed toward the right "path" to economic development. Perón gave him reason to believe this by not "playing his Russian card," ratifying the Chapultepec Accords, and cooperating with the British mission. Still, at a deeper level, there was only so much that Perón could (or would have wanted to) do to collaborate within the "Inter-American System." He had come to power amid revolutionary fervor, was the leader of a nationalistic movement that had been assembled to redress a half century of wrongs, and was not content to renege upon the lavish promises he had made during his election campaign. Perón was going to do what he could to cooperate with the United States, as he required at least tacit U.S. acceptance of his regime, but could not deviate too far from the course he had set. It is quite arguable that Perón would have been incapable of entering into a genuine partnership with the United States without alienating large sectors of his core constituencies.

At times, Messersmith seemed to understand this, and urged Washington to give Perón incentives in order to facilitate the transformation of his statism toward a privatist approach. The State Department was unyielding in this regard. Not only was Braden still in a position to veto any overture to Argentina, but even Will Clayton stood firmly opposed to compromise. If there was to be a
true rapprochement, Perón had to blink first, and concede completely. The State Department, like Messersmith when he first arrived in Buenos Aires, hoped that Perón might be converted without too much effort. At this point, Byrnes, Clayton, and other high policymakers in Washington were still thinking of Perón in personal terms. If they could simply redirect him, Argentina would follow. Or, as MacDonald has shown, if Miranda's "extremist" influence could be supplanted by Bramulgia's "moderate" ideas, then Perón might follow that lead. U.S. policymakers sought a quick fix to the Peronist problem, and did not yet appreciate fully the implications of the Peronist revolution. Their new approach toward Perón was taking shape, but had not yet reached full maturity.

Even though Messersmith thought in much the same terms as his superiors, his view of Peronism reveals much. Messersmith was a New Dealer who sought to export the New Deal on a global level. Interestingly, his belief in the New Deal and the benefits of free, multilateral trade was strong enough that he ended up lecturing his superiors—urging them to ease the "sanitary embargo." It was hardly fair to ask Argentina to take the inevitable lumps that came along with free trade when the United States was unwilling to bear them. In this regard, he may have been unsympathetic toward legitimate fears of U.S. cattlemen, but no less so than U.S. policymakers were to Latin
American nationalism. Whereas he had viewed Hitler and European fascists as sinister totalitarians who had consciously repudiated liberal capitalism, Perón was only a political novice who was searching desperately for a shortcut toward the sort of national development that the United States already enjoyed.

While the first months of Messersmith's tenure may have given the impression that he was making headway in his fight to rechannel Perón, subsequent events proved otherwise. In the closing months of 1946, Perón made his most direct challenge to the "Inter-American System" by proposing a series of dramatic economic alliances with neighboring states and unleashing propagandists and labor attachés across the hemisphere. Despite all of Perón's rhetoric and conciliatory gestures toward the United States, he was not going to be deterred easily. The contest between the peronista and New Deal corporatist variants would not be smoothed over by Messersmith's peacemaking.
ENDNOTES

1. Messersmith to Will Clayton, 21 October 1946, NA, DS, RG 59, 835.50/102146.

2. Messersmith to Acheson, 2 October 1946, Messersmith Papers, 1811; Messersmith to Byrnes, 30 October, 1946, Messersmith Papers, 1813; Messersmith to Clayton, n.d., Messersmith Papers, 1815; Messersmith to Clayton, 15 October 1946, WNRC, BA, RG 84; see also Stiller, George S. Messersmith, 226-227.

3. Stiller, George S. Messersmith, esp. 228-263.


5. Cabot to Claude Pepper, 3 June 1946, Cabot Papers, Argentina, HST; Messersmith to Braden and Acheson, 22 July 1946, NA, DS, RG 59, 835.24/72246; see also Smith to Secretary of State, 12 July 1946, NA, DS, RG 59, 835.24/71246; Paso, Del golpe de Estado, 101; Alberto Conil Paz and Gustavo E. Ferrari, Política exterior argentina, (Buenos Aires, 1966), 138; Rapoport, Política y diplomacia; Seipe, et al, Perón y las relaciones con el Este; Green, "The Cold War Comes to Latin America," 170-171.

6. This was an unlikely promise. Even as the offer was being made, Soviet negotiators were petitioning UNRRA for tractors and trucks to alleviate hunger in the Ukraine and White Russia. Byrnes to Embassy Buenos Aires, 3 June 1946, NA, DS, RG 59, 835.24/6346; Dean Acheson, "Memorandum of the Press and Radio News Conference," 21 June 1946, #33, Folder 561, Byrnes Papers, Clemson; "Memorandum of the Press and Radio News Conference," 10 July 1946, #37, Folder 562, Byrnes Papers, Clemson; Review of the River Plate, 6 September 1946, 20.

7. Messersmith to Clayton, 2 October 1946, NA, DS, RG 59, 611.35311/10246; see also Messersmith to Secretary of State, 24 June 1946, NA, DS, RG 59, 611.3531/62446; "Summary of Messersmith's Five Letters," 24 October 1946, NA, DS, RG 59, 611.3531/102446.

8. Messersmith to Byrnes, 4 June 1946, NA, DS, RG 59, 835.24/6446; Messersmith to Byrnes, 16 July 1946, NA, DS, RG 59, 835.24/71646; Messersmith to Braden and Acheson, 22 July 1946, NA, DS, RG 59, 835.24/72246; Braden to
Messersmith, 13 June 1946, NA, DS, RG 59, 835.24/61346; Braden, "Memorandum on the Argentine Situation," 12 July 1946, HST, PSF, Foreign Affairs, Argentina, HST; Clayton to Messersmith, 23 July 1946, NA, RG 353, RIIC, Argentina, Box 9; Byrnes to Embassy Buenos Aires, 3 June 1946, NA, DS, RG 59, 835.24/6346.

9. Braden to Messersmith, 13 June 1946, NA, DS, RG 59, 835.24/61346; Cabot to Secretary of State, "Conversation with Apparent Peronista Emissary," 13 March 1946, Cabot Papers, Argentina, HST; Messersmith to Secretary of State, 24 June 1946, NA, DS, RG 59, 611.3531/62446; Messersmith to Bowers, undated, Bowers MSS II, Box 6; Flack to Secretary of State, 4 November 1947, NA, DS, RG 59, 724.35/11447; Messersmith to Braden and Acheson, 22 July 1946, NA, DS, RG 59, 835.24/72246; Messersmith to Clayton, 3 December 1946, NA, DS, RG 59, 625.3521/12346; see also Rapoport, Politica y diplomacia, 35-37; Review of the River Plate, 7 March 1947, 10.

10. Messersmith to Clayton, 3 December 1946, NA, DS, RG 59, 625.3531/12346; Messersmith to Flack, 27 September 1946, WNRC, BA, RG 84; Messersmith to Bowers, 10 June 1946, Bowers MSS II, Box 6; see also Carlos Escudé, "Argentine Territorial Nationalism," Journal of Latin American Studies 20, 139-165.

11. A critical assessment of the U.S. role in undermining Villarroel comes from Ernesto Galarza, a functionary of the Panamerican Union, in Luti to Bramulgia, 24 Julio 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 1, Anexo 2, Parte 1; quotes come from Flack to Secretary of State, 25 July 1946, "Diary of a Successful Revolution," WNRC, BA, RG 84; Andrade, My Missions for Revolutionary Bolivia, 115-123; Flack to Secretary of State, 15 November 1946, WNRC, BA, RG 84; "Memorandum sobre la situación de Bolivia," undated, AMREC, DP, Bolivia 1946, Caja 1, Expediente 1, Anexo II, Parte 1; see also "Movimiento Revolucionario de Bolivia," 21 July 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 1, Anexo 2, Parte 1; Malloy, Bolivia, 125-130.

12. The Brazilians and Uruguayans also timed their recognitions to coincide with that of the United States, but with reservations. Fearing that the revolution may have been communist inspired, Brazilian President Dutra wished to wait. Other Latin American embassies also spoke out, concerned that revolutionaries in their own nations might be more willing to attempt a coup if it could count upon swift U.S. recognition (and by inference, support). Torres Gigena to Bramulgia, 22 Junio 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 1, Anexo 1; Messersmith
to Braden, 23 August 1946, WNRC, BA, RG 84; enclosure 1
(William Pawley, Ambassador Rio de Janeiro, to Braden,
81246), enclosure 2 (Pawley to Braden, n.d.); Flack to
Messersmith, 20 August 1946, WNRC, BA, RG 84.

13. Messersmith to Flack, 29 October 1946, "Giving Summary
of the Articles of Kluckholm, the NYT Correspondent in
Argentina," WNRC, BA, RG 84; Flack to Messersmith, 20
August 1946, WNRC, BA, RG 84; see also, Espy to Flack and
Wells, 6 October 1946, NA, DS, RG 59, 624.3531/10646;
Flack to Secretary of State, 6 December 1946, WNRC, BA, RG
84.

14. Messersmith to Braden, 23 August 1946, WNRC, BA, RG
84; Messersmith to Flack, 27 August 1946, WNRC, BA, RG 84.

15. Messersmith to Clayton, n.d., Messersmith Papers,
1815; Braden quoted in Bruce to Truman, 11 August 1949,
HST, Office Files (OF), Box 1052, HST; Harriman to
Secretary of State, 26 July 1946, NA, DS, RG 59,
635.4131/72646; Messersmith to Truman, 15 June 1946, HST,
PSF, Foreign Affairs, Argentina, HST; Messersmith to
Secretary of State, 14 August 1946, NA, DS, RG 59,
835.4131/81446.

16. Rabe, "The Elusive Conference," 280-281; see also
Elizabeth Cobb's assessment of Rockefeller in The Rich
Neighbor Policy; Stiller, George S. Messersmith.

17. Embassy Berlin to Secretary of State, 16 December
1947, NA, DS, RG 59, 835.6131/121647; Secretary of State
to Embassy Berlin, 16 December 1947, NA, DS, RG 59,
835.6131/121647.

18. Messersmith to Clayton, 16 July 1946, NA, DS, RG 353,
RIIC, ARG 9; see also Jorge Fodor, "Perón's Policies for
Exports," 135-160; Stiller, George S. Messersmith, 238.

see also, Memorandum of Conversation, Messersmith and
Mann, 3 September 1946, NA, DS, RG 59, ARA, Memoranda on
Argentina, Vol 9,10; Messersmith to Byrnes, 30 October
1946, Messersmith Papers, 1813; Cabot to Messersmith, 21
August 1946, Cabot Papers, Argentina, HST.

20. Messersmith to Clayton, 21 October 1946, NA, DS, RG 59,
835.50/102146; Unsigned to Messersmith, 4 December
1946, Messersmith Papers, 1823; A.Kenneth Oakley to
Messersmith, 12 December 1946, Messersmith Papers, 1832;
see also, Ronald Newton, The 'Nazi Menace', 361-372;
Messersmith to Byrnes, Acheson, and Braden, 17 August
1946, Messersmith Papers, 1796; Messersmith to Clayton, 15
21. Aftosa is an extremely virulent, debilitating disease that affects hoofed mammals. The disease kills many infected animals, but even survivors are scarred. By affecting the mouths of cattle, aftosa hinders feeding and causes weight loss and decreased lactation. There was no proven vaccine so the only means to combat the disease was to slaughter and burn entire herds in which the disease appeared. American cattlemen had paid dearly for the systematic devastation of their herds during the various eradication campaigns and violently fought any measure that might re-infest their herds.


23. While there is no real way to measure the benefits cattlemen received from this protection, a study done in 1947 is instructive. Economist Carl Wilken testified before Congress that a Mexican outbreak of aftosa had been a "blessing in disguise." With the enforcement of the sanitary ban against Mexico, American farmers' incomes would increase be two billion dollars per year. The Mexican cattle industry was but a fraction of the Argentine, and Mexico never rivalled Argentina as an exporter. Furthermore, when Canada suffered a minor outbreak in 1952 and the embargo was enforced, Canadian ranchers lost $560 million in sales for one year. U.S. Congress, "Hearings Before the Committee of Agriculture," House of Representatives, 80th Congress, 1st Session, February 10, 1947, 81-84; J.J.Callis, "Foot-and-Mouth Disease" in Dr. Fred Rapp ed. Gustav Stern Conference on Foot-and-Mouth Disease (New York, 1969), 15-16; Review of the River Plate, 2 January 1947, 20-21.


25. Characteristic of this attitude was the remark made by B.L. Simms, Chief of the Bureau of Animal Industry, trying to convince the Agriculture Committee that once infected with aftosa, cattle were inedible. "We don't consider it to be inedible. Some people in the world will eat


27. Messersmith to Braden, 12 June 1946, NA, DS, RG 59, 611.355/61246; Messersmith to Clayton, 22 October 1946, NA, DS, RG 59, 611.355/102246.

28. Clayton to Messersmith, 14 November 1946, NA, DS, RG 59, 611.355/102246; Ivanissevich to Bramulgia, 11 Octubre 1946, AMREC, DP, EEUU 1946, Caja 8, Expediente 3; see also Herman Kopplemann (Representative from Connecticut) to Mullins, 3 October 1946, NA, DS, RG 59, 611.355/10346.

29. Messersmith to Clayton, 16 July 1946, NA, RG 353, RIIC, Argentina Committee, Box 9; E. Winsnes (Allis-Chalmers Manufacturing Company) to Messersmith, 21 August 1946, NA, DS, RG 59, 835.60/82146.

30. Messersmith to Clayton, 16 July 1946, NA, RG 353, RIIC, Argentina Committee, Box 9; see also Messersmith to Acheson, 24 October 1946, Messersmith Papers, 1811; Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1813.

31. Clayton to Messersmith, 23 July 1946, NA, RG 353, RIIC, Argentina Committee, Box 9; Clayton to Messersmith, 21 August, 1946, NA, DS, RG 59, 835.60/82146; Schaetzl to Wilcox, 11 July 1946, NA, DS, RG 59, 611.3531/71146; see also Stiller, George S. Messersmith, 247-248.

32. Stiller, George S. Messersmith, 239.

33. Messersmith to Clayton, 21 October 1946, NA, DS, RG 59, 835.50/102146.


36. Messersmith to Clayton, 3 September, 1946, NA, DS, RG 59, 635.4131/9346; Review of the River Plate, 26 July 1946, 3-4.

37. Messersmith to Secretary of State, 26 July 1946, NA, DS, RG 59, 635.4131/72646; Messersmith to Clayton, 3 September 1946, NA, DS, RG 59, 635.4131/9346; see also Bowen, "End of British Economic Hegemony," 11-15.


40. Messersmith to Clayton, 3 September 1946, NA, DS, RG 59, 635.4131/9346.

41. Messersmith to Clayton, 3 September 1946, NA, DS, RG 59, 635.4131/9346.

42. Messersmith to Clayton, 3 September 1946, NA, DS, RG 59, 635.4131/9346; Messersmith to Secretary of State, NA, DS, RG 59, 835.4131/81446; Messersmith Memoirs, "British-Argentine," Messersmith Papers, 1947.

43. Gilmore to Mann, Briggs and Braden, 1 October 1946, NA, DS, RG 59, 635.4131/10146; While Braden and the British were quick to accuse Perón of profiteering and cruelly capitalizing on British hunger, this does not seem to be the case. Interestingly, the State Department and British newspapers reported that Argentina had raised meat prices by 45 percent, rather than 12.5 percent. The new prices were 45 percent higher than the 1939 bulk-purchase prices, but only 12.5 percent higher than the 1945 figures. Considering that the British were paying substantially more for Canadian and American meat, the increase hardly seems excessive. Jorge Fodor, "Argentine Nationalism," 50-51.
44. Douglas to Treasury and Other Interested Agencies, 30 September 1946, NA, DS, RG 59, 635.4131/3046; Review of the River Plate, 27 September 1947, 12; Fodor, "Argentine Nationalism."


46. Messersmith to Clayton, 3 September 1946, NA, DS, RG 59, 635.4131/9346.

47. Messersmith to Clayton, 25 September 1946, NA, DS, RG 59, 635.4131/92546; see also MacDonald, "The U.S., Britain and Argentina," 190-194; Stiller, George S. Messersmith, 254-255.

48. Gilmore to Briggs, Mann and Braden, NA, DS, RG 59, 635.4131/10146; John Snyder to Sir Hugh Dalton, 31 October 1946, John Snyder Papers, Secretary of the Treasury, Box 2, Argentina File, HST; Messersmith to Clayton, 27 September 1946, NA, DS, RG 59, 611.3531/92746; Messersmith to Secretary of State, 27 September 1946, NA, DS, RG 59, 611.3531/92746.

49. Messersmith to Clayton, 25 September 1946, NA, DS, RG 59, 635.4131/92546; Messersmith to Acheson, 24 October 1946, Messersmith Papers, 1811.


52. Messersmith to Braden, 14 August 1946, NA, DS, RG 59, 835.75/81446; Messersmith to Braden, 20 August 1946, NA, DS, RG 59, 835.75/82046; Messersmith to Braden, 3 September 1946, NA, DS, RG 59, 835.75/9346; Arnold to Messersmith, 15 October 1946, NA, DS, RG 59, 835.75/101546; Clayton to Messersmith, 4 September 1946, NA, DS, RG 59, 835.602/9446.

53. Messersmith to Secretary of State, 19 December 1946, NA, DS, RG 59, 835.50 Five Year Plan/121946; Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1814.

54. ITT appraised its properties at 442 million (or even 500 million) pesos, well below the price of 385 paid by the Argentines. They claimed that the contract for replacement parts and advice would more than compensate, but the price differential would "give sufficient material to certain highly nationalistic elements here to boast

269
that they have got the better of a foreign company...what some of these are interested in really is giving a kick in the pants to the foreigner, rather than to get national ownership." Messersmith to Braden, 20 August 1946, NA, DS, RG 59, 835.75/82046; see also Messersmith to Flack, 27 September 1946, WNRC, BA, RG 84.

55. Joseph Hanson (President, Swift International) to Paul Daniels, 13 December 1948, NA, DS, RG 59, 835.5034/121348; Daniels to Bruce, 13 December 1948, NA, DS, RG 59, 835.5034/121348.


57. Review of the River Plate, 10 January 1947, 20; see also Smith, Politics and Beef in Argentina, 234-241; Review of the River Plate, 28 March 1947, 12-13.

58. Fodor, "Argentine Nationalism: Myth or Reality?" 31-56.

59. MacDonald, "The United States, Britain, and Argentina in the Years Immediately after the Second World War," 183-197.

We cannot talk of an important building up of commercial intercourse . . . on an exclusively private initiative basis, because the problems which we are facing are of such magnitude that they escape the scope of private solutions. If the state does not intervene directly or indirectly to give definite aid to these problems through a complete and new presentation of the situation, Chilean-Argentine . . . difficulties will continue which hinder normal and even greater development. We must attack the evil at its root if we wish to exterminate it.

Julio López Muñiz, 4 April 1948

Rhetorically, Perón's "Third Position" between capitalism and communism was merely the one of many neutralist, nationalist foreign policies during the Cold War. In reality, however, the Peronist stance was a genuine challenge to the very fabric of the "Inter-American System." Although Perón continually proclaimed his loyalty to the United States, in late-1946 and early-
1947, he embarked upon what can only be seen as a campaign to subvert U.S. hegemony over the hemisphere. The threat of the "Third Position" manifested itself on several distinct planes. First, Perón was elevating himself (and his state corporatist ideology) to the status of a full-fledged rival to the United States and its liberal capitalist order for the hearts and minds of South America. Second, he was taking powerful steps to draw neighboring nations into his web of bilateral barter and statist economic control—away from the "Inter-American System." Third, the "Southern Bloc" he seemed to be assembling would only strengthen the Argentine drive toward industrialization and the perpetuation of the Peronist system. Historians who have forgotten this phase of U.S.-Argentine relations have missed several of the key battlefields between these rival systems and lost an opportunity to see just how high the stakes truly were in this clash.

Riding high with full coffers and unbridled optimism, Perón and Miranda pressed forward with the negotiation of the Argentine-Chilean Commercial Treaty. The proposed accord would have granted Argentina access to vital Chilean mineral wealth, formed a customs union, undermined the Reciprocal Trade system, and immeasurably strengthened links between the two states. U.S. policymakers had been content to virtually ignore Latin America during and after
the war, and Perón was poised to make them pay for it. He
offered a $175 million loan to the Chileans—"the biggest
in Latin American history, five times the total war and
postwar financial aid which Chile . . . received from the
United States." With one stroke of the pen, Perón was
exposing the weaknesses of the Good Neighbor's neglect and
strengthening his hand in South America. Will Clayton had
offered Latin America laissez faire at Chapultepec, Perón
was offering cash.

Although the prospect of Peronist economic and
political expansion was the one that Latin American
specialists in Washington feared most in 1946, it was one
they could not directly oppose. Well aware that any
serious attempt to block the treaty might well boomerang,
as had the Blue Book, the State Department was forced to
tread lightly. All of the pertinent officers remained
silent when asked about the Argentine overtures, but
worked quietly behind the scenes to convince the Chileans
not to ratify the treaty. This manipulation was only one
of the several reasons that the Chileans ultimately failed
to ratify it, but is significant nonetheless.

Similarly, the State Department apprehensively
followed Argentine negotiations with Bolivia, Peru,
Venezuela, Brazil and Uruguay, as these nations would
logically comprise the fabled "Southern Bloc." Although
they never received the attention that the Chilean pact
did, these negotiations demonstrate a clear pattern to peronista diplomacy. Through a carrot-and-stick approach, Perón offered loans and food sales to receptive nations, while those who rebuffed him could expect pressure in the form of reduced food shipments. Peronists vehemently denied that they were utilizing such a Machiavellian policy. The counselor of the Argentine Embassy in Washington explained with some justification that Argentina was

> damned if [we] do, damned if [we] don't. If, because of difficulties in transportation, there is some delay in sending wheat or meat to Argentina's neighbors, they jump to the conclusion that we are trying to starve them in order to impose our will. If on the other hand, we try to help them rebuild their industry and economy, we are accused of trying to form a "southern bloc"... directed against the U.S."

Although there is merit to this assertion, a close examination of the "Third Position" shows a reasonably clear pattern to peronista diplomacy. A G.O.U. manifesto written in 1943 had asserted that "Paraguay is already with us. Chile and Bolivia will follow," and it seems that Perón was working to make good on the promise.

II

While Argentina had parlayed its wartime neutrality into massive financial reserves and "more money than
[Perón] knows what to do with," Chilean association with the Allies had cost that nation from $100 million to $500 million. To efficiently fight the "warehouse war," U.S. procurement agencies had stockpiled vital Chilean mineral exports (primarily copper and nitrates) by setting low price ceilings for these products. The foreign-owned copper companies had followed these mandates to the detriment of the Chilean economy. What financial reserves Chile did acquire from the war were rapidly dissipated in the inflationary post-war period, placing Chile "high on the critical list of countries suffering from a dollar shortage." While this might have otherwise called for a government austerity program, Gabriel González Videla of the Radical party was elected President in September 1946.

González Videla's position was somewhat tenuous. He had unified the Chilean leftist parties into a "Popular Front," and achieved a narrow plurality over three parties of the right and center and pushed forward with a costly industrialization scheme dedicated to Chilean "economic independence." Furthermore, he worked to strengthen rural unionism through a controversial "peasant unionization" (sindicálización campesina) scheme. The new President also owed favors to the powerful Chilean Communist Party, which had effectively swung the election in his favor, and granted the communists three Cabinet seats. The red tinge of González Videla's administration
only compounded the difficulties Chile would face in the early Cold War.\(^3\)

As if these problems were not enough for the new government, Perón and Miranda had not exempted Chile from their campaign to utilize the international food shortage to their benefit. The U.S. Ambassador in Santiago, Claude Bowers, reported to Braden in the autumn of 1946 that "The Perón regime is getting tough with Chile." Bowers' concern stemmed from the cessation of Argentine edible oil shipments to Chile. Miranda dispatched a high IAPI official to Chile (accompanied by Vice President Hortensio Quijano) to drive a hard bargain for the desperately-needed supplies. Bowers sarcastically accused "the great mind in charge of Perón's economic program, [Miranda]" of economic blackmail, and pressed Braden to send 50,000 tons of soybean oil to Chile to alleviate the Argentine pressure. Doing so, he claimed, would "make friends for us at the expense of the Peronists" and prevent González Videla from making concessions to the Argentines under duress. "Most unfortunately, we can do nothing here," Braden replied, citing soybean shortages. Apparently abandoned by the United States and with "Wall Street creditors" pressing the government for debt payments, Chilean negotiators turned to comprehensive negotiations with Miranda's emissary. Two weeks later, Quijano and González Videla announced that Argentina had sold 20,000
tons of wheat and 20,000 tons of oils to Chile. To the astonishment of Bowers, González Videla added that he was sending Senator Jaime Larraín Moreno to Buenos Aires to put the finishing touches on extensive 'economic arrangements concluded here in principle some days ago.'

The "economic arrangements" that had been concluded between Argentina and Chile were much more far-reaching than even Bowers could have imagined. The Argentine-Chilean Trade Agreement (Convenio sobre Cooperación Económica y Financiera) was signed on December 13 in Buenos Aires, and Larraín deemed it "the most important signed by Chile in its life as an independent nation."

The main provision of the treaty was the creation of a sort of customs union (tariff regime) which provided for duty free importation of most goods. These tariff concessions were not to be applied to other nations, with the exception of adjacent countries which might later sign on (leaving the door open, one State Department official concluded, for Perón to bring other nations into the 'bloc'). Commercial exchange would go through IAPI and a joint Argentine-Chilean "state corporation" to be created later. The Argentine city of Mendoza and the Chilean port of Valparaíso would become "free trade zones" between the nations to further encourage trans-Andean commerce. As a move toward a free frontier (cordillera libre), the treaty was a sizeable step.
Perón sweetened the pot by offering $175 million in loans and developmental credits to Chile at low interest rates. Twenty five million dollars was to be used to redress adverse trade balances, while the rest was earmarked for public works and industrial development projects. Interestingly, a joint Argentine-Chilean committee (possibly four Chileans and three Argentines) was to be created to administer and oversee the loans, while IAPI would receive 50 percent of any profits. Furthermore, the treaty stipulated that the "production of Chilean industries benefitting from the Argentine financing may be purchased in whole or in part by Argentina . . . after Chile's domestic needs had been met." Perón had thus secured preferential treatment for Argentine mineral purchases in Chile."

The public works loan merits special notice. The Treaty specified that these funds were "to be utilized exclusively . . . to promote and coordinate Argentine-Chilean commercial exchange." Naturally, a major focus of the public works program in Chile was to be new roads and rail lines across the Andes. At the same time, Peronists worked out plans to link the proposed Chilean rail lines with existing Argentine networks. Argentines also contemplated the construction of a frigorifico in Valparaiso—granting their beef access to Pacific nations. Given the extraordinary powers and remarkable economic
access being granted to the Argentines, it appeared likely that Perón and Miranda might be able to guide Chilean development along the same path they were taking Argentina. Even if they were not able to exercise undue influence, the Chileans would be forced into a far more statist approach to meet the structural demands of the treaty. At the very least, Argentines and Chileans would be engaging in joint projects designed to tighten bonds between their individual nations, outside framework of the "Inter-American System," and independent of the United States.

Almost every aspect of the treaty mystified Bowers, who had been serving in Chile for over eight years. González Videla had informed him in November that although Perón had proffered loans, he had no intention of accepting them. Bowers believed that he had managed to convince the President that U.S. aid would be forthcoming. Furthermore, González Videla had been a fierce opponent of Perón and had been the author of "powerful" speeches in the Chilean Senate in "denunciation of the Perón regime." The principal Chilean negotiator, Jaime Larraín, was an odd choice to be the standard-bearer of Argentine-Chilean amity. A member of the traditionally-conservative, aristocratic elite, Larraín had also given strong speeches against the conductor and had also managed the presidential campaign of one of González' rivals.
González Videla and Larraín, however, reversed their stances almost overnight, stood together as the leading proponents of the pact, and pushed for its ratification. Larraín contrasted the provisions of the Argentine-Chilean accord with U.S.-sponsored Export-Import bank loans, arguing that in all respects the former was superior. González Videla pronounced it to be "intelligently realistic," and the "first step toward the effective unity of the American nations."

Naturally, the surprise announcement of the treaty's signing provoked a flurry of speculation and gave renewed life to Braden's warnings about the "Southern bloc." Virginia Prewett of the Chicago Sun, an old enemy of Perón, wrote that the Treaty contained secret provisions that would give Argentina control over Chilean petroleum in Patagonia. The Chilean government quickly dispelled this myth. More importantly, the New York Times correspondent in Buenos Aires blasted the pact, likening it to "the occupation of Czechoslovakia by Hitler and the Austrian Anschluss." Argentines and Chileans quickly rallied to defend their actions. The Chilean Chargé in Buenos Aires, Fernando Ortuzar Vial, claimed that there had been no Argentine pressure on Chile and dismissed the charge as the "arbitrary and biased" judgment of a "bad correspondent of a North American newspaper." The Argentine response was even more venomous, claiming that
the accusations were the "malicious and capricious" "nightmares of a sick mind." Little could have been calculated to better unite the two nations behind the pact than attacks from the north that simultaneously accused Argentina of fascistic expansionism and Chile of weakness and subservient acquiescence to foreign pressure.\textsuperscript{19}

The State Department reaction was by and large similar to, if not as extreme as, the \textit{New York Times} report. Braden cited the Treaty as another Peronist attempt to "forge . . . hegemony over lower South America," which "the Chileans deplored, but were helpless to resist." Bowers had similar fears. While he did not doubt that the Chilean oligarchy—"industrialists, merchants, agriculturalists and rightist members of Congress"—recognized that the treaty was "against Chile's best interest," and would fight the accord diligently, he feared that Chile's weak financial situation would thrust the nation into the Peronist orbit. The idea that Chile had been coerced into the arrangement was given further credence by an OIR study in early-1947 which showed that Argentina was Chile's only supplier of almost twenty agricultural products. The "quasi-monopolistic character" of Argentine essential agricultural exports to Chile, the OIR reported, had granted Perón disproportionate leverage over that nation. The idea that Perón was dragging Chile
against its will into a "southern bloc" was one that was not going to disappear."

Bowers and his superiors had other, less alarmist misgivings about the treaty. Most significantly, it was a blow to the principles of multilateralism, despite its superficial appearance to the contrary. "While the reduction of trade barriers is in line with the efforts of the United States to remove trade barriers," Bowers noted, the Argentine-Chilean Treaty was highly discriminatory and perhaps even autarchic. Tariffs were being lowered or eliminated between the two nations, but these benefits were not being extended to third parties. This provision clearly violated the U.S.-Chilean Reciprocal Trade Agreement and the principle of the most-favored nation. Indeed, the preferential treatment that was to be given to Argentina was the antithesis of U.S. policies, and a dangerous development, reminiscent of the exclusionary treaties of the 1930s. The Argentines could claim that the Treaty created a customs union, but according to the ITO Charter, it did not. A true customs union, the proposed ITO charter stated, "required the adoption of a common tariff as regards third countries." Since Argentina and Chile would not be aligning their tariffs, the Treaty fell short on this score. For peronistas, who had abstained from signing the ITO charter and had no intent of ever adhering to the liberal capitalist
preconditions laid down at Havana, this was of little importance.  

The potential implications of the commercial pact appeared to be monumental. González Videla had apparently been coerced into a deal with Perón that was in direct contradiction to the principles of liberal capitalism. Because Argentina lacked the mineral resources to fulfill its industrialization scheme, it was using its wealth to buy access to Chilean copper, coal and other subsoil products. Potentially, endless quantities of Chilean copper (deemed vital for U.S. defense industries) could be diverted to Argentina. Chile would be drawn into extensive state-trading and the role of most offensive peronista creation, IAPI, would be even further strengthened and expanded.  

The most intriguing aspect of the proposed accord, however, was its role in Perón and Miranda's industrialization scheme. The Argentine War Department had been set upon the construction of a copper smelter in Argentina for the manufacture of shell casings and cartridges for some time. To please his Army supporters and generally push along the industrial program, Perón had authorized General Manuel Savio, head of Fabricaciones Militares, to commence negotiations with representatives of Allis-Chalmers for the building of a high-capacity primary smelter in August 1946. E. Winsnes of Allis-
Chalmers had reluctantly taken part in the discussions, believing them to be nothing more than the uneconomic whim of militarists and exaggerated nationalism of amateur planners. Although extremely dubious of the project's feasibility, Winsnes agreed to provide technical assistance lest the Argentines take their business to another firm.

Messersmith also considered the project to be "unsound," and yet another manifestation of misguided peronista nationalism. He urged Perón to abandon his plans for a large smelter and to focus on a secondary facility with a much smaller capacity. Messersmith downplayed the significance to his superiors, suggesting that Perón would scrap the project when his financial reserves dwindled. Until then, it would not be wise to senselessly antagonize the regime to protest it outright. Unbeknownst to the ambassador, however, Perón had a plan to secure cheap imports of copper in considerable quantity through his negotiations with the Chileans. It is probably no coincidence that the Argentines pressed Allis-Chalmers in mid-November (the same time they were entering talks with Larraín) with renewed vigor. Argentina had been importing 20,000 tons of finished copper products annually, and Perón was obviously working to rectify the situation. He was making a bid to integrate the complimentary Chilean economy with Argentina's, and take a
significant step toward economic diversification in the process. An Argentine copper industry based upon Argentine resources was undeniably "unsound," but with large quantities of cheap Chilean copper, it may have been feasible, and a sizeable step toward Argentine economic diversification and "economic independence" from the United States."

Although Messersmith was close enough to have perceived this coordination of peronista internal and foreign policies, he did not appear to have done so. Days before the announcement of the pact, he cabled Clayton that "the Argentine Government is not interested in strengthening, through the kind of commercial accord the Chileans want, the present Chilean Government." Perón apparently convinced Messersmith that he feared González Videla's ties with the communists, and deemed Chilean communism to be a threat to the hemisphere. The ambassador was as shocked as anyone when the accord was signed, but immediately set to work trying to exonerate Perón and disprove Braden's accusations that the "Southern bloc" was forming. He claimed that the treaty had been a Chilean initiative and that the Chileans had gone "very far toward permitting Argentine exploitation of certain minerals and fuel" as a lure for loans. If González Videla and Larraín were so desperate for loans and were
prepared to offer lucrative concessions, it was impossible
to see anything "sinister" in Perón's acceptance.15

Miranda, Larraín's Argentine counterpart, argued that
the treaty represented the natural unification of two
complimentary nations for the benefit of both. "Chile
needs to increase its standard of living," he asserted,
"and we can offer the means to do so, while we need
certain products. If we have these products so close at
hand, why should we look for them across the ocean?"16
With the Argentine and Chilean populations linked into a
single market, both nations could industrialize more
quickly and effectively. Argentine and foreign economists
had long recognized that one of the foremost impediments
to Argentina's industrialization was the size of its
domestic market. Argentina's population of thirteen
million was insufficient to absorb large quantities of
goods. Argentine (or foreign) industrialists would never
be able to employ the mass production or economics-of-
scale that had so facilitated U.S. industrialization if
they were forced to rely upon such a small domestic market
and Argentine industrial goods would never be able to
become competitive without at least temporary protection
from international competition. Even anti-Peronist
businessmen could see the potential benefits of Miranda's
efforts to expand inter-American trade by linking the
small markets of South America."
The pact also promised to rectify the other major hindrance to Argentine industrialization: its lack of the mineral wealth necessary for large amounts of heavy industry. While Patagonian oil reserves showed promise, Argentina possessed very small quantities of coal, iron, copper, tin, and other vital raw materials. Chile, Bolivia, and the other nations of South America had these minerals in abundance. As North Americans had pointed out for years, all that was necessary was the (foreign) capital to extract them. Perón and Miranda dedicated themselves to supplying it, and for the time being, seemed to be in a position to do so. In this context, it would not be at all unreasonable to assert that the peronistas' economic foreign policy was fully an extension of their domestic program.

Optimally, "economic independence" from the United States and Great Britain was possible for Chile as well as Argentina, for "our dependence on foreigners will have disappeared and we shall be able to meet our own requirements." Argentina, Miranda argued, would assist in the true economic development of Chile, whereas the "eternal vested interests" had traditionally warped and hindered Chilean and Argentine national development. Although Europeans and North Americans wanted to perpetuate Latin American underdevelopment to their own benefit, "we need a prosperous and proud Chile." In
short, "my greatest aspiration and, of course, that of General Perón, is our emancipation from foreign tutelage."¹⁴

As eager as Miranda was to eliminate "foreign tutelage," he was at least as interested in the elevation of Argentina's position. He told a Chilean journalist, with his usual candor,

\[
\text{It is my desire to economically recreate the Viceroyalty of the Plata, that San Martín destroyed . . . first Chile, later Bolivia, Peru, Uruguay and Paraguay.} \]¹⁵
\]

Miranda was referring to the late-colonial era when Buenos Aires was the glorious political and economic center of the southern cone. Although he denied that he had any wish to politically dominate neighboring states, he clearly hoped to restore Buenos Aires as the economic hub of the region. The shared prosperity of this new "Viceroyalty" would effect dramatic changes in all participating nations, bringing higher standards of living, and the same "social peace" that the Peronists had brought to Argentina. The challenge to U.S. economic and political hegemony in the region and the "Inter-American System" was clear.

Regardless of the treaty's origins or motivations, the State Department had to find an effective way to prevent its implementation. Since pressure on Argentina
had already proven to be futile in the past, Chile had to be the focus. Bowers put forward his opinion.

My own feeling is that we should assure Chile of our genuinely benevolent attitude toward any sound measure that will tend to correct [the] present fundamental unbalance of the Chilean economy. ... We should make clear that this is a Chilean problem which Chile must decide.

Put more succinctly, he wanted to let the Chileans "make the fight." The trade agreement was already "puzzling Chileans and causing uneasiness." There was a good chance that if the State Department did nothing at all, opposition to the treaty would develop, and quite possibly block ratification. The key, then, was to keep a low profile and do nothing which might be interpreted as Yanqui coercion. The U.S. government should express interest in the agreement, but decline to comment publicly or show serious disfavor in private. Instead, González Videla, already embattled, should be quietly reminded that Chile was on the verge of violating its agreements with the United States, and left to ponder the consequences.

By working behind the scenes and giving sotto voce advice, the State Department could achieve far more than it could with Braden-like bluster that would only exacerbate Chilean nationalism.

Bowers' advice was taken. Braden had apparently learned something from the Blue Book debacle, and did nothing which might jeopardize the ominous silence
emanating from Washington. The policy paid quick dividends. Just weeks after the announcement of the treaty, Bowers was able to report that

I see ample evidence that González Videla is becoming apprehensive over our reaction, and the fact that we remain silent but clearly interested is causing him some concern. But more valuable than his concern . . . is that of Chileans in business and political circles."

Larrain, who had not spoken to Bowers in eight years, suddenly approached him in early January. According to Bowers, "he made it quite clear that Chile is concerned" about the U.S. reaction, asserted that no harm had been intended toward the United States, and stated that he would very much like to go to Washington as soon as possible to explain the situation to Byrnes, Clayton, and his personal friend, Spruille Braden. Bowers chortled that Larrain's uneasiness was "convincing proof that to me that our silence on the Argentine treaty is effective."

The Peruvian Ambassador in Santiago concurred, commenting on the wisdom of allowing the "Chilean opposition to develop without subjecting the opponent of the treaty to the demagogic charge of Yankee pressure."

Byrnes instructed Bowers to approach the Chilean Government and "discuss informally" with González Videla two points which most concerned the Truman Administration. First, the 1938 trade agreement between the United States and Chile supposedly provided "reciprocal, unconditional and unlimited most-favored-nation treatment." Byrnes was
curious to know how the Chileans were going to reconcile this provision with the blatantly discriminatory features of the Argentine-Chilean pact. Second, Bowers was to remind the Chileans that they had "large and special responsibilities to conform [to the] ITO Charter," as they had participated in the drafting of that document. Since the pact did not create a "true" customs union and was only the "extension of discriminatory preferences under the mere guise of a customs union," Chile's position in the ITO would have to be reassessed. Bowers was not instructed to make threats, rattle sabres, or otherwise brandish a "big stick," but to only inform González Videla of these contradictions."

The Chilean response was almost immediate. Within a week of Byrnes' message, they had eradicated the offending article from the treaty. Larrain announced in late-January 1947 that the Chilean Chancellery had eliminated the feature to ensure Chilean compliance with the ITO Charter and would extend tariff concessions to other states. Notably, he did not mention Bowers' comments, and had gone so far as to request that Bowers ask the State Department "not to give impression that [the] treaty was being modified in any way as a result of our representations." Unfortunately, unnamed sources in the State Department were not so prudent. Anonymous U.S. officials had told journalists that "as a result of U.S.
representations to Chile and Argentina, an amendment had been drawn up eliminating objectionable features of treaty." Bowers was incensed at the "deplorable" leak and how it had compromised his Embassy's position with the Chilean government. While the statements did not provoke a serious reaction in Chile, the State Department would be far more careful for the rest of the ratification process.16

Bowers watched and waited for the expected Chilean opposition to develop and give the treaty a "severe pummelling in the debate which is to come." While González Videla gave speeches in support of the accord, he was not going to submit it for ratification until he was certain of success. Fernando Aldunate of the Conservative Party informed Bowers in May that he was planning a "major attack" against the treaty in the Senate. Not only was Peronist Argentina an unsavory partner, but the treaty was going to force Chile into "dangerous" statist controls like Perón's. Conservative chieftain Senator Eduardo Cruz Coke echoed this assessment and claimed that the pact would never be ratified, but Bowers added that "this may be wishful thinking." Another Congressman accused Perón of trying to turn Chile into an economic colony, and called on Chileans to defeat this attack on Chilean sovereignty. More significantly, the senior statesman of the right-centrist Liberal Party, Arturo Alessandri, also
had misgivings. While Alessandri was somewhat "amused" by suggestions that Chile was falling into a "southern bloc," he was also "fully cognizant of the plans of Perón" and would not be duped. Bowers noted, however, that Alessandri and most of other congressmen and senators were subordinating the treaty to Chilean domestic concerns, most significantly, peasant syndicalization. If González Videla did not back down on this project, centrists would defeat his treaty. While Bowers claimed that he had "not talked to a single Chilean who does not express fear and opposition to the treaty as a bad thing for Chile," he hedged his bets by conceding that it would "pass or be defeated by a narrow margin." 27

Argentine assessments mirrored Bowers' in some ways. The Argentine Embassy in Santiago reported that González Videla's Radicals, the Communist party, and many Liberals supported the pact, while Conservatives, other Liberals, and Socialists opposed its ratification. It reported that "the great majority of articles" appearing in the Chilean press were "frankly favorable" to ratification. While the Communist El Siglo hailed the pact as a step "toward the formation of an anti-imperialist bloc," Liberal papers were much more critical. El Mercurio ran a series editorials by René Silva Espejo, blasting the treaty. Espejo attacked Miranda's statement that "we are interested in capitalizing Chilean industries that produce
what Argentina needs," and called upon patriotic Chileans to rise up and defeat this self-serving Argentine initiative. Zig-Zag weighed in by announcing that Chile was on the verge of throwing itself into "the jaws of the wolf." The Argentine Embassy remained confident that once González Videla rallied the Liberals, however, he would be able to secure ratification."

Perón was also at work trying to overcome Chilean reticence. There were indications that González Videla was having second thoughts about the path he had chosen. The Argentine Embassy reported that in his speeches, the President was no longer referring to Argentina as a "sister nation," or a "friendly country," but simply as "the Argentine Republic." Even more tellingly, he had not submitted the Treaty for a final vote in Congress. The Argentines were well aware that the "delay in approval of the treaty . . . undoubtedly favors the U.S., which does not want to lose its economic dominance here." The Argentines sensed that the State Department was entering the fray. In February, the Export-Import Bank finally approved a small loan of $5.3 million to Chile, leading Peronists to conclude that the State Department was finally "counterattacking." Although the timing of the loan is interesting and suggestive that the United States was making overtures to González Videla, it is not at all clear that this was the case. A Chilean delegation had
been in Washington trying to secure a loan before the signing of the treaty, and the loan was so small as to be almost insignificant. If this was to be the extent of the U.S. "counterattack," Perón and Miranda had little to fear."

In July, González Videla visited Argentina in a self-styled "journey . . . against autarchy." Perón promised the Chileans that, "as an incentive to ratification," Argentina would not build synthetic nitrate plants and would instead rely upon Chilean nitrate exports "at world market price." Since the fertile Argentine pampas had traditionally been unable to realize its full productive potential, in part due to lack of fertilizer, the complimentary nature of the two nations' exports again became apparent. Equally important, any Argentine arms industry would require nitrates for gunpowder production. This offer could be counted upon to appeal to Chileans. After World War I, Chilean nitrate sales had catastrophically plummeted as surplus gunpowder replaced their produce on the international market. Chileans had "remember[ed] for years, remember[ed] with tears" this episode, and had every reason to fear that peace would again threaten their economic well-being. Nevertheless, Bowers' policy held firm and he was able to inform his British counterpart that "I doubt that [Washington] will
instruct us to protest unless prospects of the treaty brighten considerably."  

Although Perón was pressing for a conclusion, González Videla soon faced another crisis. Even though the Chilean Communist Party had supported his candidacy and been vital in securing his plurality, he was leaning toward a moderate position. He had fulfilled his pledges to push rural unionization, but had placed tight restrictions on it. Chile's deteriorating economy and skyrocketing inflation was also forcing him to renege on his more costly campaign pledges, and his popularity was in decline. In municipal and local elections held in April 1947, his Radicals were mauled, losing 125 correjidores. While one third of these seats went to Conservatives intransigently opposed to González Videla, the remainder went to the Communists. Reeling from this popular repudiation of his party and fearing the newfound strength of his erstwhile Communist allies, González Videla turned to the moderate Radicals and Liberals.  

In defiance of the government, communists and radicalized campesinos agitated in the fields, initiating a paralytic general strike throughout the spring. The communist-led opposition to González Videla pressed forward with a major coal strike on October 4, placing Chile in "grave peril," as there was perhaps ten days of coal left in the national stockpile.
Bowers frantically tried to convince his superiors that González was neither a fascist (although he was contemplating alliance with Perón) nor a communist (despite his dalliance with them). He reported to Washington that Moscow was directing the strike to "overthrow the government and obtain control of the production [in order to deprive the United States] of strategic raw materials." González Videla seemed helpless to stop the strike without more coal with which to weather the storm. Bowers endorsed and relayed his pleas for emergency shipments of U.S. coal to the State Department.32

Washington again responded. No one knew the crippling impact of a major coal strike better than Truman, who promptly responded to the Chilean appeal. With a promise of forthcoming coal shipments from the United States, González Videla decided to "put an end to political control that the Communist Party has over the vital industries of the country." The President sent troops into the mines and was able to break the strike quickly. He "expressed his deep appreciation" to Bowers and "almost with tears in his eyes, said that his government wanted to work in closest cooperation with the United States." The Chilean President acted upon the sentiment. He not only removed the remaining communists from government positions, but outlawed the Communist
Party with the Law for the Permanent Defense of Democracy, and broke off relations with the Soviet bloc. Shortly thereafter, Export-Import Bank loans started to filter into Chile. Naturally, these loans stipulated the "exclusive use of United States purchased capital goods, for the Chilean industries receiving Bank credits and even that U.S. carriers ship goods to Chile." In addition, Anaconda Copper announced that it would be investing $130 million more into the Chilean copper industry. U.S. policymakers were finding González Videla far more pliable, and were rewarding him accordingly. The October coal strike and the timely U.S. response was also a decisive turning point in the Argentine-Chilean Trade Agreement."

González' sentiments toward the treaty cooled in late-1947 and early-1948 as his closer ties with the Yanquis necessitated a new approach toward Perón. Taking the advice of the Conservative and Liberal parties, he stopped maneuvering for a ratification vote and tried to change the treaty to "remove any vestige of Argentine influence in Chile as a result of the Treaty provisions." His representatives in Buenos Aires submitted a number of amendments to the treaty which weakened Argentine control over the dispensation of the loans. While González Videla still saw some value in acquiring Argentine loans, tariff concessions, and a greater market for Chilean products,
his new approach was basically "designed to afford a way out of the entire treaty." The Conservative opposition to the treaty had become a "blessing" as it gave him a pretext for "letting [the] treaty languish." His only remaining interest in the treaty now was to ensure Chile did nothing to "prejudice her relations with [the United States] or the world bank by proceeding with the treaty when she would quite possibly be left holding the bag."

By 1948, it was entirely possible that all Perón could give Chile was trouble. Perón's Five-Year Plan, nationalization campaign and other expenditures were draining his coffers faster than IAPI could refill them, as Bowers was more than happy to relate to González Videla. Although Chile "lacked the technical services" to ascertain whether Perón had enough money left to fulfill the loan pledges, the State Department did, and was predicting Argentine bankruptcy by 1949. Thus, confident of U.S. backing and wary of Perón's promises, González Videla decisively cast his lot with the United States and the "Inter-American System."

Miranda and Perón recognized the shift in the Chilean attitude immediately. Although the Chilean economic situation was desperate, González Videla was doing nothing to press forward with the treaty. The President was now working with Conservatives and Liberals "united in an anti-communist alliance, supporting North American
interests, and at the same time, opposing good relations with Argentina." González Videla, they claimed, had renounced his reform program to forge alliance with the "large landowners and directors of American businesses." Rather than pursue a reformist course, they argued, he had hitched his wagon to the traditional oligarchy, and in the international sphere, had forged a similar entente with the North American "imperialists." 35

Ambassador López Muñiz reported that some officials attributed the President's turnabout simply to the United States of North America, which makes loans of millions of dollars of loans conditionally, with diverse demands upon internal order, carrying the government of Chile . . . down paths chosen by Washington.36

Miranda and Perón were quick to accuse the State Department (as well as the Brazilians) of actively subverting the pact. In a speech before Congress, Perón announced in May 1948 that "foreign interests" had "secretly interfered" in Argentina's dealings with Chile and Bolivia. On hearing this, U.S. Ambassador James Bruce, drawing his own conclusions, reported to his superiors that "the communists have in some way unknown to us persuaded the Argentine government that the State Department was instrumental in causing the non-affirmation of the Argentine trade agreement with Chile." The Acting Secretary of State, Robert Lovett, told his ambassador that he could "categorically deny any statements
indicating US Government has exerted pressure to prevent ratification." Lovett added, however, that "for your information Department did object in informal discussion" and cited Bowers' conversations with González Videla. Even at this late date, Bowers was still maintaining a strict silence with regard to the Department's view. While there can be no doubt that U.S. actions had hindered the treaty, there was no tangible proof that they had actively sabotaged it. Perón would not charitably be given another Blue Book to turn to his own advantage."

He was not yet prepared to abandon the treaty either, even though González Videla contradicted his accusations against the United States. In a last-ditch effort, Perón appealed to the Chileans to abandon their attempts to modify the treaty, which were "becoming a joke." Perón reaffirmed that no imperialism or domination had been intended, but he had only sought to forward Chilean industrialization so the Chileans could purchase more from Argentina. Furthermore, he asserted that the petty border disputes in Antarctica and the Beagle Channel islands that had plagued the nations for years should be put in the past. With regards to the Beagle Islands, Perón lightheartedly suggested that the "pair of big rocks of no value or importance" should be dynamited, or turned over to the Chileans if they actually cared enough to claim
them. Perón concluded his interview with a Chilean magazine by stating that

Argentine is a country of people who work, of businessmen, a country of peace, and a brother of all countries, and above all of that land which through an incomprehensible error, was not a single country--the land of the great O'Higgins and the great San Martín."

Perón's reference to the Chilean and Argentine heroes of the Independence movements might have been intended to inspire feelings of international brotherhood, but it hardly reassured Chileans to learn that Perón considered Chilean independence to be nothing more than an "error."

As a final attempt to resurrect the treaty, Perón's interviews were an abject failure. The treaty was doomed, and the Chileans turned their attention to repaying Argentina the money that already had been sent in anticipation of the loan agreements."

Within months, the traditional suspicion and mistrust between Argentina and Chile had returned. Chilean officials reported to Bowers that they had evidence that peronistas had aided in a coup attempt made by Perón's friend, Carlos Ibáñez del Campo, in November. They also accused him of fomenting war between Chile and Bolivia. Other accusations, made by a Chilean Embassy official in Washington were more bizarre: Perón was training alpine troops for a trans-Andean invasion, recruiting ex-Luftwaffe pilots in Switzerland to train Argentine airmen
for the invasion, and surrounding Chile with hostile regimes. With the communists decisively beaten down, the Chileans needed to convince Washington that there was still a dangerous threat to Chilean democracy, and Perón fit the bill. While these exaggerated claims did not provoke a response, there was one threat that Washington did take fairly seriously. Perón seemed to be again exerting economic pressure on Chile, by "severely restricting exports to Chile of Argentine cattle and, subsequently, agreeing to limited exports at a 43 percent increase in price." Argentine-Chilean relations had gone full circle in just three years."

With the Argentine-Chilean Trade Agreement dead, Chilean communism thwarted, and Perón's challenge rebuffed, U.S. interests had been served. Perón had tried to induce a neighboring nation to undertake a state-guided industrial scheme similar to his and join him in his efforts to stand against the United States, but had failed. With a minimum of effort, the State Department had helped to prevent the defection of Chile from the "Inter-American System." Although the communist menace was the threat that prompted the United States to dramatic action, Perón was being countered at the same time. Furthermore, U.S. policymakers had learned that "Argentina's emergence as a creditor nation" represented a genuine threat to U.S. interests."
III

Perón had not confined his efforts to Chile, however. Chronically-unstable and traditionally-impoverished Bolivia was, on the surface, an even more vulnerable target. In the wake of Lt. Col. Gualberto Villarroel's assassination in July 1946, this was especially true. While the State Department viewed the overthrow of Villarroel and his government as a triumph and a blow to Perón, fascism, and the "Southern Bloc," the Argentine was undeterred. Hedging his bets, he was simultaneously sheltering Víctor Paz Estenssoro and other MNR exiles in Buenos Aires and negotiating with the new junta and President-elect Enrique Hertzog. The peronistas had no illusions in this regard. They recognized that with the fall of Villarroel, the "United States will have great influence in the new government." Still, Bolivia would be economically dependent on Argentina and therefore vulnerable—"no one can replace us."43

The Argentine Embassy in Bolivia had high hopes and preached optimism, despite the oligarchy's return to power. Ambassador Mariano Buitrago Carrillo was easily the most zealous. In his opinion, the chaotic post-coup period was the perfect time for his government to act decisively. Because of the instability and bankrupt treasury, Buitrago argued, Bolivian authorities would turn
to whomever it could. "It is necessary to enter Bolivia, and penetrate economically to make a change in its social attitude," he posited, "It is an exceptionally favorable time for this." He urged his superiors to present the Bolivians with a comprehensive trade treaty as soon as possible. The new junta, although representatives of the rosca, were "men of mediocrity," who lacked political skill or strong ideological motivation. The new regime would leap at the prospect of guaranteeing its food supply, securing markets, and receiving loans."

While Ambassador Joseph Flack breathed easier with the supposedly pro-Perón Villarroel regime gone and the oligarchic rosca back in control of Bolivia, the State Department remained wary. Counterrevolution was always a possibility in Bolivia, and the Hertzog government's position was decidedly weak. Hertzog's ascension had pleased Washington initially, but U.S. officials doubted that any Bolivian government could resist Perón and warned that "Bolivia's attitude toward Argentina must take into consideration its present economic dependency on that country." In December, Bolivian officials reported to Flack that Argentine troops were massing on the border preparing for an invasion of Bolivia. Flack dismissed the accusations, but relayed them to Acheson who attributed them merely to the "nervous state of mind" of the Bolivian Government. Even if officials in the United States
suspected that Perón was trying to assemble a "Southern Bloc," they were well aware that he would not dare to try to do it with force."

They were, however, far more fearful that Perón was applying economic pressure on Bolivia. Argentina had agreed to supply Bolivia with 60,000 tons of wheat throughout the course of 1946, but by December, only 7,000 tons had arrived. Even worse, in the months following the coup, Argentine beef shipments dropped dramatically. Although Bolivia had been receiving twenty five railroad cars of cattle per week, by December only five such cars were crossing the border weekly. While Foreign Minister Juan Bramulgia claimed that the poor condition of the Argentine rail system was at fault, the Bolivian ambassador to Argentina found "it hard to believe that such a high percentage of Argentina's cattle cars could have been worn out in such a brief period of time."

Since Argentina was still sending wheat and meat exports to Chile and Brazil, it appeared that economic blackmail was the goal. It did not come as a surprise when the junta petitioned Washington in early 1947 for emergency shipments of edible oils and 50,000 tons of wheat. The State Department made "expressions of aid" and responded to the Bolivian appeal with "assurances of assistance," "in effect nullif[ying] Argentina's economic pressure."

When the Argentines suddenly promised to rectify the
problem, even Messersmith did not try to vindicate the peronistas this time."

While the junta had secured promises, it would have very limited successes in its petitions for more concrete forms of aid. Publicly, President Hertzog announced that Perón was not pressuring him, but his underlings told Embassy officials a rather different story. In mid-December, the Bolivian Under-Secretary for Foreign Affairs warned Flack that "no exportation to Bolivia will be permitted [by Perón] after January first when the Five-Year Plan goes into effect," unless Bolivia prepared to negotiate an "overall trade treaty and a customs union" with Argentina. While this news initially alarmed U.S. officials, it eventually became known that this was merely the under-secretary's "personal opinion" and no such ultimatum had actually been delivered. False alarms of this sort did little to convince U.S. officials that the junta earnestly feared Perón's machinations and the State Department began to view subsequent Bolivian pleas as little more than poorly-disguised attempts to gain U.S. favor. While Hertzog may have had reason to be jittery, his transparent gambit of playing off the United States against Argentina was ill-fated. The United States never took the Argentine-Bolivian negotiations as seriously as they did the Argentine-Chilean Trade Agreement, and, except for Braden and some of his junior colleagues in the
Division of North and West Coast Affairs, were well aware of Bolivian ulterior motives. So although officials such as Carlos Hall and James Espy worked to incite the Department to "help Bolivia to extricate itself from the position that it must either accede to Argentina's...demands or suffer starvation," their appeals fell on deaf ears."

Miranda's emissaries approached the junta in December 1946 to initiate discussions. The Argentines predictably proposed a customs union and showed interest in "obtaining the total production" of Bolivian minerals (particularly tin, iron, and lead), in exchange for guaranteed food shipments and loans. Furthermore, the peronistas requested permission to establish a branch of IAPI in La Paz, the Instituto Argentino de Promociôn del Intercambio en Bolivia. The junta duly reported these propositions to Flack and the U.S. Embassy. Regardless of how amicable U.S.-Bolivian relations were, the issue of tin prices was a constant source of friction. As a virtual monopoly buyer of Bolivian tin, the U.S. government was incessantly negotiating with subsequent Bolivian governments to lower the price of tin at the same time these regimes tried to secure a better deal for themselves. The junta was attempting to convince Washington that there was a rival bidder for its mineral exports--disingenuously suggesting that if the U.S. buyers
were willing to pay a more reasonable price, all problems with Argentina would be solved. The Foreign Office also reiterated its alarmist appeals, warning that if IAPI established its foothold in Bolivia, "the economy of Bolivia would come under the complete domination of Argentina within from two to five years."**

In March 1947, however, negotiations began in earnest as Miranda dispatched his "principal subordinate" Carlos Devries to La Paz. While Hertzog's government tried to assert that Devries' arrival had been a "complete surprise," Messersmith commented that it was highly unlikely that Miranda would have sent IAPI's vice president "unless the ground had been well prepared for such a mission." Furthermore, it took the two sides less than a week to agree upon a draft treaty. Although the junta had informed the State Department that it wished to limit its contact with Argentina and prevent commercial ties, the draft treaty was remarkably comprehensive.*

The major points of the treaty were similar to that of the Argentine-Chilean Trade Agreement. Duty-free importation of many products was guaranteed to both nations and Bolivia agreed to provide the Argentines with large quantities of tin (8,000 tons per year guaranteed, up to 20,000 tons potentially), lead, wolfram, coca, and other products. IAPI would offer substantial loans to "stimulate industry and commerce" that would be
administered by mixed commissions of Argentines and Bolivians. While some of the loans were earmarked for public works programs, most were geared toward enhancing Bolivian mining and exporting capacity. IAPI and Miranda, of course, would be handling the financial and commercial aspects of the pact's implementation. The Hertzog government professed its loyalty to free enterprise and its unwillingness to turn over such great economic powers to governmental entities, but nonetheless signed to the treaty.  

In all likelihood, Hertzog probably never intended to allow the treaty to go into effect. Bolivian officials constantly fed Flack and Braden information that reinforced their fears of the "Southern Bloc" and Argentine perfidy. According to one report that came from a "high-ranking official Bolivian source" to Flack's ears, Buitrago had been making inflammatory speeches against the United States. This source reported that Buitrago had claimed that

Argentina has a particular interest in establishing close ties with Bolivia because this is the easiest place for the infiltration of Yankee imperialism which had to be combatted in South America; since Bolivia was a bridgehead of this imperialism which had to be neutralized.  

Also telling is the Bolivian Foreign Minister's opinion, expressed to Flack, that "Miranda is arch-fiend." Bolivians, who were supposedly considering a customs union
with Perón's Argentina, seemed quite intent upon discrediting their prospective partners. Although it was certainly possible that the apparently conflicting accounts were indicative of a split in Hertzog's hastily-assembled cabinet, this does not seem to have been the case. The Bolivian motivation became even clearer in May when the President of the Bolivian Central Bank disclosed to Flack that had the U.S. not committed the "regrettable error" of being "dilatory" during the last U.S.-Bolivian tin contract negotiations, the Argentine-Bolivian pact would have been substantially different."

By negotiating with Perón, however, Hertzog did reap one benefit. So long as he had hope of reaching an agreement with Hertzog, the Argentine had no reason to support Paz Estenssoro and the MNR exiles in Argentina. Peronists must have been tempted to help the exiles return to Bolivia. As the Argentine Embassy in La Paz reported, the MNR would be good allies against "Yankee and Brazilian imperialisms aligned against us," but it was a temptation Perón seems to have resisted. According to Paz Estenssoro, "in the beginning, Perón had received them with open arms." The U.S. Embassy in Buenos Aires even received information (albeit unverified) that Paz Estenssoro and the MNR refugees were promising to support the peronistas if they ever managed to return to power in Bolivia. After the negotiations with Hertzog seemed to be
bearing fruit, however, "it was," according to Paz Estenssoro, "almost impossible for any of the MNR exiles to get in touch with any important Argentine official." But at the same time, neither did Peronists completely forget Paz Estenssoro. Well aware that the chronic instability of Bolivia might again return the MNR to power, Perón seemed to cover all bases by negotiating with Hertzog and providing a haven and a base of operations for the MNR."

Another sign of Peronist goodwill was its handling of Elías Belmonte Pabón's long-awaited return to Bolivia from his exile in Europe. Belmonte might have been welcome in Villarroel's Bolivia, but not in Hertzog's. U.S. intelligence services had shown that Belmonte had conspired with Nazis during the war. When it became known that he was on board a ship sailing for Buenos Aires in early-1947, Bolivians feared the worst. Belmonte still held the loyalty of some in the Bolivian army, and on South American soil, represented a potential threat to Hertzog's government. Bolivians appealed to Peronist authorities, and urged them to not allow the "notorious" war criminal to disembark. The Argentines appeared willing to cooperate until they learned that Belmonte required immediate appendix surgery. He was taken off his ship and given treatment for his ailment. While some may have feared that this was a weak peronista ploy to allow
Belmonte to join the MNR exiles in Argentina, he was returned as soon as possible to his ship and sent on his way. If Peronists had plotted intervention in Bolivia, Belmonte might well have proven useful. Nonetheless, Perón opted for cooperation with the Hertzog government and fulfilled its obligations."

Regardless of what type of government ruled Bolivia, Peronists needed Bolivian minerals, especially tin. One of Argentina's primary exports had always been canned meat and vegetables. Wartime tin shortages had been a serious difficulty to these industries, and Argentines were continually pressing to receive greater allocations of tin through U.S. agencies. But Argentine tin procurement gained even more significance under the Five-Year Plan. Perón was negotiating with U.S. firms for the construction of a high-capacity tin plate mill and a steel plant. Although Messersmith and representatives of Allis-Chalmers tried to dissuade peronistas from this "uneconomic" venture, and to convince the Argentines to lower their sights, Perón and the Army refused to be deterred. When Argentines refused to listen to experts who told them that Argentina simply lacked the tin, coal and iron to make these projects feasible, the State Department viewed this as a further example of unrealistic, unthinking nationalism which supposedly pervaded the Perón administration. Had they understood that Perón was
fervently working to secure great quantities of these materials, their assessments might have been revised."

Another interesting development in this regard was the Argentine eagerness to exploit the iron deposits at Mutún. Argentines had long worked to gain access to the "gigantic" quantities of ore in this region of Bolivia. They had been balked by Brazil in the past, which had blocked previous overtures in order to "impede Argentine utilization" of the Bolivian iron. Nonetheless, Peronists pressed with renewed vigor. U.S. and British firms had contemplated investment in Mutún, but studies had shown it to be uneconomic, due to the cost of shipping the low quality ore to Liverpool or the United States. Since Argentina already had a fleet of ships on the Paraguay River, and would not have to make any trans-oceanic voyages to process the iron, there was no reason why Bolivian iron could not augment the peronista industrialization and rearmament scheme. Although the Brazilians could be counted upon to again resist this development, the Argentines were confident that they had the most to offer. Bolivian commerce with Brazil was "artificial," they argued--a conscious decision to prevent Argentine-Bolivian ties--but the Argentine-Bolivian economies were "naturally" complementary. If Bolivia could be weaned away from the United States (and its South American ally, Brazil), Peronists believed that they might
be able to alter the balance of power in South America. The implications ran even deeper, for Peronists were demonstrating how South American states could cooperate to industrialize and finance their own economic development without reliance upon northern capital."

Like the Chileans, Bolivia was quick to sign the treaty, but slow to ratify. Opposition quickly mounted, internally and internationally. Chilean envoys protested that the diversion of Bolivian trade through Argentina would "dry up" the Chilean port of Arica which had long served land-locked Bolivia. The Brazilians, predictably, were even more adamant in their fears of Argentine economic expansion and the "establishment [of an] Argentine zone of influence in ... iron ore territories near its border." More significantly, however, domestic opponents soon surfaced. The industrial interests and agricultural elite registered their complaints to the treaty's "far-reaching implications." In addition to the predictable opposition of the rosca, the leftist PIR (Partido de la Izquierda Revolucionaria) weighed in against the pact and in favor of U.S. investment. The State Department itself did nothing to sandbag the treaty, because it did not need to. Hertzog and his Cabinet were soon busily trying to amend it drastically so that in Flack's opinion, it "may not be acceptable [to] Argentines."
Buitrago Carrillo and the Argentine Embassy in La Paz must shoulder some blame for the defeat of the treaty. In October 1947, it became known that he had bribed journalists to print assessments favorable to the treaty. As part of his diligent work to assist in the ratification process, Buitrago allegedly made payments to not only newspapermen, but possibly to politicians. The Peronists immediately worked to control the damage that this revelation would do. Buitrago Carrillo was recalled, and Miranda personally went to Bolivia to smooth relations. The "economic czar" publicly renounced the ambassador's actions, and vehemently denied that he had been acting under orders from the Casa Rosada. Still, questions remained. Where had Buitrago Carrillo gotten the funds which he had so ineptly distributed? Only months earlier, the Embassy had been so bankrupt that it had been forced to petition for money to purchase arms for Embassy security. Naturally, opponents of the Perón government concluded that Miranda and the Central Bank had financed the operation. Later, Miranda was also accused of covertly shipping arms to MNR rebels. Regardless of the genesis of these fiascos (or the veracity of the accusations against Miranda), the mere appearance of such impropriety hardly helped the chances of ratification.

By the end of 1947, the treaty had more or less died. Subject to bitter debate in the Bolivian Congress, it had
not fared well. If Bolivia were to open its borders to Argentine products, it would have to do so for other nations or risk violating a number of existing treaties. More significantly, Hertzog and his colleagues had reinterpreted the provisions dealing with their obligatory mineral export quotas to Argentina. While it had been understood that the Bolivian government would sell fixed quantities of tin, wolfram, and other ores to Argentina, the President of the Bolivian Central Bank travelled to Buenos Aires to inform Miranda that the government could not consider itself bound to do so. In addition to restoring its freedom to negotiate unimpeded with the United States, this served to make the pact more unpalatable to the Argentines. When the Bolivian Congress recommended sixteen changes to water down the treaty in October, the Argentines refused to accept any of the revisions.  

Perón and Miranda did not give up entirely. Although the Five-Year Plan was rapidly draining the Argentine Treasury, Miranda increased the amount of the loans to 800 million pesos. At the same time, Bolivians again cried that he was deliberately slowing food deliveries to encourage Bolivian ratification. These efforts were futile. The U.S. Embassy in La Paz informed the Department in late October that "the treaty will fall far short of its original scope," at the same time it warned
that as a result, "Argentine efforts to resolve Bolivia's food difficulties will be a mere gesture." Notably, when Perón and Hertzog met soon thereafter, they apparently did not even discuss the treaty."

By 1948, the treaty had faded, and the State Department had almost no hand in it. When Perón made his grand claim that "foreign interests" had sabotaged the Bolivian pact, few took the claim seriously. The State Department had promised at one point to meet Bolivia's fundamental food needs, but had never needed to make good on this pledge. Nonetheless, Acting Secretary of State Lovett was able to honestly inform his ambassador in Buenos Aires that there had been nothing done that could be construed as interventionism, and Buitrago Carrillo, embittered by recent events, confirmed this opinion. Ironically, by the time Perón announced that his efforts were being blocked by foreigners, his own government was souring on the treaty. The Five-Year Plan was draining Miranda's coffers, and the prospects for a tin-plate mill were dimming. Hertzog started to show interest in exporting greater quantities of tin to Argentina, but this time the Argentines were becoming aware that they would soon have to limit their imports of all but the most vital products."

Although the Treaty never went into effect, the Peronists were unable to fulfill the credit and loan
provisions, and the State Department seems to have seen through Hertzog's ploy, the end result may have been somewhat beneficial to Bolivia. In 1948, the U.S.-Bolivian tin contract set the price of tin at $.90--up from $.67. Since southeast-Asian mines were again flooding the market and international demand had fallen commensurately, this increase can to some extent be attributed to Hertzog's flirtations with Perón. At the very least, Argentine offers had created a higher demand. However, political concerns also seem to have been a factor. The earlier prices had been, in part, punitive measures directed against the "fascist" Villarroel government that the U.S. government resented. By giving a higher price to a friendly regime wracked by instability, the Truman Administration helped Hertzog maintain his tenuous hold on power and guaranteed that Bolivia remained firmly in the "Inter-American System."**

IV

Peru, another potential member of a "southern bloc," was yet another battleground between the Argentine and North American visions. Peronists believed that Peru, like Bolivia, could feasibly be drawn from the U.S. orbit. Argentine Ambassador Hugo Oderigo reported that Peru had been torn by the emergence of Perón. While Peru had
traditionally followed the U.S. lead, the United States was "absorbing the economy of the country without bringing progress or assuring the economic liberty of the people." According to Oderigo, Peruvian intellectuals and statesmen were watching closely the Argentine alternative. Although he acknowledged that for the time being, the U.S. held the upper hand in Peru, there was a burgeoning undercurrent of resentment. "It is very common," he related, "to hear people repudiating the North Americans, but they do it very quietly." Even more satisfying was the apparent growth in Peru of the sentiment, "what we need here is a Perón." 65

Peronists worked hard to encourage this spirit and stop the Peruvian "gravitation toward the United States." The Embassy published and distributed pamphlets, booklets, and magazines detailing Perón's "social work, solution of economic problems, recuperation of the country, and orientation in international politics." It also broadcast a weekly radio program, the "Voice of Argentina," to retell the "principal accomplishments of our country, accompanied by music." Peronistas believed that if the Peruvian people simply understood what Perón had done, they would no longer content themselves with the traditional order.

Argentina has the attention of the world at this time, and especially that of the Americas, owing to the enormous transformation it has effected. . . . Naturally, Peru is interested, which raises
the need for them to better understand the factors that have made possible the great changes in our country in such a short period of time."

While this propaganda campaign was directed primarily toward universities, unions, and the masses, the peronistas also cultivated Peruvian Army officers. According to Oderigo, a large number of Generals (including those in Bustamante's cabinet), "admire the personality of General Perón and the important achievements in the social field that have permitted Argentina to become a strong, sovereign, and proud nation." This social and cultural offensive was, of course, accompanied by economic overtures."

Argentina and Peru had traditionally relied upon bilateral barter agreements, exchanging Peruvian coal and oil for Argentine foodstuffs. However, the Peruvian government was running through its dollar reserves and facing a serious crisis, at the same time Perón had apparently solved this problem. Peru was on the verge of defaulting on its loans from the United States, and the government was embattled by strikes in a number of industries. As a result of these strikes, agricultural production sank, and a number of pro-Perón military men had replaced civilians in the cabinet. Perón and Miranda (like Oderigo) seem to have interpreted these as signs that President José Luis Bustamante y Rivera might be
induced to bolt the "Inter-American System" and sign on with Argentina.**

Although *peronistas* pressed the Bustamante government for a comprehensive trade agreement, the Peruvians never accepted the Argentine invitations or propositions. Miranda had offered a 200 million peso credit (to be administered in the usual *peronista* fashion), tariff reductions, and export quotas. He hinted that the loan could be doubled if the Peruvians were willing to give promises of additional iron, coal, lead, zinc, and possibly oil exports to Argentina. These loans were to be primarily directed toward increasing Peruvian production of iron and other minerals. Miranda's motivations were clear. Argentina had long needed increased amounts of oil, but the true lure was coal and iron which could fuel an Argentine steel industry. Bustamante's administration tried to stall the Argentines and avoid any commitment."**

For some in the State Department, these negotiations had an added significance. Ambassador Prentice Cooper reported that the Argentines might be attempting to use the loans to gain some voice in the Peruvian oil industry. Since U.S. citizens owned a good percentage of the oil producing and refining facilities in Peru, this could easily "work against American interest[s]." Even more disastrous, the Argentines were apparently looking to secure a Peruvian petroleum export
quota of 800,000 tons per year. To prevent this eventuality, as well as possible Argentine control of Peruvian coal reserves, Cooper informally requested that the Peruvian government allow his government to view and comment on any treaty, prior to its signing. He does not seem to have received a firm answer on this score, but the Bustamante government did keep him well informed on Argentine economic pressure. The Peruvian Foreign Minister notified the Embassy that Miranda had almost doubled the price of wheat which would "further weaken Peru's exchange position and contribute to existing economic dislocation." Cooper gave credence to these claims and urged the State Department to heed them.

It is urgent that I receive reply by telephone or otherwise by Monday whether Peru could look to US for assistance in meeting its requirements for fats, vegetable oils and wheat to the extent that she can avoid any hard bargaining on the part of Argentina. I recommend that such assurances be given if practicable as being in the best interests of US."

When the Peruvians did appeal for credits and wheat, Acheson regretfully turned them down, citing the "world supply situation and relief needs." Bustamante eventually received informal aid, however. Pressed by a further deterioration of foreign exchange position, Peru took a more amenable position with the Argentines in early 1947 for a straight barter arrangement. "Concerned if the proposed exchanges...should materialize," the State
Department waded in. Fearful that offering U.S. wheat at this late date would be interpreted as a blatant intervention to subvert the arrangement "that would be pretty difficult to justify," Embassy officials moved quietly to arrange a sale of Canadian wheat to Peru. The Embassy presented a memorandum to the Peruvian Foreign Office stating its intent to meet Peru's needs.

The Embassy left [the memorandum] with [the Foreign Minister] with some confidence that 'the informal approach' would dissuade the Peruvian Government from completing an arrangement with the Argentine Government. Ambassador Tittman understands that the memorandum was before the Ministers 'with good effect' when they decided to abandon the Argentine project."

While the Department feared that the memorandum might eventually fall into Argentine hands and become another Blue Book, ARA had to decide "whether we should or can cover ourselves" from this eventuality. Martin succinctly recommended that, "Since the worst we appear to have done on the record, is to protect American interests...we should merely...hope for the best." He added a warning that "We should certainly stop trying to sell Canadian wheat or arrange for a Canadian loan." Despite their fears of "political repercussions ... which might have been serious," the matter never appears to have become public information. Again the State Department had utilized quiet persuasion to impede Argentine economic
expansion and the third of Perón's early-1947 initiatives faded."

The Argentine quest for the raw materials of industrialization also led fruitlessly to Venezuela in the 1946-1948 period. While Perón had been annually negotiating narrow bilateral barter arrangements with the Venezuelans, he does not seem to have pressed a comprehensive agreement with the northern nation. When Perón proposed a particularly large barter of meat for oil, the State Department noted that Argentine government imports of this quantity would devastate Standard Oil's operations in Argentina. Fortunately for Standard, the negotiations never seem to have been very serious. In mid-1947, however, the Argentines attempted to use a Venezuelan food shortage to gain better terms. In response, the Embassy in Caracas characteristically requested that the U.S. fulfill Venezuela's corn requirements in order to "spike the deal." Little came of either the Embassy's request or the Argentine-Venezuelan dealings, but they nonetheless demonstrate the widespread desire to sandbag the Argentine industrial program and economic expansion, even where there was no immediate threat to U.S. interests."

Venezuelan President Romulo Betancourt, traditionally a supporter of the United States, offered an interesting analysis of Perón's "insidious" initiatives, and the
surprisingly good reception that they were receiving across Latin America. Betancourt warned U.S. policymakers that the masses had been taught to fear "dollar imperialism," but many were willing to "give [Argentina] the benefit of the doubt, as a sister Hispanic country."

Furthermore, the United States had "impinged not too pleasantly" upon a number of other nations. Perón's propagandists could argue that the United States took no action against Rafael Trujillo, Tacho Somoza, or Tiburcio Carías because North American capital still predominated in those nations. In other words, the United States was tolerating repressive dictatorships, but was attacking a regime that, if nothing else, had won a clean election and was actively enriching the lower classes. Although Betancourt repulsed Perón's overtures, he clearly understood the nature of the Peronist threat to U.S. hegemony."

V

What appears out of these inter-American relations in the 1946-1948 period are several consistent patterns and themes. South American nations repeatedly attempted to gain the attention of the Yankee colossus by reporting true or fanciful tales of Argentine economic or political expansion. This can especially be seen in late 1946 and
early 1947 when the upper echelons of the State Department were bombarded regularly with appeals for emergency aid to counter real or imagined peronista threats. The State Department examined each situation as it arose, but there were several attempts to solve the problem with a stroke of the pen."

The first proposal, authored by Will Clayton at the end of 1946, was little more than a calculated bluff.

Insecurity in Uruguay, Bolivia, Brazil and Peru: wheat and flour imports places these countries in weak bargaining position with Argentina. Would announcement by US of intention [to] supply minimum requirements [of] these countries so strengthen their position vis-a-vis Argentina that latter would see little or no gain in continuance present tactics and hence be willing to adopt more reasonable attitude?"

Clayton noted that due to the global food shortage the U.S. would be unable to underwrite this pledge if the bluff was called, but hoped that the announcement itself would alter Perón and Miranda's policies. Messersmith argued against such a course, suggesting that South American nations, assured of an alternative source of food, would immediately stonewall Perón. Since the State Department would not be able to fulfill the promise, the U.S. would lose prestige and credibility, while Perón would score another victory over the Vanquis."

The second proposal that came to ARA's attention was far more radical and far-reaching. According to this
proposition, "all non-political considerations—of classical economics and the like—must be subordinated to the over-riding exigencies" of containing Perón. Since the Argentines were "driving country after country to political subservience" through their "economic stranglehold" on South America's food supply, the solution was to make Perón's neighbors (and Great Britain) agriculturally self-sufficient. The United States could accomplish this by offering loans, technical assistance, improvement of food conservation methods, and shipments of seed. While this report probably emerged from somewhere in Braden's camp, more realistic Bradenists shot down the proposal. Gilmore argued that even if the program was "economically feasible," (which it was not), it was the antithesis of U.S. global goals of regional specialization, maximization of world trade, and efficient multilateralism. Not only would the British need to maintain the Imperial preference system, but driving other nations to autarchic self-sufficiency was foolish. Like Clayton's proposition, this one died stillborn and the State Department was forced to deal with the problem of Argentine economic expansionism piecemeal."

Unable to arrive at a comprehensive policy to deal with Argentina's powerful position as a food exporter in the immediate post-war period, the State Department nevertheless ably combatted the threat until the food
crisis ebbed. Most of the U.S. embassies in South America at one time or another requested emergency food shipments with the expressed purpose of combating Peronist penetration. Even though the State Department rarely responded tangibly to these appeals, merely intimating that Yankee economic power might be brought to bear often proved to be sufficient.

A distinct parallel to later Cold War developments also can be seen. Just as Third World nations would later attempt to convince Washington that there was a communist menace in order to obtain financial or military aid, so South American nations played upon the fear of Perón. Although there was no real communist menace (except in Chile), Perón sufficed. Even though Washington chafed under the Good Neighbor pledges of non-intervention, it found ways to enforce its will. It is something of a testament to the strength of U.S. hegemony in the Western Hemisphere that Perón's relatively adroit attempts to strike at its weakest point were so effortlessly rebuffed. The State Department was able to maintain its minimalist approach to South America without making serious concessions to its client states. As Stephen Rabe notes, U.S. policymakers were unwilling to seriously consider broad measures to improve Latin American economic conditions which could preclude the development of communist (or Peronist) menaces, but were content to do
damage control for the oligarchies when such a danger arose. While an economically-united, strong "United States of Europe" was deemed vital to the American way of life and the New Deal order, the New Dealers needed a weak, divided and subordinate Latin America that accepted privatism. Thus, at the same time they were pushing European collaboration and economic integration, the State Department resisted every Peronist initiative outright. The prospect of a "southern bloc" dedicated to state-driven industrialization and economic development was simply intolerable. Although these minor, quiet U.S. "interventions" were camouflaged during the 1940s, the day was soon coming when subtle, peaceful policies were no longer sufficient to preserve the unified hemisphere and combat economic nationalism.

The full implications of Perón's industrialization program also becomes apparent through his international intrigues. While observers could paint dreams of heavy industry in Argentina as the fantasies of Miranda and Perón, there was clearly method to the madness. Even though Argentina lacked the mineral resources to become a classic industrial power, South America as a whole possessed them in abundance. As U.S. businessmen were fond of proclaiming, all that was needed was the capital to exploit these resources. Perón's government had it for a time. United States businessmen and diplomats may have
sneered at Argentine attempts to contract for tin plate mills, copper smelters and steel plants, but the Peronists obviously had ideas that they believed might have made these grand projects feasible. For their part, the British warned their North American allies not to underrate Argentine resourcefulness. They noted that Argentines had already overcome significant obstacles, operating a steel mill at Valentín Alsina since 1935 despite wartime shortages, lack of expertise, and the U.S. "economic boycott." Although the British doubted that Perón's plans for a steel industry, the Plan Siderúrgico Argentino, would come to fruition, neither did they entirely discount the possibility, warning that "Argentine engineers, technicians, and mechanics have a special ability for overcoming difficulties. which should not be underestimated."

In this respect, Braden and his backers may have been correct in warning of the implications of Perón. He clearly had a somewhat coherent plan for national development and the centralized organization to carry it out. There can also be no doubt that this program was one that directly defied the United States. Even if Braden overreacted to the "Southern bloc," it was, for a time, the major threat to U.S. interests in South America. From the standpoint of preserving U.S. hegemony, the State
Department did well to take Perón's gambits as seriously as it did.
ENDNOTES

1. Bowers to Secretary of State, 23 April 1946, NA, DS, RG 59, 625.3531/42348.


4. Quoted in Justo, Argentina y Brasil en la integración continental (Buenos Aires, 1983), 43.

5. Memorandum of Conversation, Braden and Tomás Berreta, 12 February 1946, HST, PSF, Foreign Affairs, Marshall File, HST; Enrique Jauregui (Aeronautic Attaché in Chile) to Secretario de Aeronautica, 22 Febrero 1947, AMREC, Chile 1946, Caja 7, Convenio, Legajo 2, Expediente 3; Current Economic Developments #114, 2 September 1947, HST; see also Carlos Guiraldes (Argentine Ambassador to Chile) to Bramulgia, 6 September 1946, AMREC, Chile 1946, Caja 7, Expediente 1; J. Guzman Hernández, Gabriel González Videla: Biografía y Análisis Crítica de su Programa (Santiago, 1946); Brian Loveman, Chile: The Legacy of Hispanic Capitalism (New York, 1979), 282-287.

6. Bowers to Braden, 2 October 1946, Bowers MSS II, Folder 6; Braden to Bowers, 31 October 1946, Bowers MSS II, Folder 6; Bowers to Secretary of State, 16 November 1946, NA, DS, RG 59, 835.503125/111646; Bowers to Truman, 14 July 1947, HST, PSF, Foreign Affairs, Chile File, HST; La Nación, 15 November 1946, AMREC, Chile, 1946, Caja 10, Expediente Convenio, Legajo 1; La Nación, 16 November 1946, AMREC, Chile, 1946, Caja 10, Expediente Convenio, Legajo 1.

7. Gilmore to Braden, Smith, Lyon, Mann and Wells, "Full Text of the Argentine-Chilean Trade and Financial Agreement, 27 December 1946, NA, DS, RG 59, ARA, Memoranda on Argentina, Vol. 7,8; Bowers to Secretary of State, 19 December 1946, NA, DS, RG 59, 625.3531/121946; see also W.E.D. to Secretary of State, 7 November 1946, WNRC, BA, RG 84; Bowers to Secretary of State, 10 December 1946, NA, DS, RG 59, 625.3531/121046; Messersmith to Secretary of State, 13 December 1946, NA, DS, RG 59, 625.3531/121346.

8. Carlos Desmara to Gen. Aristobulo Vargas Belmonte (President of the Department of Transportation), 4 Febrero 1947, AMREC, Departamento Económico, Chile 1947, Caja 15,
Legajo 1; Juan Carlos Dardalla (Economic Attaché) to Ildefonso Cavagna Martínez (Subsecretary of Industry and Commerce), 18 Marzo 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; see also Bassi to Sosa Molina, Mayo 1947, AMREC, DP, Caja 10, Convenio, Legajo 2, Expediente 3; Gabriel B. Pero (Inspector General of Construction) to Bramulgia, 16 Junio 1947, Departamento Económico, Chile 1947, Caja 15, Legajo 1; Ricardo Halle Barceló (President, Sociedad Agrícola e Industrial "Cochamo" Ltd) to Perón, AMREC, Departamento Económico, Chile 1947, Caja 15, Legajo 1; Camara de Senadores de la Nación, Diario, 24 Agosto 1946, 1083-1086.

9. Bowers to Braden, 3 December 1946, Bowers MSS II, Box 6; Bowers to Braden, 18 December 1946, Bowers MSS II, Box 6; Bowers to Braden, 6 March 1946, Bowers MSS II, Box 6; El Mercurio, 12 Diciembre 1946, 1; El Mercurio, 21 Diciembre 1946, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 1, Expediente 1; see also Argentine Embassy Santiago to Bramulgia, 23 Diciembre 1946, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 1, Expediente 1.

10. John F. Simmons to Secretary of State, 13 December 1946, NA, DS, RG 59, 625.3531/121346; see also, Bowers to Braden, 18 December 1946, Bowers MSS II, Box 6; Bowers to Secretary of State, 10 December 1946, NA, DS, RG 59, 625.3531/121046; El Comercio (Peru), 28 Diciembre 1946, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 4.


13. Bowers to Braden, 23 December 1946, Bowers MSS II, Box 6; Perón, Bramulgia and Lagomarsino to Congreso de la Nación, 11 Marzo 1947, AMREC, Chile 1946, Caja 7, Convenio, Legajo 2, Expediente 3.

334
14. Messersmith to Secretary of State, 21 August 1946, NA, DS, RG 59, 821.60/82146; Winsnes to Messersmith, 21 August 1946, NA, DS, RG 59, 835.60/82146; Messersmith to Winsnes, 21 August 1946, NA, DS, RG 59, 835.60/82146; Messersmith to Secretary of State, 13 November 1946, NA, DS, RG 59, 835.60/111346; Messersmith to Braden, 14 November 1946, NA, DS, RG 59, 835.60/111446; Messersmith to Clayton, 14 November 1946, NA, DS, RG 59, 835.60/111446; Wendel to Attenberry, 25 March 1947, NA, DS, RG 59, 835.63/32547;

15. Messersmith to Clayton, 3 December 1946, NA, DS, RG 59, 625.3531/12346; Messersmith to Secretary of State, 5 March 1947, WNRC, BA, RG 84; Messersmith to Secretary of State, 11 March 1947, NA, DS, RG 59, 835.50/31147; Messersmith to Bowers, 23 May 1947, WNRC, BA, RG 84.

16. Tewksbury to Secretary of State, 10 January 1947, NA, DS, RG 59, 625.3531/11047.

17. Interview with Miguel Miranda in Zig-Zag, 23 Enero 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 4; see also Interview with Torcuato di Telia in Zig-Zag, 6 Febrero 1947, AMREC. DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 4.

18. Tewksbury to Secretary of State, 10 January 1947, NA, DS, RG 59, 625.3531/11047; Miranda interview in Zig-Zag, 23 Enero 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 4.


27. RPA to ARA, "Ruiz Solar's Critique of Chilean- Argentine Treaty," 17 January 1947, NA, DS, RG 59, 625.3531/11747; Bowers to Braden, 6 March 1947, Bowers MSS II, Box 6; Bowers to Braden, 14 March 1947, Bowers MSS II, Box 6; Bowers to Braden, 21 April 1947, Bowers MSS II, Box 6; Bowers to Secretary of State, 7 May 1947, NA, DS, RG 59, 625.3531/5747; Bowers to Armour, 9 September 1947, Bowers MSS II, Box 6; Guiraldes to Bramulgia, 6 March 1947, AMREC, DP, Caja 10, Convenio, Legajo 2, Expediente 4; Argentine Embassy Santiago to Bramulgia, 13 March 1947, AMREC, DP, Caja 10, Convenio, Legajo 2, Expediente 4.

28. Carlos Luti to Bramulgia, 21 Noviembre 1946, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 1, Expediente 1; Luti to Bramulgia, 30 December 1946, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 1, Expediente 1; Memorandum for Miranda and Bramulgia, Febrero 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; Luti to Bramulgia, 21 Marzo 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; Julio Lopez Muniz, Setiembre 1948, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; El Mercurio, 20 Diciembre 1946; Zig-Zag, 27 Diciembre 1946; El Siglo, 1 Enero 1947, 3; La Hora, 7 Enero 1947, 1; La Nación, 7 Febrero 1947, 1; Memorandum for Bramulgia and Miranda, Febrero 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; see also Miguel Angel Guezales to Carlos Mathus Hoyos, 29 May 1947, AMREC, DP, Chile 1947, Caja 4, Expediente 1.

29. Memorandum for Bramulgia and Miranda, Febrero 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; see also Miguel Angel Guezales to Carlos Mathus Hoyos, 29 May 1947, AMREC, DP, Chile 1947, Caja 4, Expediente 1.

30. Bowers to Secretary of State, 16 July 1947, NA, DS, RG 59, 625.3531/71447; Bowers to John Leche (British Embassy Santiago), 2 October 1947, Bowers MSS II, Bowers 6; Review of the River Plate, 18 July 1947, 7-8; see also Juan Carlos Bassi to Sosa Molina, Mayo 1947, AMREC, DP, Chile 1946, Caja 10, Convenio, Legajo 2, Expediente 3; Guy Ray (Chargé d'Affaires Buenos Aires) to Secretary of State, NA, DS, RG 59, 725.35/71647.
31. Argentine Embassy in Santiago to Bramulgia, 10 April 1947, AMREC, DP, Chile 1947, Caja 4, Expediente 1; see also Argentine Embassy in Santiago to Bramulgia, 4 Agosto 1947, AMREC, DP, Chile 1947, Caja 4 Expediente 1; Carlos Mathus Hoyos to Fidel L. Anadon (Interim Foreign Minister), 21 Agosto 1947, AMREC, DP, Chile 1947, Caja 4, Expediente 1;

32. Bowers to Truman, 14 July 1947, HST, PSF, Foreign Affairs, Chile File, Box 172, HST; Bowers, Chile Through Embassy Windows, 166-175; Loveman, Chile, 288-291.

33. Memorandum of Conversation, Bowers and González Videla, 24 December 1947, Bowers MSS II, Box 6; Unsigned Memorandum on Chile, undated, AMREC, DP, Chile 1947, Caja 4, Expediente 1; see also Loveman, Chile, 286-292; Francis Parkinson, Latin America, the Cold War, and the World Powers, 1945-1973: A Study in Diplomatic History. (Beverly Hills, 1978), 13-14.

34. Bowers to Armour and Daniels, 18 November 1947, NA, DS, RG 59, 625.3531/111847; Bowers to Secretary of State, 20 November 1947, NA, DS, RG 59. 625.3531/112047; Memorandum of Conversation, Bowers and González Videla, 2 December 1947, Bowers MSS II, Box 6; Bowers to Secretary of State, 23 April 1946, NA, DS, RG 59, 625.3531/42348; Gilmore to Smith, Mann, and Briggs, 7 March 1947, NA, RG 59, ARA, Memoranda on Argentina, Vol. 7,8; Messersmith to Clayton, 21 May 1947, NA, DS, RG 95, 835.50/52147; Juan Carlos Tascheret to Hoyos, 2 Septiembre 1947, AMREC, DP, Chile 1947, Caja 4, Expediente 1; Unsigned Memorandum, undated, AMREC, DP, Chile 1947, Caja 4, Expediente 1.


36. López Muñiz to Anadón, 15 Abril 1948, AMREC, DP, Chile 1948, Caja 6, Copias de las notas de la embajada argentina en Chile.

37. Memorandum of Conversation, Bowers and González Videla, 2 December 1947, Bowers MSS II, Box 6; Bruce to Secretary of State, 22 April 1948, NA, DS, RG 59, 711.35/42248; Lovett to Embassy Buenos Aires, 9 April 1948, NA, DS, RG 59, 625.3531; see also López Muñiz to Anadón, 4 Mayo 1948, AMREC, DP, Chile 1948, Caja 6, Copias de las notas de la embajada argentina en Chile.
38. López Muñiz to Anadón, 4 Mayo 1948, AMREC, DP, Chile 1948, Caja 6, Copias.


41. Bowers to Secretary of State, "Transmitting Memorandum of Conversation between Darío Poblete (Secretary General of Chilean Government), John Dos Passos, and Trueblood, 30 November 1948, NA, DS, RG 59, 725.35/113048; Memorandum of Conversation, Mario Rodríguez (Counselor of Chilean Embassy), Mills, Green and Davis, 29 December 1946, NA, DS, RG 59, 725.35/122946; Paul Daniels to Bowers, 30 December 1948. Bowers MSS II, Box 6; Bowers to Secretary of State, 31 December 1948, NA, DS, RG 59, 724.35/123148; Memorandum I for the Secretary, January 1947, NA, Records of the Deputy Assistant Secretaries of State for Inter-American Affairs (RDAS), Subject File, Policy-Position Papers, Lot File 57D598.

42. "Movimiento Revolucionario de Bolivia," 21 Julio 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 1, Anexo 2, Parte 1.

44. Buitrago Carrillo, Memorandum, 28 Noviembre 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 1; Carlos Ríos Márquez (Counselor), "Informe Político y Económico del Consulado en Santa Cruz," 1 Agosto 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 1; see also Enrique F. Formichelli (Ambassador to Bolivia) to 27 Diciembre 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 2.

45. Espy to Flack and Wells, 6 October 1946, NA, DS, RG 59, 624.3531; Flack to Secretary of State, 3 December 1946, NA, DS, RG 59, 724.35/12346; Acheson to Embassy Buenos Aires, 3 December 1946, NA, DS, RG 59, 724.35/12346.

46. Flack to Secretary of State, 13 December 1946, NA, DS, RG 59, 724.3531/121346; Messersmith to Secretary of State, "Memorandum of Conversation, Ambassador Alvestegui of Bolivia, Messersmith and Burrows, 12 December 1946, NA, DS, RG 59, 724.35/121246; Orloski to Secretary of State, 16 January 1947, NA, DS, RG 59, 624.3531/11647; see also Flack to Secretary of State, 3 December 1946, NA, DS, RG 59, 724.35/12346; Orloski to Secretary of State, 20 December 1946, NA, DS, RG 59, 624.3531/122046; Flack to Secretary of State, 10 January 1947, NA, DS, RG 59,
624.3531/11047; Espy to Hall, 5 May 1947, NA, DS, RG 59, 724.350/5547; La Razón, 13 Agosto 1946, 3.

47. Flack to Secretary of State, 13 December 1946, NA, DS, RG 59, 724.35/121346; O'Donoghue to Secretary of State, 3 January 1947, NA, DS, RG 59, 724.35/1347; Espy to Hall, 5 May 1947, NA, DS, RG 59, 724.350/5547; see also Messersmith to Secretary of State, 12 December 1946, NA, DS, RG 59, 624.3531/11647; Orloski to Secretary of State, 16 January 1946, NA, DS, RG 59, 624.3531/11647; Memorandum of Conversation, Braden, Guillermo Gutiérrez (President of Bolivian Development Corporation), Ambassador Vargas, 18 December 1946, NA, DS, RG 59, 625.3531/121846; Hall to Secretary of State, 5 May 1947, NA, DS, RG 59, 835.50/5547.

48. Orloski to Secretary of State, 16 January 1946, NA, DS, RG 59, 624.3531/11647; O'Donoghue to Secretary of State, 3 January 1947, NA, DS, RG 59, 624.3531/1347; Flack to Secretary of State, 13 December 1946, NA, DS, RG 59, 724.3531/11647; see also Orloski to Secretary of State, 20 December 1946, NA, DS, RG 59, 624.3531/122046; Espy to Wells, 7 January 1947, NA, DS, RG 59, 624.3531/1747.

49. Messersmith to Secretary of State, 4 March 1947, NA, DS, RG 59, 624.3531/3447; see also Embassy La Paz to Secretary of State, 27 February 1946, NA, DS, RG 59, 624.3531/22746; Flack to Secretary of State, 9 March 1947, NA, DS, RG 59, 624.3531/3947.

50. Flack to Secretary of State, 9 March 1947, NA, DS, RG 59, 624.3531/3947; see also Hertzog, "Mensaje al Congreso Ordinario de 1947," 8-10, AMREC, DP, Bolivia 1947, Caja 1, Expediente 1; Flack to Secretary of State, 4 March 1947, NA, DS, RG 59, 624.3531/3447; Hector Adam to Secretary of State, 5 March 1947, NA, DS, RG 59, 624.3531/3547.

51. Flack to Secretary of State, 27 December 1947, NA, DS, RG 59, 724.35/122746.

52. Flack to Secretary of State, 9 June 1948, NA, DS, RG 59, 724.35/6948; Espy to Hall, 2 May 1947, NA, DS, RG 59, 724.35/5247; see also Flack to Secretary of State, 20 March 1947, NA, DS, RG 59, 624.3531/32047.

53. Messersmith to Burrows and O'Donoghue, 5 December 1946, WNRC, BA, RG 84; Mármo to Bramuglia, 31 Agosto 1948, AMREC, DP, Bolivia 1948, Caja 1, Expediente 2; Robert J. Alexander, The Bolivaran Presidents: Conversations and Correspondence with Presidents of Bolivia, Peru, Ecuador, Columbia and Venezuela (London, 1994), 16-17; see also Dionisio Foíanini. "Refutación," 27
54. Belmonte's mother had even written Perón, begging him to provide a homeland for her son, the victim of a "cruel international conspiracy." To some extent this was true. Belmonte had served during the war as an attaché in Berlin. British intelligence, as part of its efforts to convince Washington that the Nazis were a threat to the hemisphere, had forged a letter from Belmonte linking him with the Germans. They had released the forgery, condemning Belmonte instantly. The Blue Book, however, did catalog other, more verifiable, evidence of his complicity with the Germans. Braden, Diplomats and Demagogues, 248-252; Flora de Lardon to Perón, 15 Febrero 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 8; Embassy La Paz to Bramuligia, 6 Febrero 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 8; Pascual La Rosa (Director del Departamento de Relaciones Exteriores), "Noticia," 11 Febrero 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 8; Laureano O. Anaya (Maestre General del Interior) to Sosa Molina, 22 Febrero 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 8; Desmaras to Bolivian Embassy Buenos Aires, 28 Febrero 1947, AMREC, DP, Bolivia 1947, Caja 1. Expediente 8; Mármol, "Informe," 1 Agosto 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 1.

55. Messersmith to Secretary of State, "With Reference to the Plans of the Argentine Government for Industrial Projects and Increased Industrialization," 21 August 1946, NA, DS, RG 353, RIIC, Argentina Committee, Box 9; Messersmith to Secretary of State, 30 August 1946, NA, DS, RG 59, 835.24/83046; Messersmith to Clayton, 9 October 1946, NA, DS, RG 59, 835.24/10946; Messersmith to Clayton, 12 September 1946, NA, DS, RG 353, Lot File 122, RIIC, ARG 9; Wendel to Atterberry, 25 March 1947, NA, DS, RG 59, 835.63/32547.

56. Carles, "Sobre infiltración brasileña en Santa Cruz de la Sierra," 9 Septiembre 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 11, Anexo 1; see also Mármol to Bramuligia, 7 Setiembre 1948, AMREC, DP, Brasil 1948, Caja 3, Expediente 2.
57. The Brazilians apparently also made a counter-proposal to Hertzog, promising economic aid to keep Bolivia out of the Argentine orbit. These included financing a $60 million rail line in Bolivia. Braden's friend, William Dawson, argued that since Americans were doing nothing to block this pact, "Brazil might conceivably be considered as pulling our own chestnuts out of the fire." Dawson did, however, note that if Brazil had the funds to make these extravagant promises for "primarily political purposes," it should not be applying for (and receiving) Ex-Im Bank loans. Dawson to Wells, Braden and Briggs, 19 March 1947, NA, DS, RG 59, 724.35/31947.

58. Flack to Secretary of State, 20 March 1947, NA, DS, RG 59, 624.3531/32047.

59. During the July revolution, the Embassy staff discovered that they had only one pistol in the entire facility. Since the mob that killed Villarroel harbored anti-Argentine sentiments, Buitrago Carrillo and his staff had some reason to fear. While the Embassy had already purchased one submachine gun as part of its rearmament program, it lacked the funds to purchase three more. Buitrago Carrillo, Memorandum, 28 Noviembre 1946, AMREC, DP, Bolivia 1946, Caja 1, Expediente 10.

60. Lindolfo Santiago Arce (Counselor, Embassy La Paz) to Bramuglia, 25 Octubre 1947, AMREC, DP, Bolivia 1947, Caja 1, Expediente 1; El Diario, 24 Octubre 1947, 1; El Diario, 25 Octubre 1947, 1; Ray to Secretary of State, 22 July 1948, NA, DS, RG 59, 724.35/72248.

61. Flack to Secretary of State, 6 March 1947, NA, DS, RG 59, 624.3531/3647; Flack to Secretary of State, 20 March 1947, NA, DS, RG 59, 624.3531/32047; Flack to Secretary of State, 4 November 1947, NA, DS, RG 59, 724.35/11447; Espy to Hall, 22 April 1946, NA, DS, RG 59, 624.3531/42247; Flack to Secretary of State, 27 May 1947, NA, DS, RG 59, 624.3531/52747; Orloski to Secretary of State, 19 June 1948, NA, DS, RG 59, 624.3531/61947.

62. Embassy La Paz to Secretary of State, 21 October 1947, NA, DS, RG 59, 624.3531/102147; see also Flack to Secretary of State, 4 November 1947, NA, DS, RG 59, 724.35/11447.

63. Lovett to Embassy Buenos Aires, 9 April 1947, NA, DS, RG 59, 625.3531/4948; see also Formichelli to Bramuglia, 20 Enero 1948, AMREC, Departamento Económico, Bolivia-Brasil 1947, Legajo 1; Formichelli to Bramuglia, 8 Junio 1948, AMREC, DP, Bolivia 1948, Caja 1, Expediente 2; Formichelli to Bramuglia, 24 Diciembre 1947, AMREC, DE.
Bolivia-Brazil 1947, Legajo 1; Embassy Report, "Rafael Ordica en Bolivia," 10 Diciembre 1948, AMREC, DP. Bolivia 1948, Caja 1, Expediente 1, Parte 3.

64. Formichelli to Bramulgia, 3 Febbrero 1948, AMREC, DE, Bolivia-Brazil 1947, Legajo 1.

65. Oderigo to Bramulgia, 21 Marzo 1947, AMREC, DP, Peru 1947, Caja 12, Expediente 1; Oderigo to Bramulgia, 16 Septiembre 1947, AMREC, DP, Peru 1947, Caja 12, Expediente 1; Memoria Anual, 1947, AMREC, DP, Peru 1947, Caja 12, Expediente 5; see also Review of the River Plate, 11 April 1947, 3.


69. J. O'Malley (Military Attache, U.S. Embassy Peru) to Secretary of State, 3 March 1947, NA, DS, RG 59, 623.3531/3347; Messersmith to Secretary of State, 5 March 1947, NA, DS, RG 59, 623.3531/3547; Cooper to Secretary of State, 12 March 1947, NA, DS, RG 59, 623.3531/31247; Cooper to Secretary of State, 14 March 1947, NA, DS, RG 59, 623.3531/31447.

70. Cooper to Secretary of State, 22 March 1947, NA, DS, RG 59, 623.3531/32247; U.S. Embassy Lima to Secretary of State, 7 April 1947, NA, DS, RG 59, 623.3531/4747.

71. Cooper to Secretary of State, 22 March 1947, NA, DS, RG 59, 623.3531/32247.


73. Martin to Tewksbury, 21 March 1948, NA, DS, RG 59, 623.3531/32148; Mann to RSA and HHT, 14 February 1949, NA, DS, RG 59, 623.3531/21449; Tittman to Secretary of State, 14 February 1949, NA, DS, RG 59, 623.3531/21449.
74. For an explanation of this overture, see Chapter 7; Thomas J. Maleady (Chargé, Caracas) to Secretary of State, "Venezuelan Petroleum Products--Argentine Corn," 10 September 1947, WNRC, BA, RG 84; see also Messersmith to Secretary of State, 17 December 1946, NA, DS, RG 59, 631.3531/121246; Ray to Secretary of State, 9 July 1948, NA, DS, RG 59, 631.3531/1948; Marshall to Embassy Buenos Aires, 29 January 1948, NA, DS, RG 59, 631.3531/12948; Donnelly to Secretary of State, 29 January 1948, NA, DS, RG 59, 631.3531/12948.

75. Dawson to Secretary of State, 3 February 1946, NA, DS, RG 59, 835.00/2346.


77. Clayton to Embassy Buenos Aires, 23 September 1946, NA, DS, RG 59, 835.61311/92346.

78. Messersmith to Secretary of State, 24 September 1946, NA, DS, RG 59, 835.61311/92446.

79. Gilmore to Mann, 15 October 1946, NA, DS, RG 59, 835.50/101546.


81. For example, the Republic Steel's representative told Lyon that his firm was bidding to build an Argentine steel mill at the behest of the government. When Lyon informed him that such a project was "economically unsound," he said, "Of course, but the trend now a days in most countries was to have their own steel industries." Memorandum of Conversation, Lyon and R.H. Stephan (Republic Steel), 2 December 1947, NA, DS, RG 59, 835.5034/12247; see also Messersmith to Clayton, 21 September 1946, NA, RG 353, RIIC, Argentina Committee, Box 9; Messersmith to Clayton, 25 February 1947, NA, DS, RG 59, 835.50311/22547.

82. Review of the River Plate, 30 August 1946, 10-11; Review of the River Plate, 28 November 1947, 9.
THE UNITED STATES, ARGENTINA,
AND THE INTER-AMERICAN ORDER, 1946-1950

Volume II

DISSERTATION

Presented in Partial Fulfillment of the Requirements for
the Degree Doctor of Philosophy in the Graduate
School of the Ohio State University

By
Glenn J. Dorn, M.A.

* * * * *

The Ohio State University
1997

Dissertation Committee:
Professor Michael J. Hogan, Advisor
Professor Peter Hahn
Professor G. Michael Riley

Approved by

History Graduate Program
# TABLE OF CONTENTS

## Volume II

<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 6. The Messersmith-Braden Feud: Clearing the Path to Rapprochement, October 1946-June 1947</td>
<td>344</td>
</tr>
<tr>
<td>Chapter 7. Failed Overtures and New Alliances: U.S. Efforts to Subvert the Peronist Unions and Army, January 1947-March 1948</td>
<td>386</td>
</tr>
<tr>
<td>Chapter 8. The Beginning of the End of the Peronist Challenge: August 1947-December 1948</td>
<td>450</td>
</tr>
<tr>
<td>Chapter 10. Conclusion</td>
<td>550</td>
</tr>
<tr>
<td>Bibliography</td>
<td>570</td>
</tr>
</tbody>
</table>
CHAPTER 6

THE MESSERSMITH-BRADEN FEUD: CLEARING THE PATH TO RAPPROCHEMENT, OCTOBER 1946–JUNE 1947

I grant you that I do not think that we should decorate dictators or get palsy-walsy with them . . . and never, never, make such fools of ourselves as we did in Argentina where we were, by turn, giving Perón abrazos and kicking him in the seat of the pants.

Merwin Bohan, 13 December 1963

Permit me to note that the opposition that Mr. Braden is encountering . . . owes principally not to a difference between the objective which he proposes and that of his opponents, but to a question of method or procedure to attain the same end.

Luis Luti, 30 January 1946

I

Messersmith's heretofore unsuccessful campaign to sell his government on his new appraisal of Perón ground to a complete halt in late-1946, when Perón launched the Argentine-Chilean treaty and his first "Five-Year Plan."
Messersmith had attempted to portray Perón as a well-intentioned opportunist, but these initiatives demonstrated that Perón was unrepentant, and in some respects, more dangerous than ever. For Braden, whose stock had dropped substantially after the Blue Book fiasco, they were godsend that seemed to prove that he had been correct all along in warning of Perón's "Nazi tendencies" and expansionistic ambitions.

The stage was set for the outbreak of bureaucratic warfare between Messersmith and Braden. In what would become one of the more colorful, if disgraceful, episodes in modern U.S. diplomacy, the two strong-willed antagonists emptied their arsenals on each other. As Messersmith continued to enthusiastically present the carrot to Perón, attempting to lure him into open cooperation with the United States and an abandonment of state corporatism, Braden branded his ambassador an appeaser. In Braden's eyes, Messersmith had been hoodwinked by the charismatic Perón, and had abandoned the guiding principles of U.S. foreign policy.

The ensuing feud captured headlines and dominated the Division of American Republics Affairs for almost a year, but must be understood within larger contexts. The two diplomats differed on their assessments of Perón and came to hate each other, but neither questioned the merits of the "Inter-American System" as a hemispheric order, or the
need for global liberal capitalism. As Messersmith came to believe that Perón could "be bought" and used as a vehicle to bring U.S.-style capitalism to Argentina, Braden persisted in his belief that the presidente had to be unseated before the hemisphere could be made safe for democracy. Braden, the traditional Republican conservative, like his left-wing allies, men like Henry Wallace and Jacob Potofsky, were themselves on the fringes or outside of the centrist New Deal order, and could see no redeeming features in the Peronist program. For traditional New Dealers such as Messersmith, however, Perón's state corporatism might in time be adapted into a more acceptable, privatist variant. In the end, the feud amounted little more than a tragicomic sideshow with little lasting impact on the course of U.S.-Argentine relations or the evolution of U.S. policy toward Latin America. When Truman simply fired both of them in June 1947, the path was cleared for the implementation of the Department's new, subtler approach to Perón.

II

While its name connoted centralized blueprints for development and planning, the twenty-seven proposals of the Five-Year Plan were far more typical of Perón's somewhat haphazard, scattergun approach to running a
national economy. Nonetheless, Perón portrayed the Plan as a model of technocratic policymaking whereby "statesmen will give the objectives, and the technicians must indicate the road by which they will be accomplished."

The Plan called for sweeping changes in the Argentine government apparatus. By giving the president the power to reorganize cabinet posts, ministries, federal courts, the foreign service and the Buenos Aires municipal government, the executive branch would be strengthened considerably. If allowed to reorganize the Federal Courts, he would also be able to complete his capture of the judicial branch which had started with the impeachment of the Supreme Court. Although still technically reliant upon his rubber-stamp Congress for the passage of the various bills of the Plan, Perón's attempts to consolidate power in the executive branch looked suspiciously "fascist," or at least dictatorial.*

Under the heading "Government of the State," Perón also placed his calls for extension of the franchise and educational reform. While the 1912 Sáenz Peña Law had established universal, compulsory suffrage for males over age 18, it ignored women and excluded non-commissioned officers in the armed forces. Perón sought to rectify these omissions as quickly as possible and extend Argentine democracy. Just as he could expect electoral rewards for this action, his educational proposals could
do little but enhance his personal power. Greater educational opportunities would be granted to lower classes with a predictable emphasis on vocational training to fit the industrialization scheme. Furthermore, the entire educational system would be centralized under a national council, appointed by and responsible to, the president. With control over education, Peronist propaganda could be effectively spread to the Argentine youth. Although the State Department did not pay much attention to this aspect of the Five-Year Plan, ultimately, it was among the most important factors in keeping Peronism alive.

Perón's eclectic proposals in the area of "National Economy" ranged from cautious New Deal-style welfare statism to fairly radical socialism. Easily the most controversial of these measures was his program for employee ownership of business. Firms that voluntarily joined the program would limit their profits to five percent. Excess profits would be used to transfer stock to the workers gradually. Through the peronista program, workers would purchase companies, and ultimately become full owners themselves. Businesses that would not participate could expect penalties, and as one observer noted, "it doesn't require too much imagination to see how it could become compulsory." The British business community in Argentina also had serious qualms about the
program, fearing that it could easily become a threat to
tall private industry in Argentina. Miranda and Perón
showed their enthusiasm by quickly putting the program
into effect in the Empresa Mixta Telefónica Argentina (the
former ITT companies). Somewhat surprisingly, the Five
Year Plan did not provide a similar program for land
redistribution in the countryside, indicating that Perón
was backing down on his pledges to the tenant farmers and
rural poor.

In a vein reminiscent of the New Deal, the Plan
called for a series of social welfare reforms such as low-
income housing, unemployment insurance, pensions and
public works. Also envisioning semi-socialized medicine,
Perón aimed to ultimately have the health care of eighty-
five percent of the nation paid for by the state, at the
same time a national board controlled the manufacture of
pharmaceuticals. While he had already made significant
strides in these areas, he was clearly determined to push
further. Echoing Roosevelt's Reciprocal Trade Agreements,
Perón also pushed forward a customs reform. The
proposition would allow the Argentine president to
increase or decrease existing tariffs by fifty percent,
and allow the levying of a twenty-five percent tariff
where none previously existed.

Finally, Perón reaffirmed his commitment to state-
sponsored industrial development. Recognizing that
Argentine industrialization would require far more energy than was currently available, the Plan allocated almost 200 million pesos to the development of power resources. Petroleum development was the largest single allocation. Peronists hoped that oil production could be increased by more than a third, tapping newfound reserves in Mendoza, Patagonia, and elsewhere. The hydroelectric program was also ambitious and promising. Perón called for nearly seventy new hydroelectric plants and dams, mostly along the Rio Negro and Rio Colorado. In addition to supplying power, these plants could assist in the irrigation of over 900,000 hectares of land and bring a TVA-like development to the oft-ignored interior of the nation. The development of energy resources would facilitate the creation of an Argentine steel industry, with its intendent military and economic benefits. Naturally, these developments were to occur under the control of the national government which was incidentally granted the right to nationalize any power facilities.

Perón concluded that this ambitious hodge-podge would cost close to $1.27 billion, but in the heady days of 1946, this hardly appeared to be a major stumbling block. Not only did he possess the massive sterling, gold, and dollar holdings from the war, but his new state apparatus appeared fully capable of bringing in almost infinite quantities of cash. IAPI seemed to be
functioning quite well, bringing in top dollar for agricultural exports from a desperate world. Although IAPI never disclosed its records, the CIA later estimated that the organization had brought in as much money to the government in one year as five years of wartime exports had. If Perón and Miranda's statements on the subject were correct, IAPI's "commodity manipulations" and the "curious kind of taxation. . . it levies" had more than doubled the government's income already. Few doubted that it was bringing in "fabulous" or "immense" profits, and some foreign observers guessed that IAPI alone could entirely finance the Plan. The Peronist banking system appeared to be in a position to coordinate investment, and Miranda seemed to be an able "economic czar." He argued that the Five-Year Plan would not cost, but actually make, money. For example, the proposed gas pipeline from Comodoro Rivadavia to Buenos Aires might actually cost $90 million to construct, but this was deceptive. Once in operation, the pipeline would earn $16 million per year, paying off the initial outlay very quickly. The Peronist congress had proven pliable, and the conductor had little reason to doubt that much of the Five Year Plan could be achieved. Perón acknowledged to Messersmith that the Plan was too ambitious, but added that if the peronistas "achieved 50 percent of it, they would be most fortunate, and if they achieved 25 percent, it would still be a great
step forward." Reiterating his belief that Argentina had in the past suffered from chronic disorganization, Perón argued that the Plan was necessary to achieve anything at all, even if drastic modifications to it had to be made later.

Perón's critics hoped none of it would go through. As moderate as much of it seemed to be, the very concept of a five-year plan conjured up images of totalitarianism. The head of ARA pointed out, that "the keynote of Russian internal domestic propaganda has for years been the dramatization by all available means of successive five-year plans." Stalin used five-year plans, Hitler used four-year plans, and now Perón was apparently engaging in "conscious imitation" of their tactics. Even the English businessmen in Argentina, who were in many ways the most even-handed of Perón's critics, labelled the Plan to be the "vehicle of some vaguely threatened New Order," obviously inspired by the Soviets. The expansion of presidential power contained in the Plan would, one U.S. businessman noted, give Perón "the power of Adolph and Benny the Bricklayer." One of Braden's colleagues surmised that the Argentines had studied the successful techniques of the fascists and adopted them, modified only to fit local conditions. Perón defended himself to this widespread charge somewhat disingenuously. Since totalitarians had war as their ultimate goal, he claimed,
and "Our goal is peace," he could not be a totalitarian by definition. More lightheartedly, he poked fun at the accusations,

I congratulate the Britons because yesterday their King announced a similar plan, which signifies that the English are as totalitarian as we are. In that sense, seeing that the Labor Party governs there, we consider that we are not in bad company.

Although Perón often likened the Five Year Plan to the New Deal (and even claimed that the British Labour government was emulating it), few in the United States were convinced that it was so innocuous.

Some U.S. businessmen, however, did echo Messersmith in arguing that the Five-Year Plan showed considerable promise. General (retired) Royal Lord and Admiral (retired) Henry Flannigan had been hired by Perón to help implement the Plan. Lord and Flannigan were prominent businessmen who brought a veneer of capitalistic respectability to the Plan. Both were quite optimistic about the prospects of achieving the goals set out by Perón, and neither expressed any qualms about cooperating with the Argentine government. In fact, Lord (described by the British as the "advance guard" of U.S. business) left his office in the Casa Rosada in early 1947 to return to the United States to recruit "hundreds more" engineers and technicians to help implement the program. Lord, intimately acquainted with the Peronist program, likened Argentina in 1948 to the United States in 1880, on the
verge of an economic takeoff, and predicted that within seventy years, Argentina "may be a dominant power." Lord and Flannigan were not alone. Bethlehem Steel, and other steel firms followed, negotiating for the construction of a mill with a productive capacity of 600,000 tons per year. Baldwin Locomotive Company and General Electric bid for contracts to sell diesel locomotives to the Argentine government which was making good on its pledges to reinvigorate the rail network. Westinghouse and General Foods also expressed interest in becoming involved with the Plan. Although British merchants lamented that U.S. businessmen were now "pursuing Perón with all of their usual energy," Messersmith was jubilant that these industrialists were taking the necessary steps to supplant English commerce and show the Argentines the "proper" path to economic development. Still, the response of U.S. business must not be overstated. Even though some businessmen were lured by the Five-Year Plan, most U.S. government officials and industrialists still feared its implications.¹⁰

While Perón's consolidation of executive power was viewed with displeasure in Washington, it was of more concern that he was unabashedly creating a "directed economy." If there was any aspect that all of the varied bills in the Five Year Plan had in common, it was the increased role of the government. Clearly Perón intended
to expand the state's control over almost every sector of the Argentine economy. Not only would the state be spearheading the drive toward industrialization, but Perón was obviously planning to expand IAPI's operations to finance it. Nonetheless, Perón tried to deny that he and Miranda were "directing" the economy by claiming that his state-mandated pricing schemes were based upon world prices, and therefore, did "not do violence to the principles of a self-adjusting economy." Indeed, he invited foreign capital and constantly maintained that his government was defending private initiative by repressing harmful oligopolies. These vague reassurances meant little, however, when compared to the concrete actions his government had taken and was promising to undertake.11

III

Messersmith had been struggling to convince his superiors that Perón was worthy of rapprochement, and believed that he was making progress. Citing Argentine ratification of the Chapultepec Accords, continuation of the denazification process, and Perón's constant reassurances, he made valid points. Unfortunately, Perón was set upon his program, and no soothing words could disguise the discrepancy between the New Deal and peronista visions. The conductor may have required U.S.
assistance to push forward his vision, but was unwilling to sacrifice much of his agenda or his maverick foreign policy to appease the Yankees. He would make anti-communist speeches, sign various pledges, and otherwise accede on symbolic, ceremonial, and relatively unimportant issues, but would not yield on his serious political and economic experimentation or the "Third Position."

This alone provided sufficient ammunition to Braden and others who sought to topple Perón and forestall rapprochement. Although Messersmith could point to Perón's refusal to seriously entertain Soviet overtures as a sign of loyalty, Braden saw the brief flirtation as yet another example of peronista perfidy. Messersmith found himself almost alone in accentuating the positive aspects of Perón's administration. For most State Department policymakers, the Argentine's supposedly pro-fascist past, his statist corporatism, and his dangerously opportunistic style were more significant than his promises and token gestures. After all, their "Inter-American System" was based upon acceptance of U.S. supremacy and liberal capitalism, not the vague promises of Chapultepec.

The stage had been set for the outbreak of total bureaucratic warfare in the State Department. Braden and Messersmith were drawing battle lines and mustering allies for the brawl that would ultimately end the illustrious careers of both. The first salvos of the Messersmith-
Braden feud were fired in mid-1946, and in retrospect, appear to have been inevitable. While the two men had enjoyed a certain mutual respect during the war, Perón proved to be divisive. Braden would not rest until Argentine "fascism" in the person of Perón had been utterly eliminated, while Messersmith had linked his career and prestige to rapprochement with the conductor. Both protagonists had a high personal stake in the affair, and were confident that their superiors endorsed their stance. Neither was willing to tolerate compromise. By May 1947, Messersmith and Braden had each distorted the truth and engaged in highly inappropriate behavior to unseat the other.¹²

Difficulties between the two diplomats first arose during the closing days of Messersmith's tenure in Mexico when several hundred zebu bulls were delivered to Mexico from Brazil. Since aftosa was present in Brazil, the Departments of Agriculture and State summarily insisted that the bulls not be allowed to land. Messersmith relayed the messages to the Mexican authorities, who attempted to comply. However, the Brazilians refused to return with the animals, and instead threatened to slaughter them and touch off an international episode. Messersmith tried to play the role of peacemaker and telephoned Braden and Acheson, asking that no protest be made to the landing of the cattle, which were probably
disease-free. Ultimately, the bulls were landed in Veracruz over U.S. protests in May and tested for hoof-and-mouth. Although U.S. veterinary inspectors had given the cattle a clean bill of health, aftosa broke out around Veracruz in November, prompting a major U.S.-Mexican effort to eradicate the disease. More than one hundred million U.S. dollars were spent to purge Mexican herds over a three-year period. Biographer Jesse Stiller, sympathetic to Messersmith, concludes that he probably had "presented [Washington's] objections with insufficient emphasis." Acheson and Braden were less charitable. In Acheson's confused account of the episode, the bulls had been landed with "Messersmith's collusion, if not consent," while Braden simply blamed the entire fiasco on Messersmith's "insubordination."¹³

Acheson and Truman each had significant encounters with "Forty-Page George" and his repetitive, long-winded, patronizing memoranda. Messersmith shared the common opinion that Acheson had very little knowledge of Latin America and various other features of U.S. policy, and had emphatically told the undersecretary so on at least one occasion. The ambassador's somewhat haughty demeanor had also made an impression on Truman. According to the Truman, Messersmith had once "called . . . 'to tell me how to run the gov[ernmen]t.'"¹⁴
Nonetheless, Messersmith had reason to believe that these senior officials who had promised him a relatively free hand still supported his mission. He would not have accepted the Buenos Aires mission otherwise. Messersmith may have faded into historical obscurity since, but at the time he was a contender to become the High Commissioner for Germany and a seasoned diplomat who had served with skill in several very difficult assignments. Before leaving for Argentina, he had spoken at length with both Truman and Byrnes regarding the goals of their Argentine policy. Messersmith was convinced that they shared his views, trusted his judgement, and had given him this important assignment because of their high regard for his skill. After all, they had approached him, and asked that he take the crucial and difficult job, in spite of his deteriorating health. Secure in the knowledge that he had been given a mandate for rapprochement, Messersmith forged ahead, as usual, "rightly and properly brooking no authority other than [his] own." With Truman, Byrnes, and his good friend Will Clayton behind him, he had little concern with Braden's furious objections which he regarded as the death throes of a fading official. Truman, Byrnes and Acheson only reinforced this view by excluding Braden from the White House conference in which Messersmith was given his instructions. Ironically, the Ambassador was so convinced that Braden was about to be put out to pasture
that he had sent unsolicited advice to his superiors, urging that Braden's services be retained for the good of the Argentine policy. He would soon have cause to regret that action.¹⁵

Just as he could be confident in the support of his superiors, Messersmith had the backing of the other State Department employees in Buenos Aires. In December, he polled his underlings to get their opinions on whether or not there was a valid "Case against Argentina." Somewhat surprisingly, almost the entire Embassy staff (many of whom had been serving in Buenos Aires during the war) was much closer to Messersmith's position than Braden's. It is significant that most official U.S. observers who had been involved closely in the dealings with Argentina were supporting Messersmith (and tacitly, Perón) against Braden. While it must not be forgotten that these individuals were serving directly under Messersmith, and were naturally inclined to see things his way for that very reason, their comments and assessments are telling.

Howard Tewksbury, the Embassy's Counselor for Economic Affairs, blamed both U.S. and Argentine decisions for the poor relations, and singled out Braden's speeches as the most destructive factor. While he admitted that Argentines had repudiated "democratic principles" by electing Perón, he made it clear that attacks from the north only strengthened Argentine nationalism and the
conductor. Not surprisingly, he gave his full backing to Messersmith and praised the "complete change in the official attitude of the Argentine government" that the Ambassador's efforts had wrought.16

Another old hand, Joseph Apodaca, gave his own understanding of the Peronist program and its context. "Viewed dispassionately," the program and its goals were "entirely compatible with the maintenance of free enterprise, private initiative, and the principles of capitalism." However, individuals such as Miranda and José Figuerola (the "brains behind the throne") and agencies such as IAPI were subverting those goals. Miranda, Figuerola, and Secretary of Commerce Rolando Lagomarsino were "confusing and befuddling" Perón in an attempt to contaminate him with the "same sort of psychosis" that had infected them. The solution, Apodaca suggested, was exactly what Messersmith was doing--assisting Perón to rid himself of these influences and their destructive ideas. Echoing Messersmith's call to be a "good friend" to the President, Apodaca pleaded that the State Department must assist Perón and the moderate Argentines lest the dangerous ideologues triumph.17

Another second level Embassy officer attacked Braden's thesis directly and questioned whether there even was a "Case against Argentina" and Perón. Argentina had been singled out for its neutrality and late declarations
of war, he claimed, while most Latin American nations had only made their own declarations less than three months earlier (if at all). He ridiculed Braden's belief that 90,000 Germans and $12,000,000 of German investments in Argentina were "a serious threat to peace and security of the world." "Any fair-minded person," he noted, could only conclude that the "Case against Argentina" was overblown, the Argentines were "intensifying their efforts" to comply with U.S. dictates, and the "be tough" policy had failed.

A. Kenneth Oakley, the Second Secretary of the Embassy, took these arguments a step further.

Many persons superficially familiar with the "Case Against Argentina" believe that Buenos Aires during the war was a hotbed of the most effective espionage and sabotage...It was a hotbed, but it was not effective.*

German agents in Argentina had not caused any damage to the war effort (not a single ship was successfully sabotaged), while Axis agents had operated far more effectively from neutral nations such as Spain, Sweden, and Switzerland. The charge that Perón and the Germans had been responsible for the 1943 coup in Bolivia was equally groundless. Thus, he concluded that Argentina had not given appreciable "aid and comfort to the enemy," dismissing one of the major charges in the "Case against Argentina."
Oakley then turned to the question of whether the Perón regime was "Nazi-Fascist inspired." He knew of no political prisoners in Argentina (although he was mistaken to assume there were none), and downplayed the significance of Perón's periodic crackdowns and limitations on freedom. In fact, the President had released a number political prisoners "plotting revolution" whose "freedom represented a positive and considerable threat" to the government. If there was a fascistic economic program, he blamed it upon Perón's "bad and incompetent" advisors, rather than the President who was a "moderately intelligent man with an extraordinarily likeable personality, an almost limitless ambition, no political education worthy of its name, and with basic convictions readily subject to change." Like Messersmith, Oakley was convinced that Perón could, with some effort, be molded into a worthwhile ally.

Oakley naturally had little use for Braden, his exaggerated Blue Book accusations, and his fears of a Southern Bloc. Considering the Blue Book to have been little more than "yellow journalism" that had "failed to convince Latin Americans that Perón was to be feared," the Second Secretary ridiculed fears that Argentina was a military threat to the peace of South America by citing Braden and Carl Spaeth's own assessments of Argentine armament levels. Since Argentina could not assemble a
Southern Bloc by force, the U.S. had only to fear binding treaties and customs unions. But even this was no real threat due to the nationalism, protectionism, and mistrust of Argentina that dominated the region. He wryly cautioned his countrymen that reducing trade barriers was generally a good thing and very difficult under any circumstances, as anyone familiar with Hull's efforts should have known. In short, the "Case Against Argentina...sadly fails to add up to a reason to refuse our cooperation with Argentina."  

The officials who dealt with Peronism firsthand and witnessed the day-to-day interaction between the Embassy and the Casa Rosada backed up their chief of mission. That Messersmith asked their opinions in the first place is also interesting. Losing faith in Washington, and perhaps starting to doubt his course of action, Messersmith sought affirmation from his underlings and received it.

IV

Unfortunately for Messersmith, the author and leading proponent of the "Case against Argentina," Spruille Braden, could also claim to speak for the Department. Braden interpreted his continued presence in the State Department after the Blue Book debacle as a sign of
support. After all, anyone who knew Braden knew that unseating Perón had become his sole preoccupation, and that he would never be party to any arrangement that smacked of "appeasement." Truman and Byrnes were allowing Braden single-handedly to forestall the negotiation of a hemispheric defense pact, and prevent the export of surplus arms to Latin America--projects deemed quite important by the U.S. Army and Senate. Braden also had more concrete proof that Truman and Byrnes approved of both his program and his means. The Secretary of State periodically attacked Perón, and seemed to back Braden's interpretation of Argentine "fascism." When presented with three policy alternatives to deal with Perón on July 12, Truman emphatically chose Braden's as ideal. Braden claims that on one occasion, the President had "observed that George was an s.o.b. and would be fired." Thus, the assistant secretary proceeded, confident that Truman shared his opinions about Peronist "totalitarianism" and the need to stop it. In his eyes, Messersmith's advocacy of Perón was insubordinate and wrong-headed. Before the end of 1946, Braden would be attacking his ambassador as vigorously as he had attacked Perón a year earlier, and with the same certainty that he would be vindicated.\textsuperscript{21}

It is not necessary to go into great detail about the various exchanges and indiscretions of the Messersmith-Braden feud as works such as Jesse Stiller's biography of
Messersmith and Roger R. Trask's "Spruille Braden vs George Messersmith: World War II, the Cold War, and Argentine Policy, 1945-1947" have done so quite well already." Only a brief discussion of certain aspects of this notorious feud is pertinent to this study. The first real shots seem to have been fired by Braden in July as an attempt to reprimand his "appeasing" ambassador and bring him into line. Braden sent his July 12 "Memorandum on the Argentine Situation" to Messersmith, noting that Truman had endorsed the "get tough" alternative, and inferred that the ambassador was defying this approach.

Messersmith sent a flurry of dispatches in response, claiming that he had not in his many years of service to the State Department "received a communication...which has caused me in certain respects more concern." Denying that he was in any way 'selling out' or "'toadying' to Perón," Messersmith reiterated that he was only facilitating rapprochement at the Department's behest in light of Argentine performance. He went on to claim that if anyone had erred, it was Braden, whose Blue Book intervention had caused most of the damage Messersmith had been sent to repair."

The struggle between the strong-willed adversaries intensified and escalated as both appealed to their superiors to settle the issue. Acheson vainly tried to patch the cracks by reassuring Messersmith that no one in
Washington was trying to undermine his position or have him removed. Acheson also tried to smooth over the difficulties by claiming that there was no fundamental difference between the two men. The only area where the two disagreed was what comprised "adequate compliance." Acheson reminded them that Truman himself would decide if and when Perón had "complied," so it was pointless for either of them to expend energy trying to make that decision. Unfortunately, this would not satisfy either of the men: Braden was set upon crushing Perón and his insubordinate ambassador, while Messersmith was equally determined to succeed in his important mission and stop the calumny that was sullying his name.

Messersmith seems to have interpreted Acheson's mandate to mean that he had to convince Truman, Byrnes, and Clayton that Perón was a worthy partner and "one of the strongest allies that we can get in our sound economic program." While he did not want to become an "apologist for or a defender of the Argentine Government," this was exactly what happened. Very quickly, his dispatches regressed from reasonably objective, highly-detailed assessments of the Argentine situation to favorable publicity reports for Perón. Despite this, it is probably unfair to conclude, as Joseph Tulchin does, that "Messersmith fell under Perón's spell as soon as he had landed in Buenos Aires." Messersmith was a career
diplomat with a well-earned reputation for toughness, and
no fear of being disliked. While Perón's charisma was
legendary, and he undoubtedly had succeeded in
manipulating or duping the North American from time to
time, Messersmith was no one's lackey or yes-man. Yet, as
Stiller has noted, a discernable change in both tone and
content of Messersmith's reports to Washington can be seen
in late-1946 and early-1947--the same time Braden's
attacks were intensifying.*

Messersmith's assessment of the threat of communism
in Argentina was the most notable change. While he had
earlier agreed with Braden in dismissing the Soviet
efforts as almost unworthy of attention, he reversed his
position in the latter half of 1946. By October, he had
become "very deeply preoccupied" with the "tremendous
play" being made by the Soviets in Argentina. He
predictably warned that the Soviet penetration would come
to naught, only "if we handle this thing right."
Messersmith suggested that further hostility toward Perón
could only drive Perón into the waiting arms of the
Soviets. Interestingly, at the same time the Central
Intelligence Group was notifying Truman that South America
(and particularly Argentina) was in no danger from
communism, Messersmith had started issuing Cassandric
warnings. Perón may not have played his "Russian Card,"
but Messersmith was playing it for him.**
The ambassador also stepped up his warnings that the British could easily move to snatch the entire lucrative Argentine market if Braden's antagonism did not abate. While Messersmith had always been a proponent of Anglo-U.S. cooperation in Argentina and the creation of a united front against Argentine nationalism, he abruptly changed his tune in October. He informed Clayton that the British were going to give "lip service" to cooperation, at the same time they used Argentina as the "spearhead against what they consider too great economic penetration by us in this hemisphere." Messersmith went on to warn that with the signing of the Miranda-Eady Treaty (which, of course, he had facilitated), Britain was now in perfect position to strengthen and expand its commercial ties with Perón as the U.S. dallied. The British had, in the past, tried to exploit U.S.-Argentine differences, and were about to do so again. He presented no evidence to support this new interpretation of British designs, but did counsel Clayton to be careful lest U.S. policy "create a very unfavorable position for ourselves" in Argentina. Ironically, these warnings were arriving at the same time that the Department learned just how badly the British position in Argentina had deteriorated. In late 1946, the value of both U.S. and Brazilian exports to Argentina had eclipsed those of the British."
Even though Messersmith had always declared that Perón was not trying to assemble an autarchic bloc, he was now warning that U.S. antagonism could drive the Argentines to it. Just as the Braden's policies were pushing Perón into the hands of the Soviets and the British, they might be encouraging him to engage in an adventuristic foreign policy. The "southern bloc" was not the only fear. Out of desperation, Perón might try to form a Hispanic bloc, incorporating most of Latin America and Falangist Spain, or simply ally himself with General Francisco Franco.\footnote{370}

Messersmith's most unlikely turnabout came in his assessment of Miranda. He had repeatedly reported that Perón's "economic czar" was "quite unfriendly or at least deeply critical of the United States." In March 1947, however, he tried to sell a "completely changed" Miranda as "one of the principle exponents...of close collaboration with the United States." Miranda had informed the ambassador that he would be cutting military spending by half within a year. Messersmith duly reported this in what can best be seen as an attempt to repudiate Braden's claims that Peronist Argentina was militaristic, fascistic, and expansionistic. To defeat Braden, Messersmith was suddenly exonerating the one Argentine that all others in the State Department had long regarded as the most offensive and dangerous peronista.\footnote{370}
Some of Messersmith's other proclamations are similarly suspect. His defense of the Five-Year Plan is a case in point. While the Plan was certainly not as malevolent as Braden asserted, Messersmith downplayed or ignored important measures which he privately thought unwise, dangerous, or unsound. He was, on the whole, remarkably tolerant of statism for a U.S. official, but the Five-Year Plan clearly surpassed anything he had ever endorsed before. He continued to press his old position that "denazification" was complete, renewing his effort to normalize relations. Even worse, he notified Byrnes that Argentine industrialists' society, the UIA (which Perón had dissolved in 1946), had reconstituted itself and its formerly-hostile members were backing the Plan. This was at best a distortion. A number of "collaborationists" had always served in the UIA's leadership, and most important industrialists retained their lifelong hatred of Perón. The UIA that had been recreated from the ashes of the old was under Perón's gun and only a shadow of the earlier organization. Even Perón had to concede that businessmen were not cooperating with the Five-Year Plan (although Miranda was optimistic that they soon would be). Messersmith was trying to convince the Truman Administration that Perón was serving as a vanguard of private enterprise, and it simply was not true. Messersmith accused pro-Braden correspondents of "sending
up the most screwy kind of stuff," but there was a case to be made that he was doing the same thing himself.30

These efforts achieved little, but provided more and more ammunition for Braden and grist for journalists' mills. Messersmith had become openly insubordinate, sending his dispatches over the Assistant Secretary's head to Clayton, Byrnes, and Truman. He attacked Braden's policies regularly and, at times, to newspapermen. Unfortunately for the Ambassador, over fifty of his letters attacking Braden made it into the assistant secretary's hands. Journalists sympathetic to Braden or Messersmith could count upon either of them to make inflammatory and contradictory remarks.31 By 1947, the antics of Messersmith and Braden were overshadowing the Argentine policy itself and causing an unnecessary headache for an administration which was trying to cement consensus for the Marshall Plan, and the Truman Doctrine. While Byrnes had tolerated (or ignored) the feud, either hoping it would simply fade away or fearing the consequences of any bold action, his retirement in early 1947 paved the way for Truman to solve the problem.32

V

In June 1947, Truman and new Secretary of State George Marshall ended the feud by simply eradicating it.
On June 4, Messersmith was summarily informed that his resignation had been accepted. The ambassador had not tendered one and was "completely in the dark as to what has been happening and the reasons therefore." Soon thereafter, Braden was likewise surprised to discover that Truman had accepted his resignation. A reporter called him to ask for a comment on Truman's acceptance, but he was incredulous. In his memoirs, Braden claims that he had voluntarily submitted his resignation earlier, but had delayed in making it public to be certain Messersmith was fired first. Supposedly, he was only surprised that Marshall's office had leaked the news prematurely. Whether Braden submitted to his fate voluntarily or not, both men and their bickering had become a colossal and unnecessary embarrassment to an administration that did not need one."

Although it was virtually inevitable that both men had to go sooner or later, the timing of the firings is interesting. Truman and Marshall, who had been in office for several months, appear to have been willing to allow the feud to continue unmolested, until they were spurred into action, at least in part, by a bold British initiative. On May 16, Marshall was informed that an English firm, with Whitehall's permission, had sold Perón one hundred Meteor jet fighters and thirty Lincoln bombers. Messersmith had informed Acheson in mid-1946
that "Argentina has nothing that approaches a modern first-line military plane," but Perón had taken a major step to rectify that shortcoming. While Whitehall had announced in April the English were opting out of the "Gentlemen's Agreement" arms embargo to Argentina, they had also promised to limit arms sales to "certain spare parts and replacements." Marshall, furious that this "dramatic British intervention" had "frustrated our efforts," warned Bevin that there could be consequences for this action. Even George Kennan took notice of the sale and its implications for peace and a balance of power in Latin America, as well as the future of the U.S. Army's arms standardization and management program. With the doors opened to arms infusions from England, Sweden and possibly even the Czech Skoda Works (which was, Messersmith informed Marshall, quite actively peddling its wares), the State Department had to lift its unilateral embargo and hold the Inter-American Defense Conference quickly. The U.S. Navy joined the Army and Messersmith in calling for an end to the embargo, for it was on the verge of selling a cruiser, four destroyers, three submarines, and their own planes to Perón. Braden, who would block any effort to hold the conference or sell arms to Argentina, had to go, and Messersmith had to follow lest the charge of "appeasement" taint Truman's administration as it was staining the Ambassador."
Another factor in the firings seems to have been the coming of the Cold War and a series of "red-baiting" attacks on Braden. Despite his conservatism, Braden had always "enjoyed" the backing of leftists who believed that Perón's and Franco's brand of "fascism" represented the greatest threat to peace in the post-war period. This had naturally opened him up to charges of being soft on communism. Vandenberg, Connally, and anti-communist Republicans had always argued that Braden's campaign against Perón was ripping apart the hemisphere at the time when it needed to be united against the communist menace. Gen. Dwight Eisenhower and the U.S. Army concurred as they tried to emplant the hemispheric defense treaty. As one journalist put it, "Our Braden-dictated policy . . . has suited the Commies to a 'T.'"  

But Braden had ably rebuffed all of these challenges until March 1947, when Congressman Alvin O'Konski of Wisconsin unleashed a savage barrage against the assistant secretary. Presaging the revelations of Senator Joseph McCarthy, O'Konski informed the House of Representatives that "What I will say to you is so fantastic that it will be difficult to believe." He began by detailing the career of Braden's trusted friend and "selected protege," Spanish Republican refugee Gustavo Duran. This "notorious communist," he argued, had personally assisted Braden in "creating a feeling of suspicion between the countries of
South America and the United States, enabling the Soviet government to enter into favorable trade negotiations with the Republic of Argentina." All of Duran and Braden's activities in Argentina were, in short, "in complete accord with the Communist fellow travelers and pink journalists in America and the State Department."

O'Konski then laid out his unlikely version of Braden's campaign against Perón. According to the congressman, Braden had been duped by Duran and the communists. Duran was an old acquaintance of Jacob Potofsky, the Russian immigrant who had for a time worked with Sidney Hillman to improve U.S.-Soviet relations. Potofsky, as head of the CIO's Latin American Committee, had maintained contact with Mexican communist chieftain Lombardo Toledano. Toledano, following orders from Moscow, had urged the State Department to do "something more than words" to prevent Perón's election. According to O'Konski, Braden, urged on by Duran and Potofsky, had responded by issuing the "infamous" Blue Book. With the "seeds of dissention" between the U.S. and Latin America sown, the communists had to cover their tracks. So at this point, Moscow, "in true Marxian style," started to attack Braden for his "imperialistic" intervention "to hide the real object and purpose." "So today," O'Konski maintained, "the communists are using their own Blue Book, issued by our own State Department, as a basis to poison
the South American people against the United States." As a result of this treacherous, Machiavellian communist plot, "anybody can get elected to any office in South America merely by denouncing Braden."36

In closing the speech, O'Konski made his true objective known.

We are now being told by our State Department that we must stop Communism in Greece. To that I answer, how about driving out the communists' hold on our own State Department . . . Before we go to Greece, let's first oust the communist stooges and their dupes in the State Department . . . Let's begin with Braden.”

O'Konski and those who echoed his ludicrous accusations were making Braden's retention increasingly costly. While Braden may have been a valuable tool to keep Perón in line, he was opening the Truman Administration and the Democratic Party up to serious criticism. In light of their efforts to secure a Cold War consensus, Braden's services were becoming more trouble than they were worth. Therein may lie another reason for jettisoning Braden in mid-1947. Firing Messersmith may have been simply a way to encourage Braden to leave peacefully and quietly. Most likely, however, both Messersmith and Braden had simply outlived their usefulness in office. Braden was becoming a lightning rod for criticism that inevitably reflected poorly on the Administration, while Messersmith was failing in his mission to convert Perón, and helping to make a mockery of
the State Department in the process. Thus, Marshall and Truman washed their hands of both, more or less simultaneously, hoping for an end to the sensationalism that had characterized U.S.-Argentine relations for the past several years.

Concurrently, Truman announced that the "denazification" of Argentina had been adequate. This also appears to have been an entirely arbitrary decision. Just months earlier, Truman, Acheson, Vandenberg, and Connally had met with Argentine Ambassador Oscar Ivanessevich at the White House to discuss "denazification." At this show of bipartisan unity, Truman had informed the Argentine that for relations to be normalized, Perón still had to deport "20 or 30" important Nazis. In spite of the fact that Perón did little in the next two months to expedite the deportation of these "agents," Truman had no qualms about announcing that Argentina had at last "complied." Ironically, it was only with Messersmith's fall that his mission to formally normalize relations succeeded."

VI

Surprisingly, and despite all appearances to the contrary, U.S. policy toward Perón did not suffer appreciably as a result of the Messersmith-Braden feud.
As the previous chapter demonstrates, the State Department managed to maneuver well, even at the height of the bureaucratic struggle. While it may have been embarrassing, the Messersmith-Braden feud created little more than a ripple in the course of U.S.-Argentine relations.

With relations now fully normalized, the State Department would be able to more effectively play upon Perón's weaknesses. Messersmith had achieved a remarkably privileged position with the Argentine, but still had been unable to effect a significant change in the peronista program. Therefore, Messersmith and Braden's successors would focus upon exacerbating rifts within Perón's coalition and directly weakening Miranda and IAPI. U.S. policymakers were determined to bring down Perón's state corporatism one way or the other. Braden's onslaughts had failed, and Messersmith's cajoling was not succeeding either.

Still, the State Department was not prepared to become Perón's "reluctant partner." Messersmith's heir, James Bruce, had almost as much disgust for Perón as Braden did. Like a traditional diplomat, however, he cloaked his repugnance in order to better deal with the Argentines. For Bruce and his superiors, it did not really matter whether Perón was replaced by a traditional regime (or even a military junta) or if the conductor
could be convinced to become a conventional leader, so long as the experiments in state corporatism ceased. If the Peronist system was in place, Argentina was a threat to the "Inter-American System" and U.S. hegemony. U.S. policymakers had not moved into partnership with Perón, they had simply recognized that they had to work quietly and preserve the illusion of amity lest Argentine nationalism resurface to the detriment of the United States. The Truman Administration needed cool, level-headed functionaries to carry out such an approach, not stubborn idealists like Braden and Messersmith.
ENDNOTES

1. Bohan to Fletcher Warren, 16 December 1963, Bohan Papers, Correspondence File, Box 9, HST.


4. Messersmith to Secretary of State, 19 December 1946, NA, DS, RG 59, 835.50 Five Year Plan/121946; see also Gilmore to Mann, Lyon, Briggs and Braden, 14 November 1946, NA, DS, RG 59, 835.50/111446.

5. Gilmore to Mann, Lyon, Briggs and Braden, 14 November 1946, NA, DS, RG 59, 835.50/111446; Fitzhugh Granger to Mann, 26 October 1946, NA, DS, RG 59, 835.50 Five Year Plan, 102646; see also Hoyt to Braden, Wright, Mann, and Lyon, 11 February 1947, NA, ARA, Memoranda on Argentina, Vol. 7,8; Mariano Plotkin, Mañana es San Perón: Propaganda, rituales políticos, y educación en el régimen peronista, 1946-1955 (Buenos Aires, 1994), 298-307.

6. Review of the River Plate, 25 October 1946, 8-9; Green to Mann, 26 October 1946, NA, DS, RG 59, 835.50 Five Year Plan/102646; Gilmore to Lyons, Mann, Briggs and Braden, 14 November 1946, NA, DS, RG 59, 835.50/111446; Messersmith to Secretary of State, 27 November 1946, NA, DS, RG 59, 835.50 Five Year Plan/112746; see also Gambini, La primera presidencia, 115-117.


8. Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1814; Review of the River Plate, 14 February 1947, 10; Review of the River Plate, 21 February 1947, 8; see also Central Intelligence Agency, "Probable Argentine Policy toward the U.S. through 1952 and its Effects on U.S. Interests," 15 February 1949, HST, PSF, Intelligence
9. Gilmore to Mann, 2 December 1946, NA, DS, RG 59, ARA, 5-6; Review of the River Plate, 4 October 1946, 8-9; Gilmore to Lyon, Mann, Briggs, and Braden, 14 November 1946, NA, DS, RG 59, 835.50/111446; Granger to Mann, 26 October 1946, NA, DS, RG 59, 835.50 Five Year Plan/102646; Messersmith to Secretary of State, 4 November 1946, NA, DS, RG 59, 835.50 Five Year Plan/11446; see also Virginia Prewett (Chicago Sun) to Truman, 14 October 1946, HST, PSF, Foreign Affairs, Argentina, HST; Messersmith to Secretary of State, 19 December 1946, WNRC, BA, RG 84.

10. Review of the River Plate, 7 February 1947, 11; Review of the River Plate, 28 March 1947, 9-10; see also Messersmith to Clayton, 4 November 1946, NA, DS, RG 59, 835.50 Five-Year Plan/11446; Messersmith to Secretary of State, 4 November 1946, NA, DS, RG 59, 835.50 Five-Year Plan/11446; Memorandum of Conversation, Lord, Flanigan, Braden, and Lyon, 18 November 1946, NA, ARA, Memoranda on Argentina, Vol. 7-8; Messersmith to Secretary of State, 13 February 1947, NA, DS, RG 59, 835.50 Five-Year Plan/21347; Greenup to Secretary of State, 23 December 1947, NA, DS, RG 59, 835.50 Five-Year Plan/122347; Review of the River Plate, 21 March 1947; Review of the River Plate, 26 March 1948, 9; MacDonald, "The Cold War and Perón," 189-190.

11. Gilmore to Mann, 2 December 1946, NA, DS, RG 59, ARA, Sept 1946-Dec 1947; Gilmore to Lyon, Mann, Briggs and Braden, 14 November 1946, NA, DS, RG 59, 835.50/111446; Messersmith to Secretary of State, 11 December 1946, NA, DS, RG 59, 835.50 Five Year Plan/121146; Review of the River Plate, 14 February 1947, 11.


13. Guy Ray to Secretary of State, 17 January 1947, in FRUS XI, 1048-1051; Stiller, Messersmith, 242-243; Acheson, Present at the Creation, 189-190; Braden, Diplomats and Demagogues, 359; see also M. Ugarte to Bramuglia, AMREC, DP, Mexico 1947, Caja 12, Expediente 5.

14. Quoted in Stiller, Messersmith, 220, 236.

15. Merwin Bohan, "The Department of State--A Study of Futility," Bohan Papers, Reference File, Studies and Reports, Box 12, HST; see also, Messersmith to Byrnes, 15 June 1946, in FRUS IX, 258-259; Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1813; Messersmith to Clayton, n.d., Messersmith Papers, 1815; Stiller, George

16. Tewksbury to Messersmith, 6 December 1946, Messersmith Papers, 1826.

17. Apodaca to Messersmith, 5 December 1946, Messersmith Papers, 1825.

18. For example, Brazil only declared war on Japan in June 1945, Uruguay, Paraguay, Venezuela made no declarations until February 1945, Peru never made any declarations, while Chile declared war in April against Japan but never did declare against Germany, "AND, lest we forget, Russia declared war on Japan August 8, 1945." Smith to Messersmith, 4 December 1946, Messersmith Papers, 1823.


20. Oakley to Messersmith, 12 December 1946, Messersmith Papers, 1832.

21. Braden, Diplomats and Demagogues, 368-370; see also the assessment of Jesse Stiller, Messersmith, 232-250, 255.


23. Braden, "Memorandum of the Argentine Situation to President Truman," 12 July 1946, HST, PSF, Foreign Affairs, Argentina, HST; Messersmith to Secretary of State, 26 July 1946, in FRUS IX, 285-286; Messersmith to Secretary of State, 15 August 1946, in FRUS IX, 297-298; Messersmith to Secretary of State, 16 August 1946, in FRUS IX, 302-303.

24. Messersmith had reported to Acheson that Braden was threatening him directly. When Charles Burrows had returned briefly to Washington, he had been sought out by Braden's aide, Carl Spaeth. Spaeth told Burrows to warn Messersmith that he was jeopardizing his career with his insubordination. Braden was in regular contact with the press, and if Messersmith persisted in opposing him, he could expect to be "blown through the roof" and permanently branded an "appeaser" as Nelson Rockefeller
had. Burrows relayed the message and Messersmith interpreted it (probably correctly) as a message from Braden. Acheson dismissed it out of hand. Memorandum of Conversation, Burrows and Spaeth, "on or about June 24," Messersmith Papers, 1794; Acheson to Messersmith, 29 August 1946, NA, DS, RG 59, 835.00/82946; see also Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1813; Messersmith to Truman, 5 October 1946, HST, PSF, Foreign Affairs, Argentina, HST.

25. Messersmith to Simmons, 3 March 1947, WNRC, BA, RG 84; Joseph Tulchin, Argentina and the United States, 94; Stiller, George S. Messersmith, 255-256.

26. Messersmith to Clayton, n.d., Messersmith Papers, 1815; see also Messersmith to Cabot, 24 September 1946, Cabot Papers, Reel 12, HST; Messersmith to Clayton, 2 October 1946, NA, DS, RG 59, 611.3531/10246; Central Intelligence Group, "Soviet Objectives in Latin America," 10 April 1947, HST, PSF, Intelligence File, CIA Reports, 1947 Folder, Box 254, HST; Messersmith Memorandum, 25 January 1947, NA, DS, RG 59, 711.35/12547; Messersmith to Marshall, 21 February 1947, Messersmith Papers, 1851; Central Intelligence Group, "Soviet Objectives in Latin America," 1 November 1947, HST, PSF, Intelligence File, CIA Reports, 1947 Folder, Box 254, HST.


28. Hoyt to Briggs, Wright and Mann, 19 March 1947, NA, RG 59, ARA.

29. Messersmith to Secretary of State, 12 March 1947, Messersmith Papers, 1857; see also Messersmith to Clayton 9 October 1946, NA, DS, RG 59. 835.24/10946.

30. Messersmith to Cabot, 9 September 1946, Cabot Papers, Reel 12, HST; see also Messersmith to Clayton, 21 October 1946, NA, DS, RG 59, 835.50/102146; Messersmith to Byrnes, 30 October 1946, Messersmith Papers, 1814; Messersmith to Marshall, 31 March 1947, NA, DS, RG 59, 711.35/33147; Memorandum of Conversation, Messersmith, Braden, Wright, and Briggs, 21 January 1947, NA, DS, RG 59, 711.35/12147; Review of the River Plate, 28 March 1947, 12; Lewis, Crisis of Argentine Capitalism, 155-157.
31. For example, see Messersmith to Braden, 15 September 1946, WNRC, BA, RG 84; Messersmith to John Simmons (Embassy San Salvador), 3 March 1947, WNRC, BA, RG 84; Messersmith to Secretary of State, 1 February 1947, NA, DS, RG 59, 711.35/2147; Embassy Buenos Aires to Secretary of State, Enclosure 1, "What to do about Argentina," 12 February 1947, NA, DS, RG 59, 711.35/21247; Messersmith to Acheson, 18 April 1947, NA, DS, RG 59, 711.35/41847; see also Ivanissevich to Bramugia, 5 Diciembre 1946, AMREC, DP, EEUU, Caja 8, Expediente 1.

32. Stiller, Messersmith, 256-259.

33. Messersmith to Secretary of State, 5 June 1947, Messersmith Papers, 1889; Messersmith to Secretary of State, 6 June 1947, Messersmith Papers, 1893; Stiller, Messersmith, 257-263; Braden, Diplomats and Demagogues, 369-370.


35. Times Herald, 18 June 1946; see also Drago to Embajador, 6 Diciembre 1946, AMREC, DP, EEUU 1946, Expediente 8, Caja 1; Stiller, Messersmith, 237-260.

36. Speech of Alvin E. O'Konski, 13 March 1947, AMREC, DP, EEUU 1947, Caja 6, Expediente 1; see also Memorandum of Conversation, O'Konski, Armour and Dearborn, 11 July 1947, WNRC, BA, RG 84.


39. Rita Giacalone, "From Bad Neighbors to Reluctant Partners."
CHAPTER 7

FAILED OVERTURES AND NEW ALLIANCES:
U.S. EFFORTS TO SUBVERT THE PERONIST UNIONS AND ARMY,
JANUARY 1947-MARCH 1948

The people are volatile, and it's like sitting in on a continuous poker game except that instead of playing a conservative game of stud, they have the one-eyed jacks and queens wild.

James Bruce, 11 August 1949

I

For the State Department, the end of the bureaucratic nightmare brought an opportunity to better enact the policies developed in 1946 to make the hemisphere safe for liberal capitalism and privatist corporatism. New Ambassador James Bruce and his assistant, Guy Ray, were dispatched to Buenos Aires to complete the task started by Messersmith. They were to give the outward appearance of friendliness at the same time they fomented dissent within Perón's own coalition and cabinet. The State Department had accepted that Perón would be in power for some time to

386
come, and to some extent Messersmith's assertions that he could serve as a bulwark against even more radical nationalists and communists, but they were far from content with his continued experiments in statist corporatism. Thus, they continued their search for a "moderate" counterweight to Miguel Miranda, Eva Perón, and the other "extremists" within the Perón government.

U.S. overtures to various groups in Argentina were seriously limited by Perón's consolidation of power. His first step, in 1946, had been to create a strong state apparatus capable of sustaining economic growth. His second step was the strengthening of his political position. Using a combination of selective repression, demagogy, a "whirlwind" of social welfare measures and labor reforms, and skillful political maneuvering, Perón entrenched his regime throughout 1947 and early-1948. The rise to prominence of his wife, Eva Duarte de Perón, cemented the regime's political position. Through her adroit and passionate efforts to gain the loyalty of the masses, she indeed became a "bridge of love" between the President and the descamisados. Sra. Perón's ascension simply completed the process that had started when Perón first decided to win over the masses.

Once they realized that Perón's domestic opposition could put forward no viable alternatives, U.S. policymakers had to find a stalking horse within the
peronista coalition itself. U.S. unionists and their government patrons tried to use Perón's working class allies, but this effort ran afoul of his increasing hold on the C.G.T. The President had been trying to curb the independent elements of Argentine labor for some time, and finally succeeded, partly because of an ill-fated AFL attempt to meddle in Argentine politics. The American Federation of Labor (with State Department support) and the CIO tried to encourage opposition to Perón within Argentine unions, but these efforts, like Braden's Blue Book, had only served to strengthen the conductor.

The State Department did have other alternatives, however. Ultimately, U.S. policymakers were forced to ally themselves with the Argentine Armed Forces. Although they seemed to be unlikely partners, the Ejército Argentino and the United States government quickly found common ground. The Army desperately sought U.S. weaponry, and the United States needed "moderate" peronistas with influence in the New Argentina. The Ejército was already predisposed to oppose "extremists" like Miranda and Eva Perón, and therefore required very little encouragement from their Yankee partners. Thus, the State Department turned to General José Humberto Sosa Molina and the military establishment that was willing to accept U.S. hegemony and a liberal capitalistic order. So even though the period from late-1947 through early-1948 largely
lacked the dramatic, sensational developments that had become characteristic of U.S.-Argentine relations, it was nonetheless a time of quiet, but highly significant movement.

II

Throughout 1947 and 1948, Perón continued to enhance and spread his power over the Argentine labor movement and the nation at large. While the relatively independent CGT had served him well in the election of 1946, he nonetheless proceeded with his effort to complete the "capture" the union federation. Like his New Deal counterparts, Perón in power had little use for labor militancy that could potentially disrupt the consensus he was working to forge and the economy he was trying to build. Furthermore, strong, independent labor leaders posed a challenge to his complete authority over this core constituency. By the end of 1947, Perón had effectively purged the CGT of potential dissidents, replaced them with loyal sycophants, emplaced "Evita" as the de facto head of the labor movement, and decimated the unions as an independent political force by forcing them into what would become the Partido Peronista. By the time he was done, Perón had achieved almost complete control over the Argentine union movement.
The destruction of the Partido Laborista had been almost a foregone conclusion since the pivotal election. With the exception of former members of the old Socialist Party, Argentine unionists had little tradition or experience with political activity. Labor leaders had always preferred more informal, pragmatic relations with the parties and governments until Perón's emergence gave them an unexpected and unprecedented opportunity to seize the reins. In 1946, Laboristas such as Luis F. Gay of the Federación Obreros y Empleados Telefónicos (FOET) and Cipriano Reyes of the meatpackers achieved a taste of true power through Perón's victory and their own successes in Congressional and local elections. With eighty-two Laboristas in the lower house of Congress and "Argentina's Number One Worker" in the Casa Rosada, the future appeared bright for Argentine workers and their unions.

Unfortunately, the victorious Perón no longer needed the union chieftains that had been so instrumental in mobilizing workers for his drive for the Presidency. Problems arose almost immediately after the election, as the members of Perón's coalition prepared to divide the spoils and name their selections to the Senate. Laboristas naturally tried to nominate Gay for the Senado, but the politically-inexperienced unionists were outmaneuvered and Admiral Alberto Teisaire was given the position. Angry Laboristas responded to this slight.
When Perón nominated his Secretary of the Interior, Angel Borlenghi, to head the CGT, the union federation passed him (and a second Perón nominee) over in favor of Gay, and named him as the leader of the Laborista party as well.

Gay was a formidable opponent who posed a difficult problem for Perón. Before hitching his cart to peronismo, he had skillfully helped to steer the FOET through the crises of the "Infamous Decade" of the 1930s and the Concordancia's attacks upon labor. Gay believed in independent, apolitical unionism (and cited Samuel Gompers' AFL as his model), but had, like many others, thrown his weight behind Perón. For more than ten years before Perón even started to cultivate the working classes, Gay had been fighting for Argentine workers. While Perón might be hailed as "Argentina's Number One Worker," union bosses such as Gay had at least an equal claim upon the long-term loyalty of the rank-and-file. Although many unionists might have seen Perón as an unequivocal savior, leaders such as Gay took a more pragmatic attitude and were determined to retain their unions' coveted independence. So long as strong intermediaries such as Gay, accustomed to resisting government depredations, existed, Perón could never achieve full control over the invigorated labor movement. Leaders such as Gay had, in the words of Juan Carlos Torre, "compromised" with Perón, but were not going to
abandon independent unionism voluntarily. Thus, as he did with many potential rivals, the conductor worked to curtail Gay's power by any means short of direct confrontation. When Gay took over the CGT, the President offered to lend him the services of peronista loyalists to lighten his work load, write his speeches, and presumably guide the union. Gay politely declined the offer, but did accept other official positions that he later admitted were intended, in all likelihood, primarily to keep him busy. But if Perón hoped that Gay would be brought around or distracted by these efforts, he was disappointed as the union chief steadfastly guarded the autonomy of the CGT.

Unable to turn Gay, Reyes or other union bosses, Perón suddenly announced that he was merging the UCRJR and Laboristas into a single peronista party in mid-1946. Of the Laborista Deputies in Congress, only Reyes formally and fruitlessly resisted. Unwilling to cross their benefactor, and perhaps unaware of the significance of the move, the traditionally apolitical Argentine unions left Reyes out on his limb, where Perón could deal with him at his leisure.

While not as openly rebellious as Reyes, Gay nonetheless continued to fight to preserve independence as the head of the CGT until early-1947 when U.S. interference once again played into Perón's hands. An AFL delegation visited Buenos Aires to "investigate" Argentine
labor in January where it accomplished little but to provide Perón with a suitable excuse to purge Gay. More than another scandal and foolish, ill-fated attempt to intervene, however, the "Gay Affair" was a highly significant development that illuminates a confluence of far deeper trends in U.S.-Argentine relations and international labor history.

The "Gay Affair" centered upon an expatriate Italian, Serafino Romualdi. Romualdi had fled Mussolini's Italy and attached himself to the AFL, Nelson Rockefeller's division of the State Department, and various anti-fascist organizations in Latin America (such as the Mazzini League) during the war. After the war, Count Carlo Sforza offered him a post in the Italian Foreign Office, which he turned down to remain with David Dubinski and William Green in the AFL, serving as the "labor ambassador to all of Latin America." As Green's AFL was looking to regain its prestige and spread its tame, conservative brand of trade unionism into Latin America, Romualdi's wartime contacts there, knowledge of Spanish, and venomous hatred of totalitarianism fit well.

Romualdi's first task was to set up an inter-American labor federation that could effectively compete with the Confederación Trabajadores de América Latina (CTAL). The CTAL, itself created in part as counter to earlier AFL efforts in Latin America, was a left-leaning
organization led by Mexican Marxist Vincente Lombardo Toledano. With the coming of the Cold War, the AFL sought to challenge Toledano and the radical CTAL as the voice of unionism in the hemisphere, as it was working against the CIO-backed World Federation of Trade Unions (WFTU) in Europe. As the CIO maintained some affiliation with the suspect CTAL, AFL leaders believed that they could curry favor with anti-communists in the Truman administration, thereby bolstering their union's domestic standing. Described by Toledano as an 'agent provocateur,' Romualdi was to unite unaffiliated unions and split "moderate" organizations from the CTAL to establish their more palatable alternative. The most powerful and lucrative anti-CTAL, anti-communist union in the hemisphere, however, was Perón's CGT.

For the unionists of the CGT, the prospect of gaining AFL respect and recognition was an unprecedented opportunity. The CGT, like the AFL, had little use for Toledano's CTAL, and leapt at the opportunity to ally itself with the revered Yankee union. Indeed, despite the AFL's "conservative reputation" among Latin American labor circles, the Argentine federation envisioned itself as the logical Latin American spearhead of the AFL's brand of anti-communistic unionism.
The English-speaking unionists of the United States evidently cannot, as the minority they are, take the initiative to establish any system of hemispheric union cooperation.\textsuperscript{9}

Well aware that the AFL was working to dismantle the CTAL, the CGT welcomed the opportunity to work with AFL President William Green. While Green and the AFL had considerable prestige in Argentine labor circles, Peronist union leaders nonetheless believed that they could enter as equal partners into a new organization with their North American brethren.\textsuperscript{10}

The AFL had already attempted to extend olive branches to the CGT by offering to base their new hemispheric organization in Buenos Aires, but Perón's increasing hold on the Argentine federation raised questions about its status as a truly independent trade association. To dispel any doubts in this direction, Argentine Ambassador Oscar Ivanessevich repeated Secretary of the Interior Angel Borlenghi's earlier invitation for AFL and CIO representatives to visit Argentina in July 1946. The CIO coldly rebuffed the initiative, but the AFL considered the proposal. Deeming it improper to accept the invitation of a government, Green informed Ivanessevich that the CGT itself should forward the invitation to its fellow unionists. In December, the CGT echoed its government's offer, and the stage was set for the climactic confrontation.\textsuperscript{11}
While Messersmith considered the decision to invite the AFL and Romualdi to be a "mistake," the Argentines were convinced that they had an opportunity to showcase the "maturity of the Argentine proletariat, the potential of its unions, and its freedom." Indeed, the CGT press predicted that the AFL delegation would find it easy to observe the contrast between our democracy and that of the yanquis, where at this moment the government and the major political parties compete with each other to put forward anti-worker legislation designed to satisfy the imperialistic capitalists of Wall Street."

As Truman was in the midst of his crackdown on John L. Lewis' UMW and the Taft-Hartley bill was on its way to passage through Congress, the CGT fully expected to meet AFL representatives incensed with the "yanqui plutocracy" and the "American capitalist trusts." Argentine labor attaches serving in the Washington Embassy reported to their superiors that the United States was ripe for peronista overtures. The United States was apparently heading for a record year of strikes, Lewis's renegade unionism, and a resurgence of "wildcat" strikes made it seem that there was a hotbed of labor militancy beneath the timid AFL and CIO leadership. Because both political parties seemed to be determined to crush this spirit, and Truman had not lifted a hand to forestall these developments, the Peronists appeared to believe that labor was about to part with the New Deal to retain the
militancy that had made it powerful. U.S. unionists might be willing to join with their Argentine brethren in an alliance that repudiated the extremes of both capitalist plutocracy and communist totalitarianism. Despite the obvious philosophical differences, an anti-communist AFL-CGT alliance appeared to be imminent. Serafino Romualdi, however, had other ideas.

Although Romualdi was not the titular head of the AFL mission that arrived in Buenos Aires in January, he easily overshadowed the rest of the delegation who lacked his fluency in Spanish, experience with Latin America, and powerful personality. Since Romualdi considered Perón to be nothing more than a latino Mussolini or Franco, there was little chance that the trip could be anything other than a disaster. Like others in the AFL, Romualdi had once elected to focus upon the anti-communist, anti-CIAL position of the CGT, and had hoped to ally with the Peronist union federation. However, his long-time hatred of fascism, and possibly his desire to earn Braden's backing, had turned him into an implacable foe of Perón.

As soon as the delegation landed in Buenos Aires, Romualdi began offering what must have seemed to be a series of gratuitous insults to Perón. The conductor had agreed to meet the AFL delegation the morning after its arrival, but Romualdi postponed the meeting with the
President, citing jetlag. Even the lodging arrangements were not to Romualdi's taste. While he had hoped to stay at "[his] hotel" close to the Casa Rosada, the Ministry of Labor and the U.S. Embassy, Peronists had provided accommodations at the "more comfortable and spacious" Alvear Palace farther away. Believing that this was an intentional ploy to hamper the unrestricted movement of the AFL team, Romualdi protested vigorously and eventually had his way, "but not without arousing some displeasure on the part of our hosts." Tensions also rose when the AFL delegates were unwilling to accept Perón's agenda for their visit, as it did not provide enough opportunities for the delegation to meet with Argentine unionists. The most serious confrontation occurred when Romualdi insisted to Perón that the AFL's purpose in Buenos Aires was to "investigate" the status of the Argentine unionism, rather than to "fraternize." Green and the AFL leadership had always maintained that the delegation had been sent to assess the CGT, so here Romualdi stood on firm ground. However, since the word "investigate" implied criminal behavior, peronistas naturally took umbrage. Incensed, Perón ultimately threatened to send the AFL delegation home. He warned, "I know what you are up to," adding a thinly-veiled personal threat in Italian to Romualdi."

Romualdi was "up to" so many different questionable activities in Buenos Aires that it is unclear exactly to
which one Perón referred. He may have realized that the AFL representative was acting in collusion with Braden and the State Department. Secretary of State Byrnes had promised Romualdi "informal assistance" from U.S. Embassies in Latin America, the Italian carried letters of introduction from a number of important State Department officers, and he reported directly to the U.S. Embassy. Although he had not yet forged his full-fledged alliance with Braden (and Braden's successor, Norman Armour) by the time of the visit, he was diligently working to do so, and had met with Braden weeks before the AFL delegation left for Argentina. 19 Even more suspect, however, were Romualdi's cloak-and-dagger escapades in Buenos Aires. Using a driver who was a Spanish Republican refugee and the member of an anti-Perón "embryonic underground," he dodged police surveillance to meet with "a number of prominent people within the opposition." In the course of his visit, he also re-established old ties with anti-Perón union leaders and Socialist dissidents, even writing a letter urging Argentine Socialist leader Nicolás Repetto to subvert the CGT. 20

Whatever else he was doing, Romualdi was also trying to stir up dissent within the CGT through Gay. According to Romualdi's report to the U.S. Embassy, Gay had promised him that he would continue his fight to preserve CGT independence and integrity. Perón biographer Joseph Page
conjectures that the President might have somehow discovered this pledge and acted upon it. The conductor claimed to have tape recorded conversations that proved that Gay was involved in treason with the AFL delegate (although he never produced these tapes). Perón acted quickly against Gay, charging him with "political high treason" and various other crimes, including conspiring with Romualdi and Braden to weaken the President and "sell the Argentine workers to American imperialism." The CGT, which as late as January 16 had proclaimed that "the movement needs men like Luis Gay who accumulate jobs, but not pay," echoed Perón's denunciations of the State Department's efforts to "separate Perón from the workers." Perón offered to allow Gay to quietly resign, and the CGT tamely acquiesced, accepting his resignation by a vote of 69 to 11. Gay went into hiding for several years, and was subsequently replaced by Perón's man, Aurelio Hernandez. It is difficult to envision another scenario where the CGT would have allowed Perón to unseat its popular chief without a fight. But the President knew well from experience that making nationalistic appeals to anti-U.S. sentiment virtually guaranteed him victory. Just as he had done with Tamborini after the publication of the Blue Book, Perón was able to brand his opponent as a quisling. For union members to stand up for Gay was to stand up for Braden. Whether Romualdi's activities actually
precipitated Perón's decision to finally move openly against Gay, or merely provided a convenient pretext, the last obstacle to the "capture" of Argentine labor was effectively removed. In the months following Gay's retirement, the CGT underwent a visible change. The CGT's Periodico Seminal reflected these changes, as Perón's slogans and sayings became regular features, and paens to the "Paladin of Social Justice" dominated front pages. The organization which had resisted "Peronization" through 1946 had been thoroughly "captured."[1]

In the aftermath of the "Gay Affair," Romualdi used his underground acquaintances to flee from a scathing peronista press campaign and physical threats to Montevideo. He did eventually rejoin the AFL delegation for the last uneventful phases of the tour, and returned to the United States to present his findings. Romualdi's venomous report naturally concluded that the CGT was a "puppet" organization that could not be trusted, and in fact should be fought vigorously. He catalogued the complaints that he had heard from the independent unionists, detailing the "violence, corruption, bribery, favoritism, and all the illegal methods and pressure" that Perón had used to subvert or eliminate previously autonomous unions. Romualdi had to concede that Peronists had indeed delivered "a good number of overdue economic reforms," but added that "social legislation without
freedom is inadequate and may even serve as a cover for tyranny." While the report admitted that there was "little formal action...to suppress civil liberties," it argued that Argentina suffered from a "general atmosphere of fear and mutual suspicion" that informally impinged on civil liberties. Matthew Woll personally sent a copy of the report to Hernandez, warning that it "does not cast a favorable light" on the CGT, while Romualdi forwarded it personally to Braden and soon received Braden's full blessing and support. While the AFL's fierce anti-communism was probably more important in solidifying its position with the government, its anti-Peronist contribution.

Romualdi and the AFL could no longer view the CGT as a welcome partner, but were forced to accept the peronistas as rivals. According to Romualdi,

Here is, therefore, the real danger. Danger to the orderly development of social evolution and social reforms in the rest of our sister republics in the American hemisphere. For the Perón myth might easily spread all over Latin America, where the economic conditions of the workers are generally speaking deplorable, and where economic reforms are long overdue. The masses of Latin America cry out for a better standard of living; they cry for a larger share of the fruits of their labor and the national wealth. If democracy does not find a way to satisfy these just demands...then they will inevitably turn to the first demagogue who will seduce them with catchy slogans and fantastic promises."
Like communist propaganda, the "militaristic totalitarian type spread by Perón in South America...germinates very well in the psychologies of people who are victims of confusion and of political disillusionment and economic suffering." The AFL never feared Perón as much as it loathed the communists, but leaders that used puppet labor movements as a "club to make a mockery of the democratic process" constituted the same sort of threat. Romualdi derided Argentine laborers for having traded their freedom for bread (whereas laissez-faire capitalism offered freedom, but provided no bread). He argued that workers should instead hold out for the bread and freedom that AFL union members enjoyed. Thus, the AFL (like its government patron) attempted to steer a middle-course that disdained both totalitarianism and the laissez-faire alternative that so often spawned it. Unfortunately for the AFL, the tame, patient unionism it condoned and the long-term benefits it promised had little appeal for many Latin Americans who found more hope in the revolutionary alternatives of communism or Peronism. Just as Green's predisposition against militancy and confrontation had endeared the AFL to the U.S. government, it was as out of touch with Latin American labor as it was with the AFL's own rank-and-file."

The CIO had no dramatic "Gay Affair" to illuminate its position, but its approach toward Perón and the
problems of Latin American labor in the post-war period still merits notice. Although the CIO's ties with the New Deal and the Democratic Party should have made it the natural recipient of the government sponsorship that fell to the AFL, it was not. Nonetheless, CIO leaders shared much more in common with both the AFL and the U.S. government than they would have cared to admit.

Although he was cut from a far different mold than Romualdi, James Carey, long-time Secretary-Treasurer of the CIO, exemplified the new, "enlightened," internationalist labor leadership of the CIO. Carey's speeches echoed those of Clayton and the most aggressive free-traders in the Truman Administration. He regularly served on diverse semi-official committees with progressive businessmen such as Clayton, Paul Hoffman, Owen Young, Gerald Swope and Nelson Rockefeller, and even advised Truman himself. Carey shared with these men a profound faith in expanded international trade, the ITO and the Reciprocal Trade Agreements. He also believed in various social welfare policies which would soften the blows that expanded multilateral trade and regional specialization would inevitably inflict upon workers in "inefficient" industries. This belief put him into an awkward position, for businessmen (and unionists) in these protectionist industries appealed to him, pleading for the CIO to throw its muscle behind tariffs that would protect
their interests at the expense of multilateral trade. Carey tended to turn a deaf ear to their pleas, arguing that U.S. labor would eventually benefit far more from "enlightened" multilateralism. While Carey did give more attention to the preservation of jobs and wages than most New Dealers, he was clearly well within the mainstream of the New Deal ethos.26

Carey and the CIO had started to take a genuine interest in Latin America during the war, when Cordell Hull had opened the door for American labor to become a partner of the State Department. The Hull-Carey alliance was a natural one, based upon the mutual needs and beliefs of these kindred spirits. Hull could use CIO officials based in U.S. Embassies abroad to report on dangerous developments in Latin American unions and encourage proper unionism, thereby facilitating the war on fascism. U.S. labor officials were patriotic Americans first and workers second. Thus, in most cases, they tended to support U.S. businessmen and government whenever they clashed with Latin American workers. The war effort was an excellent opportunity for U.S. labor to begin habitually associating the interests of the international working class with those of their government. For CIO (and AFL) leaders, government acceptance of a labor role in foreign affairs could only help their domestic standing, prestige, and power. Since, as Carey noted, labor leaders could deal
more productively with Latin American laborers and moderate socialists than government functionaries could, they were a more effective conduit for liberal capitalist values. For Hull, however, labor attaches' contributions in the field were of secondary importance. Hull acknowledged that enlightened unionists like Carey were vital to ensure CIO support for Reciprocal Trade Agreements and tariff reduction at home. Although it came to an end with the war's conclusion, the labor attaché program had been a dramatic success for the budding government-union foreign policy consensus."

While the AFL had briefly considered alliance with the CGT, Carey, George Michanowski, Jacob Potofsky, and the CIO unequivocally endorsed Braden's "taking up the cudgels for the cause of democracy" against Perón. Potofsky, head of the CIO's Latin American Affairs Committee had publicly proclaimed Perón to be a fascist "cancer" and an "outlaw in the family of nations." In this, the CIO had echoed both the CTAL and the U.S. government. Like their AFL counterparts, CIO officials downplayed the significance of the wage and benefit gains that Perón had delivered to the Argentine working class, and focussed upon the subversion of free labor unions. Even though Carey himself bemoaned the fact that there were no unionists in the U.S. Congress, the CIO ignored labor's strong representation on the Argentine Camara de
Deputados. Without independent unionism, CIO leaders argued, any other benefits were peripheral, and in all likelihood temporary. Although this assessment was later proven to be valid, in many respects the CGT had accomplished as much (if not more) than the CIO had within the New Deal Order.

When Ivanissevich invited CIO representatives to join the AFL delegation, the CIO rejected the offer. "Perón of Argentina," the CIO News claimed, "will not be able to use a CIO delegation to whitewash his fascist regime." The CIO's posture was not surprising. Murray and Carey had maintained close relations with José Domenech, the pre-Perón Secretary General of the CGT and helplessly watched his power fade. It is hardly surprising that Murray's CIO, with its tentative acceptance of communism and close relationship with the CTAL, opted to view "fascists" such as Perón as the true enemy.

Significantly, the members of the LAAC considered Peronism to be, like the AFL, a threat to CIO dominance in Latin American labor circles. Perón, they argued, was utilizing CGT personnel and "sparing no effort or expense to achieve the objective of creating an inter-American labor movement as a corollary" to his "Third Position."

Labor attachés, sometimes two or more, are attached to every Argentine Embassy as a special task force to gain labor's sympathy and to draw the union movement into the new Peronist labor organization. They are indefatigable . . . It must be said that the efforts to draw the Latin
American labor movement into the Perón orbit have failed so far. However, the Argentine propaganda line of denunciation of Yanqui Imperialism, racial discrimination and exploitation of Latin American workers by American corporations will have considerable impact.30

The State Department concurred with the CIO's assessment of Perón's labor attaches, and argued that by disseminating anti-U.S. propaganda, Perón was incidentally helping communism, and directly undercutting the United States. Other CIO commentators similarly considered Latin American labor to be three distinct "camps;" the CIO/CTAL, Peronist, and AFL. While the CIO would never be able to convince the State Department that it was as anti-communist as the AFL, or that the Peronists were as great a threat as the communists, its stance can probably be at least partially explained as an attempt to curry favor with Bradenist hard-liners in the Administration.31

This quest failed. Partially because of the Cold War, and partially due to the last remnants of CIO militancy, the U.S. government naturally opted for the AFL to be its labor spearhead in Latin America. It quickly became very clear that policymakers did not want the CIO to be especially active in Latin America. In early-1946, CIO leaders offered their services to restart the wartime labor attaché partnership with the State Department. In spite of repeated efforts, Braden's replies to Michanowski and Potofsky were lukewarm negatives. While he professed
agreement with the sentiment, he asserted that

It would be very difficult to carry out such a project at this time without giving the impression that this government was attempting to practice an indirect form of intervention in the internal political affairs of other American Republics. In view of the present Argentine situation, I feel that the government should be especially careful not to invite such accusations gratuitously."

Braden's note was dated only weeks after the release of the Blue Book and just months before he started putting the Department's resources at Romualdi's disposal. On the other hand, Byrnes warned his Embassies to "avoid any formal sponsorship of Romualdi's activities which might give rise to charges that the State Department is favoring the AFL over the Congress of Industrial Organizations." Although the State Department did not want to snub the CIO, Romualdi and the AFL had assumed "overt" government patronage."

Ironically, when the LAAC's "Plan for the Economic and Social Development" of Latin America listed the important criterion for union development and goals, Perón had already taken (or was taking) most of the steps the CIO advocated." Interestingly, at least one member of the CIO recognized this discrepancy and tentatively called for a re-evaluation. Perón's Administration had done much for workers ("and not just on paper"), one unsigned memorandum argued, and "though basically dictatorial . . . has . . . given up some of its abuses." Even if Perón
himself was unpalatable and had suborned independent unionism, "there have been strikes all the time," and "whether we like it or not, we are not in a position to tell the Argentine workers what to think and to do, and certainly not by way of ordering them around." The author proposed that the CGT might make a useful ally against the AFL, thereby illuminating his motives to some extent. Nonetheless, the majority of the CIO and LAAC never flagged in its stout opposition to Perón. The LAAC remained firmly wedded to the Truman Administrations' policies, and in 1950 Truman himself lauded Potofsky's rejection of totalitarianism and "contribution to the strengthening of American traditions."35

The fate of the CIO in many ways paralleled what was happening to the CGT. Both had hitched their carts to political movements and leaders that had allowed them to win unprecedented victories. However, once Perón and the New Dealers had established themselves, they had little use for militant union federations that might rock the ship of state. Thus, Perón purged independent unionists and replaced them with pliable cronies, as the U.S. government gave its nod to the AFL, and ostracized loose cannons like as John L. Lewis. Increasingly subordinated to their patrons' larger interests, the CIO like the CGT had, in Romualdi's words, sold its freedom for bread. Although the CIO and AFL alike had sentenced themselves to
a subordinate role in the New Deal coalition, the New Dealers never achieved (or sought) the degree of control that the Peróns came to exercise over Argentine workers.

III

In essence, Eva Perón replaced the deposed union leaders as the symbolic and practical link between Perón and the masses, and completed her husband's "capture" of Argentine labor. Although she had been a hindrance to Perón prior to the election, she quickly emerged as one of his most powerful assets. The old union bosses like Gay and Reyes had been loyal first to their rank and file, and Perón's lackluster appointees lacked the influence and prestige to accomplish much within the CGT. Perón needed a dynamic, charismatic leader that was completely loyal to him. By 1947, his wife met both of these criterion. As a woman, she could never become an independent political force, and her remarkable political savvy soon became apparent to all. Although she originally had no official title, she had an office in the Labor Ministry that kept her in regular contact with both government officials and the union chiefs. Perón made his wishes known through his wife, and counted upon her to relay them. Within months, however, her talents had surfaced and her role expanded dramatically.36
Mrs. Perón's power over the unions was exercised informally. Disgruntled workers approached her as an 'extension' of the President, citing abuses or seeking redress of grievances. Peronista union bosses in need of re-election could petition her for assistance, and would be further in the Peróns' debt. In addition, she took over some of Perón's duties, giving speeches and attending union rallies. Soon it became clear that her office, rather than that of Secretary of Labor José María Freire or CGT chief Hernandez, was where workers could turn for aid. Just as before the 1946 election, labor would not be allowed to forget that its gains came directly from Perón.

But her role expanded dramatically to preserve Perón's position not only among the union members, but also the descamisados. Social welfare in Argentina had been traditionally the realm of a small coterie of aristocratic women. As the President's wife, Mrs. Perón should have been accepted into this Sociedad de Beneficencia. However, upper-class porteño society spurned the former actress, citing her youth and questionable background. To punish the establishment that had shunned "Evita," the peronistas nationalized and reconstituted it as the María Eva Duarte de Perón Foundation (later, the Eva Perón Foundation). Through the Foundation that bore her name, Eva Perón transformed
herself into the cult figure that would earn the love and devotion of the masses, and the undying hatred of the oligarchy.

No single, dramatic act transformed her from a second-rate actress into "Evita," the beloved benefactor of the descamisados. Instead, it was her constant charitable activities on the behalf of the beleaguered, destitute poor. She received virtually anyone in her office, and made certain that any descamisado who crossed her threshold left with something. She kept a stack of fifty-peso notes on her desk, handed them out liberally, and when the stack disappeared, called upon her aides to empty their own wallets. Likened by a reporter to a "chess master playing twenty-five games at high speed," she dealt with the expectant hordes each afternoon. While the poor had come to expect cold snobbery from the old Sociedad de Beneficencia, "Evita" gave compassion and sympathy. Unlike most, she did not fear physical contact with leprous or syphilitic appellants. Denounced by high society as vulgar, such displays only brought adoration from the forgotten descamisados.

Aside from such haphazard gestures and handouts, the Eva Perón Foundation did have its more systematic (and undoubtedly more effective) programs. The Foundation merged disparate nursing schools into a single institution that provided free education for interns. Her foundation
financed the construction of twelve to fourteen major public hospitals to further improve the health care system. Through her, they imported some of the most modern equipment in existence and were able to provide free care for the poor. Not only was health care improved dramatically, but it was spread to the interior of the nation, where it was most needed. In addition, the Foundation erected orphanages, nursing homes, hogares de transito, low income housing projects, schools, and similar institutions. Naturally, Perón and his wife's visages figured prominently among the decor of these projects lest anyone forget the identity of his or her patron. Critics denounced these projects as extravagant, and many undoubtedly were, but they did serve valuable functions—assisting the dispossessed and cementing their loyalty to Perón.38

The funds for these activities, of course, did not originate with the Peróns. Mrs. Perón solicited "voluntary" donations from businesses, unions and individuals to the tune of an estimated $90 million per year. Businesses that did not contribute adequate amounts were induced to do so. Chocolates Mu-Mu, for example, was closed by health inspectors for three years until the owners offered a "spontaneous donation" to the Foundation. While such blatantly punitive measures may have been infrequent, most industrialists seemed to understand that
there would be significant consequences to who crossed the Foundation. Sra. Perón claimed to have learned the art of raising money from Miranda, who told her to "give the 'fat cats' a kick and out comes the cash... [and] with cash we get social justice." By 1950, the Foundation was a powerful and wealthy force that served, through her, as another direct extension of Perón's power."

The third major manifestation of Sra. Perón's talents, as the head of a women's peronista party, did not begin to appear until later. Since before his election, Perón had promised to deliver the franchise to Argentine women, as yet another attempt to open up Argentine democracy. Eva Perón naturally emerged as the standard-bearer for this campaign. When Perón delivered on his promises and pressed for women's suffrage, his wife stepped into the role as the head of the women's wing of the Peronist party. This Partido Peronista Feminino, a parallel of the Partido Peronista, served Perón well of course. In the 1951 presidential election, the first in which women were permitted to vote, Perón captured 2,441,558 of the 3,816,654 votes cast by women. Peronist women entered the Argentine Congress, further strengthening Perón's electoral machine."

"Evita's" emergence thus added a new dimension to Peronism. As the President of all Argentines (not just the vanguard of a movement), Perón had to adopt a more
conciliatory stance toward his opponents and moderate his activities to build consensus and establish his legitimacy as a head of state. His wife, however, operated under no such constraints and could give the same sort of aggressive, militant speeches that Perón had used to radicalize the masses. While Perón attempted to win over industrialists, build consensus, and gain U.S. favor, his wife maintained (and even enhanced) the redistributive and revolutionary flavor that had originally brought the conductor to power. She replaced the old union chieftains and political functionaries that had previously been his link to the masses, and simultaneously replaced support for Peronism with adulation. With her sudden and dramatic rise to prominence, Perón's last obstacle to dominance was effectively cleared. No one could challenge peronista control over the unions or the polling booths, and even the Army recognized that Perón's "cult of personality" was, for the time being, insuperable. So long as the Peronist economic and political formula continued to pay dividends, "extremists" such as Miranda and Figuerola were free to continue their economic experimentation.

IV

At the same time Perón was consolidating his power over the unions and the nation as a whole, the State
Department was refining its approach. Without the Messersmith-Braden feud to cloud the issue, policymakers were able to more clearly define their goals and present a unified policy. U.S. officials in Buenos Aires and Washington coordinated their actions to effectively implement the strategy they had developed in 1946. The new ambassador, dairy executive James Bruce, picked up where Messersmith had left off, attempting to divert Perón from his dangerous statism. In this task, he and his superiors quickly discovered that they had unexpected allies in the Argentine Army. Argentine military men had little use for Mrs. Perón, her labor constituency, or Miranda, and desperately wanted U.S. arms. Washington recognized this and shifted its policies accordingly.

Bruce was another of the New Deal's businessmen-cum-diplomats who had little experience with formal diplomacy. Therefore, he relied heavily upon his able and well-travelled subordinate, Guy Ray. Ray and Bruce accepted the State Department's general assessment of Peronism. In an unusually long and candid dispatch, Ray laid out their views on the Argentine situation after several months in Buenos Aires. Acknowledging that Perón "has many Nazi-Fascist ideas," Ray nonetheless asserted that he was better categorized as an opportunistic "man on horseback" who simply "loves power." Perón was not "the absolute dictator he is so often depicted as being," but a
traditional *caudillo* who was "saddled" with "unscrupulous" counselors like Miranda and a wife who "could be briefly and accurately described as a national Argentine headache." Because of the weakness of the democratic opposition to Perón (a product of its own ineptitude and Peronist repression), Ray reiterated the belief that Perón was in power to stay.*

Thus, U.S. officials should continue to "convert" Perón to more sound economic paths. Ray prophesied that "if we play our cards right, we can strengthen Perón in defending himself against the extreme nationalists."*^ Not surprisingly, Ray had to defend himself from the last remnants of Bradenism in the State Department.

> It should not be deduced...that we have gone overboard and think the set-up here is perfect. We all know it is lousy. Perón's basic philosophy is totalitarian; IAPI is rotten almost beyond the point of description; Perón is a staunch admirer of Franco; we think we understand pretty well what kind of people we have to deal with."

Other opponents in Washington believed that cultural missions and exchanges might warm Argentines to the concept of U.S. hemispheric leadership. However, the task at hand, Ray argued, was to focus upon the economic issues. Even if Perón's authoritarian methods were unpalatable and Argentine culture had little in common with that of the United States, economic factors were the ones that brought nations together or drove them to war.
History does not record a single instance where cultural relations were a determining factor in provoking or preventing a war or deciding on which side a nation would line up in the case of war. . . Certainly no one would argue that Germany, Japan and Italy lined up together during World War II because of cultural sympathies or admiration for each other's blue eyes.

In short, "so long as IAPI, unfair treatment and obstruction of business and arbitrary controls and restrictions continue, our relations with Argentina will inevitably remain difficult." Ray was confident that if IAPI was proven to be ineffective, Perón would abandon gross statism (and Miranda with it). Thus, the United States should do nothing that might strengthen Argentina's financial position so long as Miranda and his allies (the "worst elements") were parts of the government. Bruce agreed with Ray's assertions wholeheartedly.

Perón seemed to understand the U.S. preoccupation with IAPI, and stimulated no small amount of wishful thinking in the State Department. Almost every time he met with Embassy officials, the Presidente informed them that he would be shutting down IAPI in the near future. Ray, Bruce and the Embassy staff took these pledges at face value and dutifully forwarded them to Washington—hoping that Perón would soon tear out the foundations of his economic program. In August 1947, Ray reported that Perón had informed a visiting politician that "IAPI would be dissolved within the year." In September, Bruce wrote
that Perón had assured him that IAPI would be "entirely abolished" by June 1, 1948. In October, the conductor told Bruce that "he is going to get rid of IAPI as soon as he can." In November, Miranda told a visiting U.S. businessman the same thing. Bruce's optimism persisted undaunted throughout 1948, as he reported that "conviction [is] growing here that [the] President will be forced to make sweeping changes [in] IAPI and [the] financial set-up." In December 1947, the Embassy reported that Miranda himself was "cleaning out" IAPI. Even one and one-half years after Perón's original pledge to do away with IAPI at the first available opportunity, it remained at the center of the Argentine economy.

Miranda was the second focus of U.S. policy. Messersmith had originally singled him out as the most dangerous peronista, but had exonerated the "economic czar" in his last months in Buenos Aires. Ray and Bruce returned to the original assessment, and took it a step farther. Bruce's assessment of Miranda is telling.

Miranda is a nimble-witted, shrewd man, devoid of principle, and of no character. His word is not to be relied upon. As the head of the finances of a nation, he is completely incompetent. One would have to search history to find a man who has been of such disservice to his country as this man has been to this nation. We are on friendly terms with Miranda."

Miranda maintained that "IAPI had to go on because the original idea behind IAPI was a good one." Unfortunately
for the Embassy, Perón soon reaffirmed his faith in the "economic czar," by naming him President of the newly-created National Economic Council (NEC). Imbued with broad (but vague) powers, the NEC was another of Perón's attempts to centralize the Argentine economy under the auspices of a technocratic administrative body. The Embassy could take solace in Miranda's resignation from his formidable posts at IAPI and the Central Bank, and hoped that this was a "kick upstairs" to get him out of the way, but dreaded what he might be capable of doing in this new office."

There was some cause for the Embassy's optimism, however, for cracks were already appearing in Miranda's armor. Miranda owed his position to his expertise and his ability to bring technocratic guidance to the Argentine economy. However, in practice IAPI's operations were almost the antithesis of the skillful planning. Miranda never published IAPI's financial records, and there was growing evidence that the organization was a financial quagmire riddled with corruption. Although Miranda regularly asserted in forceful terms that IAPI was operating well in the black, the State Department (which had monitored its transactions as closely as it could) did not believe it. IAPI had loaned out over $750 million in credits to other nations for purchases of Argentine food, and made huge purchases of industrial goods in the United States.
States. Although it could not be certain, the State Department believed that IAPI was in fact losing money at a fantastic pace. Not only were its purchases uncoordinated, but accusations of graft and corruption surfaced daily. Even if Miranda had not yet been found guilty of wrongdoing or mismanagement, Perón had to have suspicions when he promoted him.

The State Department soon discovered that in their campaign against Miranda, IAPI, and the "extremists," they had valuable allies in the Peronist camp. The first of these was Foreign Minister Juan Bramulgia. Bramulgia's role in Argentine foreign policy was remarkably small considering the post he held. Miranda had assumed most of the authority to negotiate treaties and commercial accords, leaving Bramulgia with a largely symbolic post. Scorned by Sra. Perón (who still had not forgotten his apparent lack of loyalty during the events of October 1945) and Miranda, Bramulgia nonetheless had Perón's respect and the full support of the U.S. and British governments, which regarded him as the most "reasonable and understanding and constructive element" in the government. Ray praised the Foreign Minister's handling of the British negotiations, because due to him, "the Argentines gave in on most points and the British gave in on none of importance." Unfortunately, Acting Secretary of State Robert Lovett lamented "In [the] past, Bramulgia
with complete sincerity has indicated that drastic action would not be taken. . . and has been unable to prevent final action sponsored by Miranda."** Still, Bramulgia was only an individual with no mass constituency, and therefore limited utility.

On the other hand, Miranda had also done little to endear himself the CGT--one of the "pillars" of Peronismo. Although the "economic czar" had to support any measure that helped keep Perón in power, he believed that the unions were hindering economic growth. Still a businessman at heart, Miranda asserted that the higher wages and increased benefits being given to the workers were an excessive drain on capital accumulation. The CGT, he argued, had grown fat on Perón's generous treatment. He compared Argentine workers' absentee rates and productivity with their U.S. counterparts and found his countrymen lacking. Not only were they directly impeding industrialization, but their improved wages were increasing domestic food consumption, and a resultant loss in exportable surplus--thereby thwarting IAPI. In one case, a sugar workers' strike in Tucumán had so paralyzed that industry that Miranda grudgingly had been forced to spend $10 million of foreign exchange to import what should have been produced domestically. After several such episodes, he tried to convince Perón to roll back his labor reforms, but to no avail. Even though the CGT's
hostility to Miranda was promising, there was no way for Washington to exploit it. The State Department had made its rather overtures to the CGT through the AFL, and recognized that it had nothing to offer the Argentine workers. So while Washington conceded Peronist control over Argentine labor, it did work diligently to cultivate Argentine Army leaders.¹⁰

V

At first glance, the State Department and the Ejército Argentino seemed to be strange bedfellows. The Army, thought to be a bastion of "Prussianism" throughout World War II, had traditionally been the foremost enemy of democracy in Argentina. It had risen from the barracks to overthrow civilian leadership on a number of occasions, and was most recently responsible for the 1943 coup that brought Perón to power. Furthermore, Perón had largely rid the Army of officers who were ideologically distant from his position in the intervening years, suggesting that the State Department's complaints against the peronistas should apply equally to military men who had joined the movement. However, on closer inspection, there were important areas where officials in Washington and officers of the Campo de Mayo could find common ground.
The first of these was their mutual distaste for Mrs. Perón and Miranda. Socially conservative, the Army had never thought highly of Perón's dalliance with the ex-actress. Although Perón's marriage to Eva Duarte had legitimated their relationship to some extent, her role in political affairs revived old hostilities. The Army, like high society, did not accept the principle of women's participation in politics, and specifically, that particular woman's participation. Army cadets scornfully disrupted newsreels that featured the First Lady, and many in the officer corps seemed to agree with the sentiment. In 1947, military leaders approached Perón, trying to persuade the Presidente to keep his wife from "meddling" in foreign affairs. Ray and Bruce also had little use for her inflammatory rhetoric and demagoguery, but she aroused Yankee ire primarily because she seemed to be Miranda's partner in crime, and was the patron of the "extremist" wing of Peronism."

Ray unequivocally reported to the Department that, "the Minister of War and the military elements in general thoroughly detest Miranda." Miranda had given the Army reason to dislike him. The "economic czar" regarded military expenditures as an unproductive waste of valuable foreign exchange. Miranda had shot down an arms purchase with the Czech Skoda Works in 1946 for the unlikely reason that there was insufficient government funds. Soon
thereafter, he attempted to persuade Perón to pare the size of the Argentine Army from 100,000 men to 70,000, and reduce military expenditures by fifty percent. Miranda's arguments had some merit: the British jet fighters and bombers had cost approximately £2.6 million that could have been better used elsewhere. Since U.S. hegemony shielded the hemisphere from attack from the outside and the "Inter-American System" would prevent war within, Miranda could argue that massive arms expenditures were both unnecessary and counterproductive."

Needless to say, this attitude brought him into conflict with the powerful and proud Argentine army and its Minister of War, General Sosa Molina. Sosa Molina held an interesting position in the Perón government. Unlike some in the military, Sosa Molina was an ardent proponent of civilian rule. He had presided over the famous "guaranteed election" in 1946, and earned a reputation for fairness and honesty. Respected in Army circles and at least partially in accord with Perón's agenda, Sosa Molina was the natural choice to head the critical War Ministry. His task as War Minister was to return the Army to the barracks from which it had risen, revive its nominally-apolitical professionalism, and restore Argentine military parity with Brazil."

Sosa Molina, the head of Fabricaciones Militares, General Manuel Savio, and most of the Army agreed upon a
two-pronged approach to the modernization of the Armed Forces. First, they acknowledged U.S. hegemony, and hoped to participate in the hemispheric arms standardization program, recognizing that U.S. surplus equipment was a bonanza waiting to be tapped. But, like Perón himself, these men were unwilling to put their fate entirely in the hands of the Yanguis. Thus, they hoped to create an independent Argentine arms industry to prevent North Americans from gaining a stranglehold over Argentine security, and tried to sell the United States on the idea of Argentina as a "southern bastion of the 'arsenal of democracy.'" Their ultimate dream was that they could standardize their equipment with, and buy what equipment they could from, the U.S. Army, and then produce their own weapons to U.S. specifications. To do so, they required good relations with the northern colossus, and the industrial capacity and raw materials necessary to support an arms industry. Therefore, the Army had backed Miranda's efforts with the Argentine-Chilean Trade Agreement, in the hopes of setting up a copper mill to produce shell casings. Large quantities of cheap Bolivian tin and Peruvian oil, iron and coal would also have been major assets to the establishment of an Argentine steel industry--which happened to be Von Der Becke's pet project. Although there was this confluence of interests
between the Army and Miranda, however, problems arose over the steel mill project."

In late-1947, Savio and Fabricaciones Militares began taking bids for the construction of a steel mill and an adjoining tin plate mill. Two British companies submitted bids for the construction, but the best offer was from a U.S. firm, ARMCO. Inexplicably, Miranda turned ARMCO away and gave the contract to an obscure company, Amer-Ind, whose bid was substantially higher than ARMCO's. Incensed, the High Command went to Perón who ordered the cancellation of Miranda's contract in, as the U.S. Office of Research and Intelligence put it, "an atmosphere of a coup d'etat." Subsequently, Savio learned that almost $2 million of funds to construct the mill had inexplicably disappeared. He naturally accused Miranda and his colleagues in IAPI of stealing the money. Since Miranda had a financial interest in the tin mill, and had used his own business partners as go-betweens on the Amer-Ind deal, such suspicions were natural. Perón promptly turned the project over entirely to Savio's Fabricaciones Militares, who agreed to forget the missing money "to prevent the matter from becoming a national scandal." The entire affair had turned the Army implacably against Miranda, and according to the "economic czar," almost cost him his job. The Embassy in Buenos Aires reported that the Army's discontent ran even deeper. Perón had cancelled the Amer-
Ind contract, it asserted, because "he was told by the Army that if he did not do so the Army would put in a new President."55

The State Department was openly pleased by the entire Amer-Ind episode for several reasons. First, at the height of the crisis, Army officers had come to Bruce, asking for support against Miranda. While he had been unable to meet them (for reasons of diplomatic protocol), it was a good sign that the Army was making friendly overtures and looking for assistance at the U.S. Embassy. Just as important, however, Ray believed that "it might be a very healthy development to have some of Miranda's operations aired publicly." Even if the specific aspects of the steel mill debacle were not publicized, the Embassy could content itself in the knowledge that at least Perón and the Army had seen this side of IAPI and Miranda. Miranda had always claimed that the high prices IAPI charged for Argentine food sales abroad were to compensate for the "black market" prices it had to pay for American industrial imports. In reality, the Embassy claimed, "Miranda and his associates who have been dealing with all sorts of jackleg concerns and small people, taking commissions and splitting profits on sales to his own government" were to blame for the high prices the Argentine government was paying. If IAPI was shown to be as rife with graft and "shady dealings" as Bruce and his
superiors believed it to be, Perón would hopefully be convinced to jettison both."

Miranda tried to defend himself from these charges, claiming that he was so wealthy that he had no reason to steal from government coffers (unless he wanted to "pass my life eating thousand-peso bills until I die"), but IAPI's operations (and the Perón Administration) were indeed profoundly riddled with corruption and graft. The Eva Perón Foundation, in addition to its other functions, also served as a pipeline to Swiss banks. By the time of Perón's fall, he and his wife had funnelled approximately $700 million out of the country. Paul Lewis speculates that as much as $2-3 billion of government funds was "drained off" by the peronistas. With so much of the nations' economic transactions being carried out by secretive operations like IAPI and the Foundation, the Army's complaints seem to have been well founded."

But just as Miranda, IAPI and the "extremists" were hindering industrialization and the creation of an Argentine munitions industry, they were also impeding the Army's efforts to gain access to U.S. arms. Even though Braden's departure had opened the door for arms sales to Argentina, the State Department was hesitant to give Perón any form of aid until he had made changes in the government's economic program. The Department had informed Von Der Becke of this in 1946, and it still held...
true. If Argentina wanted to become the "southern bastion of the 'arsenal of democracy,'" it had to show itself to be in accord with U.S. principles of liberal capitalism. Whereas Braden had hoped to use the arms embargo as a "stick" to punish the Army (and Perón by extension), his successors saw the lifting of the embargo as a "carrot" that could lure the Argentine military to actively support the "Inter-American System." The principle was the same—the Army would use its ample persuasive power to move Perón in the "proper" direction—but the means were far better conceived. At the same time he vigorously opposed giving Perón any economic aid, Ray openly advocated arms sales to Perón for some of the same reasons that the U.S. Army had been giving for over a year.

_The armed forces are anxious to have our cooperation. They want American arms and assistance in establishing factories for small arms and ammunition. We have little or nothing to lose by offering Perón some cooperation. On the contrary, it offers the best hope of getting the armed forces and military leaders on our side. . . If we sent military equipment to Argentina, the [Army] will wish increased army and air missions here, as well as possibly a naval mission and we will have an excellent opportunity of using our influence on the military and naval forces of Argentina._

Ray and the State Department understood Sosa Molina's ambitions, and accepted that the United States could not singlehandedly block Argentine rearmament. Sosa Molina, who had been cooperative in the past, would be given enough U.S. aid to whet the Army's appetite, and be
expected to pressure Perón toward an acceptable economic moderation. Since this involved attacks upon the "extremists" that the Army was already more than willing to make, the focus on the Argentine military was an easy decision.

Both the State Department and the U.S. Army had seen Sosa Molina as a potentially powerful ally for some time. Messersmith had praised Sosa Molina's efforts after the election, while Eisenhower and other U.S. military leaders had gotten along well with Von Der Becke in 1946, and other Argentines at the Rio de Janeiro Conference in August 1947. The State Department had expected initially that the Argentines might cause problems at the long-delayed military conference. Traditional Argentine isolationism and Peronist nationalism were bad enough, but there were even hints that the Soviets were pressing the peronistas to "be difficult" at Rio. According to U.S. intelligence reports, the Soviet Ambassador in Argentina, Igor Budarin, had supposedly promised Bramulgia that the Soviet Union would support the "Southern Bloc," as well as arms and industrial equipment if Argentina would block the Inter-American Defense pact. However, with minor, predictable exceptions, Bramulgia and the Argentine military delegation were extremely compliant and cooperative."
Bramulgia and Sosa Molina's conciliatory approach paid quick dividends. In September, an embassy official in Belgium noticed that hundreds of U.S. tanks were being loaded onto ships destined for Argentina. The Belgians had received the tanks as scrap metal from the British, who had originally received them through Lend-Lease. Guessing that this was another underhanded Belgian attempt to circumvent the arms embargo, the Embassy in Brussels reported it to Washington. While Marshall chided the Belgians for selling military equipment that had been paid for by U.S. taxpayers, he had no complaints about Belgian military sales to Argentina in general, and raised no objections. Since Argentina was due to receive weapons soon anyway, and these tanks were made to U.S. Army specifications, there was no problem. If the Belgians could use "scrap metal" to procure foodstuffs from Argentina, so much the better. In October, Bruce himself intervened on behalf of the Argentines, persuading his government to sell 88mm anti-aircraft guns to Argentina to undercut a potential deal with Skoda. Just as the Embassy had, since Messersmith, tried to use friendly relations to alter Perón's path, so it was trying to exercise influence over the Army through gestures of amity.  

The State Department's approach and Sosa Molina's leverage in the Perón government also paid off when Argentina's oil policies were reconsidered in 1947. Perón
had, throughout 1946, tried to make good on his pledges to Messersmith to ease restrictions on the U.S. and English oil companies operating in Argentina. These firms had been feeling Peronist pressure (as all foreign companies were) from labor decrees and state competition. The Argentine governments' oil corporation, Yacimientos Petrolíferos Fiscales (YPF), in existence since 1930, was a powerful nationalistic symbol, representing independence from foreign exploitation. While YPF had operated efficiently for its first decade, by the late-1940s its productivity had slipped just as Argentina's fuel needs were expanding dramatically. To reinvigorate Argentine oil production and tap potentially huge oil fields in Patagonia, Perón was negotiating with Standard Oil. Naturally, he sought to form a "mixed company" with Standard, which wanted nothing to do with his statist schemes. Perón could not comply with Standard's requests to simply grant drilling and refining concessions, for to do so would curtail YPF's operations and be a symbolic surrender to foreign exploitation. When news of the negotiations came to light, Radical and peronista nationalists rose to defend national sovereignty, and pressed their leader to simply expropriate the private companies."

Bolstered by congressional pressure, "extremists" in Perón's cabinet took up the call and presented a plan to
expropriate all foreign oil companies by December 13 (the Petroleum Day holiday). The administrators of YPF informed the foreign firms that their contracts to drill would be allowed to expire, and Perón's Minister of Commerce José Barro (described by the Embassy as an extremist "Mirandista") backed up the statement. Only Perón, Bramulgia, and Miranda resisted the pressure for expropriation that now seemed to be coming from all sides. Miranda's uncharacteristic stance against his fellow "extremists" surprised some who expected him to opt for the nationalistic course some of his followers were plotting, but like Perón, he recognized the need for the foreign oil companies. Although Perón and Bramulgia had both pledged to Bruce that no action would be taken against the oil firms, an impasse had been reached: Perón did not dare to alienate nationalist sentiment by negotiating settlements with the oil companies, while the nationalists could not proceed with their plans without the President's backing.  

The stalemate was finally broken when Sosa Molina weighed in. The War Minister had been a lukewarm supporter of expropriation at the onset, but radically altered his position after conversations with the U.S. Embassy staff and Lt. General Willis Crittendenberger. Crittendenberger had come to Argentina to discuss the arms standardization program when the wave of nationalism hit,
and had met with Sosa Molina. While it is impossible to know exactly what was said at their meetings, Sosa Molina emerged from them as a champion for free enterprise. As Richard Potash posits,

General Sosa Molina's subsequent warning to the cabinet that [expropriation] could damage the interests of Argentina was an understandable position for one whose consuming interest ever since he took office had been to replace the Army's outmoded equipment.  

Crittenberger and Ray had most likely warned Sosa Molina (as Bruce had already warned Bramulgia) that Argentina could expect serious repercussions from the U.S. government if such a radical step was taken. On the other hand, it is possible that Crittenberger only suggested that oil was a vital strategic resource, and that if Argentina alienated the oil companies and was forced to rely solely upon the insufficient resources of YPF, Argentine military development would be critically stifled. Either way, Sosa Molina argued vigorously against expropriation, and seems to have tipped the balance in the cabinet. As soon as Sosa Molina decisively took up the oil companies' cause, Perón formally announced that he would take no action and the status quo would be maintained. The significance was not lost upon U.S. policymakers who now asserted that "Sosa Molina appears to hold the balance of power and will probably exert an influence favorable to U.S.-Argentine cooperation."
Whereas Hull and Braden had denounced Argentine military men as Prussianized "Nazis," by 1948, the Embassy had come to consider Sosa Molina and his compatriots apolitical, benevolent allies who were "trying to do an honest and patriotic job."

Sosa Molina's approach had worked perfectly. It would not have gone so fortuitously if Braden had still been in office, but with Marshall, the State Department, and the U.S. Army all eager to sell weapons, his success was virtually guaranteed. Although no full-scale partnership ever emerged, the Argentine Army's institutional goals pushed it into linking its destiny with the "Inter-American System." Since U.S. leaders now had ample evidence that the Army held a whip hand over Perón, they had, for the first time since Perón's election, at last found a potential Argentine opposition which they could throw their weight behind. Sosa Molina and the Army had twice assailed the "extremists," and twice won. For want of a democratic alternative to Perón, U.S. policymakers turned their attentions to the Army, which had never been a bastion of democracy.

VI

It was not long before the Yanquis would be forced to play this scenario out throughout Latin America as
communism and leftist nationalism erupted in the 1950s and 1960s. As the traditionally pro-U.S. oligarchies and classic dictatorships fell to redistributive nationalists and leftists, old paradigms also fell. Since these movements, like Perón, tended to oppose foreign exploitation, focussed on redistribution of wealth, and were populistic (as well as popular), they were anachronistic with the "Inter-American System" based on corporate capitalism. The masses would follow a homegrown leader that gave tangible, overdue economic reforms, rather than the foreigners who had exploited their resources and labor for decades. Just as the U.S. had little to offer Argentine workers, it could do little for Jacobo Arbenz' or Fidel Castro's revolutionaries in the 1950s.

When viewed from this perspective, the U.S. government had to ally with military establishments that could repress economic nationalists who had learned how to mobilize the masses. As Edward Miller, Assistant Secretary of State in the early 1950s noted, "In Latin America, it is better to have the military with you than against you, because they usually decide the issue." Although democracy was lost in the bargain, economic order could be adequately safeguarded by a military regime. The case of Argentina in the 1940s is more of a harbinger than a perfect example. The Argentine Army, under the
peronistas did not ally themselves with the old elites until much later, nor did they overthrow Perón until 1955. Still it is significant that the State Department could not find common ground with groups that were dedicated to economic redistribution and industrial diversification, only groups that sought other, less-threatening goals. Since Argentina would never be a military threat to the United States, arms sales to Perón's Army did not jeopardize any important American interest. Ray and Bruce understood this, as did their superiors. So rather than addressing needs for economic reform in Latin America, jeopardizing their neo-colonial control, and reassessing their foreign economic policy, the State Department did what it had to do to preserve the economic order that was at the core of U.S. hegemony.
1. Bruce to Truman, 11 August 1949, HST, Office File, Box 1052, Folder 366, HST.

2. Watrous to Secretary of State, 7 August 1946, NA, DS, RG 59, 835.504/8747.


11. Romualdi to Dubinsky, 13 June 1946, Romualdi Papers, 5780/2/3A, ILGWU; Acting Secretary of State to Embassy Buenos Aires, 14 November 1946, NA, DS, RG 59, 835.504/111446; Romualdi, Presidents and Peons, 52-53.


14. Interestingly, Peronists in the Chamber of Deputies introduced motions "rendering tribute to John L. Lewis in solidarity" with his fight against the U.S. government—a gesture that the FBI noted with interest. Hoover to Neal, 11 December 1946, NA, DS, RG 59, 835.5043/121146; Periodico Seminal del C.G.T., 16 Enero 1947, Rollo 5, FSR, BBAA; El Trabajador de Carne, Enero 1948, FSR, BBAA; Daniels to Bruce, 16 August 1948, NA, DS, RG 59, 711.35/81648.

15. For example, see Ferrer Vierya, "Informe sobre el movimiento huelgista ocurrido en los EE.UU. desde 1940 a 1945," AMREC, DP, EEUU 1946, Caja 8, Expediente 3; Agustín Merlo (Labor Attaché), "Nuevas actividades de John L. Lewis después de su derrota en la 'AFL'," 11 Diciembre 1947, AMREC, DP, EEUU 1946, Caja 6, Expediente 5.

16. Romualdi's expertise was probably not as complete as either he or the AFL believed. In Buenos Aires, peronistas convinced the AFL delegates to remove their coats on a hot day. Romualdi should have known that the "removal of one's coat in public in Argentina was already widely regarded as a symbolic gesture of support for Perón" and the descamisados. Photographers captured the spectacle of AFL officials inadvertently giving tribute to Perón. Romualdi, Presidents and Peons, 55; of more significance, after the "Gay Affair" was over, Romualdi had to explain what had actually occurred to the rest of the delegation. Romualdi, "The Role of Luis F. Gay and the C.G.T in the Preliminary Work for the Organization of an Inter-American Confederation of Labor," 24 February 1947, Romualdi Papers, 5459/1/4, ILGWU.

17. Byrnes to Certain American Diplomatic Officers in Other American Republics, 11 June 1946, NA, DS, RG 59, 810.5043/61146; O'Donoghue to Secretary of State, 15 October 1946, NA, DS, RG 59, 810.5043/101546.


20. Perón claimed to have possession of this letter, although "Romualdi swears that he has never written a letter to Repetto in his life." It is difficult to take Perón at his word, but the more trustworthy Bramulgia also claimed to have seen it. Watrous to Secretary of State, 13 February 1947, NA, DS, RG 59, 835.5043/21347; Romualdi, "Interview with a Group of Members and Leadership of the Following Trade Unions," 28 January 1947, Romualdi Papers, 5459/1/4, ILGWU; "The Voice of the Independent Trade Unions" (Statement Submitted to the U.S. Labor Delegation by four independent trade unions of Argentina), 30 January 1947, Romualdi Papers, 5459/1/4, ILGWU; Romualdi, *Presidents and Peons*, 56-57; see also O'Donogue to Secretary of State, 15 October 1946, NA, DS, RG 59, 810.5043/101546.


24. Romualdi, Speech at Rutgers University, 9 June 1947, Romualdi Papers, 5459/1/6, ILGWU; Romualdi to Hyclar Leite, 4 March 1948, Carey Collection, LAAC, AULC; Romualdi, Draft of Memorandum, 12 May 1949, Romualdi Papers, 5459/6/3, ILGWU; see also Craig Phelan, " William

25. James Carey Statement in behalf of the CIO submitted to the House Ways and Means Committee, 8 May 1947, James B. Carey Collection, Box 32, Archives of Labor and Urban History, Wayne State University, Detroit, Michigan (AULH); Truman to Carey, 22 June 1946, Carey Collection, Box 43, AULH; Carey to Clayton, 24 August 1946, Carey Collection, Box 46, AULH; Batt (Chairman of the Committee for the ITO) to Carey, 3 July 1950, Carey Collection, AULH.

26. Carey to State Department, 22 September 1944, Carey Collection, Box 46, AULH; Jim Kaplan (Welch's) to Carey, 12 June 1947, Carey Collection, Box 43, AULH; Richard Anthony (American Tariff League) to Carey, 24 June 1947, Carey Collection, Box 43, AULH; S. Stroock (Stroock and Co, Inc.) to Carey, 2 July 1947, Box 43, AULH; Curt E. Forstman (Forstman Woolen Co.) to Carey, 8 July 1947, James Carey Collection, Box 43, AULH;

27. One particularly interesting episode involved José Peter, Secretary General of the Argentine Federación Obrera de la Industria de Carne. Peter wrote to Carey in 1943, pleading for his assistance in some difficulties with the American-owned packinghouses in Argentina. Carey passed the appeal on to Samuel Sponseller, chairman of the Packinghouse Workers Association, ensuring Peter that the CIO's connections with Swift and Armour would be able to help. There is no evidence that the CIO did anything to help the workers in the frigoríficos, who eventually turned to Perón. On the other hand, when Peter was arrested, the UPW appealed to Braden, and asked him to work for the unionist's release. Carey to José Peter, 22 June 1943, Carey Collection, AULH; Ernesto Gallarza Memorandum, 20 January 1943, Carey Collection, Box 23, AULH; Hull to Carey, 4 September 1943, Carey Collection, Box 46, AULH; Carey to Stettinius, 11 November 1943, Carey Collection, Box 46, AULH; Lewis J. Clark (President, UPW) to Braden, 6 June 1945, NA, DS, RG 59, 835.504/6645; George Franklin (CFR) to Carey, 9 April 1948, Carey Collection, Box 14, AULH; Scott, Yankee Unions, 201-208.

28. George Michanowski to Byrnes, 2 July 1945, Byrnes Papers, Box 488, Folder 3, Clemson; Jacob Potofsky Press Release, 19 January 1945, Carey Collection, Box 84, AULH; Latin American Affairs Committee Memorandum, 16 August 1946, Carey Collection, Box 4, AULH; Potofsky Press Release, 5 May 1950, Carey Collection, AULH; Carey to State Department and Bureau of the Budget, 22 July 1947, Carey Collection, Box 46, AULH.
29. Cleon Swayze to Mulliken, 13 November 1946, NA, DS, RG 59, 835.5043/111346; see also Domenech to Murray, 5 March 1943, Carey Collection, Box 4, AULH; Domenech to Carey, 7 May 1943, Carey Collection, Box 4, AULH; Carey to Domenech, 21 May 1943, Carey Collection, Box 4, AULH; Carey to Domenech, 3 June 1943, Carey Collection, Box 4, AULH; Carey to Ambassador Felipe Espil, 19 July 1943, Carey Collection, Box 4, AULH.

30. Martin Kyne and Ernest Schwarz Report on Trip to Latin America, 27 October 1949, Carey Collection, Box 84, AULH; Joel Horowitz surmises that Perón was sending independent-minded CGT officials abroad to simply remove them from the picture. If so, Perón was very cleverly killing two birds with one stone. Horowitz, Argentine Unions, 225-226.

31. Daniels to Bruce, 16 August 1946, NA, DS, RG 59, 711.35/81646; E. Henry Norweb (Ambassador Havana) to Secretary of State, 10 July 1947, NA, DS, RG 59, 735.37/71047; Maurice K. Bernbaum (Ambassador Nicaragua) to Secretary of State, 1 August 1949, WNRC, BA, RG 84, Box 191; Dearborn to Tewksbury, Woodward, Daniels and Armour, 13 May 1948, NA, DS, RG 59, 711.35/51348; Schwarz to Potofsky, 7 February 1949, Carey Collection, Box 84, AULH; Schwarz to Carey, 21 February 1949, Carey Collection, Box 84, AULH; LAAC Minutes of Meeting, 18 May 1949, Carey Collection, Box 84, AULH; Proceedings of Meetings of the Executive Board of the CIO, 9 August 1950, CIO Collection, reel 5, AULH;

32. Braden to Kellogg, 6 March 1946, Carey Collection, Box 46, AULH.

33. Byrnes to Certain American Diplomatic Officers in Other American Republics, 11 June 1946, NA, DS, RG 59, 810.504/61146; Radosh, American Labor and U.S. Foreign Policy, 368-369; see also Braden to Briggs, Mann and Spaeth, 27 August 1946, NA, DS, RG 59, 835.5043/82746.

34. By and large, the LAAC report reads much like a peronista manifesto. It called for "a complete overhauling of Latin American economy with the goal of modernization, diversification, technical progress and increase of production" to escape "Colonial and Semi-Colonial" dependency. Arguably, Perón was fighting for almost every one of the twenty-plus specific goals that the CIO cited as necessary. LAAC, "Plan for the Economic and Social Development of the Countries and Territories of Latin America," 18 May 1949, Carey Collection, Box 84, AULH.
35. Unsigned Memorandum on Argentina, 16 August 1948, Carey Collection, Box 4, AULH; Proceedings of Meetings of the Executive Board of the CIO, 9 August 1950, reel 5, AULH; see also Truman to Potofsky, 4 May 1950, Papers of Jacob Potofsky, 5619/133/17, ILGWU.


41. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548; Dearborn to Tewksbury, Ohmans, Martin, Woodward, and Wright, 22 September 1947, NA, ARA, Memoranda on Argentina, Vol. 7,8; see also Bruce to Secretary of State, 26 December 1947, NA, DS, RG 59, 835.4131/122647; Dearborn to Daniels and Woodward, 5 January 1948, NA, DS, RG 59, 711.35/1548.

42. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548; see also Truman to Bruce, 9 December 1948, HST, PSF, Foreign Affairs, Argentina File, HST.

43. Ray to Dearborn, 12 April 1948, NA, DS, RG 59, 735.41/41248.

44. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548.

45. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548; see also Bruce to Secretary of State, 26 December 1947, NA, DS, RG 59, 835.4131/122647; Dearborn to Daniels and Woodward, 5 January 1948, NA, DS, RG 59, 711.35/1548.

46. Ray to Secretary of State, 4 September 1947, NA, DS, RG 59, 835.5034/9447; Bruce to Secretary of State, 20 September 1947, NA, DS, RG 59, 835.61315/92047; Greenup to Tewksbury, 13 October 1947, WNRC, BA, RG 84; Memorandum of Conversation, J.A.H. Torry and R.G. Carlstein (GE),
Tewksbury and Atwood, 24 November 1947, NA, DS, RG 59, 835.77/112447; Greenup to Secretary of State, 22 December 1947, NA, DS, RG 59, 835.50 Five-Year Plan/122247; Bruce to Secretary of State, 22 June 1948, NA, DS, RG 59, 835.50/62248; Greenup to Secretary of State, 28 December 1948, NA, DS, RG 59, 835.50/122848; see also Bruce to Secretary of State, 3 October 1947, NA, DS, RG 59, 835.60/10347.

47. Bruce to Secretary of State, 26 September 1947, NA, DS, RG 59, 611.3531/92647.

48. Ray to Secretary of State, 7 July 1947, NA, DS, RG 59, 835.50/71747; Ordway to Secretary of State, 29 November 1948, NA, DS, RG 59, 835.50/112948; Bruce to Secretary of State, 26 September 1947, NA, DS, RG 59, 611.3531/92647; see also Greenup to Secretary of State, 24 October 1947, NA, DS, RG 59, 835.50/102447; OIR, "Argentine Foreign Policy," 29 July 1947, NA, DS, RG 59, Report #4714.

49. Ray to Dearborn, 12 April 1948, NA, DS, RG 59, 735.41/41248; Lovett to Embassy Buenos Aires, 5 December 1947, NA, DS, RG 59, 835.6363/12547; see also Messersmith to Secretary of State, 31 March 1947, NA, DS, RG 59, 711.35/33147; Bruce to Secretary of State, 15 December 1947, NA, DS, RG 59, 835.6363/121547; Memorandum of Conversation, Bramulgia, Remorino, Lovett, Pawley and Tewksbury, 9 December 1948, NA, DS, RG 59, 711.35/12948.

50. Ordway to Secretary of State, 29 November 1948, NA, DS, RG 59, 835.50/112948; Greenup to Secretary of State, 28 December 1948, NA, DS, RG 59, 835.50/122848.

51. OIR, "Probable Argentine Policy," 15 February 1949, HST, Intelligence File, CIA Reports, Box 255, HST; Fraser and Navarro, Eva Perón, 105; Potash, Army and Politics: Perón to Frondizi, 94-96; see also Bruce to Secretary of State, 6 October 1948, NA, DS, RG 59, 835.50/10647;

52. Ray to Secretary of State, 22 July 1948, NA, DS, RG 59, 724.35/72248; Messersmith to Secretary of State, 12 March 1947, Messersmith Papers, 1857; see also Gilmore to Braden, Smith, and Mann, 28 March 1947, NA, ARA, Memoranda on Argentina, Vol 7,8; Report of Harold Tewksbury, 8 April 1947, NA, DS, RG 353, RlIC, Argentina Committee, Box 10; Paz and Ferrari, Política Exterior Argentina, 154; Potash, Army and Politics: Perón to Frondizi, 77.

53. Potash, Army and Politics: Perón to Frondizi, 55-59; Rouquié, Poder militar y sociedad, 72-77.
54. Oakley to Secretary of State, 25 July 1947, NA, RG 43, Records of U.S. Participation in International Conferences, Commissions, Expositions, and Committees, Inter-American Conference for the Maintenance of Continental Peace and Security, Rio de Janeiro, 1947, Box 3; Potash, Army and Politics: Perón to Frondizi, 77-80; Lewis, Crisis of Argentine Capitalism, 149; Paz and Ferrari, Política Exterior, 144-147.

55. Ray to Lyon, 17 November 1946, NA, DS, RG 59, 835.50/111747; see also, Bruce to Secretary of State, 2 December 1947, NA, DS, RG 59, 835.656/12247; Dearborn to Atwood, Woodward, Daniels, and Armour, 15 December 1947, NA, DS, RG 59, ARA, Memoranda on Argentina, Vol. 5,6; Greenup to Secretary of State, 23 December 1947, NA, DS, RG 59, 835.50 Five-Year Plan/122347; Watrous to Secretary of State, 31 December 1946, NA, DS, RG 59, 835.602/123146; Office of Research and Intelligence, "Probable Argentine Policy toward the U.S. to 1952 and its Effects on U.S. Interests," 15 February 1949, HST, Intelligence File, CIA Reports, 1948, Box 255, HST; Embassy Buenos Aires to Secretary of State, 12 February 1948, NA, DS, RG 59, 835.602/21248.

56. The U.S. Embassy's unwillingness to meet with the officers demonstrates the care it took to avoid the appearance of interventionism. Just as it did not discuss these matters with the Army, neither did it consult regularly with the "leading U.S. citizen here," General Lord. Bruce to Secretary of State, 23 March 1947, NA, DS, RG 59, 711.35/32348; see also Greenup to Secretary of State, 22 December 1947, NA, DS, RG 59, 835.50 Five-Year Plan/122247; Watrous to Secretary of State, 31 December 1947, NA, DS, RG 59, 835.602/123147; Ray to Lyon, 17 November 1947, NA, DS, RG 59, 835.50/111747; Ordway to Secretary of State, 29 November 1948, NA, DS, RG 59, 835.50/112948.

57. Burrows to Secretary of State, Enclosure 1, "President Perón's Words at the Audience Granted Yesterday to the Representatives of the Argentine Agrarian Federation," 11 April 1947, NA, DS, RG 59, 835.61/41147; Lewis, Crisis of Argentine Capitalism, 201-205; Greenup to Secretary of State, 22 December 1947, NA, DS, RG 59, 835.50 Five-Year Plan/122247; see also Jorge Antonio, Y ahora qué? (Buenos Aires, 1970).

58. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548.

60. G. McMurtrie Godley (Second Secretary of Embassy Brussels) to Secretary of State, 10 September 1948, NA, DS, RG 59, 835.24/91047; Marshall to Embassy Brussels, 24 October 1947, NA, DS, RG 59, 835.24/102447; Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 835.24/1548; Secretary of State to Embassy Brussels, 29 May 1948, NA, DS, RG 59, 835.24/52948; Potash, Army and Politics: Perón to Frondizi, 81.


62. Bruce to Secretary of State, 26 September 1947, NA, DS, RG 59, 611.3531/92647; Potash, Army and Politics: Perón to Frondizi, 71-73.

63. Potash, Army and Politics: Perón to Frondizi, 75.

64. The State Department may have also helped to facilitate this decision. In October 1947, Acting Secretary of State Lovett inexplicably authorized an emergency shipment of 110,000 barrels of gasoline to Argentina, perhaps as a show of the benefits that North Americans could bequeath. Lovett to Ivanessevich, 14 October 1947, NA, DS, RG 59, 835.6363/101447; ORI, "Probable Argentine Policy," 15 February 1949, HST, Intelligence File, CIA Reports, Box 255, HST; Dearborn to Tewksbury, et al, 23 December 1947, NA, ARA, Memoranda on Argentina, Vol 7,8; Argentine Republic Ministry for Foreign Affairs and Worship, "The Present Oil Policy of Argentina," 26 December 1947, NA, DS, RG 59, 835.6363/12348; Embassy Buenos Aires to Secretary of State, 12 February 1948, NA, DS, RG 59, 835.602/21248.
65. Edward Miller to George S. Franklin, 31 January 1949, Papers of Edward G. Miller Jr., Correspondence File, Box 3, "Nomination" Folder, HST.
CHAPTER 8

THE BEGINNING OF THE END OF THE PERONIST CHALLENGE:
AUGUST 1947-DECEMBER 1948

While the situation here is critical, it may work to our advantage in the long run. We would like to emphasize, however, that it will antagonize even the Argentines who are our friends if we appear to gloat over Argentina's present discomfiture. It would be a mistake for us to permit the impression that we are deliberately bringing pressure on Argentina to bring the Administration to its knees and possibly force Perón out. Such action would alienate all sectors of local opinion.

James Bruce, 2 July 1948

It begins to look more and more as if Miranda's political position is in the balance—IAPI hasn't turned out so well as a means of financing the Five Year Plan which, after all, requires the use of United States dollars—so now Miranda has to produce US dollars.

Rollin Atwood, 1 October 1947

Although Perón had solidified his political hold on the nation throughout the first two years of his
Presidency, his economic system had started to collapse. The period from late-1947 through the end of 1948 is thus best seen as the beginning of the end of the peronismo that had challenged U.S. hemispheric dominance. The economic crisis that beset Argentina in 1948 was one primarily of Perón's own making. His agricultural, industrial, and labor policies all drained government coffers and caused serious dislocations in the Argentine economy that imperiled his presidency.

In addition to these internal problems, external factors also played a role in the decline of the New Argentina. In September 1947, the British government announced that it was ending its policy of sterling convertibility. For Perón, this was nothing short of devastating. Argentina had long utilized the triangular trade—selling food products to the English for sterling which could be converted to dollars and spent in the United States for industrial goods. Without the it, Perón either had to roll-back his industrialization program or risk bankruptcy by continuing his lavish spending on the Five-Year Plan. Perón and Miranda, expecting to be saved by the Marshall Plan and, unwilling to stop their progress, opted for the latter course.

Unfortunately, Marshall Plan dollars never came. The European Recovery Program (ERP) called for massive foreign aid to rebuild Europe. Many of the dollars sent to Europe
were to be used, through "offshore procurements," in the dollar area as a means for Europe to acquire badly-needed raw materials and Latin Americans to solve their "dollar drain." However, the Economic Cooperation Administration (ECA), the organization that administered ERP funds, was dedicated to promoting multilateral trade, liberal capitalism, and privatist corporatism. Therefore, the ECA adopted from its inception a policy designed to "bring Argentina to its knees," and did everything in its power to withhold dollars from Perón. Perón later made the accusation that the Marshall Plan constituted an act of "economic aggression," and had been the "real scourge of the Latin American economy." By denying dollars to Argentina and helping U.S. products supplant Argentine exports in Europe, the ERP had, in his eyes, destroyed his presidency. There was some truth to this claim, but in all likelihood, ECA had been little more than the straw that broke the back of the flawed Peronist economy and the ambitious, revolutionary Peronism that had risen to challenge the United States.

Interestingly, the State Department fought bitterly against the ECA's open opposition to Perón. Since Perón's election in 1946, the State Department had dreamed of the day when he would be forced to curtail his economic experiments due to financial difficulties. Therefore, the Department should have wholeheartedly endorsed the ECA's
efforts to hammer nails into Perón's coffin. But the ECA lacked subtlety. Those familiar with Perón's methods recognized that he would only be strengthened by overt attacks from the Yanquis. He could always rally nationalistic Argentines to his defense, and stand tall as a defender of national sovereignty against foreign imperialism, as he had done effectively and consistently since 1945. So Ambassador Bruce forcefully urged ECA officials to curb their inflammatory assaults on Perón, and end the formal discrimination against Argentina (even if informal, quiet discrimination persisted). Although both the State Department and the ECA sought to end Perón's experiments in state corporatism, the ECA's approach was misguided. It was not enough for the Peronist economy to fail. It had to fail because of its own flaws, not as a result of U.S. pressure.

II

The Peronists' economy collapsed largely as a result of their own efforts to transform the nation. Perón's labor constituency, one of the two bastions of peronismo, was proving to be a double-edged sword. The labor militancy that had served Perón the candidate so well was an impediment to Perón the President. He had rebuffed Gay's and Reyes' challenges in order to "capture" the CGT,
but he still had to provide an outlet for labor's economic demands. By 1948, however, the Peronists' extravagant labor reforms had started to exact a price on economic development.

In 1945, the heyday of pro-Perón upheaval, there had been 44,000 strikes in Argentina, resulting in the loss of 509,000 days of work. Thanks to Perón's tolerance and unwillingness to oppose one of his core constituencies, however, 334,000 strikes, costing 1,813,000 work days had occurred in the first year of the Peronato. These numbers swelled annually and were becoming a serious problem for Argentine industrialists and Peron's government. Argentine workers took advantage of their powerful unions to openly defy industrialists, hinder production, and further augment their wages. As absenteeism and workplace disruptions increased, productivity fell. Miranda repeatedly chastised workers, asking them how he could redistribute the fruits of their labor if Argentines produced nothing to distribute. The "economic czar" had initiated profit-sharing in the old ITT properties as a flagship of peronismo, but was amazed and appalled to find that even when workers had a stake in their corporation, they showed little zeal. Even Perón joined in the chorus of businessmen, regularly but fruitlessly appealing to workers' patriotism to improve their shop floor performance.'
Still, Argentine workers had valid complaints. Despite the spate of Peronist decrees and activities that bettered their lot, rampant inflation negated most of these gains. According to official government statistics, the costs of rent, electricity, clothing and food had more than doubled in less than a year and a half. While every nation suffered from an inflationary spiral in the post-war period, Argentina's was unusually pronounced, and was in part, a direct result of Perón's free spending and the Central Bank's easy money policies. For Perón to contain the inflation that was crushing the lower classes, he would have been forced to roll back the same policies that were fueling industrialization and raising wages. Stuck with this dilemma, Perón simply pressed forward, unwilling to undertake reform which might salvage his presidency but undermine the goals of his revolution.  

As serious as the decline of industrial production was, the effect of Peronism on the pampas proved to be even more devastating. Although Argentine agro-pastoral production had been in decline for some time, it plummeted catastrophically under Perón. In the first three years of his administration, Argentine wheat exports dropped from twenty-two percent of the world supply to eleven percent. To some extent, this was a result of Miranda's stiff bargaining techniques, but Perón's labor decrees had played a role in this decline as well. As the rural poor
flocked to Buenos Aires to partake of the industrialization drive, fields were left unsowed. In 1945, 34.7 percent of the Argentine populace had been engaged in agriculture, but after four years of Peronism, this figure had dropped to only 25.6 percent. Over half of Argentina's 150,000 sharecroppers simply left the land and moved to urban centers. While this migration to the cities was a boon for industrialization and the union membership, it cost Argentine agriculture dearly. In the early years of the war, Argentines planted wheat and corn on over thirteen million hectares, but by 1948 they were planting on less than nine million. Other crops showed similar declines. Since Perón's buying power was directly dependent upon his food exports, this boded ill for the industrialization program.

Part of the decline of Argentine agriculture must be also attributed directly to IAPI's pricing schemes. Large landowners had always complained that IAPI's practices were starving them out. While IAPI was able to sell sunflower oil abroad at a price of 101.25 pesos, it was being purchased from farmers for just fourteen pesos. Perón and Miranda had evidently hoped that hacendados and estancieros would respond to the lower prices IAPI charging them by redoubling their efforts to make what profits they could. After two years of IAPI, however, this had not happened. Landowners either left fields
fallow, or refused to sell their produce to IAPI—naturally decreasing exportable surpluses. Equally important, Peronists had instituted a complex series of regulations for rural workers and unionists that further hindered agriculture. Farmers, for example, had to hire and pay high wages to rural union members to perform tasks that family members or friends had always done. The Review of the River Plate published a letter from a farmer that illustrated how all of factors conspired against the farmer. Because IAPI's prices were so low and the price of union labor so high, this farmer asserted that he could only turn a profit on high-yield crops from his most fertile fields. As a result, he had been compelled to leave most of his crop unharvested, resulting in "twenty tons of rye lost to the country, to me, and to Europe."

At the same time food production was in decline, urban Argentines were consuming more, leaving Miranda with ever smaller surpluses to peddle abroad. Argentine meat consumption increased at a rate of almost 100,000 tons per year during the first Perón presidency as a result of IAPI's pricing policies and increased salaries for the working and middle classes. By 1950, the Peronists were exporting less than twenty percent of their meat and eating the rest. Even though meat production had risen, Argentinian internal consumption had far outpaced the increase. Grain suffered similarly. Almost half of
Argentine grain was exported before the war, but by 1950 it was selling less than a quarter of its produce abroad. With production slipping and domestic consumption rising dramatically, Argentine exports and profits from international trade plummeted.

Nonetheless, Perón and Miranda did not seem to be alarmed at this transformation of the Argentine economy away from its agricultural base. While they accepted this trend as inevitable and beneficial for the nation in the long run, it was happening too quickly. Agro-pastoral exports had to sustain the nation until industrial production was able to take up the slack. Indeed, despite IAPI's policies that discouraged farm production, Perón had made an effort to keep the pampas profitable. Although he had pledged to break up the massive estancias and haciendas and redistribute land more equitably, he had not followed through. It would have been a major step in the direction of peronista-style "social justice," but any major effort in this direction would have disrupted agricultural production at least temporarily. So rather than risk losing revenues from the pampas, he had backed down on his promises and allowed his old opponents in the landholding elite to remain intact (at least until the world food crisis ended). Even so, this did not even slow the decline of Argentine agriculture. The New Argentina needed increasing amounts of industrial goods and raw
Serious as these problems were, perhaps the most damaging aspect of the Peronist economic program was its "dangerous depletion" of $1.5 billion of accumulated financial reserves. Miranda and IAPI were going through Argentine gold, dollar, and sterling reserves like there was no tomorrow. Peronists had predicated the Five-Year Plan on the assumption that a third world war between the Soviet Union and the United States would occur before 1950. From their experience during the previous two world wars, Argentines knew that it would be next to impossible for them to make significant purchases abroad once war broke out, so Miranda aimed to have the nation self-sufficient before that time. If Argentina could acquire enough capital goods, industrial machinery, and automobiles before the onset of war, then industrial development could proceed without the severe dislocations that had afflicted the nation in the past. Therefore, for Miranda, the high prices that the U.S. charged for industrial wares in the post-war period were no object. There was no reason for Argentina to hoard foreign reserves that soon would be useless anyway. These reserves would be replenished by wartime food sales at any rate. As Fodor points out, the peronistas had also been forced to lend widely and offer...
massive credits to Europe so the wartorn nations could even purchase Argentine produce. Although Europe owed considerable debts to Argentina by 1948, this did not translate into the foreign exchange that Argentine desperately needed. Although the "economic czar" seems to have been somewhat uncomfortable about draining Argentine coffers so rapidly, he did not allow his trepidation to affect his spending.10

As early as mid-1947, IAPI had gone a considerable distance toward spending the massive financial reserves that Argentina had accumulated throughout the war. The nationalizations, while popular, had been costly. Military expenditures, such as the British jet purchase, did nothing to improve Argentina's exchange position. The Five-Year Plan also carried a high price tag. Peronist projects such as the steel mill, gas pipeline, and hydroelectric program were constant drains on government revenue. IAPI's haphazard purchasing and distribution system must also take some of the blame. For example, rows of imported automobiles, tractors, and trucks sat on the docks of Buenos Aires, rusting when they might have been in use transporting grain to port.11 Peronista graft, as Bruce was fond of pointing out, siphoned off perhaps even more than the organization's chaotic distribution system.
While it was apparent to all that Perón could not sustain this sort of spending forever, IAPI cloaked the drain of foreign exchange. Since the organization did not release records (if it even kept them), it was impossible for observers in Britain and the United States to make an accurate assessment of Perón's funds. This aspect also enabled Perón to lie about the nation's finances and paint quite a rosy picture. "We have the Central Bank full of gold" he proclaimed, "and we do not know where to put more." Since almost the only way that Miranda could raise the money to purchase goods in the U.S. was to sell gold, he had done so, at a breakneck pace. Much more was leaving the Bank than entering it, as both Perón and Miranda knew very well—despite their public optimism. Nonetheless, they pressed forward, confident that austerity was not yet a necessary step."

In August 1947, however, the British fired what turned out to be the first shot in a barrage that brought Peronist Argentina to its knees. Although it had pledged to allow the convertibility of sterling in the Miranda-Eady agreement of 1946, Whitehall suddenly and unilaterally reversed its position. No longer would other nations be able to convert sterling into dollars. There was good reason for this decision. Since the English were unable to export large quantities of goods, nations had been selling to Britain and using the proceeds to make
purchases in the dollar area. The resultant drain on British dollar reserves constituted a major threat to English recovery. For Perón and Miranda, it was a crippling decision."

The return of inconvertibility instantly ended the lucrative triangular trade that had been so profitable for Argentina. The United States, because of the "sanitary embargo" on Argentine meat and its own agro-pastoral surpluses, only imported small quantities of Argentine goods such as hides and quebracho. Therefore, Perón and Miranda had little choice but to continue to sell to the English market. However, the English were unable or unwilling to sell the capital goods, machinery, and industrial raw materials that the Peronists desperately sought. So long as the Argentines could convert sterling to dollars, this did not present a problem. Until 1948, the Argentine trade deficit with the United States was generally countered by a similar surplus with England and meat exports to Great Britain were easily translated into vitally-needed U.S. products. For Argentines, the primary benefit of the Miranda-Eady treaty had been the provisions allowing all recently-earned sterling to be convertible. In the months after the treaty's signing, Miranda had converted almost $170 million to help cover his massive purchases in the United States. Argentines, the British claimed, had feared that inconvertibility would be
reimposed, and had rushed to convert as much as possible, thereby helping to precipitate the crisis and transforming their fears into a self-fulfilling prophecy. Regardless of who was to blame for the British decision, inconvertibility was a disaster for Perón.14

The Peronist response to the British betrayal was immediate and harsh. Not surprisingly, the Argentines repudiated the Miranda-Eady pact, which they argued, had been violated by the British. The Central Bank immediately enacted a new series of import restrictions to conserve the remaining dollar reserves. Furthermore, Miranda announced that he would stop corned beef shipments to England, and that exports would only resume if the British paid for them in gold. The British business community in Buenos Aires forecasted that he would ultimately take a "hard" position, that might culminate in the complete suspension of food exports to England.15

At the same time, he looked for an alternative market in case the British again stonewalled. As discussed in an earlier chapter, Perón's emissaries approached Venezuela as an alternative market. Miranda offered to barter thousands of tons of meat for petroleum. This can be seen as a dual threat to the English. Not only would food vitally needed in England be sent to Venezuela, but the British oil companies in Argentina, which were responsible for importing most of the nation's
petroleum, would be hurt badly by the deal. Despite the deal's initial promise, it fell through. The Venezuelan Minister of Agriculture threatened to resign over the prospect of importing beef exposed to *aftosa*. More importantly, it was highly unlikely that the Venezuelan population of only three million had any need for such quantities of meat. With this initiative rebuffed, the English could rest assured that "Britain's position as virtually the only fresh meat market remains unassailed at this point."

So in December, Miranda and his English counterparts sat down to negotiate an end to the "cold meat war." The Argentine position was clear, and Miranda once again believed he held all of the cards. He was determined to press for a restoration of convertibility of not only recently-acquired sterling, but the remaining wartime balances of 140 million pounds ($560 million). Since the British had already proven themselves to be unreliable with regard to promises of convertibility, he pushed to have all Anglo-Argentine transactions conducted in dollars. Although it was unlikely that the British would relent on this score, he determined to squeeze the English for the best trade terms possible. He pressed for a fifty percent increase in meat prices, and asserted that he would be justified in asking for a 400 percent increase, as oil and coal prices had risen by that amount since the
pre-war period. If the British would not pay for Argentine goods, then Miranda would content himself with a straight barter for oil, coal, and other vital minerals. Since the English still relied on Argentina for critical food shipments, Miranda appeared, once again, to have the upper hand. 17

The English position seemed decidedly weaker. Although the British acknowledged the "de facto abrogation" of Miranda-Eady, they were unwilling to consider restoring convertibility. Other nations had sterling balances far larger than Argentina's, and any relaxation might lead to another catastrophic run on sterling. If Argentina were granted convertibility, then HMG would be very hard pressed to deny India, which was holding $4.5 billion worth of sterling, the same privilege. The solution to the question of the debt to Argentina, they believed, could only be the sale of the railroads to Perón's government. Yet again, English officials were going to try to persuade the Argentines to take the dilapidated lines off their hands. To keep food shipments flowing, Whitehall was willing to barter quantities of oil, coal, and other "essential" products. It hoped to keep this to a minimum, however, and to convince Miranda to relax import restrictions on what he called "fripperies"--non-essential consumer goods such as whiskey and cosmetics. Naturally, the British also hoped
to keep their food prices low, but it was unclear how Sir Clive Ballieu and Ambassador Reginald Leeper were going to persuade Miranda to continue to sell beef for less than half of the U.S. price.  

Like the Miranda-Eady negotiations, this new round of talks stalled from the onset. Miranda pressed for a comprehensive settlement of the sterling balances, and steadfastly refused to exchange them for the railroads. Just as Ballieu would not budge on the issue of convertibility, neither would he compromise on the price of meat. If the British were forced to pay more for Argentine beef, the Canadians, Australians, and other suppliers would also demand more for their produce. Miranda rebutted this complaint, asserting frankly that this was not his problem, but Ballieu pledged that if Argentines insisted on raising the prices anyway, his government would simply buy less, even if it meant lowering meat rations in England. Although Ballieu was able to offer one million tons of coal for barter, he appeared to have little else to bargain with. Faced with yet another stalemate, both sides tried to apply pressure.  

The British announced in early January 1948 that they had just consummated a major grain deal with Australia that would bring over two million tons of wheat to the British Isles. The threat to Argentina was implicit--
there were other food suppliers around the globe who were willing to be "reasonable" regarding prices. The Australians had accepted the equivalent of 33.55 pesos per quintal of wheat, while Miranda was demanding sixty. Alongside this subtle pressure, rumors were leaking out of London that HMG was on the verge of devaluing the pound. If this occurred, Argentina's sterling balances would have been virtually eliminated instantly. Miranda's counter, however, was even more dramatic. On January 25, "without knowledge [of] either Perón [or] Bramulgia," he announced that the Central Bank would no longer honor sterling drafts. As Bruce reported to Washington, "This means stoppage [of] all food shipments [to] England, including some [to] France for whom British are also purchasing." Frustrated with the impasse, Miranda had taken drastic action to bring the English to the bargaining table in earnest.

Miranda had upped the ante, and drawn the State Department into the fray. Leeper and Ballieu met with Bruce (as Leeper had met with Messersmith in 1946), and informed him that they had "no alternative except [to] withdraw [the] trade mission." Bruce rushed to inform his superiors of Miranda's declaration, warn of the impending breakdown, and request instructions. He suggested that the Department should "authorize me [to] intimate informally to Perón" the "great importance" of these
negotiations to the United States. If England could not obtain Argentine meat, then the United States would have to make up the shortfall."

Secretary of State George C. Marshall, "greatly disturbed" by Bruce's news, responded immediately. Marshall was attempting to guide the European Recovery Plan (ERP) through Congress, billing it as a humanitarian effort to ameliorate suffering in Europe. He warned that Miranda's callous declarations might well jeopardize Argentina's role in the program. He asserted that U.S. "public sentiment for ERP is so strong that this Argentine action might permit [the] institution of strict US rationing to ensure fulfillment of feeding programs." A United States that had been inconvenienced in this fashion would be "seriously prejudiced" against giving any form of aid or assistance to Argentina for some time to come. He therefore instructed his Ambassador to "inform Pres[ident] Perón informally of [this] and that this government views with alarm the breaking of current Brit[ish] negotiations."23

Bruce replied that "We naturally agree one hundred percent and will . . . operate accordingly." Bruce and Ray met with Bramulgia (like Messersmith had done in 1946), relayed Marshall's warnings, and tried to effect a change in the Argentine position. There was no point in meeting with Miranda, who would not be swayed, so they
(and Leeper) opted to approach Bramulgia, who might once again persuade Perón to rein in his "economic czar."

Bruce spoke with the Foreign Minister, and reiterated Marshall's warnings. He and Ray believed that their visit had been "very successful" in persuading Bramulgia, and awaited a change in the Argentine posture. After the fact, Bruce tried to play down his involvement, noting that "We made suggestions when asked, but not otherwise."24

More tangibly, the State Department had decided to "show as little disposition as possible to supply dollars" to Argentina until the British food supply had been guaranteed. In early 1948, a U.S. Army purchasing mission (the Gilliam mission) had gone to Buenos Aires to procure several hundred thousand tons of wheat for occupied Germany. Since this purchase promised to bring millions of dollars to Argentina, and was a sign that the United States might be relaxing its restrictions on imports from Argentina, Argentines had very high hopes for Gilliam's trip. Bruce, convinced that Perón was about to rollback IAPI's operations to attract dollars, feared that the prospect of this relatively minor dollar infusion into Argentina might prevent Perón from removing grain from IAPI's jurisdiction. The purchasing mission took on an added significance during the British negotiations. If the U.S. Army took greater responsibility for feeding
Europe, and entered the bidding for Argentine food products on a large scale, then Perón's hand would be strengthened even further and Miranda could become even more intransigent. To prevent this and give England a "fighting chance," the Department made it clear to Perón in early February that the Army purchases would not compete with the British, and Gilliam even seems to have stalled the negotiations until the Andes Agreement between Argentina and Great Britain had been finalized. At one point in the negotiations, Bruce had actually cabled Washington, urging his superiors (at the behest of the British) to withdraw the mission, but relented."

Although it is impossible to firmly assert that Bruce and Ray's intervention broke the deadlock, Miranda and Ballieu signed the first Andes Agreement just two weeks later. Much of the deal was a classic bilateral barter. Argentina promised to ship 420,000 tons of meat, and more than 1.3 million metric tons of grain to England. For their part, the British agreed to part with 2.5 million cubic meters of petroleum, one million tons of coal, seventy seven thousand tons of steel, fifty four thousand tons of tinplate, and various chemicals. The most significant feature of the deal, however, was the surprise purchase of the British railroads. Miranda had reversed his position, and used the proceeds of 1948 meat sales and most of the remaining sterling balances to nationalize the
rail lines. The terms of the purchase are somewhat puzzling. Argentina was obligated to pay nearly 2.7 billion pesos (£150 million) to gain the titles to the railroads and pay off their debts. Miranda knew well that the decaying lines were worth no more than one billion pesos, and recognized that the Argentine government would be forced to invest another billion to even make them profitable. Although Miranda had serious misgivings about the sale, and expressed them in public, Ballieu's team was able to report to Whitehall, "We got it!"

There can be little doubt that once again the British had managed to translate a weaker bargaining position into victory. Although they were forced to sell "essential" industrial raw materials, they had averted a serious increase in meat and grain prices. Just as significantly, however, they had after more than a decade, unloaded the railroads and virtually erased the wartime sterling balances. Why Miranda relented is something of a mystery. The British knew well that Miranda reacted to the mere mention of the railroads as bull to a "red rag." Ray credited Bramulgia with having changed Perón's mind, tacitly reinforcing the idea the U.S. Embassy had played a key role in convincing the Foreign Minister. Certainly the threat that the United States would not help Argentina solve its dollar shortage problems must have weighed heavily upon Perón. More important, in all likelihood,
was the threat of British devaluation. The British did, as Paul Lewis points out, devalue sterling shortly thereafter, so Peronists could claim to have made the best of a bad situation in this regard. Had they not purchased the railroads, their sterling balances would have evaporated, with nothing to show for them. Lewis suggests, however, that Perón did not have to buy the railroads. He notes that the British were at last willing to sell industrial raw materials, and speculates that Miranda could have simply purchased more of these. This is to some extent an unfair assessment. Miranda, universally acknowledged as a tough negotiator, did not want to purchase the railroads, and had been unwilling to do so for years. There was no economic reason to purchase "old iron" that was already in existence when new production facilities were badly needed in many other areas. Miranda consistently made this argument, and his sudden reversal strongly suggests that the British had given him no other option."

Although Perón may have been strongly pressured to accept the English terms, he was able to claim victory nonetheless. He advertised the purchase as the glorious culmination of his effort to drive foreigners from their preponderant position in Argentina. Porteños took to the streets to celebrate nationalization, and Argentine newspapers jubilantly proclaimed, "Now they are ours!"
and "Now they are in the hands of the people!" Perón frequently turned necessity into a virtue, and the railroad purchase was no exception. Nationalists rallied to Perón's banner, and called for him to complete the "re recuperation" of the nation. Meatworkers clamored for Perón to nationalize the frigoríficos next, while others looked for him to expropriate the oil facilities. As a show of strength and confidence in the economic program, the railroad nationalization was most effective. If there was any suspicion that Perón was abandoning his nationalistic and revolutionary credentials to move into alliance with the Yanqui capitalists, the Andes Agreement reaffirmed his position with the masses, if nothing else.28

Despite Ballieu's early exuberance toward their victory, not all of his countrymen shared his enthusiasm. The Daily Express, angry over the sale of badly-needed coal, called the Andes Agreement the "worst commercial defeat Britain has ever suffered." There was also criticism in Parliament. One critic argued that in essence, the English were eating the railroads by trading them for meat, and asked what investments the nation would be forced to consume next year. However, the Review of the River Plate best articulated the British loss. The editors of the Buenos Aires commercial journal called the sale of the railroads "the end of an epoch" characterized
by a relatively harmonious Anglo-Argentine partnership. The elimination of this major British investment in Argentina symbolically cut the ties that had made Argentina the "Sixth Dominion." Whitehall, well aware that it was severing long-standing and mutually-beneficial ties with Argentina, nonetheless had been driven to do so by the dire financial straits of the post-war period. Britain would never again be Argentina's great power patron, and hereafter, Perón would have no choice but to turn to the United States for assistance. Even if the British had gotten the better of Perón this time, it was in this respect, a Pyrrhic victory."

III

With no hope of translating their sterling reserves into dollars, Perón and Miranda's only hope rested in the Marshall Plan. Although Will Clayton had announced in 1946 that there would be no Marshall Plan for Latin America, the U.S. efforts to reconstruct Europe promised substantial peripheral benefits for southern nations. In essence, the European Recovery Plan was a multi-billion dollar U.S. foreign aid program designed to get Europe back on its feet. Marshall planners, through the technocrats of the Economic Cooperation Administration (ECA), would distribute dollars to European nations so
they could ease suffering and stimulate economic reconstruction through the integration of Western Europe. For purposes of this study, however, the most important aspect of the ERP was its provisions for "offshore procurement:" purchases by the European recipients of Marshall aid outside the U.S. market.

European nations, under the ERP, could petition the ECA for funds to purchase goods from either the United States or third nations. The ECA would evaluate each request and allocate or withhold funds, depending upon the merits of the proposed transaction. European nations could then spend dollar credits for purchases in the Western Hemisphere. Latin Americans, also suffering from a serious "dollar drain," could earn desperately-needed dollars to spend for industrial products or capital goods in the United States. Marshall argued that the triangular trade between Europe, the United States, and Latin America could be restored in this fashion, for the benefit of all. He estimated that the nations of the Western Hemisphere might be able to earn $10 billion over the next several years through "offshore procurements," if all went well.30

Perón and Miranda viewed the Marshall Plan as the salvation of their economic system. No Latin American nation seemed to be in as strong a position as Argentina to capitalize upon the ERP. European food shortages had
not abated yet, ensuring that Europe would still need massive Argentine imports of basic foodstuffs. The International Emergency Food Commission (IEFC) reported that the world's grain needs exceeded available surpluses by over ten million tons in 1948. British observers saw the Argentine role as vital, estimating that the State Department would be counting on Argentina alone for over $1.4 billion worth of food in the first fifteen months of the ERP. As the *Journal of Commerce* opined,

> It is scarcely an exaggeration to say that the Marshall Plan, as originally and at present conceived, would be rendered impractical by an Argentine decision to remain outside it."

It predicted that Argentina could count upon selling $168 million of meat, $730 million of grain, and more that $400 million of other goods in the first year and a third. Miranda shared in the optimism, asserting that even though "the U.S. has all the marbles," the ERP would give new life to the Five-Year Plan. In June, he announced that he would have $1.5 billion worth of goods ready to be loaded, once the ECA provided the dollars."

Unbeknownst to the Argentines, however, the "Wall Street wolves" of the ECA had other ideas. The ECA had been created to allocate resources for Europe, bring down trade barriers, and integrate the continent. In short, its function was to promote multilateralism, U.S.-style privatist corporatism, and liberal capitalism, while
"discourag[ing] totalitarianism and highly-centralized governments." Regarding bilateralism and statism as dangerous and malevolent, the men who staffed the ECA saw no reason to reward Perón's Argentina for enacting policies so clearly antithetical to these ideals.

Organizations like IAPI can only exist in highly centralized governments and, if we are unable to take advantage of this situation to reduce IAPI's activities, it will vitally affect the course of American business. Not only in Argentina but probably in neighboring countries who may be tempted to follow Argentina's example.

Bruce concurred. Recognizing that the Argentines desperately needed dollars, he urged the State Department to carefully monitor expenditures in Argentina and get something in return. "If the United States extended vast credits to Europe and permitted a certain percentage of these dollar credits to be used in Argentina for purchases without any conditions attached," he argued, "we would have no ammunition for trading purposes." He drew up a list of changes that he would like to see the Perón Administration make before they received ERP dollars. "Adopt a policy encouraging free enterprise" headed the list. Furthermore, Miranda, the "great obstructive force which our Embassy has to face," would be able to claim victory if Argentina recovered from its budding economic crisis while he still held office. In another letter, Bruce suggested that ERP officials have a frank discussion
with Perón telling him that no dollars would come unless "he put in an honest and able financial and commercial administration." In short,

Miranda can talk all he wants about Argentina being the lifeline of Great Britain, but the surest thing in the matter is that the United States is the lifeline to Argentina."

He was nonetheless clear that such a policy would have to be conducted quietly and without "indiscriminate advance publicity from Washington" that might undercut quiet persuasion.

More concretely, ECA officials believed, as many did, that Argentina was not "doing its bit" to assist in European recovery. Miranda and IAPI appeared to be gouging Europeans for their food supply, withholding food to exacerbate shortages, and selfishly exploiting the world food crisis. Certain officials in the ECA viewed their position as an opportunity to exact some justice by punishing the Argentines. As D.A. FitzGerald, the ECA administrator largely responsible for procurement in Argentina (and an IEFC functionary and Agriculture Department official), noted, it was a "good time to beat Argentina to its knees." Thus, in May 1948, ECA officials, apparently with at least the tacit cooperation of their chief, Paul Hoffman, began their own campaign to derail the Peronist economic experiment."
Despite all predictions to the contrary, the ECA had a unique opportunity to do just that. The U.S. wheat crop was the second largest ever, Canada also had a bumper crop, and French food production was up by twenty-five percent. When ECA and IEFC experts analyzed the data in the summer of 1948, they discovered that Argentina did not hold a whip hand over the Marshall Plan after all. In fact, it might even be possible to meet Europe's food needs without any Argentine contribution at all. With this information, the ECA began to draw up plans that would withhold offshore procurement from Argentina entirely. Peronists, who had assumed that Marshall Planners would be forced to come begging to IAPI, soon learned that the ECA was quite content to ignore their nation altogether.  

The ECA would have to be careful, however. Critics of the Marshall Plan had already started to attack the ERP as a selfish program to help U.S. exporters sell to dollar-starved Europe. The ECA could give preferential treatment to U.S. goods, and guarantee that the dollars spent for Europe returned to the United States. To undercut this criticism, Paul Hoffman had pledged to purchase from the supplier who offered the lowest prices, regardless of national origin. In fact, this had been written into the Marshall Plan. U.S. taxpayers' dollars would be spent as prudently as possible, even if this
meant allocating funds for purchases abroad that could have been supplied by U.S. sources. This policy proved to be the long-sought weapon that could actually damage Perón. IAPI's high prices would serve admirably as a justification to withhold offshore procurement dollars from Argentina, hoisting Miranda by his own petard.

Although ECA officers argued that they were merely following the Congressional mandates and only incidentally hurting Argentina, there can be no doubt that the ECA's policies were deliberately aimed at punishing Perón. Richard M. Bissell, ECA Assistant Deputy Administrator, told the Senate Appropriations Committee that "no exports whatever are contemplated in the near future in Argentina, and none whatever will be made so far as we control them."

The ECA informed the U.S. Embassy in Copenhagen that "present ECA policy [is] not repeat not to approve procurement authorizations for materials from Argentina."

Similarly, it told an Italian delegation that there was not enough wheat available to meet Italy's needs—ignoring the Argentine surplus. The Greeks were told in July that "prohibition Argentina continues." The ECA was even willing to break its own rules to punish Perón. In August, FitzGerald authorized a purchase of Mexican beef, acknowledging that Argentine meat was cheaper, and gave instructions that meat was to be purchased from other nations, "no matter how much higher the price might be."
The ECA defended this purchase by asserting that it would not allocate dollars for Argentine meat until its grain prices had become "more reasonable." 39

The ECA proceeded from the assumption that IAPI was going to continue to charge exorbitant rates for its grains. Therefore, it enforced the "prohibition" upon the Argentines alone "because they have not as yet demonstrated a willingness to sell to [ERP] participants at reasonable prices." As the U.S. Embassy pointed out, however, Miranda had made numerous public and private statements that he was willing (and even quite desperate) to bring his grain prices down to the U.S. or world levels. Miranda's "volte face on grain prices," Ray noted, was not "evidence of his sympathy for starving Europe," but a realistic decision calculated to earn dollars. Miranda had asked why Argentina was being forced to sell grain for world prices while the prices of European exports to Argentina were often double U.S. prices, but nonetheless acquiesced to the ECA's demands. Although Bruce had informed Marshall and Truman of this change in policy, the ECA had "adopted from its inception a policy of withholding all procurement from Argentina pending the negotiation of a satisfactory price agreement." However, the ECA refused to open such negotiations, snaring Perón neatly in a Catch-22. 40
The ECA did dispatch Struve Hensel to Buenos Aires in June. Argentines rejoiced that his visit heralded the arrival of ERP dollars, but Hensel made it clear that he was not planning to negotiate. His purpose, it seems, was to inform Perón that the ECA was fully prepared to reconstruct Europe without Argentine assistance. He carried with him the ECA assessments of European food requirements that illustrated how Argentine cooperation was unnecessary. Hensel asked Argentines, "Why should we pour dollars down here for something we can buy cheaper elsewhere?" He stated that they needed to sell their goods below U.S. or world levels to attract the Marshall planners and European purchasing missions, and concluded by making it clear that the ECA was not "intended to be a rescue agency for the Argentine economy." The Argentines, he suggested, were going to have to make dramatic changes in their national economy to lure precious dollars. As State Department officials noted, this came perilously close to the overt intervention in Argentine domestic affairs that they had been working diligently to avoid.

In spite of his candor, Hensel was not entirely forthright. He assured Perón that while the ECA would refuse to allocate dollars for Argentina, it would not interfere with direct Argentine dealings with ERP participant nations. In theory, IAPI could continue to negotiate with the Europeans, but the transactions would
not involve Marshall Plan dollars. Nonetheless, throughout 1948, the ECA did "supervise" a number of European transactions that were conducted in other soft currencies. In August, ECA liaisons offered to allocate dollars to Italy for 100,000 extra tons of U.S. wheat to weaken Miranda's bargaining position and drive down the price of Argentine wheat, lard and corn. The French were given the same offer later that month. On other occasions, the ECA offered dollar expenditures for purchases in other Latin American nations or the United States to replace Argentine sales in other currencies. While this practice defied congressional mandates to conserve ERP dollars for purchases that could not be made in other currencies, the ECA justified it by asserting that it was part of the larger effort to bring Argentine prices down and thereby stretch European purchasing power. The ECA repeatedly intervened to force Argentina to sell to European nations at U.S. prices in exchange for European products much more costly than those from the United States. Throughout 1948, the ECA financed a meager $1.1 million of purchases in Argentina, while Canada, Australia, and other food producing nations had been granted $360 million in sales. In short, the agency was making good on FitzGerald's pledge to "beat the Argentine to its knees."  

483
FitzGerald's remarks and similar ones by Edward Kunze, published in the *Journal of Commerce*, mobilized anti-U.S. nationalism in Argentina. Argentine newspapers reprinted the comments, inflaming public passions. Mobs "carrying scaffolds and nooses" met in front of the U.S. Embassy in Buenos Aires and put on what Bruce called "a first class anti-United States demonstration." Bruce himself was placed in a very sensitive position. Since his cousin Howard Bruce was the Deputy Administrator of the ECA, the ambassador was a natural target for resentment, but this did not seem to impair his ability to handle the crisis. From August to November, Bruce worked extraordinarily well to restore the "harmonious relationship" that the State Department had been working to build. 

The ECA's indiscretions could not have come at a worse time. In late September, Argentine police had arrested the old labor chief Cipriano Reyes for plotting to assassinate the Peróns. Reyes, disenchanted with Peronism, had been entrapped by loyal *peronista* military officers who had tricked him into joining into a contrived conspiracy. The police linked Reyes to Spruille Braden's old friend, John Griffiths, who had been Nazi-hunting and intriguing with the anti-Peronist opposition in Montevideo since 1946. Griffiths had convinced Supreme Court Justice Robert L. Jackson that he was close to uncovering war
criminals such as Martin Bormann, and had been given FBI assistance in his search. For the Peronist police, the link between Reyes, Griffiths, and the FBI was both clear and damning. Griffiths denied any participation in the conspiracy, and Reyes never implicated him in the years of imprisonment and torture that followed. Perón, who rarely cared to consider nuances such as concrete evidence, used this revelation to resurrect the specter of Braden and stir up anti-U.S. nationalism. After a speech before the Plaza de Mayo in which he blamed the U.S. for the abortive attempt on his life, peronistas "menaced" the U.S. Embassy. Combined with the ECA revelations, the Reyes episode threatened the rapprochement that Bruce was working to build.

Bruce, infuriated after spending three hours in the Casa Rosada "listening to Argentine complaints," fired off three letters to Truman and Marshall, protesting the ECA's "latest atrocities." Professing "no particular sympathy" with Perón's government or its policies, he argued that there was still no reason that Argentina should be "crucified" by "every jackass minor official who happens to hold a clerkship." He singled out FitzGerald, Kunze, and a dozen of their "collaborators" as the major culprits, and reminded the president that FitzGerald, a "disloyal" naturalized Canadian, had actively worked for the Republican Party during the 1948 election. Bruce
conceded to Truman that "I'm sure I'm not as tough as you are," but nonetheless urged him to

bring out the big stick on those boys and give them hell, and if you haven't got time to do that, just eliminate them from any future part in your party. What ECA needs is a tough Democrat to go into that flock of long-haired boys who haven't yet learned that you're the only person who knows how to run your own show, and tell him to cull out the herd, and the quicker he can hit them over the head the sooner you'll be able to get your administration identified with officials of your choice instead of inferior and worthless showoffs.*

While he had the "highest regard for Mr. Hoffman," he asked that the ECA administrator discipline FitzGerald and the other "third and fourth rate bureaucrats" who were "using their governmental positions to vent personal prejudices against the Argentine."**

At the same time, Bruce worked diligently in Buenos Aires to undo the damage. He met with Perón and asked him "not to answer the ECA," reassuring the president that he would "attempt to get the matter cured" himself. He was successful for the time being, and was able to modestly report to Truman that "we have kept everything quiet without blowing off the lid, and down here that is real diplomacy." Truman himself recognized Bruce's achievements and the merits of his relationship with Perón, which had prevented "what might have become an unpleasant press campaign." Perón had initially blasted the Truman Administration and the State Department for the
ECA's policies, but retracted his statements after conferring with Bruce. Bruce gave the conductor a written statement for the press exonerating the State Department, which Perón read publicly almost verbatim. Nonetheless, Bruce and other State Department officials were becoming aware that the ECA was pursuing a very Braden-like policy that was on the verge of doing irreparable damage to their plans."

Bruce was able to weather the storm of anti-U.S. sentiment and earn Argentine gratitude by working on behalf of Perón. While ECA officials were determined to crush Perón, Bruce looked for some way the "Argentine dollar situation can be saved." Toward this end, he returned to Washington in August to plead the Argentine case before his superiors (accompanied by Orlando Maroglio, new head of the Central Bank) and to present what ultimately came to be called the "Bruce Plan." Bruce's journey showed Argentines that he was actively seeking a solution to their problems, so nationalists would find it difficult to blame the United States for their country's misfortunes. In addition, it was an opportunity for Bruce to inform Hoffman firsthand of what harm his underlings were doing and possibly change the ECA's policies for the better."

The stated goal of Bruce's visit--to bring ERP dollars to Argentina--was one guaranteed to be popular in
Buenos Aires. Although he was unsuccessful in effecting a notable change in the ECA policy, his efforts did not go unnoticed. Furthermore, he attempted to convince his superiors to purchase over $200 million of canned meat from Argentina per year. British observers commented that the "indefatigable" Bruce had become almost an Argentine ambassador in Washington. As a result of his well-publicized efforts, Ray was able to report that anti-U.S. sentiment had "virtually disappeared." Although he returned from Washington without having changed ECA policies, or achieved any easing of the "sanitary embargo," he told Marshall that "the whole matter turned out very well, and I am sure that you will be pleased with the excellent publicity that the State Department has received." Soon thereafter, others in the Department took up his attack on the ECA."

In January 1949, officials in the State Department's Office of River Plate Affairs, at Bruce's behest, drew up a comprehensive list of over thirty specific instances where the ECA had actively, openly, or covertly "discriminated" against Argentina. The document they prepared for Truman, "Instances of Apparent Discrimination by ECA Against Argentina," was nothing short of an all out attack on the Marshall Planners. Some of the most damaging evidence came from the ECA's own Robert Strange, who had examined his agency's Argentine policy in August.
"Although Argentina had quoted U.S. or lower prices in every known dollar transaction during recent months," Strange reported, "ECA questioned that Argentina was willing to sell her exports at or below U.S. prices." The ECA had acted under the presumption that Argentina was impeding European recovery, and had informed Perón that he should simply grant the Europeans credits for Argentine goods, even though this would do nothing to solve their own dollar shortage. In truth, Argentina had, in the past three years, lent ERP nations between $500 million and $1.5 billion, much of it, Strange concluded, through "extension of credits and the acceptance of blocked soft currencies." Indeed, even the Review of the River Plate, which was rarely sympathetic to Perón and Miranda, had to conclude that Argentina had "done its bit" to assist in European recovery. Stripped of pretense, the ECA's position rapidly became indefensible.  

Private exporters in the United States also argued convincingly that the ECA's policies were wrongheaded and counter to the U.S. national interest. Unable to make dollar purchases, Argentina was turning back to Europe, favoring European firms that would conduct their transactions in other currencies. Rather than purchase Standard's oil, for example, Miranda announced in December that he would try to meet Argentina's needs exclusively from the sterling area--depriving the U.S. firms of
business. Indeed, the Andes Agreement had already replaced many U.S. exports with British substitutes. Robert Harrison, who had been contracted by the Argentine government, wrote Tewksbury with his concerns. He was being retained by the Peronists to make purchases of $80 million of heavy machinery from England—purchases "which rightfully belong in the U.S.A." Although he admitted that he should be satisfied with his "engineering fee and not give a damn where the machinery comes from," he was also a "pretty enthusiastic citizen of the United States." Harrison recommended that ECA should "buy beef for the British and insist that the Argentines earmark the dollars for U.S. machinery." Although Harrison considered himself to be nothing more than a "simple" engineer, he clearly articulated yet another reason why the ECA's policies were counterproductive.51

Soon after the State Department lodged its protests, ECA policy did change. Marshall, Acting Secretary of State Robert Lovett, and Henry Labouisse threw their weight behind Bruce's appeals, and worked to convince Truman to end ECA "discrimination." Any hint that the U.S. motives behind the Marshall Plan were less than fully humanitarian risked tainting the whole enterprise. Since some controls were still in place for U.S. food consumption, the Marshall planners would have been hard-pressed to explain why Argentine surpluses were not being
utilized in Europe. Truman and Hoffman, hoping to avoid a further crisis, made the decision to abort the boycott on Argentina, and "would now welcome ECA purchases in Argentina as elsewhere." Howard Bruce, the ECA's acting administrator, led Bramuglia to believe that Argentina could receive "several hundred million dollars" of offshore procurement "in the near future." Lovett "suggested that the figure should be regarded as more or less $100,000,000." Howard Bruce later recanted, claiming that these statements were merely estimates, but Miranda and Perón had good reason to think that ECA dollars were finally forthcoming.\(^5\)

IV

At first glance, it may seem that Bruce and the State Department had suddenly become open apologists or ardent supporters of Perón's regime. This was not the case. Bruce maintained to the end that Perón would need to make drastic changes in his government, and urged his superiors to be cautious. The Department had been hoping for years that Argentina would bankrupt itself, and the ECA's policies were certainly promoting that development. "Argentina's dollar situation is deteriorating rapidly," Ray had noted in late-1947, "and things will come to a head within the next few weeks in such a way that it will
be easier for us to deal with them." After years of experience with Perón, however, the State Department recognized that the ECA's destructive policies were, like Braden's, counterproductive. In all likelihood, had the ECA quietly and unobtrusively punished Argentina, Bruce would not have complained. Indeed, he had advocated this very approach, and had encouraged the ECA to drive for a quid pro quo involving offshore procurements in Argentina in early 1948, hoping for the dissolution of IAPI. It was only when officials such as FitzGerald and Kunze made inflammatory public statements that ignited Argentine nationalism that the ambassador started firing off letters to Truman. Indeed, all Embassy officials "continue[d] to deny in our conversations with Argentines that there has been any discrimination against Argentina." As Undersecretary of State Paul Daniels pointed out,

This discrimination has made it more difficult to maintain friendly relations with the Argentine Government, and led it to believe that the U.S. was pursuing a vacillating policy. Ambassador Bruce has naturally been very concerned and has keenly felt the discrimination."

One of the primary purposes of bankrupting Perón was to force him to make "sweeping changes" toward liberal capitalism, or possibly even see him overthrown by "moderates" such as General Sosa Molina. However, if Argentines perceived that Perón and their nation were being assailed once again by Yanqui imperialism, the odds
of such a change occurring dwindled. Ray had explained to his superiors that their approach was to quietly "whittl[e] away" at the worst features of Peronism without "provoking a violent disagreement which would be inevitable if we insisted on an immediate showdown." The ECA had risked such a confrontation. Similarly, even if Perón were bankrupted by visible U.S. sabotage, Argentine nationalists would almost certainly unite behind the conductor regardless of the nation's economic hardship and the failure of the his program. The State Department recognized that

if an economic bust comes Perón, although he knows where the blame should fall, will refuse for political reasons to bear the brunt of the blame but instead will shift it to our shoulders. [The Embassy] likewise recommends that we now, in advance, do something to avoid having to bear that onus."

Even worse, if observers in other nations were convinced that Perón's program had not failed due to its own flaws, then they would have little reason not to try their own state corporatistic experiments. The ECA and the State Department both strove to drive Argentina toward liberal capitalism and away from his state corporatism, but the ECA's amateurish (albeit effective) methods had already been tested and found wanting.

Ironically, the ECA boycott allowed the State Department to have its cake and eat it too. Perón was being helped along the path to bankruptcy, and Bruce's
efforts were serving extremely well as damage control to prevent nationalistic outrage from boiling over. Even though Bruce abhorred the ECA, it was serving his purposes as long as it did its work unobtrusively. As Ray noted at the start of 1949,

Perón understands that he needs the help and cooperation of the United States and if we can offer them to him in a manner which Argentina can find acceptable, we could possible write our own ticket, especially in view of Argentina's present precarious financial and economic situation."

In 1949, Perón would inform the State Department that it could indeed "write its own ticket," in return for assistance. Bruce's efforts on behalf of Argentina had been duly noted by high Argentine officials. He, and his superiors in Washington, had tried to convince the peronistas that they were actively interested in helping Argentina solve its own problems, but were going to make it quite clear that Perón first had to make some changes. When Argentina's financial situation deteriorated further at the end of 1948 and 1949, this was the option that the Peronists chose. They would abandon (or start to repudiate) many of the tactics and methods that had offended the State Department as a new air of desperation started to appear.
ENDNOTES

1. Bruce to Secretary of State, 2 July 1948, NA, DS, RG 59, 835.50/7248.


5. Ordway to Secretary of State, enclosure 1, Joseph Apodaca, "Current Economic Review of Argentina," 20 April 1949, NA, DS, RG 59, 835.50/42049.


7. Review of the River Plate, 23 January 1948, 6; Chambers, "Some Factors in the Deterioration," 42-47; DiTella and Zymelman, Las etapas del desarrollo, 497; see also Lewis, The Crisis of Argentine Capitalism, 190-191.


9. Escudé, La declinación, 317-318;

10. Fodor, "Argentine Nationalism: Myth or Reality?"

11. Despite the well-documented inefficiency of IAPI, Miranda defended the organization to the end. When asked about this particular case, he opted to instead discuss the new trucks that IAPI had gotten into circulation. The port of Buenos Aires had only been shipping out 450,000 tons of goods per month in mid-1947. By December, however, it was dispatching over 1 million tons, thanks to
IAPI's purchases. Review of the River Plate, 6 February 1948, 7; Review of the River Plate, 5 March 1948, 8; see also Easum, "Justicialismo in Retrospect," 38-41; Greenup to Secretary of State, 2 December 1948, NA, DS, RG 59, 835.50/12248.


14. Despite the British assertions, Argentina was hardly the only culprit. The Belgians, for example, had converted over $210 million themselves. Review of the River Plate, 14 November 1947, 8-9; Escudé, La declinación, 318; Fforde, The Bank of England, 88-90; Fodor, "Perón's Policies for Agricultural Exports," 135-161; Paz and Ferrari, Política Exterior Argentina, 160-161.

15. Review of the River Plate, 5 September 1947, 6; Review of the River Plate, 19 September 1947, 9-10; Review of the River Plate, 26 September 1947, 7-9; Greenup to Secretary of State, 18 November 1947, NA, DS, RG 59, 611.3531/111847; Review of the River Plate, 2 January 1947, 11; see also Cafiero, Cinco años despues."

16. See Chapter 4; Bruce to Secretary of State, 15 January 1948, NA, DS, RG 59, 835.50/11548; Review of the River Plate, 2 January 1948, 11-12.

17. Gallman to Secretary of State, 10 January 1948, NA, DS, RG 59, 635.4131/11048; Bruce to Secretary of State, 30 January 1948, NA, DS, RG 59, 635.4131/13048; see also Lewis, Crisis of Argentine Capitalism, 192-193.

18. See Chapter 4; Gallman to Secretary of State, 10 January 1948, NA, DS, RG 59, 635.4131/11048; Review of the River Plate, 5 December 1948, 8-9; see also Memorandum of Conversation, Tewksbury, Atwood, Sir A.E.Percival, 19 January 1948, NA, DS, RG 59, 635.4131/11948; Fforde, The Bank of England, 88-89; MacDonald, "The United States, Britain, and Argentina," 191; Jorge Fodor and Arturo O'Connell, "La Argentina y la economía atlántica, 3-66; MacDonald, "The United States, Britain, and Argentina," 188-191.
19. Gallman to Secretary of State, 10 January 1948, NA, DS, RG 59, 635.4131/11048; Bruce to Secretary of State, 21 January 1948, NA, DS, RG 59, 835.61315/13148.

20. Review of the River Plate, 2 January 1948, 3-4; see also Lewis, Crisis of Argentine Capitalism, 192.

21. Bruce to Secretary of State, 26 January 1948, NA, DS, RG 59, 635.4131/12648.

22. Bruce to Secretary of State, 26 January 1948, NA, DS, RG 59, 635.4131/12648.


24. Bruce to Secretary of State, 28 January 1948, NA, DS, RG 59, 635.4131/12848; Bruce to Secretary of State, 31 January 1948, NA, DS, RG 59, 835.61315/13148; Bruce to Secretary of State, 11 February 1948, NA, DS, RG 59, 635.4131/21148; see also Review of the River Plate, 30 January 1948, 10.

25. Acting Secretary of State to Embassy Buenos Aires, 7 February 1948, NA, DS, RG 59, 635.4131/2748; Bruce to Secretary of State, 11 February 1948, NA, DS, RG 59, 635.4131/21148; Bruce to Secretary of State, 8 April 1948, NA, DS, RG 59, 835.61315/4848; Memorandum of Conversation, Tewksbury, Atwood, and Percival, 635.4131/11948; Bruce to Secretary of State, 20 September 1947, NA, DS, RG 59, 835.61315/92047; Bruce to Secretary of State, 15 January 1948, NA, DS, RG 59, 635.4131/11548; Marshall to Embassy Buenos Aires, 2 February 1948, NA, DS, RG 59, 635.4131/2248; Bruce to Secretary of State, 6 February 1948, NA, DS, RG 59, 635.4131/2648; Bruce to Secretary of State, 23 April 1948, NA, DS, RG 59, 835.61315/42348;


29. Review of the River Plate, 20 February 1947, 4; Review of the River Plate, 27 February 1948, 3, 8.

31. Review of the River Plate, 6 February 1948, 6.

32. Journal of Commerce statistics cited in Review of the River Plate, 9 April 1948, 9-11; see also Review of the River Plate, 23 January 1948; Review of the River Plate, 4 June 1948, 3-4; Cafiero, Cinco años despues, 296-299.


34. Embassy Buenos Aires to Tewksbury, 29 April 1948, NA, DS, RG 59, 611.3531/42948.

35. Bruce to Secretary of State, 26 December 1948, NA, DS, RG 59, 835.4131/122647; Dearborn to Atwood and Martin, "Ambassador Bruce Holds Discussion with Dr. Alberto Gainza Paz and Felipe Espil," 21 October 1947, NA, OARA, MRIC, Argentina, Box 20; Bruce to Secretary of State, 24 December 1947, NA, DS, RG 59, 635.4131/122447.

36. Bruce to Secretary of State, 24 December 1947, NA, DS, RG 59, 635.4131/122447.

37. Unsigned Memorandum, "Instances of Apparent Discrimination by ECA Against Argentina," 25 January 1949, HST, PSF, Box 120, Folder 3, HST.

38. Review of the River Plate, 18 June 1948, 10; "Instances of Apparent Discrimination," HST, PSF, Foreign Affairs, Argentina, HST.


40. Bruce to Secretary of State, 31 January 1948, NA, DS, RG 59, 611.3531/13148; Memorandum of Conversation, George Bookman (Time Magazine) and Linville, 19 February 1948, NA, DS, RG 59, 835.6131/21948; Department of State, Current Economic Developments, 30 September 1948, #166, HST; Bruce to Secretary of State, 3 November 1948, enclosure 1, Memorandum of Conversation, Bruce and Miranda, NA, DS, RG 59, 611.3531/11348.

41. Interestingly, Perón's opponents such as Federico Pinedo lauded ECA's policies—"USA proposes to purchase products in Argentina to meet world requirements. Buying from IAPI, it will strengthen that monopolistic system of simultaneous exploitation of the world and the Argentine people, of progressive strangulation of the system of free trade, and disruption of the Argentine market and other markets." Pinedo to Armour, 20 May 1948, NA, DS, RG 59,
835.50/52048; "Instances of Apparent Discrimination," 25 January 1949, HST, PSF, Foreign Affairs, Argentina, HST.

42. "Instances of Apparent Discrimination," 25 January 1949, HST, PSF, Foreign Affairs, Argentina, HST; see also Bruce to Secretary of State, 31 January 1948, NA, DS, RG 59, 611.3531/13148.

43. Bruce to Marshall, 17 November 1948, NA, DS, RG 59, 711.35/111748; see also Bruce to Truman, 31 November 1948, NA, DS, RG 59, 711.35/111348.

44. Giacalone, "From Bad Neighbors," 173-176; see also Embassy Buenos Aires to Secretary of State, 20 October 1949, NA, DS, RG 59, 711.35/102048; Page, Perón, 216-218.

45. Bruce to Truman, 13 November 1948, NA, DS, RG 59, 711.35/111348.

46. Bruce to Truman, 17 November 1948, NA, DS, RG 59, 711.35/111748; Bruce Unreleased Press Statement, 11 November 1948, NA, DS, RG 59, 711.35/111148.

47. Bruce to Truman, 13 November 1948, NA, DS, RG 59, 711.35/111348; Bruce to Truman, 17 November 1948, NA, DS, RG 59, 711.35/111748; Truman to Bruce, 9 December 1948, HST, PSF, Foreign Affairs, Argentina, HST; Bruce to Secretary of State, 3 November 1948, enclosure 1, Memorandum of Conversation, Bruce, Miranda, Perón, Sosa Molina, Greenup, NA, DS, RG 59, 611.3531/11348.

48. Bruce to Secretary of State, 22 June 1948, NA, DS, RG 59, 835.50/62248; Tewksbury, "Visits of Orlando Maroglio, on September 38," NA, DS, RG 59, 611.3531/93048;

49. Review of the River Plate, 24 September 1948, 3-4; Review of the River Plate, 3 September 1948, 3-4; Review of the River Plate, 15 October 1948, 7; Bruce to Marshall, 19 November 1948, NA, DS, RG 59, 711.35/111948.

50. "Instances of Apparent Discrimination," 25 January 1948, HST, PSF, Box 170, Folder 3, HST; Review of the River Plate, 10 September 1948, 8; see also Livingston Watrous to Secretary of State, 4 February 1948, NA, DS, RG 59, 835.50/2448; Randall, Essays on the Economic History of Argentina, 230.

51. Bruce to Secretary of State, 23 December 1948, NA, DS, RG 59, 835.50/122348; Robert Harrison to Tewksbury, 24 September 1948, NA, DS, RG 59, 611.3531/92448.
52. Memorandum of Conversation, Tewksbury, Atwood, Martin, Gerald Meade and F.W. Marten (British Embassy), 14 March 1949, NA, DS, RG 59, 835.4131/31449; Daniels to Secretary of State, 22 March 1949, NA, DS, RG 59, 835.50/32249; see also Lovett to Clifford, 27 January 1948, HST, PSF, Foreign Affairs, Argentina, HST.

53. Embassy Buenos Aires to Tewksbury, 29 April 1948, NA, DS, RG 59, 611.3531/42948; Ray to Lyon, 17 November 1947, NA, DS, RG 59, 835.50/111747; Unreleased Press Statement, 11 November 1948, NA, DS, RG 59, 711.35/111148; Tewksbury to Pawley, 18 March 1949, NA, DS, RG 59, 835.50/31849; see also Felix Weil, "Can Perón be Bought?" Inter-American Economic Affairs IV (Summer 1950), 31-32.

54. Daniels to Secretary of State, 22 March 1949, NA, DS, RG 59, 835.50/32249.

55. Bruce to Secretary of State, 22 June 1948, NA, DS, RG 59, 835.50/62248; Ray to Dearborn, 7 October 1947, NA, DS, RG 59, 835.50/10747.

56. Thomas Maleady (First Secretary, Embassy Buenos Aires) to Secretary of State, 4 May 1949, NA, DS, RG 59, 711.35/5449.

57. Ray to Secretary of State, 4 January 1949, NA, DS, RG 59, 611.3531/1449.

500
At some point Perón will have to clean out Miranda and the other crooks associated with him or else the Army will probably clean out Perón. At the moment we do not know which way the cat is going to jump, but when it does the chances are that we will land with it on a better spot than the one we left.

James Bruce, 2 July 1948

In January 1949, the State Department's policies toward Buenos Aires finally started to bear fruit. The economic crisis that had afflicted Peronist Argentina had finally driven President Juan Domingo Perón to his knees and Peronismo lost the dynamic flavor and maverick nationalism that had characterized the movement from its inception. Perón would become much more compliant with U.S. desires, and would finally start to implement some of the changes that Washington had sought for years.
The first of these was the firing of "economic czar" Miguel Miranda, the driving force behind the Peronist economic program. As the leading proponent of statism, bilateral barter, and Argentine independence of action, Miranda had long been a thorn in the side of the "Inter-American System." In January, Miranda's rivals joined together to oust him and bring a fundamental change to Argentine foreign and domestic economic policy. As Miranda had been running the Argentine economy almost single-handedly since 1946, he naturally bore the responsibility when the economy collapsed. But the State Department had also played an important role in his fall. A number of powerful peronistas had sought counsel from U.S. officials and had been told that Miranda, his state corporatist approach, and his brainchild--IAPI--were the primary impediments to true rapprochement between the U.S. and Argentina. They hinted further that Perón could expect U.S. aid once these roadblocks were cleared.

That Argentina needed assistance became perfectly clear several months later when Perón once again entered negotiations with the British. Where once Miranda had been able to forcefully dictate terms to the British, now the Argentines now were forced to accept British dictates. The State Department also sensed its opportunity to roll back the peronista program. United States policymakers had been able to do little when Argentina was a strong,
legitimate rival, but now Perón had exhausted his foreign reserves and drained the national treasury. Fearing for his political life, he desperately needed U.S. aid and was willing to renounce the radical alternative that he had put forward in 1946 in able to continue in office. 1949 was the turning point, when the defiant peronismo was replaced with a more docile one, willing to accept its place as a peripheral nation within the inter-American order. Perón would never completely abandon his state corporatistic vision, and would therefore never become a perfect ally for the United States, but the Argentina that begged for U.S. loans in 1949 and 1950 was far removed from the one that had emerged from World War II boldly challenging U.S. hemispheric dominance.

II

In January 1949, Perón took his first major step toward genuine rapprochement with the United States by relieving Miranda of his position as the Chairman of the National Economic Council. The accepted rationale for this move is that Eva Perón had denounced him as a thief. According to ambassador James Bruce, Miranda, in the course of looting the national finances, had ordered wool exporters to leave three percent of their profits on his desk without giving receipts. When one of them questioned
this practice, the "economic czar" responded that "he had to do this because he was collecting for the account of Sra. Perón." The exporter, a friend of the president's wife, then reported it to her, "whereupon the Sra. practically hit the ceiling and said she had never received a cent from Miranda in her life . . . and she did not intend to have her name bantered around in that fashion by a crook like Miranda." Bruce reported that she gave her husband an ultimatum—"if [Miranda] did not go, she was going to leave the country herself and go and live in Biarritz." Perón tried to placate her and "told her to be a calm little girl," but to no avail. She persisted in pressuring him and, in Bruce's words, "Miranda's goose was cooked."

After a stormy cabinet meeting the next week in which her supporters attacked the "economic czar," he resigned his position, but remained associated with Perón briefly as a "technical advisor," before leaving Argentina for good. This story, if true, was only the straw that broke the camel's back, rather than the sole reason for his dismissal. Miranda, given almost complete control over the Argentine economy, had accepted credit for his nation's economic boom after the war, and had to shoulder the blame for the economic collapse of 1948-1949. Indeed, a closer examination of the events surrounding the fall of Miranda make it clear that his days were numbered even
before Eva Perón turned her guns on him. After all, it is unlikely that she alone could have brought down Miranda, as she had been demanding Bramulgia's head for years with no success."

Miranda's position within the Perón Administration, although seemingly unassailable, had been deteriorating steadily. The ARMCO episode in 1948 had almost cost him his job, and had turned the powerful army irrevocably against the "economic czar." More important, however, were the opinions of his civilian peers. Bramulgia, the leader of the "moderate," wing of peronismo, had despised Miranda for years, resented his interference in foreign affairs, and was an intractable foe whose star seemed to be rising. Heading a team representing six neutrals, he had earned considerable international praise for his mediation of the Berlin crisis. Bramulgia had also elicited Howard Bruce and Robert Lovett's pledge to commit to $100 million in ECA sales for Argentina in 1949. When he returned from Paris after the Berlin crisis, his position was therefore much stronger than it had been before. In addition to Bramulgia, Miranda had also made new enemies throughout 1948.

Foremost among these was his protegee Orlando Maroglio. Maroglio, who had been put in charge of the Central Bank and IAPI after Miranda was promoted, had long been a mirandista and was regarded as a loyal "tool of
Miranda," despite the periodic "rumors" that he was "asserting himself." There was some truth to the rumors, for throughout the course of 1948, Maroglio seems to have reevaluated the Argentine economic program and the direction Miranda was leading the nation. This reassessment had been facilitated by Bruce, who had accompanied the banker to Washington in September and introduced him to officials such as William Martin of the Ex-Im Bank, Thomas Blaisdell of the Commerce Department, Thomas McCabe of the Federal Reserve, ECA chief Paul Hoffman, and Secretary of the Treasury John Snyder. Miranda claimed that Maroglio was only "making a fool out of himself" by seeking U.S. assistance, but the Central Bank chief persisted in his efforts.*

Maroglio may have come to the United States to clarify Argentina's position regarding the ERP offshore procurements, and to request a credit that might salvage Argentina's precarious dollar situation, but instead received numerous sermons on the virtues of free trade and limited government intervention in the economy and on the failings of IAPI. While he hoped to learn that dollars would be freely forthcoming, U.S. officials persisted in linking the prospect of assistance with the removal of the economic "restrictions imposed by IAPI." By the time he visited with McCabe, Maroglio pleaded with his guide, "Don't let's ever mention IAPI again," but was told that

506
it was "pretty difficult to get on to any discussion of Argentine trade without touching on IAPI." When he arrived in Washington, his ardor for state trading was starting to cool, but by the time he departed, he had been convinced that IAPI had to be modified dramatically or eliminated.²

When he returned to Buenos Aires, Maroglio presented the cabinet with a report "supporting the thesis that Argentina should relax such control measures such as retard or prevent practical trade and financial operations." Apparently, Maroglio had suggested something akin to the "elimination [of] IAPI," touching off a "terrific squabble" in Perón's inner circle. Naturally, Miranda asserted that Maroglio's report should "be consigned to the waste basket." The feud intensified. Maroglio, who had planned to return to the United States for more formal negotiations, feared that if he left the country again, Miranda and his "pals" might seize the opportunity to "cut his throat." By mid-December, Miranda was referring to his subordinate as a "dead duck." On January 12, according to two businessmen, a cabinet meeting almost degenerated into a brawl over IAPI and the dollar crisis. "Mr. Miranda called Mr. Maroglio a liar and Maroglio called Miranda a clown."³

The U.S. Embassy in Buenos Aires considered the discord in the peronista cabinet to be most "beneficial,"
as it served to "familiarize the Argentine officials with useful facts and afford repeated opportunities for exchanging viewpoints." High Argentine officials were now discussing sweeping economic changes and their nation's posture toward the United States. Maroglio's was not the only defection from Miranda's camp. Dr. Oscar Ivanissevich, the former Ambassador to the United States, underwent a similar transformation. Perón had dispatched Ivanissevich to the U.S. to study the educational system in the north. When he had arrived in the U.S., he had been, according to Bruce, "very prejudiced against us."

By the time he returned to Argentina, after conversations with Truman, Vandenberg, Connally, and other officials, he had started to argue for conciliation with the Yankee colossus. Since he lived with and was trusted by the Peróns, his views carried some weight. Bruce reported that Ivanissevich had even converted Eva Perón to a "wholeheartedly pro-U.S." position. This is somewhat suspect. Mrs. Perón, although her criticisms of the U.S. as a bastion of privilege and exploitation did slack off for a time, could never be considered an admirer of the United States—and maintained that if Perón were ousted, she would join the Communists in their undying fight against capitalism and plutocracy. Still, it is quite possible that if she had determined to unseat Miranda, she would repudiate every facet of his policies for a time.
It is also possible that Mrs. Perón was also feeling pressure from General Sosa Molina and other officers who still resented her role in politics. Just weeks after Miranda’s firing, Sosa Molina and several other senior officers took Perón aside, and in Robert Potash’s words, gave him "brotherly advice from older comrades in arms," suggesting that he "relegate Evita to privacy." Perón naturally refused, but it was possible that sensing a crisis, she had anticipated it and shifted her attitudes to ones more compatible with those of the Army.

Regardless of the reason, when she turned on Miranda, she brought her followers with her, including former mirandistas such as José Constantino Barros and Ramón Cereijo. Almost overnight, Miranda’s position in the Perón administration collapsed.

Miranda did try to save himself with a desperate eleventh-hour ploy very familiar to Peronists. The day he left office, he told friends that "the reason he had resigned was that he could not withstand the pressure that had been put on him by Sra. Perón and the U.S. Ambassador." Bruce denied that he had done anything to weaken Miranda and dismissed the accusation as a rather feeble effort to "get us into a battle with him." Miranda evidently hoped that Argentines would rally to his defense, as "he was being overwhelmed by Yankee imperialism and he was making a gallant fight for the poor
Argentines." Perón had used this maneuver in the past to good effect, but Miranda was unable to carry it off. Nonetheless, although Bruce denied that he had anything to do with the immediate decision to purge the "economic czar," he took pleasure at Miranda's fall from grace:

Anyway, the results were what we have been hoping for over a period of many months and regarding which the State Department is entirely cognizant, and it looks now as if there is at least a chance of getting this economy on a reasonably sound basis.*

Miranda's departure had become almost a sine qua non of true rapprochement, and the State Department viewed it as a very significant "step in the right direction." The fight with Miranda had taken its toll on Maroglio, whose health had been failing throughout late-1948. Soon after Miranda's resignation, Maroglio stepped down from his posts, citing chronic illness. If Washington had hoped that he would immediately step into the void left by the "economic czar," it was to be disappointed. Nonetheless, Perón tapped two "Bramulgia men," Roberto Ares and Alfredo Gómez Morales, to replace Miranda and Maroglio, suggesting to the State Department that "Perón is accepting the views of Bramulgia as opposed to Miranda on international relations." The Embassy was able to report that "the appearance of new directing figures on the scene appear to presage a fundamental reorganization" of the Argentine economic system. With Miranda out of the picture, the
Peronists were clearly being driven toward conciliation with the United States.  

To some extent, this impulse must be seen as the major reason for the removal of Miranda. The peronistas knew well that U.S. officials despised the "economic czar" and that he was a constant irritant to the State Department. More significantly, he was making decisions under the assumption that the United States would never consciously assist Perón. Miranda had argued that

We needn't waste time trying to get more dollars out of the United States. I as a trader know that. Nobody buys what he does not need... what must our policy be? Forsake the dollar area so far as we possibly can.  

If Argentina was going to emerge from its economic crisis it would have to do so without U.S. aid, and probably through tighter trade restrictions, even harder bargaining, and bilateralism. This view put him at odds with other peronistas who had been in contact with State Department and ECA officials such as Maroglio, Remorino, Ivanissevich, Bramulgia, and Sosa Molina (who had also visited Washington and had discussed economics with Bruce at the Embassy). Miranda was going to try to solve the financial crisis using the same tactics that had created it. However, the severity of the crisis and the extravagant U.S. promises had persuaded the rest of the peronistas that significant changes had to be made.
III

The removal of Miranda from his lofty perch therefore must be seen as a sign that the peronista economic program had failed in its basic objectives, and that the Argentines were becoming desperate. This manifested itself in negotiations with the British, as the Andes Agreement had to be amended. While Miranda had always been able to negotiate from strength with the British (only to have the rug pulled out from under him at crucial moments by Bramulgia and the United States), the Argentines entered into the second Andes Agreement from a decidedly weaker position, and paid the price for it.

The Andes Agreement of 1948 was set to expire in March, so another British mission journeyed to Buenos Aires to negotiate with Miranda's heirs. The British sensed that Argentina's economic problems would give them new leverage. Not only was Miranda (who had driven the hardest bargains) gone, but Ares, Cereijo, Gómez Morales, and the rest of the Argentine negotiators were relatively untested. Instead of a simple one-year contract for barter, this time the British sought a five-year comprehensive deal by which the weakened Argentines might be locked into England's orbit once again. At the very least, the British team believed that it could secure excellent meat prices--perhaps as low as pre-war levels.
Charles Meade of the British Embassy in Washington reported to the State Department that his government was in a "better position" than it had ever been, as "the British negotiators could pack up and go home this time if the Argentines were too unreasonable whereas they could not have done so before." 12

Despite the strength of their position in these negotiations, the British pressed for further advantage. Before sending the mission to Buenos Aires, Meade and other British representatives called upon the State Department. They urged U.S. officials to cease their efforts to purchase Argentine meat, and stop leading the Argentines to believe that there might be a $200 million market for meat in the U.S. The U.S. Army had followed up the Gilliam mission to buy grain for occupied Germany with similar efforts to acquire relatively small quantities of Argentine pork and beef. Meade protested that this practice was hurting England badly, and other British officials urged the Truman Administration to buy the meat from any other Latin American nation but Argentina. The U.S. Army had paid more than thirty cents per pound of beef, which had made Peronists rethink the 12.8 cents per pound that the British had become accustomed to paying. Furthermore, Argentines had found ways to ship meat for dollars at the Army's high prices, but were falling behind on their shipments to England for virtually-useless
sterling. The British feared that if the Army continued to make purchases, "it is inevitable that [the Argentine government] should be tempted to treat the United Kingdom as a mere residuary and ship to the United Kingdom only that meat which it is unable to dispose of more advantageously." Although Chief of the Division of River Plate Affairs Howard Tewksbury suspected that the English were overstating the threat (citing the British confidence that they could easily walk away from the negotiating table if they had to), his superiors acceded to the British request, virtually guaranteeing that England would retain its near-monopoly on Argentine meat purchases for at least a quarter of a year."

Naturally, this only weakened the Argentine position further. With no alternative but the British market, Perón had little choice but to give in to most of the English demands. Argentine negotiators still pressed for dollars in exchange for the meat, but the British were adamantly opposed to any convertibility. Tewksbury had informed Meade and F.W. Marten that England could request ECA dollars to make the meat purchases that would help the Argentines immeasurably and facilitate the negotiations. Marten responded that ECA policy throughout 1948 had been to refuse procurement requests for Argentina, so this was futile. Tewksbury countered that this policy had been changed, and the Marshall planners "would now welcome ECA
purchases in Argentina as elsewhere." Marten and Meade
did not respond. Since "the only opportunity now apparent
for Argentina to acquire a considerable quantity of ECA
dollars lies in the prospective meat purchase," this was
one of the few opportunities to reward the Argentines for
their recent reversal. But as Perón and the whole State
Department would learn soon, the British had a hidden
agenda."

Simply put, the British had no intention of helping
the Argentines solve their dollar crisis. Instead, they
sought to tie Argentina into the sterling web for the next
five years. Anything that weakened Argentine dependence
on England or strengthened U.S.-Argentine ties had no
place in the British plan. Bruce had suggested to
Ambassador Jeronimo Remorino that the British had $79
million ECA dollars earmarked for meat purchases in Latin
America. In May, the Department sent an aide memoire to
Buenos Aires formally articulating ECA's willingness to
consider purchases in Argentina. Notably, Bissell had
initialed the document, suggesting that ECA was indeed in
accord with State Department policy. Remorino, fresh
from his conversations with U.S. policymakers, asked Sir
John Lomax, head of the British negotiating team, about
the possibility of using ECA dollars for meat purchases.
Lomax responded that "no consideration had been given to
such a proposal and none would be." He explained to the
Argentines that the "British Government is itself begging from the United States and hence could not well say, 'We have a friend who wants a lift—can you give him a hand-out also?'" Lomax, using this "beggar story," was telling Argentines that the ECA would not allocate funds, at the same time that the State Department was also urging HMG to at least make a request for ERP funding. For reasons that were soon to become apparent, the British were inexplicably loathe to using any dollars in Argentina."

But Lomax was not through yet. He came to the U.S. Embassy in Buenos Aires with another interesting request. He told the embassy staff that the British, in their efforts to drive the price of Argentine meat down, had been stonewalled by the U.S.-owned frigorificos in Argentina. The British were offering to buy beef at the "reasonable" price of .60 pesos per kilo of meat, and the British frigorificos had found this price acceptable. The U.S. meatpackers asserted that they would be unable to make a profit for any price less than .75 pesos per kilo. Lomax wondered if the embassy might "recommend" to its countrymen that they sell for the English price. If the U.S. packers did not come around, he warned, then the bulk of the meat sales could be diverted to British firms, "which might conceivably be unfavorable for the Americans." Embassy officials replied that this "smacked of a squeeze on the American packers which is incompatible
with our program of assistance to Britain," and refused outright. When U.S. officials approached the owners of the frigorificos, both English and U.S. companies denied having had any discussions with Lomax at all. "Mr. Lomax, they agreed, was trying to enlist the assistance of the Embassy, and through it the American packers, in the British effort to hold down the price of meat."  

As the negotiations neared completion in May, the State Department started to express concern over the proposed treaty. Despite all Argentine efforts to commit the British to supply dollars, the British had managed to have all transactions conducted in inconvertible sterling. The Argentines had hoped to convince Whitehall to allow ten percent of the profits from sales to England to be convertible to dollars, or at least guarantee sterling balances in gold. Lomax' team had deflected these demands by magnanimously offering to buy Argentine meat at 17.3 cents per pound--the first offer that was greater than the packers' stated cost of production. Furthermore, the Argentines had to agree that twenty percent of their imports from England would be "inessential" items, such as consumer goods, whiskey, and cosmetics. Ironically, at the time that Argentina most desperately needed vital industrial imports and dollar exchange, they were being coerced into a deal that denied them both. Whitehall, "convinced that it was unlikely that Argentina would
permit a break in negotiations," was pressing its advantage deftly."

Still, all of these provisions were at least tolerable for Washington. Problems arose when it became known that the British were pressing to turn this treaty into a strict bilateral barter, based mainly upon an exchange of Argentine beef for British oil, steel, textiles, automobiles, and other products. Regarding petroleum, the British were proposing that the Shell corporation supply all of Argentina's oil imports for the next five years, supplanting Standard Oil, Ultramar, and other U.S. firms that traditionally had supplied more than forty percent of Argentina's petroleum. This caused great consternation in both ECA and the Commerce Department, as well as in the State Department. Thomas Blaisdell of the Commerce Department met with State Department officers to express his objections to the proposed treaties, and to impress them with the "urgency" of the matter.

To continue with bilateralism which forced diversion of trade to the detriment of American trade in its traditional markets would seem to be in direct opposition to [the] objectives [of ECA and U.S. foreign policy]."

The U.S. oil companies were not the only victims. The U.S.-owned frigoríficos were going to be pressured to sell beef for less than a quarter of U.S. domestic prices, and half of the generally-accepted world prices. Although some in the State Department had been suspicious of the
British throughout the course of the negotiations, by May the British intentions had become very transparent. Shell, in all likelihood, would be unable to supply the Argentine requirements of 5.7 million tons of liquid fuel per year with petroleum from the sterling area. Therefore, the English planned to spend dollars to purchase oil in Venezuela in order to sell it in Argentina. Rather than simply supply dollars to Argentina which might help bail the Peronists out of their financial crisis, the British found it more useful to send dollars to Venezuela, which did not matter appreciably in Whitehall's calculations. Simply put, U.S. exporters would be excluded from large sectors of the Argentine market, while British exports would gain a privileged position. At the same time, the links that the first Andes Agreement and the sale of the railroads seemed to have severed would be reestablished and augmented with this long-term pact."

In early May, the State and Commerce Departments mobilized to protest the proposed accord before it had been finalized. Acting Secretary of State James E. Webb cornered Sir Derek Hoyar-Miller, and formally articulated the U.S. complaints. Webb first protested that U.S. products were being "squeezed" out of traditional markets by means of "discrimination." This reflected a "very deep-rooted problem" relating to "the economic shape of
"trade" in the post-war world. "If the British could expand exports by the means of fair and competitive methods," Webb posited, "it would be difficult for us to object—even though some American exporters might lose markets." However, he had to object to this occurring as a result of prejudicial governmental agreements, which was a "very different thing." Since the United States had given the British a massive loan in 1946, not to mention Marshall Plan aid, in order to promote multilateral, non-prejudicial exchange, Washington had some cause for concern that Whitehall was so blatantly contravening U.S. policy.20

Webb's protest came too late. Hoyar-Miller innocently informed the Department that the agreement had already been signed (or would be signed shortly) and that changes could no longer be made. Officials in Washington were furious. Blaisdell (with ARA's Rollin Atwood's support) pressed "very strongly" for Webb to tell the British to "stop making bilateral agreements with L[atin] A[merican] countries." He enlisted Secretary of Commerce Charles Sawyer to his cause, and was "delighted" to learn that the State Department was planning to continue with its protests to both Argentina and Britain. Washington moved quickly, lest the British succeed in presenting them with a fait accompli that could never be rectified.21
Protests to Perón were futile. The deal was so bad for Argentina that Washington knew well that the British had been the driving force behind the accord. Minister of Economy Roberto Ares openly "lamented" the necessity of "turning to England." Remorino took "the position that his government did not desire such an agreement" but, "because of the dollar shortage and pressure from the United Kingdom, Argentina was forced into [it]." He claimed that the "only remedy" for the problem was for "the United States to intercede with the British or otherwise for some means to be devised to remedy the Argentine dollar shortage." Remorino asserted that the State Department had an obligation to help Argentina extricate itself from the deal, as the U.S. itself bore no small part of the blame for it. He explained that at the same time the State and Commerce Departments had been expressing their support for Argentina, the ECA had undercut Perón badly."

In March, ECA officials had "instructed" the Greek government to "avoid any purchases from Argentina during the present UK-Argentine negotiations" which might hurt the British bargaining position. More significantly, on April 29, the ECA dropped a "bombshell" by suddenly announcing that it had authorized $21 million for British pork purchases in the United States at prices significantly higher than those prevailing in Argentina.
Interestingly, this pork was the first meat sale (except for some horse meat) that the ECA had ever authorized in the United States. Paul Hoffman explained that "We bought that pork because pork was getting in long supply" in the United States. On the same day, the ECA authorized a $7 million British purchase of canned beef from Mexico. Although it is possible that the timing of the purchases were coincidental, given the past record of the ECA, it is unlikely. $28 million of meat sales, as well as a moral victory and a ray of hope, were denied to Perón's new team at a crucial point in its negotiations."

Eleven days after this revelation, the ECA had added an even more devastating insult to the injury. Howard Bruce and Acting Secretary of State Lovett, in their efforts to undo the damage of the ECA's 1948 discrimination, had led Bramulgia to believe that Argentina would be able to earn approximately $100 million through ERP offshore procurements in 1949. Now, Howard Bruce informed the State Department that "no commitment of any kind nor indication as to probable purchases had been made." Apparently, Lovett had only been speculating, not promising. Nonetheless, Bramulgia had left Lovett's office "optimistic," and had returned to Buenos Aires convinced that Argentina might make sales amounting to between $100-300 million. Although he had known in February that it would be "impossible to purchase more
than five to eight million dollars in commodities from
Argentina this year," Howard Bruce had allowed this
misperception to persist for months before clarifying his
position. When the State Department relayed the message
to Bramulgia, following the EGA procurements in the United
States and Mexico, the message was clear: there would be
no significant change in Argentina's dollar position for
some time. The ECA, it seemed, was still bent upon
punishing Perón, despite the recent reforms. This had
further weakened Argentina's position, and helped to drive
it into the British arms. Bruce echoed Remorino's
complaints.

[I] Presume [the State] Department understands
Anglo-Argentine agreement engineered by junior
staff ECA who used US taxpayer's dollars in
attempt [to] force down Argentine meat prices
and engineered pork purchase from US at much
geriger price."

Bruce overstated his case when he accused the ECA of
having granted dollars for this purchase but denied it for
English purchases in Argentina. Although ECA still had no
affection for Perón's Argentina, the State Department was
confident that financing might have been granted in this
case, if the British had asked for it. Bruce supported
the Department's protests aimed toward the British, but
was "afraid it's a case of locking the stable door after
EGA let the horse be stolen." Perón and his staff did not
want to tie their economic fate to England so
comprehensively, or become adjunct members of the sterling bloc. They were seeing firsthand what would occur if there was no counterbalance to the English, and they were desperate, ironically, for Yanqui intervention on their behalf. There could be little doubt that the Argentines had been forced into the agreement when the most "ardent nationalist" remaining in Perón's revamped cabinet asked, "Who would swap US Ford for British Austin" if given a choice."

When the State and Commerce Department turned their guns on Whitehall, the British naturally feigned injured surprise. British Embassy officers claimed that they had informed ARA chief Paul Daniels of their intentions months earlier, and had encountered no resistance. This was to some extent true. Daniels and Acheson knew as early as March that there would be "problems related to American oil company operations." Still, the State and Commerce Department's economic specialists railed against the British disingenuity. "Britain has long known our viewpoint vis-à-vis the use of bilateralism," and there had been no U.S. comment earlier because the State Department had been given only "limited concrete information" about the treaty. There was no valid explanation for the British willingness to use dollars for Venezuelan oil rather than Argentine meat. The Foreign Office suggested that it "considered it more economic to
spend dollars for oil than to spend dollars on meat," but gave no real reason why. The State Department concluded that the British explanation was far more of a "rationalization" than a "reasonable justification." All in all, the British could offer little more than weak excuses and inform Washington that given the Argentine dollar situation, this type of agreement was inevitable."

In June, the Truman Administration, unimpressed and fully cognizant that the British had manipulated everyone expertly, started hinting at forceful action. State Department commercial specialists conjectured that the treaty, if implemented, "could conceivably threaten the entire ERP." Congress had approved the use of taxpayer dollars to expand multilateral trade, but as one Senator queried, "What hope can the American people have . . . that we are doing anything more than handing out our own supplies to others to build them up so that they will be stronger and more able to continue a throttling trade barrier practice in the years to come?" ECA chieftain Paul Hoffman told the Senate that the ECA "would cancel the aid program if it was felt that it was justified in view" of this second Andes Agreement. "In so far as we can bring pressure to bear," he added, "I assure you that it will be brought to bear." In their testimony before Congress, Hoffman and FitzGerald neglected to mention that
EGA activities had directly influenced the pact, and it would have been interesting to see whether Hoffman would have made good on his pledge. At the same time Hoffman was making his statements in Congress, EGA officials, apparently hoping to hide their involvement, were urging the State Department to drop their protest of the treaty. In a matter of weeks, however, the point became moot, as the U.S. government suddenly and somewhat surprisingly abandoned all opposition to the pact."

The more that the State Department learned about the Andes Agreement, the more it came to realize that it was not nearly as offensive as had originally been thought. Either Great Britain or Argentina could unilaterally cancel the deal every year, so Washington had little reason to fear that it was a long-term, binding agreement. The British were obligated to offer to meet Argentina's petroleum needs, but the Argentines were not obligated to purchase all that was offered, leaving some freedom for U.S. producers. Similarly, the British were not forced to purchase all of the meat that was offered by the Argentines, so the deal was not a long-term, binding one that would hurt U.S. interests for years. As Ernest Cross explained with reference to a different barter, "Since access to the market on a competitive basis is not affected, the element of discrimination against United States purchasers does not appear to be involved."
Furthermore, Standard Oil and Shell were working out an arrangement whereby they could coordinate sales and purchases for Argentina to minimize any damage to their operations. Officials in ARA still had objections to the Treaty, and Atwood considered it the "most serious blow to American business interests in Argentina since . . . the Roca-Runciman Agreement" of 1933. Nonetheless, Winthrop Brown, Director of the State Department's Office of International Trade Policy, and Undersecretary of State for Economic Affairs Willard Thorp informed the British Embassy that they were "gratified" to learn that the pact had "substantially larger elements of flexibility" than had been thought. Therefore, they withdrew the Department's objections to the accord, and asked that the British offer a perfunctory statement supporting the ideal of multilateral trade. The British obliged, and on June 27, the State Department issued a press release regretting the need for "emergency" measures such as this pact, but nonetheless expressing appreciation for the British commitment to multilateralism. At the signing ceremony in Buenos Aires, the British Ambassador stressed that the treaty represented a departure from triangular trade—a departure that the British viewed with "regret and reluctance." Balfour characterized the treaty as one in which the "the evil practice" of having the "ulterior
motives of international politics" was never "the object or any consideration."

IV

If the Argentine acquiescence to the British was one good indication of the critical economic problems Perón faced in early 1949, his new approach to the U.S. was another indicator. Perón, speaking to ITT executive Sosthenes Behn in May, claimed that the U.S. government could "'write its own ticket' in return for whatever aid it might be able to afford to Argentina." Remorino echoed his president, telling State Department functionaries that "he had fought hard to have Miranda ousted and, now that Miranda was out, his government was asking: what now?" Bramulgia, with his chief rival ousted, tried similar direct appeals to Assistant Secretary of State William Pawley and Marshall requesting "assistance in finding a solution for Argentine present economic difficulties." Even though Marshall had retired from office, Bramulgia unofficially sent his own nephew to Washington to "enlist the 'moral' support of General Marshall in the Argentine problem." In short, the peronistas had disposed of Miranda, as the State Department had encouraged them to do for years, and the new economic team now expected some reward.
Overthrowing Miranda was but one of the accomplishments that Bramulgia could present to the U.S. as evidence of Argentina's willingness to cooperate. The new economic team also worked steadily to bring IAPI to rein, hoping to deal with the State Department's other major complaint. IAPI's role in importing was curtailed by the new leadership. Remorino informed Assistant Secretary of State Paul Daniels that "IAPI in the future would not market products which Argentina exported to the United States." By eliminating IAPI's twenty percent tax on items such as corned beef, Remorino hoped to open the U.S. market, and perhaps circumvent the "sanitary embargo." Furthermore, Perón would be using twenty to thirty percent of his dollar receipts to pay off the nearly $300 million dollar debt Argentina now owed to U.S. banks and exporters. In the course of the conversation, Daniels described IAPI's operations as "inefficient," and Remorino could only commend his "diplomacy" for choosing that particular adjective. The ambassador roundly criticized Miranda, and all of the economic controls that had been associated with him as part of the new effort to dissociate the new Peronism from the old. He nonetheless warned that IAPI could not be dismantled overnight, and asked that the State Department accept their promises that the organization was being eliminated as quickly as possible. Most of the new economic team was relatively
untested and fearful of making dramatic changes without consideration. Since Miranda had left few records, it was particularly difficult for his replacements to sort out IAPI's far-flung empire. Instead of instantly dismantling the agency, items such as wool and meat products would gradually be removed from IAPI's jurisdiction, to ease the transition back to private enterprise. Dr. Juan Scarpati of the Argentine Embassy in Washington augmented Remorino's pledges by promising that the new team would "completely reorient economic and financial policies" and "gradually" join international organizations such as the FAO. Scarpati, who would be Perón's primary emissary in Washington for the next year, bluntly repudiated the fundamental premise of Peronism, asserting that "Argentina should not attempt to become an industrial nation. It's wealth is in exporting . . . agricultural products." To some extent, Scarpati and Remorino were telling the State Department what it wanted to hear, but they also pointed to a new direction for peronismo. 30

Bruce and his superiors had given them reason to be optimistic. In addition to Lovett's pledge of ECA dollars, Ambassador Bruce had informed Bramulgia, Maroglio, and others that Argentina might be able to sell up to $500 million worth of goods in the U.S. market annually "as soon as restrictions were removed" by the Argentines. Although the Department of Agriculture's
"sanitary embargo" remained in full force against Argentine meat, Bruce convinced Remorino and Scarpati that there was a $250 million market for Argentine meat products in the U.S. Incidentally, Bruce, himself a dairy executive, was doing little if anything to ease the restraints on Argentine beef importation, and his staff ignored an Argentine request to discuss the matter. U.S. policymakers believed that a "display" of "mutual interest" in the discussion of aftosa might be "constructive," but rehashing old arguments and reminding Argentines of the restrictions would probably result in little more than "unfavorable publicity" for the United States."

Some of Bruce's other ideas were equally intriguing to the Argentines, but nonetheless implausible. He informed Remorino and Scarpati that as soon as they cancelled "all decrees, laws, and regulations setting up restrictions on trade," they would be able to sell $150 million of wool to the United States. How this would occur, given the highly-protective nature of the U.S. cotton and textiles industry remained unclear. The ambassador went on to explain that the Argentines should examine the prospect that they could market "new kinds of soup" and other esoteric products to generate exports to the United States. Bruce, still trying to encourage the Peronists to go further, cheerily forecasted that "with
the removal of restrictions on trade, Argentina would be back on its feet in ninety days," and that U.S. capital would pour in once government intervention stopped.

Bruce, it seems, was making fantastic but vague promises to the new economic team in the hope that they would continue to reverse Miranda's course. While U.S. policymakers offered many prospects by which Argentina could save itself from financial ruin, all of the suggestions were based upon the elimination of government intervention in the economy and allowing the invisible hand of market forces to bring it out of its crisis.12

Naturally, the Argentines were seeking something more concrete to allow them to preserve the vestiges of the state-guided industrial program. Cereijo, Ares, and Gómez Morales approached Bruce in June, seeking direct financial assistance. Although Miranda had claimed that he would cut off his hand before he allowed it to accept a loan from foreigners (and Perón himself had said much the same thing), his staff well recognized the need for something akin to a loan. Cereijo, after cataloging some of the steps the new economic team had taken to stabilize the economy, finally suggested to Bruce that the U.S. government or the Ex-Im bank establish a $500 million revolving credit for Argentina. The United States would be able to purchase huge amounts of heretofore unmarketable Argentine surpluses and rest assured that all
of the money would be returned to the United States through Argentine imports. U.S. businesses would be able to make sales that had been impossible because of the dollar drain, and the Peronists could repay their debts, loosen the British stranglehold, and take further steps to ease the state out of the private sphere. According to Ray, Cereijo and his peers "seem to feel that if we wanted to, it would be a very simple matter for us to buy a half a billion of Argentina's products and with a stroke of the pen settle all of Argentina's dollar difficulties." Bruce discouraged this rather grandiose scheme, which was really little more than a reiteration of Maroglio's old appeals. Ray put it simply, "Santa Claus doesn't live here any more."

Bruce, the Embassy staff, and the State Department had no intention of giving much concrete assistance to the Peronists for their early efforts. Ray noted that "although it is necessary [to] clear up the situation and help Argentina," the U.S. should not take "precipitate action" or give tangible aid until the Peronists had gone even farther. Although Argentina had "taken steps in the right direction, and it would appear that we have come a good way since the days when Argentina expected the world to come to its door," there would need to be more. Only Bruce seemed to have qualms about denying immediate, if only token, support. He warned his superiors in February
that if the ECA did not make sizeable purchases in Argentina, "it very likely that Foreign Minister Bramulgia will be completely discredited and dropped from the Cabinet"—a development that would cause "irreparable damage" to U.S.-Argentine relations. Bramulgia, in his efforts to convince Perón to turn toward the U.S., had apparently staked his reputation upon Lovett's promise in December. When the ECA announced that there would only be negligible purchases in Argentina, Bruce believed that the minister's days in government were numbered."

So although Bruce and the State Department believed that the ECA might be the only way that they could help alleviate the dollar crisis, they rather suddenly gave up trying to pressure the ECA. To a great extent, they realized, ECA officials were not entirely responsible for their agency's continued discrimination against Argentina. By and large, ECA seems to have been willing to consider purchases in Argentina, but Europeans were generally unwilling to use it. European agriculture had recovered quite a bit, eliminating much of the need for Argentine products. Furthermore, many European nations had already negotiated for credits or barters with Argentina, and could still utilize these, rather than divert precious dollars for goods that could be obtained elsewhere for other currencies. During the Andes negotiations, it had become clear to all that Argentine products could be had

534
for sterling or any currency other than precious dollars. Revenge also seems to have been a factor in the equation. Some of Argentina's European customers, resentful of IAPI's price gouging and Miranda's hard bargaining since the war, appear to have seen little need to assist Perón in his time of need. The ECA may have been obliged to treat Argentina as it treated all potential sellers, but it could do nothing if European nations made no requests for Marshall Plan purchases in Argentina.\footnote{35}

In the one clear case of blatant discrimination during 1949, the Andes negotiations, Bruce and the State Department were unwilling to protest vociferously. Bruce obviously wanted to do what he had done throughout 1948—denounce the ECA and distance the State Department and Truman Administration from these wrongdoers. This time, however, he had been silenced by his superiors. Atwood and his underlings at ARA had drawn up a memorandum cataloging the ECA's recent indiscretions, but had not released it after Hoffman spoke out against the British regarding the Andes Agreement. Atwood did relay it to Bruce, but warned that "I would be personally embarrassed if the existence of the memorandum should ever become known to ECA." It was quite possible that Hoffman had traded his denunciations of the British in exchange for the State Department's silence about ECA's role in the fiasco. Since ECA representatives were trying to block
the State Department's protests to the British at the same time Hoffman was condemning the agreement, this theory has its merits. Regardless, Bruce did not launch into further polemics against the ECA, his superiors stopped pressing for dollar expenditures in Argentina, and the Argentines were encouraged to look elsewhere for relief."

Bruce may have ended his campaign against the ECA, but the State Department continued to press Perón for further reforms. Ray "in a purely informal way" submitted to Bramulgia fourteen points that "would facilitate mutual understanding" between the two governments. In essence, Ray was presenting Bramulgia and Perón with even more conditions for U.S. aid. Most of these "fourteen points" concerned the operations of U.S. businesses in Argentina, and the omnipresent fear of expropriation. Ray sought guarantees for U.S. investment, and an end to the practice of "expropriation by attrition." Perón was to permit remittances and stop decreeing wage increases that squeezed the corporations operating in Argentina. While he was on firm ground with these requests, several others toed the line of intervention in Argentine internal affairs. The first of these was a suggestion that Argentina should lower the prices of agricultural exports, even if this meant changing exchange rates. The second was a thinly-veiled attack on IAPI, calling for the Peronists to permit exports through "recognized,
established trade channels." Perón had said that Washington could "write its own ticket," and Ray was doing just that."

Perón made some genuine efforts to comply with Ray's fourteen points. The most notable involved Article 40 of the new Argentine constitution. The old Constitution of 1853, Perón argued, was badly out of date and reflective of old assumptions that the 1943 revolution had rendered obsolete. Therefore, in 1948, he had unveiled plans to revamp the document. In all likelihood, his primary goal was to eliminate the provision in the old Constitution that prohibited reelection for the president. Drawn up by peronistas, the new Constitution predictably embodied much of the economic nationalism that had characterized the movement. For the United States, Article 40 of the new Constitution was the most disturbing manifestation. Article 40 asserted that vital public services and industries were the property of the state, and obligated the government to expropriate them from foreigners. Although the original owners would be paid for their property, the profits they had reaped from their investments would be subtracted from their compensation. Businessmen might conceivably owe the government money after the expropriation of their properties."

Perón tried to assuage the United States. When Sosthenes Behn warned him that this article would scare
off potential investors, he asked what he could do to alleviate this fear. Behn worked with the president to draft legislation to alter the provisions and wrote a brief statement supporting foreign investment that Perón integrated almost verbatim into his State of the Union Address. Perón also gave his interpretation of the article, asserting that only those businesses with direct concessions from the government would be expropriated, and they would be compensated as well as ITT had been in 1947. In theory, only one relatively minor U.S. power company was vulnerable. Finally, he "solemnly promised" never to use the article against U.S. investments. For Washington, these assurances changed nothing, and they continued to press for the removal of the offensive provisions. Perón appeared to relent, and urged his nationalist followers to eliminate the article from the draft Constitution. They did not do so, and informed him that the Constitutional convention had already approved it.

It is unclear whether Perón was truly outmaneuvered by the nationalists (both peronista and Radical), or had merely been attempting to mislead the norteamericanos. It made little difference in the long run. Perón may indeed have made an earnest effort to remove Article 40, but for the State Department, the Argentina that approved such a provision was not one with a favorable climate for investment or an attitude conducive to either cooperation
with foreigners or liberal capitalism. Nationalism would be an inherent characteristic of Peronism until Perón made sweeping changes, and so long as such nationalism manifested itself, it was clear that the Peronists were not making the hard choices that Washington demanded. Article 40 was little more than an irritant, but it was one of the many that U.S. policymakers who "were able to afford a policy of righteous indignation" would not be inclined to overlook."

Therefore, Remorino, Scarpati, and their superiors in Buenos Aires received little more than vague promises for future assistance in exchange for their efforts, but the State Department did take small steps to reward them for the recent developments. Remorino successfully petitioned in mid-1949 for the creation of a joint U.S.-Argentine economic commission to discuss solutions to Argentina's economic woes. Scarpati headed the Argentine team, while Atwood led the State-Commerce Department delegation. The Argentines had to settle for this impromptu committee, and yet another promise of future assistance. When a State Department functionary told César Bunge of the Argentine Embassy that the U.S. was "very interested" in seeing U.S.-Argentine commercial difficulties settled quickly, Bunge commented that "you are interested but to us it is a matter of life and death." Nonetheless, for the time
being, U.S. policymakers were content to wait. There would be no quick fix."

This approach may have had at least one serious consequence. In August, after it had become clear that the ECA would be undertaking no significant purchases in Argentina, Perón asked for Bramulgia's resignation. Bruce appeared prophetic in this regard. Bramulgia had argued to Perón all along that cooperation with the U.S. would bring rewards. Remorino, Sosa Molina, Mrs. Perón, and the "Bramulgia men" had started their campaign against Miranda just weeks after Bramulgia had returned to Argentina with Lovett's "promise" of forthcoming ECA sales. Bramulgia had apparently gambled on being vindicated by U.S. aid, and had been hung out to dry. According to Bramulgia, "the ostensible reason for his resignation was failure to arrange adequately pending matters with the US," but that "internal politics and intrigues" were the true reason. Remorino, perhaps resentful that Bramulgia was consistently portrayed as the peronista most able to work harmoniously with the U.S., returned from his post in Washington to confront the Foreign Minister. According to the U.S. Embassy, the ambassador, who possibly hoped to succeed Bramulgia and may have had Mrs. Perón's backing, did succeed in convincing Perón to remove Bramulgia. Whether or not Bramulgia's inability to garner significant aid from the
U.S. was the major reason for his resignation, Washington's policies certainly had not helped him. He had argued for cooperation with the U.S. since 1946, and had acted decisively toward that end on a number of occasions. Aside from Bruce, who urged Perón to retain Bramulgia's services, no one in the State Department seems to have understood the tightrope that he had walked to moderate the nationalism of peronismo without jeopardizing his position in the movement. In three years, Bramulgia had earned international acclaim, the respect of both British and U.S. statesmen, and several victories over Miranda, but had not produced tangible results for Argentina. Bruce was probably correct in giving U.S. policymakers much of the blame for his ouster, even if the immediate cause was the Byzantine machinations of Perón's staff."

V

Some had believed that Bramulgia's removal would prompt a return to "extremism," and an end to the days when Washington could "write its own ticket." This was not to be the case. Bramulgia's "moderation" had taken control over Perón's cabinet, and his presence was no longer necessary to prevent a return to Miranda's disgraced alternative. The State Department would become
accustomed to the penitent Peronism that could not stand in the way of the Inter-American System" and that acknowledged Yanqui hegemony. Bankrupt, the conductor steadily rolled back his labor reforms and IAPI's role in the economy. In 1950, when the U.S. finally opted to reward him with a $125 million Ex-Im bank loan, it was the symbolic end of Peronism as an independent, dynamic force, as a number of contemporaries and historians have noted."

Peronism had failed in its efforts to transform Argentina into a prosperous nirvana, and Perón had shamefully crawled back into the "Inter-American System." He never did give up on his maverick foreign policy or the "Third Position," but insofar as U.S. policymakers were concerned, he had become more of a nuisance than the genuine threat he had been after the war. Very soon, "communism" in Guatemala and elsewhere would supplant Peronism in Argentina as the State Department's major preoccupation in Latin America.

The firing of Miranda marked the true turning point in both U.S.-Argentine relations and peronismo itself. Miranda had been the driving force behind the economic policies that the U.S. had feared and detested, and easily the most dangerous man in Perón's retinue. Although his economic programs had driven the nation to financial ruin, Perón later tried to rekindle the old defiant spirit of peronismo by reminding the nation of Miranda's efforts
toward industrialization and social justice. "The true pioneer," he asserted, "was Miguel Miranda." Perón would turn away from his statist corporatism and the redistributive policies associated with it to remain in office, and become a much more "traditional" Latin American authoritarian. His relations with Washington would improve throughout the 1950s with each subsequent measure he took in this direction. The new economic team that replaced Miranda would in time manage to undo some of the damage he had done, but never again would Argentina be able to mount a serious challenge to the United States, and never again would Perón be taken seriously as a threat to the hemispheric order."
ENDNOTES

1. Bruce to Secretary of State, 2 July 1948, NA, DS, RG 59, 835.50/7248.

2. Bruce to Secretary of State, 21 January 1949, NA, DS, RG 59, 711.35/2949; see also Data in Mary Manzoli's File of Material obtained from J.C.Corliss, Merwin Bohan Papers, Subject File I-R, Box 9, HST.

3. Ray to Secretary of State, 4 January 1949, NA, DS, RG 59, 611.3531/1449.


5. Tewksbury to Greenup, 29 September 1948, NA, DS, RG 59, 835.50/92948; Tewksbury, "Visits of Orlando Maroglio," 30 September 1948, NA, DS, RG 59, 611.3531/93048; see also Greenup to Secretary of State, 22 November 1948, NA, DS, RG 59, 611.3531/112248;

6. Ray to Secretary of State, 21 September 1948, NA, DS, RG 59, 835.5034/92148; Greenup to Secretary of State, 22 November 1948, NA, DS, RG 59, 611.3531/112248; Greenup to Secretary of State, 28 December 1948, NA, DS, RG 59, 835.50/122848; Greenup to Secretary of State, 12 January 1948, NA, DS, RG 59, 835.6363/11249.

7. Greenup to Secretary of State, 22 November 1948, NA, DS, RG 59, 611.3531/112248; Bruce to Secretary of State, 21 January 1949, NA, DS, RG 59, 711.35/12149; Potash, Arms and Politics in Argentina: Perón to Frondizi, 95-98; see also Gambini, La primera presidencia de Perón 61; Stanley Woodward to Connelly, 13 April 1950, HST, Office File, Miscellaneous, Box 366, HST.

8. Bruce to Secretary of State, 21 January 1949, NA, DS, RG 59, 711.35/12149.

9. Current Economic Developments, 31 January 1949, 187, HST; Memorandum of Conversation, Scarpati and Tewksbury, 9 February 1949, NA, DS, RG 59, 835.50/2949; Embassy Buenos Aires to Secretary of State, 24 January 1949, NA, DS, RG 59, 835.50/12449; see also MacDonald, "The United States, Britain, and Argentina," 194-195; Paso Del golpe de estado de 1943, 137.

544

11. Ordway to Secretary of State, 29 November 1948, NA, DS, RG 59, 835.50/112948; see also, Bruce to Secretary of State, 3 November 1948, enclosure 1, Memorandum of Conversation, Bruce and Perón, NA, DS, RG 59, 611.3531/11348; Greenup to Secretary of State, 22 November 1948, NA, DS, RG 59, 611.3531/112248; Horowicz, Los cuatro peronismos, 123.

12. Memorandum of Conversation, Meade, Tewksbury, Dearborn, 1 February 1949, NA, DS, RG 59, 635.4131/2149; see also Paz and Ferrari, Política Exterior Argentina, 161-164.

13. British Embassy Aide Memoire, 16 February 1949, NA, DS, RG 59, 635.4131/21649; see also Memorandum of Conversation, Meade, Tewksbury, Dearborn, 1 February 1949, NA, DS, RG 59, 635.4131/2149; Memorandum of Conversation, Marten, Christelow, Ranney, 7 May 1949, NA, DS, RG 59, 635.4131/5749; see also Memorandum of Conversation, Marten, Meade, Atwood, Dearborn, Martin, 25 April 1949, NA, DS, RG 59, 635.4131/42549.

14. Memorandum of Conversation, Meade, Marten, Tewksbury, Atwood, Martin, 14 March 1949, NA, DS, RG 59, 635.4131/31449; Martin to RPA, 15 March 1949, NA, DS, RG 59, 635.4131/31549.

15. Embassy Buenos Aires to Secretary of State, 10 May 1949, NA, DS, RG 59, 835.50/51049; see also Memorandum of Conversation, Remorino, Scarpati, Bruce, Dearborn, 8 March 1949, NA, DS, RG 59, 835.50/3849; Martin to RPA, 15 March 1949, NA, DS, RG 59, 635.4131/31549; Memorandum of Conversation, Marten, Christelow, Ranney, enclosure 1, aide memoire, 7 May 1949, NA, DS, RG 59, 635.4131/5749; see also Atwood to Bruce, 28 July 1949, NA, DS, RG 59, 635.4131/72849.

16. Embassy Buenos Aires to Secretary of State, 10 May 1949, NA, DS, RG 59, 835.50/51049.

17. Memorandum of Conversation, Marten and Atwood, 19 May 1949, NA, DS, RG 59, 635.4131/51949; Douglas to Secretary of State, 26 April 1949, NA, DS, RG 59, 635.4131/42649.


20. Labouisse to Brown, 13 May 1949, NA, DS, RG 59, 635.4131/51349; Labouisse to Thorp, 26 May 1949, NA, DS, RG 59, 635.4131/53649; Webb to Secretary of Commerce, 7 June 1949, NA, DS, RG 59, 635.4131/6749.

21. Martin to Brown, 13 May 1949, NA, DS, RG 59, 635.4131/51349; Labouisse to Brown, 13 May 1949, NA, DS, RG 59, 635.4131/51349; Corse to Brown, 13 May 1949, NA, DS, RG 59, 635.4131/51349; see also Nitze to WGB, 18 May 1949, NA, DS, RG 59, 635.4131/51849; Sawyer to Acheson, 28 June 1949, NA, DS, RG 59, 635.4131/63849; Lanús, De Chapultepec al Beagle, 32-33.

22. Webb to Secretary of Commerce, 7 June 1949, NA, DS, RG 59, 635.4131/6749; Memorandum of Conversation, Remorino, Scarpati, Daniels, Atwood, Daniels, 10 May 1949, NA, DS, RG 59, 711.35/51049.


24. Bruce to Secretary of State, 10 June 1949, NA, DS, RG 59, 635.4131/61049; Memorandum of Conversation, Bramulgia, Remorino, Lovett, Pawley, Tewksbury, 11 December 1948, NA, DS, RG 59, 711.35/121448; Pawley to Matt Connally, 28 February 1949, HST, OF, Box 1052, HST; see also Daniels to Secretary of State, 22 March 1949, NA, DS, RG 59, 835.50/32249.

25. Brown to Webb, 13 May 1949, NA, DS, RG 59, 635.4131/51349; Bruce to Secretary of State, 10 June 1949, NA, DS, RG 59, 635.4131/61049; see also Labouisse to Brown, "Excerpts from Transcript of Hearings Before the Senate Appropriations Committee," 21 June 1949, NA, DS, RG 59, 635.4131/62149.

26. Memorandum of Conversation, Thorp, Labouisse, Vernon, Burns, Taylor, Christelow, 17 June 1949, NA, DS, RG 59, 635.4131/61749; Daniels to Brown, 15 April 1949, NA, DS, RG 59, 635.4131/41549; Corse to Brown, 13 May 1949, NA, DS, RG 59, 635.4131/51349; Douglas (U.S. Embassy London) to Secretary of State, 15 June 1949, NA, DS, RG 59, 635.4131/61549; see also Acheson to Embassy Buenos Aires, 18 March 1949, NA, DS, RG 59, 835.6363/31849; LD to RV, 10 June 1949, NA, DS, RG 59, 635.4131/61049.

27. Labouisse to Brown, "Excerpts from Transcript of Hearings Before the Senate Appropriations Committee," 21 June 1949, NA, DS, RG 59, 635.4131/62149; Atwood to Bruce, 28 July 1949, NA, DS, RG 59, 635.4131/72849.
28. Brown to John Taylor (UK), 24 June 1949, NA, DS, RG 59, 635.4131/62449; Atwood to Bruce, 28 July 1949, NA, DS, RG 59, 635.4131/72849; Memorandum of Conversation, Brown and Burns, 24 June 1949, NA, DS, RG 59, 635.4131/62449; Franklin to Secretary of State, 28 June 1949, NA, DS, RG 59, 635.4131/62849; see also State Department Press Release, 27 June 1949, NA, DS, RG 59, 635.4131/62749; Cross to Leverett Saltonstall, 22 July 1949, NA, DS, RG 59, 635.4131/72249; United Kingdom Press Release on Anglo-Argentine Trade Agreement, 10 June 1949, NA, DS, RG 59, 635.4131/61049; Memorandum of Conversation, Tebbitt and E.E.Jones (UK), Atwood, Eakens, Hoffman, 27 September 1949, NA, DS, RG 59, 635.4131/92749; Harry Lewis (Commerce Oil Corporation) to John McBride, 12 July 1949, NA, DS, RG 59, 835.6363/71249.

29. Memorandum of Conversation, Behn, Blake, Daniels, Martin, 20 May 1949, NA, DS, RG 59, 835.50/52049; Memorandum of Conversation, Remorino, Quirós, Hensel, Bruce, Dearborn, 25 February 1949, NA, DS, RG 59, 835.50/22549; see also Remorino to Bramulgia, 13 Junio 1949, AMREC, DP, Caja 19, Expediente 7; Remorino a Paz, 9 Enero 1949, AMREC, DP, Caja 19, Expediente 7.

30. Memorandum of Conversation, Remorino, Scarpati, Daniels, Atwood, Dearborn, 10 May 1949, NA, DS, RG 59, 711.35/51049; Memorandum of Conversation, Scarpati and Dearborn, 9 February 1949, NA, DS, RG 59, 835.50/2949; see also Embassy Buenos Aires to Secretary of State, 10 May 1949, NA, DS, RG 59, 835.50/51049; Ordway to Secretary of State, 17 May 1949, NA, DS, RG 59, 835.60/51749.

31. Daniels to Secretary of State, 22 March 1949, NA, DS, RG 59, 835.50/32249; Memorandum of Conversation, Remorino, Scarpati, Bruce, Dearborn, 8 March 1949, NA, DS, RG 59, 835.50/3849; Boonstra (First Secretary, Embassy Buenos Aires) to Secretary of State, 12 July 1949, NA, DS, RG 59, 611.3556/71249.

32. Memorandum of Conversation, Remorino, Scarpati, Bruce, Dearborn, 8 March 1949, NA, DS, RG 59, 835.50/3849; see also Memorandum of Conversation, Remorino, Quirós, Bruce, Hensel, Dearborn, 25 February 1949, NA, DS, RG 59, 835.50/22549; Memorandum of Conversation, Solar del Campo, Bruce, Tewksbury, 11 March 1949, NA, DS, RG 59, 835.50/31149.

33. Ray Memorandum, 2 June 1949, NA, DS, RG 59, 835.50/6249; Ray to Secretary of State, 4 January 1949, NA, DS, RG 59, 611.3531/1449; see also Memorandum of Conversation, Scarpati and Tewksbury, 9 February 1949, NA, DS, RG 59, 835.50/2949; Memorandum of Conversation,
34. Ray to Secretary of State, 16 March 1949, NA, DS, RG 59, 835.5200/31649; Norden to Secretary of State, 2 September 1949, NA, DS, RG 59, 611.3531/9249; Pawley to Connally, 28 February 1949, HST, OF, Box 1052, HST.

35. Randall to Martin, 13 May 1949, NA, DS, RG 59, 635.4131/51349; see also Tewksbury to Pawley, 18 March 1949, NA, DS, RG 59, 835.50/31849.

36. Atwood to Bruce, 28 July 1949, NA, DS, RG 59, 635.4131/72849.


39. Memorandum of Conversation, Behn, Blake, Daniels, Martin, 20 May 1949, NA, DS, RG 59, 835.50/53049; Memorandum of Conversation, Remorino, Scarpati, Dearborn, Atwood, Daniels, 10 May 1949, NA, DS, RG 59, 711.35/51049; Memorandum of Conversation, Lyon and Sir John Magowan, 5 May 1947, NA, DS, RG 59, 635.4131/5547; see also Potash, Arms and Politics in Argentina: Perón to Frondizi, 100-101; Page, Perón, 202-205; Paso, Del golpe de estado de 1943 117-172.


41. Rita Giacalone, using oral history interviews, raises the possibility that Evita had nothing to do with Bramulga's removal. According to Raúl Margueirat, chief of the Argentine state ceremonial, Evita and Bramulga had patched up their differences in late 1948. Evita had even gone so far as to ask Bramulga's wife to withdraw the resignation. If Evita had indeed mended fences with Bramulga in late-1948, it goes some distance toward explaining why she turned against Miranda in January. Giacalone, "From Bad Neighbors to Reluctant Partners," 211-212; MacDonald, "The United States, Britain, and Argentina," 195-196; Current Economic Developments, 6
September 1949, HST; see also Pawley to Connally, 28 February 1949, HST, OF, Box 1052, HST.

42. For example, see MacDonald, "The United States, Britain, and Argentina;" Giacalone, "From Good Neighbors to Reluctant Partners;" Vannucci, "U.S.-Argentine Relations;".

CHAPTER 10

CONCLUSION

Fear of an organization of regional groups in the Americas has for years played an important role in our policy in the Western Hemisphere. The threat which gives us the worst case of cold shivers is that of a southern bloc dominated by Argentina.

Guy Ray, 5 January 1948

There is no hope that the great majority of Latin American countries can, in the foreseeable future, achieve anything like the level of the U.S. standard of living, yet we must convince those countries that our system of free enterprise offers the best prospect for economic betterment.

Policy Planning Staff, 18 October 1948

This study ends in 1949-1950 when the nature of the Peronist threat to the hemispheric order (and U.S. hegemony over it) changed dramatically. The firing of Miranda, the rollback of IAPI, and the acceptance of an
Export-Import Bank loan all demonstrated clearly that Perón's economic program had failed. With Miranda gone, the new team that replaced him could move toward economic orthodoxy. The reduction of IAPI's role was a natural outgrowth of this, and an explicit repudiation of state-directed commerce and industrialization. Finally, by accepting a loan from the United States, Perón and his supporters were forced to admit that their efforts to modernize Argentina, and the alternative corporatism they had embraced, had failed. Still, as Mario Rapoport and Claudio Spiguel point out, Perón did not reverse his course completely, or ever become a genuine partner in the "Inter-American System."

Rapoport and Spiguel forcefully assert that there was little difference between the Peronism of the 1940s and that of the 1950s. They defend their argument by pointing out that after 1949, Perón retained his "Third Position" by persisting in his efforts to integrate South American economies, strengthening economic ties with the Warsaw Pact nations, and remaining aloof from the Korean War. These arguments have a great deal of merit. Perón never did completely abandon the rhetorical "Third Position" or totally accept liberal capitalistic economic orthodoxy, but the magnitude of the threat he posed to the "Inter-American System" had dwindled to next to nothing.
The 1950s did seem to present a better opportunity for Perón to cultivate allies in South America. His friend, Carlos Ibañez, had won the Chilean presidency, Getulio Vargas, embracing a new brand of populism, had returned to power in Brazil, Víctor Paz Estenssoro and the MNR had returned to Bolivia, and Perón's allies, Manuel Odria and Velazco Ibarra, dominated Peru and Ecuador respectively. Not surprisingly, Perón tried to cultivate their governments, which all bore some resemblance to his own.

In 1953, he finally managed to cement a customs union with Ibañez' Chile with the Act of Santiago, and worked to integrate other nations into the framework. Although little came of the Act of Santiago, Perón pressed onward, still proclaiming that the year 2000 would see Latin America either united or conquered. The United States offered only token resistance to these efforts. Claude Bowers, still U.S. Ambassador to Chile in 1952, tried to sound the alarm that "Peronism is sweeping the continent," few took it seriously. Although this is partially attributable to the heating up of the Cold War, the decline of Perón's Argentina made these efforts a nuisance, rather than a threat.⁵

Similarly, Perón's efforts to stir up labor discontent with the AFL's and CIO's hemispheric organizations were but a shadow of the danger they had
represented in the 1940s. In the 1950s, he launched ATLAS, a vehicle to extend the CGT's influence throughout the hemisphere and undercut AFL and CIO efforts to do the same. Although on paper ATLAS was a far more coherent, serious attempt to disseminate peronismo than his ill-fated efforts during the 1940s, Perón again had difficulty getting the attention of U.S. policymakers. Peronism, as a disgraced alternative economic and organizational pattern, could not truly compete against better-funded and more reputable AFL and CIO initiatives.²

He did also straddle the fence during the Cold War which constituted an almost unpardonable sin for Washington in the 1950s. Perón, fearing that he would never receive substantial U.S. aid, promulgated a series of bilateral barters with the Soviet Union and the communist bloc. While this could be viewed as maverick policymaking as Perón was opting out of the Cold War and the "Inter-American System," another conclusion suggests itself. There is very little evidence that the United States ever took these flirtations very seriously or gave them much attention. There was no new Blue Book, no CIA intervention such as that occurred in Guatemala, and no vigorous press campaign or major call to arms. Although the State Department was infuriated by Perón's unwillingness to commit to the Korean war, it did little to punish Argentina for it. Perón was starting to make
his overtures to the Soviet bloc at the height of McCarthyism and the Cold War, but U.S. policymakers were strikingly unconcerned over these developments. Put simply, Perón had faded to obscurity, and was almost forgotten by U.S. policymakers who now could treat him a simple dictator. In 1954, Perón had fallen, in the words of Paz and Ferrari, into the "shadow of [Guatemalan President Jacobo] Arbenz. During the 1940s, Peronist Argentina had cast its own shadow."

Indeed, one need only examine Perón's own comments to see the collapse of his movement. In January 1951, George Messersmith returned to Buenos Aires as a semi-private citizen. Assistant Secretary of State Edward Miller had asked the ex-ambassador to talk with Perón and attempt to convince the conductor once again to mend his ways. Messersmith agreed, and at Perón's request, made a list of suggestions that might assist in the Argentine recovery. After Messersmith had given him a lecture lasting a half-hour, Perón, his head in his hands, mourned, "It is too late." His experiments in state corporatism had failed utterly, and left the nation in shambles. Even worse, Perón's movement had lost the truly revolutionary flavor that had distinguished Perón from other authoritarian leaders in Latin America. He could try to resurrect that spirit by attacking U.S. racism or imperialism, but to little noticeable effect. That Miller actually made the
effort to recruit Messersmith demonstrates that the Argentine situation was not entirely to Washington's liking, but as it was the extent of his efforts, also suggests that the State Department had little to fear from the renovated Peronism that emerged in the 1950s. ¹

IAPI's role in the new Peronist state was a clear indication of the new direction of peronismo. Recognizing the damage that IAPI had done to the pampas, in 1951 Perón started utilizing it to subsidize farmers, purchasing grain at above world prices, and focussing imports on farm equipment. Argentina's strength had always been the agropastoral produce of the pampas, and Perón returned to it, tacitly accepting that industrialization and economic diversification would have to wait. Whereas he had tried to achieve industrial self-sufficiency, in the end he fell back on the traditional order--tacitly accepting Argentina's role as a food exporter.²

At the same time that IAPI's role as a redistributive device was curtailed, Perón reversed his stand toward his labor constituency. He decreed a wage freeze and permitted inflation to outstrip the gains made by the workers. One of the key components of his economic program, freezing rents, was sacrificed soon thereafter, as he made significant strides toward economic orthodoxy in a very short time. Just as these measures infuriated the working classes (and to some extent validated U.S.
labor's predictions that Perón would eventually turn on them), they did give him a boost among the manufacturers. While this Second Five-Year Plan was advertised as a sequel to the first, in many ways it was a turnabout of major proportions. By 1953, he was actively recruiting foreign investment and doing everything in his power to create a favorable climate for the extraneros. Even though the peronista Constitution of 1949 seemed to be a nationalistic document, providing for further expropriation of foreign-owned properties, Perón was already moving in a different direction. The repudiation of nationalism was completed in 1954 when he granted Standard Oil a major concession to drill in Patagonia.¹⁰

Predictably, these endeavors tore open rifts within the Peronist movement. Although labor naturally protested the moves toward austerity at its expense, Perón's colleagues in the Army supported his move toward the United States and orthodoxy. When Perón tried to nominate his wife for the Vice Presidency in 1951, he met with fierce resistance from the Army which was able to essentially veto the selection. Sra. Perón, as well, recognized the schism. In 1951 she turned her attention toward eliminating the control that the military held over her husband. On her deathbed, she arranged for the purchase of large quantities of automatic weapons—to be distributed to "the people" in order to protect Perón from
the Army. Perón instead turned the weapons over to the Army. So although Perón handily won the 1951 election, he was no longer able to command either the authority or the popular backing that he had been able to muster in the salad days of his first Presidency.

The reversal of the 1950s must not be overstated, as Rapoport and Spiguel well demonstrate, but there was a clear transformation of Peronism. It never achieved the economic orthodoxy of liberal capitalism, but it had made significant movement in that direction. Shorn of its revolutionary substance, Perón had to turn to public spectacles and repression to perpetuate his regime. In a widely-denounced move, La Prensa, the esteemed if overrated anti-peronista newspaper, was closed down in 1949 as Perón tightened restrictions on the press. Peronists eventually resorted to arson, simply torching the bastion of the elite, the Jockey Club, a number of churches, and other symbolic buildings.

Eva Perón's death in July 1952 deprived Perón of his most loyal ally and valuable asset. Stanton Griffis, Bruce's heir in Buenos Aires, had considered the President and his wife to be a "two-cylindered machine," and predicted that without her, Perón would have serious problems. Rather than treat "Evita's" death as a defeat, Peronists staged the most ghoulish spectacle of all. Instead of simply burying her body, Perón entrusted Dr.
Pedro Ara to preserve it forever. Ara essentially mummified the corpse, and coated it with plastic for public display. Although her cadaver disappeared after Perón's fall in 1955, when it was rediscovered in 1971, it was still almost perfectly preserved. Peronism had always relied upon grand spectacles and a certain amount of repression (or more commonly, the threat of repression), the violence and drama in these moves bespoke the desperation that was gripping Perón as the 1950s progressed. In other words, after the economic collapse of 1949, Perón had to devote all of his efforts to merely holding together the fraying cords of his coalition and preserving his grip on power. Whereas U.S. ambassadors had once feared (and in Messersmith's case, liked and respected) him, Griffis was comfortable enough to ridicule Perón and refer to him as "old President Eczema." Griffis' superior, Edward Miller, who refused to view Argentina as a rival (and could afford not to do so after 1949), similarly took a joking tone when referring to Argentine developments. Argentina had fallen very far down the line of U.S. priorities, very quickly."

II

So although Perón would reside in the Casa Rosada until 1955, the remainder of his time in office was spent
dismantling the corporate state that he had erected in the 1940s and simply hanging onto power. The end of his aggressive state-sponsored economic development program naturally brought improved relations with the United States. True to the predictions of Messersmith, Bruce, and Cabot, Perón without his state corporatism was at least palatable to U.S. policymakers. By abandoning his economic and ideological offensive, he had tacitly moved Argentina into the "Inter-American System," even if his public pronouncements still exuded nationalism and defiance.

In essence, by repudiating radical state corporatism, Perón had forsaken a path by which Argentina might have escaped dependency and the Third World. Unable to finance his drive to transform Argentina into a producer and major exporter of finished goods, he had shifted the focus of his administration to the agropastoral exporting sector that had always been Argentina's natural niche in the "world system." The Peronists had recognized very early on that agropastoral exporting was a trap, and that Argentina had been securely snared in it much earlier in its history. Despite their efforts, it had been unable to escape through state-driven growth in the short span of four years.

They had predicted that after immediate crisis of World War II and the post-war period, food prices would
drop, leaving Argentina with the same problems that it had faced during the 1930s. By 1948, European agriculture was starting to recover, U.S., Canadian, and Australian farmers were increasing their outputs dramatically, and modern agricultural methods were promising bumper crops across the world. Technology and new innovations were further threatening other traditional Argentine exports. Linseed oil, one of Argentina's most lucrative exports, provides an excellent example of this trend. In the post-war period, U.S. farmers increased linseed production four hundred percent, while foreign manufacturers had discovered that soybean oil and Nigerian conopher oil could replace linseed oil. If Argentine linseed oil exports survived at all, they would be at a dramatically lower value than before facing this competition. Perón had come to power anticipating problems such as these and dedicated to solving them through state corporatism, but had ultimately failed.\textsuperscript{12}

Since Perón's state corporatism had served the goals of economic nationalism, the State Department had reason to be pleased by his reversal after 1949. U.S. policymakers had perceived Peronism to be a fascist variant transplanted from Europe, and dealt with Perón as if he were a \textit{latino} Mussolini, or in Braden's words, an "Al Capone with Nazi tendencies." The United States had entered World War II to defeat and discredit the German,
Japanese, and Italian challenges to liberal capitalism, and were not about to allow Perón to "keep the old pirate flag afloat." Historians and social scientists can write extensive tomes on whether or not Perón was a "true" fascist in the European context, but for purposes of this essay, that issue has little significance. What matters is that U.S. policymakers believed that Perón was a fascist, and acted accordingly. Just like the fascists, Perón utilized authoritarianism, intense nationalism, and state corporatism to challenge the status quo. So although Perón may not have been a "textbook" fascist—his movement did not sufficiently incorporate the middle or business classes, for example—his state corporatism bore enough of a resemblance that many U.S. policymakers could not perceive a significant difference. Even those who did see the distinctions (like Messersmith) still feared and worked to ameliorate the statist leanings of Peronismo. By advocating state corporatism as a solution to the problems of society, like the fascists he was an easily discernable threat to the U.S. hegemony, if only on a regional level. So while some may have believed that labelling Perón a fascist was merely a pretext for assailing the one Latin American leader who dared to defy the northern colossus this was clearly not the case.

In some respects, Perón was a transition between World War II and the Cold War. World War II had gone a
considerable distance toward discrediting European fascism as an alternative governmental and economic system. Still, Perón (and others) believed that authoritarian state corporatism melded to classic Latin American nationalism could be useful as a developmental model. Perón’s failure, as the State Department had hoped, "proved" that such a model was not viable in Latin America. Leaders like Ibañez and Odria would emulate aspects of Peronism, but would stop short of offering a fundamental challenge to the "Inter-American System." The remaining alternative to U.S.-style corporate capitalism was revolutionary Marxism, which like Peronism was a state-based redistributive ideology with mass appeal.

The U.S. policymakers who had formulated the Good Neighbor policy in the 1930s had assumed that the regimes that would threaten U.S. hegemony would be dictatorships that repudiated liberal capitalism. When confronted by populistic leaders such as Perón (and later, Arbenz, Castro, and other leftists) who were dedicated to overturning the economic order, naturally they had difficulty in formulating a fitting response to this relatively new phenomenon. But through their experience with Perón, men such as Thomas Mann, who would play a major role in Eisenhower and Kennedy's crusade against Castro, learned how to deal with populism."
The basic premise behind the Good Neighbor policy—that the U.S. could not afford to intervene often or arbitrarily—remained, but this only meant that the State Department, and later the CIA, had to take their efforts underground to deal with the challenge offered by Latin American nationalism. U.S. dealings with Perón are a microcosm of this shift. Hull's and Braden's ill-fated early, public campaigns against Argentine "fascism" boomeranged, leading U.S statesmen to do their work behind closed doors. Behind those doors, Messersmith worked to persuade Perón, while the State Department made a concerted effort to repulse Perón's overtures to his neighbors. After it had become apparent that Perón would not be simply convinced to abandon his program without good reason, Bruce worked to secure a rift in the peronista movement itself. Although the State Department was ill-equipped to do much more than this, the CIA's later covert activities can easily be seen as an outgrowth of this basic approach.

III

The value of studying Perón's New Argentina and its dealings with the United States rests in the gambles—wild gambles, it turns out—that it took to escape the problems of underdevelopment that were very familiar to scholars of
a later generation. It is not enough to view these relations within a Cold War context, for Braden's crusade started while Stalin was still amicably regarded as "Uncle Joe" in U.S. newspapers. Bureaucratic approaches similarly break down, for even though conflagrations such as Hull-Welles, Messersmith-Braden, ECA-State Department seemed epic to the participants, they generally boiled down to procedural questions, not fundamental goals. Viewing these relations in isolation, without the larger contexts and implications, risks missing the true significance of the clash between Perón and the United States.

While this work has addressed these issues, the role of the British has been downplayed considerably. Although the British were clearly a factor in this contest, they were in actuality peripheral to the outcome of what was essentially, to use Gary Frank's words, a "struggle for hegemony" in Latin America that the British had neither the resources nor the inclination to fight in earnest. Great Britain's influence in the Western Hemisphere, as Reginald Leeper understood well when he appealed to Messersmith, was fading quickly. The British could still make a major impact, as they did when they declared sterling to be inconvertible, but the contest was between the Truman Administration and Perón, and both sides knew it. One is struck by how easily Perón conceded to U.S.
desires during the negotiations of the Eady-Miranda pact and first Andes Agreement. At the same time, peronistas had no qualms about directly challenging U.S. economic hegemony in their bilateral negotiations with Chile, Bolivia, Peru, and other hemispheric nations. That the United States opposed these accords was an open secret, but Perón rolled the dice nonetheless. The stakes were the "Inter-American System," and while the British (and the Soviets) might have periodically entered the game, it was one that the United States and Argentina had to play to the end after World War II.

In essence, Perón's post-war challenge may well have been the most serious homegrown one that the United States faced in Latin America prior to Fidel Castro's ascension. Even so, one need look no further than Castro and Ernesto "Che" Guevara de la Serna to see that Perón was no simple dictator or that peronismo was not a revolutionary ideology in some respects. As a young revolutionary in the late-1940s, Castro joined with Peronist delegations and agitators in Cuba under the banner of "anti-imperialism." Castro's early travels and agitations around the Caribbean were, in part, funded by peronista money. While Castro may have viewed peronismo as but one step along the way to "true revolution," throughout his career he supported Perón, despite the conductor's well-documented anti-communism. Indeed, once in power, Castro
invited the exiled Perón to Cuba, while Peronist revolutionaries trained with Guevara for the day they could return to Argentina. The early connection between Castro and Perón's agent provocateurs in the Caribbean is a telling commentary on Perón's foreign policy. Perón envisioned himself to be the leader of a broad coalition of revolutionary opponents of U.S. hegemony and the status quo, and was sufficiently credible to attract leftists such as Castro. In this context, it is possible to view Perón as an ideological stepping stone between the relatively simple nationalism of the Mexican Revolution, and the ideologically-charged next generation of Marxists such as Castro and Guevara, who emerged in the 1950s. U.S. policymakers understood the threat to their interests inherent in all of these movements, and acted predictably against each.

It is only by viewing Peronism in this fashion that the U.S.-Argentine clash of the late-1940s can be fully understood. The threat of the "Southern bloc" was the one that gave U.S. policymakers who dealt with Latin America "the worst case of cold shivers." Perón's state corporatism and anti-Yanqui "Third Position" in both foreign and domestic affairs were blows at the weakest links in the "Inter-American System," and dangerous alternatives to U.S. hegemony and liberal capitalism. The United States had not faced such a fundamental challenge
on so many different levels in Latin America before, and was in many ways unprepared for it initially. However, they quickly adapted to the ideological challenge that Peronist statism posed. Perón had set out to "pluck the eagle's feathers" in 1946 and had succeeded for a time, before finally conceding defeat in 1950.
ENDNOTES

1. Ray to Secretary of State, 5 January 1948, NA, DS, RG 59, 711.35/1548.


3. Rapoport and Spiguel, Estados Unidos y el peronismo.

4. Rapoport and Spiguel, Estados Unidos v peronismo; MacDonald, "The Cold War and Perón," 411-412.

5. Bowers to Miller, 15 August 1952, HST, PSF, Foreign Affairs, Chile, Box 172, HST; Rapoport and Spiguel, Estados Unidos v el peronismo, 119-124; Perón, Doctrina Universal and (as Descartes) Política y Estrategia; see also Magnet, Nuestros vecinos argentinos, 65-78.


7. Rapoport and Spiguel, Estados Unidos v peronismo. esp. 284-288; Rapoport, Política y diplomacia; Seipe, Llairo, and Gale, Perón y las relaciones con el Este.


9. Cafiero, Cinco años después, 320-335; Wynia, Argentina in the Post-War Period. 71-80.


11. For example, Miller, assessing gifts he had received, wrote that "None of these compare to the gift conferred upon me by your close friend J.D.Perón which consists of a .45 caliber automatic pistol. I have not yet taken the hint." 20 October 1950, Miller Papers, Assistant Secretary, Correspondence File, Box 1, Folder 2; Griffis to Truman, 1 March 1950, HST, PSF, Box 170, Foreign Affairs, Argentina, HST; Griffis to Miller, 11 April 1951, Miller Papers, Correspondence File, Box 2, Folder 2, HST; Fraser and Navarro, Eva Perón, 168-191; Bohlin, "United States-Latin American Relations and the Cold War," 74-77.

13. Cristian Buchrucker, Nacionalismo y peronismo. La Argentina en la crisis ideológica mundial (Buenos Aires, 1987) is the best example of a comprehensive attempt to "classify" Perón; see also José Enrique Miguens, Los neofascismos en la Argentina (Buenos Aires, 1983).


15. Frank, Struggle for Hegemony in South America.

SELECTED BIBLIOGRAPHY

Primary Sources

Manuscript Collections

Argentina

Archivo del Ministerio de Relaciones Exteriores y Culto, Buenos Aires
   Departamento Económica
   Departamento Política

Fundación Simón Rodríguez Archivo de Historia del Movimiento Obrero

United States of America

M.P.Catherwood Library, Cornell University, Ithaca, NY
   Records of the ILGWU
      David Dubinsky Papers
      Jacob Potofsky Papers
      Serafino Romualdi Papers

Clemson University Library, Clemson, SC
   James S. Byrnes Papers

University of Delaware Library, Newark, DE
   George S. Messersmith Papers

Lilly Library, Bloomington, IN
   Claude Bowers Papers
   Sumner Welles Papers

Archives for Urban and Labor History, Detroit, MI
   Records of the CIO
      Executive Board Minutes
      James Carey Papers

570
Harry S. Truman Library, Independence, MO
Dean G. Acheson Papers
  Assistant Secretary of State for Economic Affairs
  Office Files
  Current Economic Developments
Merwin Bohan Papers
John M. Cabot Papers (on microfilm)
William L. Clayton Papers
Stanton Griffis Papers
Edward G. Miller Papers
John W. Snyder Papers
Harry S. Truman Papers
  Naval Aide File
  President's Confidential File
  President's Official File
  President's Secretary File
Columbia Oral History Project
  Oral History Interview with Dean Acheson
  Oral History Interview with Merwin Bohan
  Oral History Interview with John Cabot
  Oral History Interview with Paul Daniels
  Oral History Interview with D.A. FitzGerald
  Oral History Interview with Thomas Mann
  Oral History Interview with Fletcher Warren

National Archives of the United States, Washington DC
Record Group 59, Department of State
  Decimal Files
  Records of the Assistant Secretary of State for Latin American Affairs (Edward G. Miller), 1949-1953
  Records of the Deputy Assistant Secretaries of State for Inter-American Affairs, 1945-1956
  Records of the Office of American Republics Affairs, its Predecessors, and its Successors
  Records of the Policy Planning Staff
Record Group 319
  Records of the Investigative Records Department
Record Group 353
  Records of the Interdepartmental and Intradepartmental Committees
  Records of the Argentina Committee
  Records of the State-War-Navy Coordinating Committee

571
Published Government Documents

Argentina


United States


Memoirs and Contemporary Accounts


Alexander, Robert J. The ABC Presidents: Conversations and Correspondence with Presidents of Argentina, Brazil, and Chile. Westport: Praeger, 1992.


Andrade, Victor. La revolución boliviana y los EE.UU. La Paz: Gisbest, 1979.


Secondary Sources—Books


Secondary Sources--Articles

Ashby, Joe C. "Labor and the Philosophy of the Argentine Revolution." Inter-American Economic Affairs V (Summer 1951): 71-96.


Godson, Roy. "The AFL Foreign Policymaking from the End of World War II to the Merger." Labor History 16 (1975), 325-337.


**Newspapers**

Argentina

La Nación
Periodico Seminal del C.G.T.
La Prensa
Primera Plana
El Trabajador de Carne

590
Bolivia

El Diario

Chile

La Hora
El Mercurio
La Nación
El Siglo
Zig-Zag

Peru

El Comercio

United States

India Rubber World
Journal of Commerce
New York Times
Review of the River Plate
Rubber Age
Time

Dissertations


591